Global
Corporate
Governance
Forum

1818 H Street NW
Washington, DC 20433 USA

Telephone:
+1 (202) 458-1857
Facsimile:
+1 (202) 522-7588

Internet:
www.gcgf.org
Email:
cgsecretariat@worldbank.org

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MODULE 5 MONITORING

BUILDING DIRECTOR TRAINING ORGANIZATIONS

TOOLKIT 1

Building
Director Training
Organizations

Global
Corporate
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Forum

MODULE 5

Monitoring

TOOLKIT 1

Building Director Training Organizations

Project Officer
Marie-Laurence Guy, Global Corporate Governance Forum

Consultants
Chris Pierce, Institute of Directors, UK
Kerrie Waring, Institute of Directors, UK

Editors
Marty Gottron, Stockbridge, Massachusetts
Nancy Morrison, Falls Church, Virginia

Graphic design
Studio Grafik, Herndon, Virginia

Printing
Upstate Litho, Rochester, New York

T O O L K I T 1

Building Director Training Organizations

Global Corporate Governance Forum

M O D U L E 5

Monitoring

Monitoring

To ensure its sustainability and remain targeted on its mission, a director training organization needs to have a number of monitoring procedures in place. To be successful in the long run, the organization needs to be able to budget prudently and effectively, to evaluate operations adequately, to disclose its objectives, and to account for revenues and expenditures.

WHAT YOU WILL FIND IN THIS MODULE

This module provides an overview of budgeting principles and management accounting structures. It contains information on financial statements, risk, internal control procedures, and performance measures. Specifically, this module will help with the following:

- Drawing up a budget
- Putting together the key financial statements that need to be in the annual report
- Using indicators to assess and monitor the performance of the organization
- Setting internal controls to ensure that the organization is run in accordance with legal requirements and the organization's own code of ethics

BUDGETING AND FINANCIAL PLANNING

To meet its goals and fulfill its mission, an organization that trains directors needs to engage in strategic financial planning through budgeting procedures. In contrast to financial statements, which measure effective performance (and which are discussed below), budget planning is a forward-looking exercise, which enables the chief executive and the senior management team to prepare a program that meets the financial needs and objectives of the organization.

Planning an initial budget

If an organization is just getting started, the initial budget will be an important feature of the business plan and essential to finding financial partners. Because the costs of starting up an organization are likely to outstrip the revenues a new organization can generate, the initial budget shows how the organization plans to cover the shortfall, cover start up costs, and repay any loans.

Most budgets are based on past performance. But because it has little or no past performance on which to build, a start-up organization typically uses what is called a zero-base budget approach. In this approach each line item in the budget must be based on specific assumptions about the organization's income and expenses. A zero-base budget requires that the business operations be

GLOSSARY

TERMS COMMONLY USED IN BUDGETING

ASSET	Anything having commercial or exchange value that is owned by the organization.
BUDGET	Estimate of revenues and expenditures for a special period.
CAPITAL EXPENDITURE	Outlay of money to acquire or improve assets such as buildings and facilities.
CURRENT ASSETS	Assets that can be converted into cash, consumed, or sold within the normal business cycle.
CURRENT LIABILITIES	Debt or other obligations owed by the organization that fall due within the year or normal business cycle.
DIRECT COSTS	Costs to the organization that are directly associated with the development and delivery or sale of specific products or services.
INDIRECT COSTS	Costs to the organization that are not directly associated with the development and delivery or sale of specific products or services, such as overhead.
LIQUIDITY	Ability to convert assets to cash quickly.
MARGIN	Difference between the price received by the organization for its product and services and the cost of developing and delivering them.
PAYBACK METHOD	A technique for evaluating the financial viability of a project.
SOLVENCY	State of being able to meet all maturing obligations as they come due.

carefully considered so that as many items as possible are foreseen and included. As a first step, the expected costs and the expected income of the organization are identified. A distinction is also made between costs that are fixed, such as office rental, and variable costs, such as catering needs of a training course. Care is needed so that the assumptions used on the income side match those used to predict expenditures.

