



# Treasury Procedure

Procedure Number

WCDHB-PF-0010

Version Nos:

5

## 1. Purpose

The purpose of this Procedure is to provide staff and Board members of the West Coast District Health Board (WCDHB) with a clear understanding of the WCDHB treasury objectives, policies and staff responsibilities

## 2. Application/Responsibilities

This Procedure is to be followed by all WCDHB staff members and Board members.

## 3. Definitions

For the purposes of this Procedure:

**Capital market activities** is taken to mean arranging committed facilities, sale and lease back transactions and bond issues.

**Money market activities** is taken to mean borrowing, investing and cash management.

**Speculative trading** is taken to mean any transaction entered into for any reason other than to meet an operating obligation or to hedge an operating obligation, but does not include risk free arbitrage.

## 4. Responsibilities

For the purposes of this Procedure:

the **Chief Executive Manager** is required to:

- oversee all aspects of this Procedure.

the **Chief Financial Manager** is required to have responsibility for:

- overall treasury management
- balance sheet management
- all capital market activities
- reviewing cash flow forecasts, and providing feedback (if necessary)
- providing treasury reports to the Board
- consolidating the annual budget

all **Staff and Board Members** are required to:

- ensure they abide by the requirements of this Procedure.

## 5. Resources Required

This Procedure requires no specific resources.

## 6. Process

### 1.00 Introduction

1.01 All internal and external banking arrangements are to be made through the Chief Financial Manager, who may delegate these activities to other Finance Department staff.

1.02 Capital market activities are the responsibility of the Chief Financial Manager, who may delegate these activities to other Finance Department staff.



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1.03 Money market activities are the responsibility of the Chief Financial Manager, who may delegate these activities to other Finance Department staff.

### **2.00 Borrowing**

2.01 The Chief Financial Manager will review WCDHB's borrowing requirements so as to find the most efficient means of financing for the WCDHB.

2.02 The Chief Financial Manager is to provide reports to the Board detailing performance against Financial Covenants and must notify the Board if total borrowing comes within 5% of any debt covenant as stated in any agreement. Any borrowing that breaches debt covenants is not permitted.

2.03 No loan agreements are to be entered into or drawings are to be made, without specific Board approval.

2.04 The WCDHB overdraft limit is not to be altered without specific Board approval.

### **3.00 Investments**

3.01 The Chief Financial Manager is responsible for the investment of surplus funds

3.02 Investments are to be made on the basis that although the best return is to be sought, greater emphasis is to be given to protecting the principal. Investment is only to be made in organisations with a credit rating of A- (Standard and Poor's) or A3 (Moody's) or better.

3.03 All investments should have adequate liquidity to enable efficient entry and exit.

3.04 Investments must not be for periods greater than ten percent longer than cashflow forecasts show would be prudent for adequate liquidity management.

3.05 Investments are limited to a maximum of \$7.5 million invested with any one organisation.

### **4.00 Hedging**

4.01 Interest rate hedging and Foreign Exchange rate hedging activities must comply with the WCDHB Interest Rate Protection Policy and Foreign Exchange Rate Protection Policy.

### **5.00 Trading, Settlement & Accounting**

5.01 Under no circumstances can the WCDHB engage in speculative trading.

5.02 Transaction, administration and accounting functions must remain segregated to prevent the possibility of unauthorised transactions and manipulation of records.

5.03 The Financial Accountant is responsible for all treasury accounting.

5.04 Treasury transactions are only recognised in the General Ledger upon certainty of settlement. Off balance sheet transactions are disclosed in the notes to the accounts in accordance with Financial Reporting Standards.



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- 5.05 The opening and closing of bank accounts and changes in bank signatories is the responsibility of the Chief Financial Manager, who may delegate these activities to other Finance Department staff.
- 5.06 Automatic payments and fund transfers are made using a trading bank's cash management system.
- 5.07 Two signatories are required to authorise all direct banking transactions.
- 5.08 All new and amended automatic payment transactions must be authorised by two signatories to the bank accounts.
- 5.09 Where payment by cheque is required there must be adequate supporting original documentation with approvals by the relevant authorised persons clearly shown.

### **6.00 Debtors**

- 6.01 Amounts owed by external parties to the WCDHB are to be invoiced through the WCDHB's debtor system from the date that a contractual debt is owed to the WCDHB.

### **7.00 Reporting**

- 7.01 The Chief Financial Manager will provide reports to the Chief Executive Officer, Executive Management Team and Board in order to ensure that they are fully informed of the treasury activities and treasury position of the WCDHB.
- 7.02 These reports are to be treated as confidential and filed in secure areas or shredded if no longer required.

### **8.00 Security, Filing & Storage Of Documents**

- 8.01 The Financial Accountant is to ensure confidential documents, including securities are always safely secured either in the WCDHB safe or with a bank.
- 8.02 Upon completion of the annual accounts audit, previous year's files are to be placed into storage.
- 8.03 Records are to be stored for the statutory period and then dispose of with according to the WCDHB Storage and Destruction of Records Procedure.

## **7. Precautions And Considerations**

- ➔ Investments are to be made on the basis that although the best return is to be sought, greater emphasis is to be given to protecting the principal.
- ➔ The Chief Financial Manager must notify the Board if total borrowing comes within 5% of any debt covenant as stated in any agreement.
- ➔ Under no circumstances can the WCDHB engage in speculative trading.

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### 8. References

Ministry of Health Operational Policy Framework

### 9. Related Documents

WCDHB Financial Procedures

WCDHB Storage and Destruction of Records Procedure

<b>Revision History</b>	<b>Version:</b>	5
	<b>Developed By:</b>	Chief Financial Manager
	<b>Authorised By:</b>	Board
	<b>Date Authorised:</b>	May 2000
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	<b>Date Of Next Review:</b>	August 2012