

## Explanation and Interpretation

### Financial Signing Authority

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#### Overview

- The Board has granted authority to the Chief Executive Officer for approval of financial transactions not exceeding \$5 million subject to certain restrictions, namely the appointment of the external auditor, borrowing, banking, collective agreements, non audit services and real property.
- The Chief Executive Officer assigns financial signing authority to signing officers as required to balance the needs of operating efficiency and effective control.
- Financial signing authority is assigned based on a monetary value model as follows:
  - all signing officers are assigned authority up to a value limit known as signing authority level (“SAL”);
  - signing authority levels range from \$2,000 (level 1) to \$1,000,000 (level 6); and
  - levels are assigned according to need, not organizational position.
- Signing officers can approve commitments or expenditures within the context of the budgets or funding for which they are responsible.

#### Commitments

- Financial signing authority applies to the approval of financial transactions for both revenue and expenditure commitments excluding human resources.
- Most routine financial transactions require approval by one signing officer and include:
  - purchase requisitions;
  - contracts;
  - travel expense claims;
  - petty cash vouchers
- In most financial transactions, signing authority is required for approval of the document that best represents the point of decision to commit expenditures or resources, such as a purchase requisition or contract.

#### Payments

- Most vendor invoices do not require signing officer approval and are processed for payment based on the matching of the approved purchase requisition or contract, the receiving report and the vendor invoice. The approval process and the verification of the receiving report must be performed by separate individuals.
- Where a signing officer has approved a requisition or contract but there is no separate receiving document, the related vendor invoice will also serve as a receiving document. The

receiving document requires verification but does not require signing officer approval. For example:

- where a consultant is retained under an approved contract based on hours worked at a fixed rate, the consultant's invoice requires verification of the services received, i.e. hours worked; and
  - an invoice for a progress payment under an approved major construction contract would require verification of the value of the progress from an appropriately experienced individual, possibly qualified in quantity surveying.
- Travel and business expense claims and petty cash vouchers require signing officer approval. Certain travel and business expenses require approval by a minimum level of signing officer as indicated in the policy.

### Major Projects

- Where projects have been approved by the Board or the Chief Executive Officer, related financial transactions within the project budget, such as contracts or capital requisitions, may be approved by the relevant Executive Committee member or, in the absence of the member, an alternate.

### High Risk Financial Transactions

- High risk financial transactions are those transactions that involve risk factors other than those related to value, including:
  - limited segregation of duties, e.g. payment vouchers without a purchase order or contract (third party vendor invoices of value \$10,000 or less are exempted);
  - complex contractual or specialized issues, e.g. construction contracts; or
  - sensitive in nature e.g. overseas travel.
- Additional control processes required for high risk financial transactions are found in the subject matter policies. Examples are:
  - some travel expenses, such as travel outside of BC, require approval from a signing officer with a specified minimum level of signing authority;
  - payment vouchers (including purchase invoices) that do not have appropriate supporting documentation and are in excess of \$10,000 require a second review, a process known as *one-over-one approval*; and
  - some financial transactions, such as leases, require specialist review, a process known as *subject matter approval*.
- One-over-one approval requires approval by a second, organizationally more senior, signing officer in addition to approval by the primary functional signing officer.

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- Subject matter approval is provided by specialists within specified departments. Subject matter specialists are appointed by department heads.

### Sensitive Financial Transactions

- Signing officers are required to inform the Chief Financial Officer of financial transactions that are sensitive in nature, including those that might bring the activities of the PHSA under public scrutiny or involve controversial matters.

### High Value Transactions

- In general, financial transactions:
  - in excess of \$1 million and up to \$5 million require approval by the Chief Executive Officer;
  - in excess of \$5 million require approval by the Chair of the Board.
- The Chief Financial Officer, Controller or one of their alternates are required to review:
  - financial transactions in excess of \$500,000; and
  - certain payment vouchers in excess of \$250,000.
- The high value rules are summarized in appendix 1.

### Similar and Related Transactions

- Similar and related transactions that would normally be processed concurrently must not be split in order to avoid signing authority levels.

### Appointment of Signing Officers and Alternates

- Appointments and changes to signing officers are made based on the recommendation of an existing signing officer and subject to the approval of the finance department.
- The level of financial signing authority assigned depends on:
  - the experience and knowledge of signing officers; and
  - the values of transactions required to be authorized.
- Financial signing authority can be delegated by a signing officer for the purpose of absence coverage. The signing officer is responsible for the actions of an appointed alternate.

### Receiving Function

- The signing authority policy is not intended to apply to the receiving verification process. The receiving verification process should be performed by a suitably experienced individual

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who is knowledgeable about the goods or services received and independent from the approval process.

### Purchasing Function

- In general terms, the purchasing function is an intermediate process in a transaction where purchase contracts (including purchase orders) are a consequence of an approved commitment. Established purchasing policies and processes govern approval of purchase contracts and orders.

### Appendix 1 - Overview of High Value Transaction Rules

Policy	Transaction Value	Approval		Financial Review	
		Primary	When Absent	Primary	When Absent
Board and Chief Executive Officer	> \$5 million	Chair of the Board	Vice Chair	CFO	Controller or alternate
	> \$1 million <= \$5 million	CEO	Joint approval by an EC member and either EVP or CFO		
Administration	> \$500,000 <= \$1 million	Level 6	Alternate	CFO, Controller or alternate	N/A

#### Acronyms:

- CEO – Chief Executive Officer
- EVP – Executive Vice President
- CFO – Chief Financial Officer
- EC – Executive Committee of the PHSA

#### Notes:

- The CEO, EVP or CFO can approve program service contracts from the Ministry of Health Services without limit.
- The CFO, or alternate, can approve payments to regulatory bodies and payments in respect of payroll deductions without limit.
- Non-routine financial transactions in excess of \$1 million are required to be reported to the Board.