A zero-base budget should be neither too pessimistic nor too optimistic. To help determine budget line items as well as the level of costs and revenues to expect, the organization or its founding committee can base its assumptions on the market analysis it may have conducted or seek advice from other organizations. (*An example of a zero-base budget can be found in annex 1.*)

THINKING POINT
What are the key budget line items that belong in your budget?

Although most mature organizations base their budgets on past performance, a well-established organization may also decide to return to a zero-base budget approach if its circumstances have changed so much that measures of past performance are no longer reliable budgeting tools. An established organization may also want to use zero-base budgeting for any new programs or activities it is considering undertaking.

Budgeting on an ongoing basis

On an ongoing basis, the finance department or an experienced accountant is typically responsible for providing overall guidance on the budgeting process and integrating and interpreting the budgets for all departments, especially as they interrelate.

At least once a year but preferably on a quarterly basis, the finance department or the organization's accountant collects the information needed from individual departments or project managers to prepare the overall budget. For example, the publications department provides forecasts of the volumes of publications to be sold multiplied by standard (or estimated) prices as well as the forecast of the cost to produce them. The membership department provides a budget forecasting membership recruitment and retention levels, along with the membership fees to be accrued.

The ongoing budgeting process may be based either on past results or on performance goals:

- The *historical approach* bases the budget projections on previously achieved costs and revenues, or what is known to have happened in the past. The advantage of this approach is that it uses empirical data to determine what budgeted costs and revenues can be achieved. The obvious drawbacks are that bad and inefficient practices are perpetuated and that changes in the external environment may not be taken into account. For example, recently adopted regulations affecting board practices might raise the demand for training during the next budget cycle, but if the organization has budgeted its training cost and revenues based on last year's results, it might be unable to meet the challenges of increased demand.

- The *performance approach* bases the budget projections on realistic levels of expected performance. These projections may allow for a certain level of variation in operations or market fluctuation but may not take into account lessons learned from the past. One of the drawbacks of this approach is the risk that projections in fact may not be realistic. For example, an organization that has just been asked to conduct several board induction training sessions might factor that anticipated income into its revenue projections—without considering that it has only been able to conduct three training sessions over the last two years because of a lack of trainers. A continuing lack of qualified trainers might make it impossible for the organization to deliver the induction training, thus forcing it to forgo the anticipated income—and incurring a possible loss in reputation.

Once the appropriate information is gathered from the organization's various departments or managers, the chief executive officer, the finance department, and other senior managers together assess and discuss the overall draft budgets. The chief executive officer is responsible for mediating any conflicts that might arise among various departments or managers over priorities and available funds. Once any necessary adjustments are made, the budget is submitted to the organization's board for review and approval.

Goals and benefits of the budgeting process

The benefits of the budgeting process go well beyond financial considerations. The process helps the organization clarify its goals and priorities and is essential to keeping the organization on target to achieving its mission. Planning for a budget is a time to take stock of the organization's strength and weaknesses and to think about new projects, discuss the business strategy of the organization, improve communication between departments, and associate all staff members in a team-building exercise.

The process of drawing up a new budget provides staff members with the opportunity to express their needs and concerns but also to better understand the organization's financial constraints. If budgets are simply imposed rather than discussed and negotiated, many benefits will be lost. The budgeting process is an opportunity to:

- Agree on what is realistic given the constraints
- Clarify the important issues facing the organization
- Assess the sensitivity of the budget to changes in the underlying assumptions (such as a failure to sell the expected number of publications or to attract the expected numbers of new members)
- Assess and understand the financial mechanics of the organization

The budgeting process generates ownership and commitment. Once agreed, budgets become the standard of future performance. The budget reflects what all parties agree should be delivered and defines how their contributions support the activities of the organization as a whole. To enhance motivation, the level of responsibility must be matched to the level of authority. Staff should be held responsible only for figures they control and influence.

