

FINANCIAL MANAGEMENT POLICY

1. INTRODUCTION

The Board's responsibilities in respect to financial and risk issues require that reasonable steps be taken to ensure that appropriate internal control systems are in place and that the integrity of these controls is maintained. Of prime importance in this respect are the policies which govern Banking Services, Investment Management, and Borrowing.

2. BANKING SERVICES

(1) Justification of Centralized Banking Function

The geographical scope of the Authority's operations, together with the volume and value of the transactions involved, make central management of the banking function essential in order to:

- Minimize the administrative costs
- Expedite the consolidations of funds and maximize potential interest earnings
- Efficiently manage disbursement and collection activities
- Facilitate integration with internal accounting and control systems
- Utilize electronic banking and e-commerce capabilities

(2) Selection of Primary Service Provider

The Authority will select its primary service provider by competitive bid, subject to the following conditions:

- (a) Requests for proposals will be issued to all Chartered Canadian Banks and the Central BC Credit Union
- (b) Proposals received will be evaluated by a review committee appointed by the Chief Financial Officer ("the CFO") using a formal scoring matrix designed to fairly weight key considerations of service capability, transaction fees, and other charges, etc.
- (c) The selected candidate will be recommended to the Audit and Finance Committee with a comprehensive rationale and an estimate of the final budget impact.
- (d) The Committee will, conditional on its endorsement, present the recommendation to the Board for approval
- (e) The Provincial Treasury will be kept informed of the process

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(3) Terms of Contract

- (a) The contract may be concluded for a period of up to five years provided only that the Authority retains the right to terminate the contract for non-performance
- (b) The contract will make clear that the arrangements for banking service do not require the Authority to limit its investment activities to the selected service provider

(4) Supplementary Service Providers

There may be situations where the primary service provider cannot provide essential services required in some smaller, individual communities. In such circumstances, the CFO may, with the approval of the Audit and Finance Committee, make supplementary arrangements with other banks or credit unions to provide the service required.

3. INVESTMENT MANAGEMENT

(1) Investment Needs

As a result of the differences between funding programs and the timing of actual capital and operating outlays, the Authority, on a continuing basis, will hold funds surplus to immediate requirements, some of which may be held indefinitely. There is need for a sound and well-disciplined program for the investment of these funds which supports the goals and objectives of Interior Health.

(2) Overall Investment Philosophy

Prudent fiscal management demands that the Authority endeavour to maximize the net returns on all investments. This objective must be achieved, however, along with the parallel goals of preservation of capital and the maintenance of necessary liquidity.

(3) Legal Constraints

The Health Authority may only make investments in those securities in which trustees, as defined in the *Trustee Act*, are authorized by law to invest.

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(4) Structure of Investments

Interior Health will invest surplus funds with Her Majesty the Queen in Right of the Province of British Columbia, represented by the Minister of Finance, through an offset banking agreement that states that annual rate of interest applicable to the daily closing balances will be the prime lending rate of the principal banker to the Province less a percentage determined between the Province and the Health Authorities.

The prime objective will be (a) the highest returns available consistent with security of capital and (b) a level of price stability which provides the necessary degree of liquidity without loss.

4. BORROWING

- (1) Under normal circumstances, the Authority should not require borrowed funds and will not become involved with borrowing
- (2) Should it become necessary to borrow, raise or secure the payment of monies, this will not be done except when authorized by a Board Resolution and with the prior approval of the Minister