**Relationship Between the Treasury Function and the Operational Function**

**Of**

**Palli Karma-Sahayak Foundation (PKSF)**

The general mission of the treasury department is to manage the liquidity of the foundation. This means all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund foundation operations, as well as to ensure that excess cash is properly invested.

To meet the goals Treasury department undertakes a range of complex and skilled tasks; liaises with internal and external stakeholders and plays a key role in the smooth functioning and value creation of the organization.

The relationship between Treasury function and Operational function of the foundation can be broken down in following interlinked categories.

1. **Financial planning**

Financial Planning is an integral part of treasury management for proper cash flow management, risk appraisal, tax planning and investment appraisal that ensure sound financial and risk management and smooth operation of the organization.

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| Key activities | Key benefits |
| Cash flow forecasting    | Sound financial management |
| Risk forecasting | Risks are identified early and mitigated |
| Investment appraisal | Resources are directed to the best opportunities |
| Tax planning | Clear and quantifiable approach to the future |
| Pensions planning | Tested contingencies in the event of exceptions |
| Co-operate with Board on strategic development | Operational risk management |
| Choose and operate Treasury systems | Transaction costs minimized |
| Negotiate, analyze and manage the fee’s and margins of service providers | Smooth operations |

1. **Cash and Liquidity Management**

Combining information in the cash forecast and working capital management activities, Treasury staff is able to ensure that sufficient cash is available for operational needs.

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| Key activities | Key benefits |
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| Work with the operation department to optimize commercial cash flows | Optimize interest expense |
| Work with the business to optimize working capital       | Optimize tax expense |
| Minimize idle cash through netting and cash concentration | Avoid future liquidity problems |
| Confirmation and reconciliation of receipts | Create ‘cash is king’ culture |
| Timely disbursement of payments | Smooth operations and supplier relationships |

1. **Financial Risk Management**

Treasury staffs thorough different hedging strategies and sound management implement risk mitigation strategy of the foundation

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| Key activities | Key benefits |
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| Interest Rate risk management | Minimize external hedging requirement |
| FX risk management | Minimize impact of external risk on P&L and Balance Sheet |
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| Counterparty risk management               | Access to capital at the right time, price and conditions |
| Credit risk management | Improve asset quality |
| Liquidity risk management   | Create ‘risk aware’ culture |
| Pension risk management | Certainty facilitates better decisions |
| Work with the business to de-risk contracts and avoid bad debts | Scenario planning and stress testing avoid surprises |

1. **Investment Management**

When the forecast shows some excess funds, the treasury staffs are responsible for the proper investment of it. Three primary [goals](http://accounting-financial-tax.com/tag/goals/) of the role are: (a) maximum return on investment; (b) matching the maturity dates of investments with a company’s projected cash needs; and most importantly is (c) not putting funds at risk.

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| Key activities | Key benefits |
| Optimization of capital structure | Optimization of Weighted Average Cost of Capital  (WACC) |
| Manage short, medium and long-term investments | Maximize yield on assets |
| Ensure adequate liquidity to support the business | Minimize interest expense |
| Ensure adequate liquidity  to meet obligations as they fall due | Access to capital at the right time, price and conditions |
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| Diversify capital sources, partners and maturities           | Ensure good credit ratings |
| Portfolio management of debt, derivatives and investments | Ensure limits accurately reflected the borrowing requirement (thus minimizing commitment fees) |
| Ensure contractual terms and covenants do not constrain the business  | Ensure hedging matches the funding profile  |

1. **Corporate Governance**

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| Key activities | Key benefits |
| Ensure accurate valuation of financial instruments | Ensure the financial profile represents and true and fair  view |
| Ensure accurate accounting of Treasury transactions | Adequate internal controls |
| Implement and manage treasury policies and procedures | Demonstrate preparedness |
| Provision of covenant tests and information to investors | Reputational risk management |
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1. **Stakeholder Relations**

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| Key activities | Key benefits |
| Provide performance and risk analytics to Board | Access to capital at the right time, price and conditions |
| Manage relationship with banks and other investors | Relationship benefit from proactive communication |
| Manage relationship with credit rating agencies | Reputational risk management |
| Co-operate with Board and Investor Relations on shareholder matters | Valuable knowledge and contacts from deep involvement with financial markets |
| Ensure the Treasury function is understood and valued within the business | Tangible financial results in the form of cost savings, efficiency gains, yield enhancement and protecting profitability |