New managers or staff members can be provided with a guide on budget procedures to ensure that their understanding of the organization's budgetary process is correct. A budget procedures guide may also be distributed to board members as they may not always be aware of the detailed budgeting practices actually employed at the grassroots of the organization. Formalizing the budgetary process in writing can also expose some of the difficult trade-offs that can be confusing to junior managers. Examples of key trade-offs are:

- Professionalism versus commercialism
- Risk versus reward (selling and purchasing strategies)
- Investment versus liquidity
- Short-term versus medium-term financial performance
- Autonomy versus cooperation

The regular comparison of actual performance with budget projections throughout the year provides a good basis for monitoring the organization's results against expectations and enables management to make necessary adjustments in a timely manner. The budgets might usefully be split quarterly or preferably monthly to enable the management team to assess financial performance on a regular basis and address any shortfall.

Young director training organizations may not have the resources to engage the services of full-time accountant and will often start by drawing up their budgets on an annual basis. (*For an example of an annual budget for a director training organization, see annex 2.*)

Project appraisal

Each project the organization initiates must be incorporated into the overall budget. But each project should also be appraised on its financial viability. Is the project likely to break even, make money, or lose money? A break-even analysis shows the level of sales required to generate sufficient gross profit to cover the organization's overhead. It is a means for measuring the potential sustainability or the revenue-generating potential of an activity. In deciding whether to pursue the project, the organization needs to take into account the importance of that project in fulfilling its overall goals and mission. For example, a training program might lose money initially but be pursued because it is essential to the organization's mission. Activities that are expected to generate revenue to help sustain core activities must be similarly appraised. But such projects may be dropped if the appraisal indicates they will not be profitable.

A technique commonly used to evaluate a project is known as the payback method. Payback compares the cash outflows needed to get a project up and running with the net cash inflows that will be earned if the project is successfully implemented. Since risk and uncertainty increase as the time horizon stretches, payback is an excellent measurement tool. The board of directors should clearly define the parameters of an acceptable payback period.

HOW THE PAYBACK TECHNIQUE WORKS

Suppose that your organization is considering purchasing a meeting room for 20,000 and the net cash inflow that the room would generate is 10,000. The payback would be calculated as follows:

Year 0	**Investment**	**20,000**
Year 1	**Net cash inflow**	**10,000**
	Project exposure	**-10,000**
Year 2	**Net cash inflow**	**10,000**
	Project exposure	**0**
Year 3	**Net cash inflow**	**10,000**
	Project exposure	**10,000**

In this case the payback period is two years.

THINKING POINT

What are some of the risks your organization might encounter? What remedial actions could you take?

RISK AND INTERNAL CONTROLS

Internal controls are the mechanisms set up to ensure that the organization is managed honestly and that problems and risks are correctly identified and dealt with in a timely manner. A board committee specifically charged with this function is the audit and risk committee.

Key features of internal control systems are:

- A clear organizational structure for monitoring the conduct and operation of the business with defined reporting lines, levels of responsibility, and delegation of authority.
- Communication of ethical values and controls awareness, through written codes of ethics, codes of conduct, formal standards of discipline, and employee performance appraisal.
- A system for reviewing and monitoring the key areas of risk.
- Regular review of management accounts by the board of directors.
- Regular meetings of the audit and risk committee, to review the organization's risk register and to meet with the external auditors regarding the scope of the audits and the contents of the auditors' reports to management.

For information on structuring a director training organization, audit and risk committees, and ethics codes, see MODULE 2: STRUCTURING.

A process should be established for continuously identifying, evaluating, and managing risks faced by the organization. Key elements of this process include:

- The maintenance of a risk register, which identifies key risks
- Assessing the probability of risks occurring
- Assessing the associated potential impact
- Deciding on the appropriate action to be taken

The register should be regularly maintained and reviewed by the audit and risk committee. Potential risks can be divided into several categories: strategic, financial, operational, and hazards. The table on potential risks on p. 8 shows some of the specific risks that fall under each of these categories.

