

Creating an **Invoice Approval Procedure** is essential for ensuring that invoices are reviewed, approved, and processed in a timely and accurate manner. Below is a draft procedure for Invoice Approval:

### **1. Initiation of Invoice:**

- Receipt of Invoice: Upon receipt of an invoice, the accounts payable department logs the invoice details, including invoice number, date, amount, vendor details, and description of goods/services.

### **2. Preliminary Review:**

- Invoice Verification: Verify the accuracy of the invoice details against purchase orders, contracts, or agreements. Ensure that the goods/services have been received or rendered as per the agreed terms.

- Budget Check: Ensure that the invoice amount is within the approved budget or allocation for the respective department or project.

### **3. Invoice Approval Workflow:**

- Approval Routing: Route the invoice to the appropriate department or individual for approval based on the type of expense, departmental budget, and organizational hierarchy.

- Approval Levels: Define the levels of approval required based on the invoice amount. For instance, invoices below a certain threshold may require departmental approval, while higher-value invoices may need approval from senior management or the finance department.

### **4. Approval Process:**

- Review and Verification: The designated approver reviews the invoice details, verifies the accuracy of the charges, and confirms that the goods/services have been received or rendered satisfactorily.

- Approval or Rejection: The approver either approves the invoice for payment or rejects it, providing reasons for rejection if necessary.

### **5. Documentation and Record-Keeping:**

- Approval Documentation: Maintain a record of all approved invoices, including approval dates, approver details, and any supporting documents or comments.

- Audit Trail: Ensure that there is a clear audit trail for each invoice, documenting the approval process and any changes or adjustments made.

### **6. Payment Processing:**

- Payment Scheduling: Once the invoice is approved, schedule the payment based on the agreed terms with the vendor (e.g., net 30 days).

- Payment Confirmation: Upon processing the payment, send a confirmation to the vendor and update the accounts payable records accordingly.

## **7. Dispute Resolution:**

- Invoice Disputes: In case of discrepancies or disputes related to the invoice, initiate a resolution process involving the vendor, relevant departments, and finance team to resolve the issue promptly.

## **8. Review and Continuous Improvement:**

- Process Review: Periodically review the Invoice Approval Procedure to identify areas for improvement, streamline the approval workflow, and enhance efficiency.

- Feedback Mechanism: Establish a feedback mechanism to gather input from stakeholders involved in the invoice approval process and implement improvements based on feedback.

## **9. Compliance and Governance:**

- Policy Adherence: Ensure that the Invoice Approval Procedure adheres to organizational policies, regulatory requirements, and industry standards.

- Internal Controls: Implement internal controls and checks to prevent fraud, errors, or unauthorized payments and ensure compliance with financial regulations.

## **10. Training and Awareness:**

- Training Programs: Conduct training sessions for staff involved in the invoice approval process to ensure they understand the procedure, their roles, and responsibilities.

- Awareness Campaigns: Raise awareness among employees about the importance of adhering to the Invoice Approval Procedure and maintaining the integrity of the process.

By implementing a structured Invoice Approval Procedure, organizations can ensure transparency, accuracy, and compliance in the invoice processing workflow, minimizing risks and optimizing financial management practices.