

## Financial Accounting Policy

### Policy Responsibilities and Authorisation

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## Financial Accounting Policy

### Policy Review History

Version	Updated by	Date Updated	Summary of Changes
7	Rowan Cramond	10 March 2017	<ul style="list-style-type: none"> <li>New policy format</li> </ul>

## Financial Accounting Policy

### Contents

1.	Introduction .....	4
1.1	Purpose.....	4
1.2	Scope.....	4
2.	Policy Statements .....	4
3.	Policy Processes - Waikato DHB Accounting Requirements .....	4
3.1	Measurement Base.....	4
3.2	Leases .....	4
3.3	Investments.....	4
3.4	Goods and Services Tax .....	5
3.5	Employee Benefits.....	5
3.6	Taxation .....	5
3.7	Basis of Consolidation .....	5
3.8	Foreign Currency Translations .....	5
3.9	General Ledger Reconciliations .....	6
3.10	Accounts Receivable .....	6
3.11	Accounts Payable .....	6
3.12	Inventories .....	6
3.13	Fixed Assets .....	6
3.14	Depreciation of Assets.....	6
4.	Audit.....	6
4.1	Success Indicators.....	6
5.	Legislative Requirements .....	7
5.1	Legislation.....	7
6.	Associated Documents .....	7
6.1	Associated Waikato DHB Documents .....	7

## Financial Accounting Policy

### 1. Introduction

#### 1.1 Purpose

The purpose of this policy is to ensure Waikato District Health Board (Waikato DHB) complies with generally accepted accounting practice as required by the Financial Reporting Act 2013 and Crown accounting policies to fairly reflect the financial performance and position of the organisation.

In determining Generally Accepted Accounting Practice (GAAP), reference will be made to the Financial Reporting Standards and Accounting Standards specified by the New Zealand External Reporting Board (XRB).

#### 1.2 Scope

This policy specifies Waikato DHB's requirements for financial accounting.

### 2. Policy Statements

The Waikato DHB Financial Accounting Policy is that the financial records of Waikato DHB must comply with legislative requirements.

### 3. Policy Processes - Waikato DHB Accounting Requirements

#### 3.1 Measurement Base

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments (foreign exchange and interest rate swap contracts), financial instruments classified as available-for-sale, land and buildings and investment property.

#### 3.2 Leases

Leases of Fixed Assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the organisation, will be classified as finance leases.

Leased assets and corresponding liabilities of assets acquired by way of a finance lease will be disclosed and leased assets will be depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, will be charged as expenses in the period in which they are incurred.

#### 3.3 Investments

Investments in subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in joint ventures are included in the consolidated financial statements using the equity method.

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## Financial Accounting Policy

Investments in associates are included in the consolidated financial statements using the equity method.

### 3.4 Goods and Services Tax

The financial statements will be prepared exclusive of Goods and Services Tax (GST) with the exception of Receivables and Payables which will be stated with GST included.

Where GST is irrecoverable as input tax, it will be recognised as part of the related asset or expense.

### 3.5 Employee Benefits

Provision will be made in respect of the Group's (Waikato DHB and its Associated Entities) liability for Annual Leave, Long Service Leave, Sabbatical Leave, Leave, Sick Leave, Medical Education Leave and Expenses, and Retirement Gratuities.

Long Service Leave, Sick Leave and Gratuities will be calculated on an actuarial basis whilst the other provisions will be calculated on an actual entitlement basis at current rates of pay.

### 3.6 Taxation

The financial statements will be prepared exclusive of Goods and Services Tax (GST) with the exception of Receivables and Payables which will be stated with GST included.

Where GST is irrecoverable as input tax, it will be recognised as part of the related asset or expense.

### 3.7 Basis of Consolidation

The consolidated financial statements will include the parent DHB and its subsidiaries.

Unless otherwise required under relevant accounting standards, for subsidiaries the corresponding assets, liabilities, revenues and expenses will be added together on a line by line basis. All significant inter-company transactions will be eliminated on consolidation.

The interest in joint ventures and associate entities will be reflected in the consolidated financial statements on an equity accounting basis, which shows the share surplus/deficits in the consolidated statement of financial performance and the share of post-acquisition increases/decreases in net assets in the consolidated statement of financial position.

### 3.8 Foreign Currency Translations

Transactions denominated in foreign currencies (other than forward contracts) will be translated at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date.

At balance date foreign exchange differences arising on translation are recognised in the statement of financial performance.

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Document Owner:	Rowan Cramond			Department:	Finance		
IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 5 of 7

## Financial Accounting Policy

### 3.9 General Ledger Reconciliations

All general ledger balance sheet accounts will be reconciled on a monthly basis and reviewed by a nominated Finance Manager as specified by the Director Finance Operations.

### 3.10 Accounts Receivable

Waikato DHB will maintain an up-to-date debtors system accurately recording invoices, receipts and debtor balances.

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost less impairment losses.

### 3.11 Accounts Payable

Waikato DHB will maintain an up-to-date creditors system accurately recording all invoices, payments and creditor balances.

### 3.12 Inventories

Inventories held for distribution or consumption in the provision of services are measured at cost and adjusted where applicable for any loss of service potential.

### 3.13 Fixed Assets

Land and buildings of the parent entity will be re-valued every three years to their fair value, as determined by an independent registered valuer. Properties intended for sale within a year, will be recorded at fair value.

All other fixed assets will be recorded at historical cost less accumulated depreciation. Historical cost includes all appropriate costs at acquisition and installation, including materials, labour, direct overheads, financing and transport costs.

### 3.14 Depreciation of Assets

Depreciation and amortisation will be provided on a straight-line basis, on all fixed assets, other than freehold and leasehold land, at rates which will write off the costs of the assets less their estimated residual values over their useful lives. Work in progress will not be depreciated.

## 4. Audit

### 4.1 Success Indicators

Waikato DHB receives an unqualified audit report from its External Auditor on the Financial Statements included in the Annual Report of Waikato DHB.

The Board and Chief Executive are satisfied that the financial information they have received is materially accurate and timely and is presented in a meaningful way.

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## Financial Accounting Policy

### 5. Legislative Requirements

#### 5.1 Legislation

- Financial Reporting Act 2013
- New Zealand Public Health and Disability Act 2000
- Public Finance Act 2004
- Public Audit Act 2001
- State Sector Act 1988
- Income Tax Act 2007
- Goods and Services Tax Act 1985
- Crown Entities Act 2004
- Employment Relations Act 2000
- Treaty of Waitangi Act 1975

### 6. Associated Documents

#### 6.1 Associated Waikato DHB Documents

- Waikato DHB Treasury Management Policy (0042)
- Waikato DHB Capital Expenditure Policy (0034)
- Waikato DHB Delegations of Authority Policy (2175)

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IF THIS DOCUMENT IS PRINTED, IT IS VALID ONLY FOR THE DAY OF PRINTING							Page 7 of 7