POTENTIAL RISKS FACING DIRECTOR TRAINING ORGANIZATIONS

CATEGORY	SPECIFIC RISK
STRATEGIC	• Market recruitment and retention • Delivery and training • Economic conditions • Political environment
FINANCIAL	• Cash flow shortage • Exchange risk • Bad debts
OPERATIONS	• Membership recruitment and retention • Delivery of training • Technology failure
HAZARDS	• Natural disasters • Terrorism • Loss of reputation • Crime and corruption

Once the audit and risk committee has identified the risks facing the organization, criteria can be developed for dealing with the risk based on its nature and potential impact. The severity of the risk can be divided into four levels, ranging from risks having little effect on the organization's operations to those that could jeopardize the continuation of the organization. The table below details the likely outcome at each of the four levels of risk. The audit and risk committee and the chief executive officer need to monitor these risks regularly so that they can develop appropriate and timely solutions.

A director training organization may take years to develop its membership, reputation, and brand name. It is of paramount importance that an effective risk management strategy is in place to safeguard its growth and sustainability.

LEVELS OF RISK AND LIKELY OUTCOMES

LEVEL	IMPACT	OUTCOME
1	Little	The organization would suffer little harm in terms of cash or surplus.
2	Painful	The organization would survive but in a weakened and vulnerable condition.
3	Potentially terminal	The organization would be severely weakened, with ultimate recovery in doubt. The board of directors would begin to lose control.
4	Collapse	The organization would collapse due to high exposure to risky projects. The board of directors would look into shutting down the organization.

PERFORMANCE MEASUREMENT AND SUSTAINABILITY

The key measure of the performance of a director training organization is its financial condition. An organization that has been earning more on operational activities than they cost to deliver and using its resources efficiently might still suffer embarrassment if it is short on cash and cannot immediately pay for some of its inputs such as salaries and electricity bills or cover obligations such as debt.

THINKING POINT

What are the financial and nonfinancial performance measures used by your organization?

The traditional measure of liquidity is the ratio of current assets to current liabilities. This is the simplest and crudest measure of liquidity. If current assets exceed current liabilities, then the organization is considered solvent and can build reserves. If current liabilities exceed current assets, the organization may be experiencing a cash shortage and further funding through grants, sponsorships, or loans will most likely be needed.

An organization that trains directors should strive to build a reasonable level of cash reserves to weather any economic downturn, fund any required capital expenditures (such as setting up new offices), develop new training and certification programs, and expand the services it offers. An operating surplus should be planned and budgeted for each year. In particular, as the organization grows, it will require additional reserves to preserve the strength of its balance sheet. (*An example of an operating surplus statement by activity is provided in annex 3.*)

Performance indicators are used to monitor and control the profitability and sustainability of an organization and its activities. Any trends indicating increasing or falling profitability will quickly show up in operating revenues or operating costs.

Operating revenues

Changes in the level of revenues can provide an early warning of any peaks or troughs in the activities of a director training organization. When reviewing the revenue derived from income-generating activities, the following questions should be asked.

- Which categories of activities are performing well?
- Which categories of activities are performing poorly?
- How are the priority products and services (those with the best margins and the best payment terms) performing?

- What has each revenue-generating employee or team achieved?
- What are the conversion rates (the ratio, for example, of the number of directors inquiring about training courses to the number actually taking the courses) and are they changing?
- What are the reasons for these changes (has the marketing budget been cut, for example)?

Management typically reviews on a weekly basis the number of inquiries about activities and services, the number of activities and services ordered, and the number actually sold. This information can be communicated to board members on a monthly basis and reviewed at board meetings.

Operating costs

An organization must also monitor its costs, adjusting them where necessary to maintain a balanced budget. Costs are categorized into direct and indirect costs. Direct costs are those that relate directly to production of a good or service, while indirect costs do not. Examples of direct costs for an organization that trains directors include paper for publications, food and drink for conferences and events, and tutor fees for training programs. Examples of indirect costs are office rental, staff salaries, travel expenses, fees paid for accounting and other professional services, and marketing costs.

The level of costs, and any marked changes in them, need to be continually monitored and questioned. Can indirect costs be reduced? Are travel expenses excessive? Are salaries reasonable? Some of these costs will be much more difficult to control than others, but all should be monitored.

Some other common performance indicators that director training organizations might use include:

- *Training* (number of training courses held, course evaluations from participants, number of customized training programs developed, net surplus or loss from training).
- *Membership* (number of new members, number of member resignations, net membership growth).

EXAMPLES

SELECTED PERFORMANCE INDICATORS

COLOMBIA

Some of the indicators Confecámaras, in Colombia, uses to measure impact, health, and outreach as part of overall performance include:

- Number of people trained in training programs
- Scope of media coverage
- Number of visits to its website
- Number of new corporate governance regulations that Confecámaras has been associated with
- International recognition
- Financial and nonfinancial support received
- Meeting international quality standards

RUSSIA

Some of the indicators used by the Independent Directors Association in Russia to measure success include:

- Number of members
- Level of income from fund raising
- Level of income from revenue-generating activities
- Number of affiliations with partners
- Number of events held and participants attending
- Regularity of the publishing of the newsletter
- Regularity of updating the website
- Frequency of being quoted in the media

MANAGEMENT ACCOUNTS AND FINANCIAL STATEMENTS

It is incumbent upon an organization that trains directors to keep proper accounting records and provide full and timely disclosure to its financial partners, members, and other stakeholders on a regular basis and in accordance with highest international standards and regulations. All transactions should be documented. The documentation may be required by the organization's external auditors, tax authorities, financial partners, and others.

The organization should be able to produce and disclose sound and accurate financial information. Such information is used to:

- Measure the financial position of the organization and the performance of its operations.

- Compare performance from year to year or activity to activity and shed light on the reasons for successes and failures.
- Help management manage the organization.
- Enable potential donors, partners, or benefactors to evaluate the organization and make decisions about its viability.
- Help members and stakeholders or interested parties monitor the organization's activities and performance.
- Help the organization be accountable to its financial partners, members, and current donors.

To disclose financial information and monitor results, an organization typically uses two broad types of accounting assessments. Management accounts are primarily used within the organization and may be required by the board and financial partners. Financial statements are aimed at outside users and figure in the annual report.

Management accounts

Management accounts reflect the use of the organization's funds and enable the chief executive and senior managers to plan and control operations and develop long- and short-term goals. These accounts are basically decisionmaking tools. Management accounts include budgeting, planning for income, and cost controls.

The management accounts compare actual results with the forecasted budget projections. They are presented in a format that is easy for nonexperts to understand, but are detailed enough to give an accurate picture of all major financial developments. These accounts should provide the impetus to search for effective corrective action if and when significant variances appear between the forecast and the actual situation.

In contrast to financial statements, there is no legal requirement to prepare management accounts. The board of directors and executive management stipulate what information they require, when it should be made available, and in what form it should be presented. Management accounts are typically prepared by the organization's accountant or finance department and are issued at quarterly or preferably monthly intervals. Some items, such as fixed costs, need to be reviewed only once a year, as part of the annual budgeting cycle. Many organizations consequently use exception reporting to limit the monthly or quarterly reporting to results that are above or below budget projections by, for example, 5 percent or more. To make important trends easy to spot, more sophisticated management accounts include “red light” systems to signal potential drawbacks or opportunities.

Financial statements

Like other commercial entities and business organizations, organizations that train directors are typically required to prepare three financial statements each year: a balance sheet, an income statement, and a cash-flow statement. The three financial statements are typically prepared by the finance department or accountant, reviewed by the chief executive officer, audited by an independent external auditor, disclosed to the board of directors, and published in an annual report. The annual report also contains an overview of the organization’s financial condition (see below).

Four major accounting concepts are fundamental in the preparation and interpretation of the three financial statements and may guide the board as well as members and financial partners in understanding the performance of the organization:

- The *going concern concept*. This principle assumes that there is no intention or necessity to liquidate the organization. If liquidation is looming, a special report called a statement of financial affairs is usually required This statement of affairs shows the amounts that are expected to be realized from disposing of the assets and the claims on the proceeds of the providers of funds.
- The *accruals or matching concept*. This principle calls for recognizing sales, costs, and profits as they are earned or incurred rather than when they are received or paid.
- The *consistency concept*. This principle requires consistent treatment of like items within each accounting period and from one accounting period to the next.
- The *prudence concept.* Under this concept revenues and profits cannot be anticipated. They should be recognized by inclusion in the profit and loss account only when they are realized—in the form of cash or when there is reasonable certainty that the debt can be collected.

The financial statements should be accompanied by a written commentary or financial notes, prepared by the financial department or accountant. This should explain the figures and any important changes since the previous period, including the reasons behind them. For example, revenues might be low because a particular course has been delayed or cancelled. These financial notes should be reviewed by the chief executive officer.

The balance sheet

The balance sheet is a "photograph" of the financial situation of the organization at a given point in time. The snapshot identifies what the organization owns (the assets) and how the assets are arrayed against liabilities and equity. The term "balance sheet" is a reflection of the fact that the net assets must exactly equal equity and the accumulated liabilities. The balance sheet is the listing of the items making up the two sides of the equation. This is achieved using the principles of double entry bookkeeping (recording each transaction as both a credit and a debit). (*A sample balance sheet for a director training organization is shown in annex 4.*)

ITEMS IN A TYPICAL BALANCE SHEET	
FIXED ASSETS	• Tangible fixed assets (such as real estate, equipment) • Intangible fixed assets (nonphysical resources such as copyrights that are presumed to represent an advantage to the organization in the marketplace) • Investments
CURRENT ASSETS	• Debt owed by individuals or organizations to the director training organization • Short-term investments • Short-term bank deposits • Cash in hand
CURRENT LIABILITIES	• Debt or other obligations that the organization owes that fall due within one year • Bank overdrafts
LONG-TERM LIABILITIES	• Amounts the organization owes that fall due after one year
RESERVES	• Accumulated surpluses

The income statement

The income statement is also known as a profit and loss statement. It is a summary of the revenues and expenses of the organization during an accounting period. The income statement is significantly different from the balance sheet in that it presents the operating results (profits or losses) for a specific period of time. The most important thing about the income statement is that it does not just report movements in cash. It compares the revenues for the period with the costs that relate to the period, whether paid for or not.

ITEMS IN A TYPICAL INCOME STATEMENT

INCOME	EXPENDITURES
Membership subscriptions	**Cost of training activities, publications, events and services**
Revenue from training activities, events, services, and publications	**Indirect costs and overhead (administration, rent, purchases for running activities, insurance, marketing)**
Sponsorships **Grants**	**The amount necessary to meet tax bills and other fees.**

When calculating expenses, only costs applicable to the reporting period are included; all others are excluded. For example, the portion of an insurance premium that applies to the following year is not included. Expenses that have not been billed to the organization by the end of the financial period, such as bills for electricity and telephone, should also be excluded from the income statement until they are actually accrued. (*A sample income statement for a director training organization is shown in annex 5.*)

The cash-flow statement

The cash-flow statement describes the cash inflows and outflows over a period of time. Day-to-day control of cash typically rests in the finance department or with the organization's accountant, which typically prepares a forecast of inflows and outflows on a week-by-week basis at least six months in advance. Provided that the forecast is prepared accurately, the organization should not run out of cash to meet payroll and other bills coming due. If the finance department forecasts a cash shortfall in the coming months, the organization would have time to find additional funds from other sources or to reduce its expenses. The organization's bank, for example, might be willing to grant a term loan or allow an overdraft. (*Sample cash-flow statements are shown in annex 6 and 7.*)

ITEMS IN A TYPICAL CASH-FLOW STATEMENT

CASH INFLOWS

- **Cash payments by members and/ or beneficiaries**
- **Credit card payments by members and/ or beneficiaries**
- **Checks from members and/or beneficiaries**
- **Grants**

CASH OUTFLOWS

- **Payments to suppliers**
- **Taxes paid**
- **Staff salaries**
- **Purchase of assets**
- **Expenses**

The annual report

An annual report, including the annual financial statements, is typically made available to all members, financial partners, and other stakeholders. It provides relevant information on the performance and credibility of the organization over the previous year. For increased transparency, some organizations that train directors also publish their annual reports on their website. The annual report serves as an important marketing tool for the organization and may help retain and recruit training participants, members, or new financial partners.

The board of the organization reviews and approves the annual report, which is then circulated to members and/or financial partners and discussed at the annual general meeting. The key elements of an annual report are:

- The chairman's message, which often states the major achievements and goals that have been met during the past year and objectives for the future.
- The chief executive's review, which often reports on the organization's performance and on new activities launched to meet future market demand.
- Governance of the organization, including a description of the governing body, types of board committees and their membership, and the organization's internal control procedures.
- Names, biographies, affiliations, conflicts of interest and remuneration of senior officers, and members of the governing body.

- Financial review:
  —Overall financial performance for the past year, including information on profits and losses and the major factors contributing to the performance.
  —Membership income, including any increase or decrease in recruitment and retention and the reasons for the result (if applicable).
  —Additional sources of income, including all revenue-generating activities and highlighting particular successes (or failures) and the major factors contributing to the result.
  —Operating costs, including reductions or increases in costs such as salaries and employee benefits, indirect costs (general administration and marketing), and property expenditure.
  —Investment for the future, including major new projects and cash investments, such as developing a new training or certification program.
- Independent auditors report and accompanying management letter.
- Balance sheet.
- Income statement.
- Cash-flow statement.
- Notes explaining the accounts.
- The organization’s code of ethics.

FURTHER READING

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ANNEXES

ANNEX 1

SAMPLE ZERO-BASE BUDGET

The following example was provided by the Corporate Governance Forum of Turkey.

PLANNED PROJECTS (ADDITIONAL COST AND INCOME ESTIMATES)

Costs	
1. Int. Conference Preperations	00,000
2. Director Training Development	00,000
3. Investors Opinion Survey	00,000
4. Board Standards Survey	00,000
Income	
1. Int. Conference Preparations	00,000(GCGF)
2. Director Training Development	
CIPE	00,000
TUSIAD	00,000
3. Investors Opinion Survey	TBD
4. Board Standards Survey	TBD

Note: Cost model used is based on SU's traditional projects.
Actual costs will be followed closely and the model will be revised if necessary.

SUMMARY CONTRIBUTIONS

TUSIAD	
Contribution to Operating Budget	00,000
Contribution to Director Training Project	00,000
TUSIAD's total contribution for operating budget	00,000
TUSIAD's contribution inc. director training	000,000
SABANCI UNIVERSITY	
Contribution in kind	00,000
Contribution general expenses and allocation	00,000
SABANCI UNIVERSITY's total contribution	000,000
Total Contribution of Founders to operating budget	000,000

(*) Sabanci University's cost of academic personnel is allocated to the Forum in accordance with the percentage of their time allocated to the Forum.

ANNEX 2

SAMPLE ANNUAL BUDGET

The following example was produced by a director training organization.

IN ABSOLUTE AMOUNTS

	2003							2004					
	June	July	August	September	October	November	December	January	February	March	April	May	TOTAL
Projected Revenues													
Orientation Course													
Banks	250						250					250	750
State Owned Enterprises		250			250								500
Listed Companies		250	250	250	250	250	250	250	250	250	250	250	2,750
Family Corporations									250	250	250	250	1,000
NGOs				100						100			200
Special Sessions	100	100	100	100	100	100			100	100	100	100	1,000
Insurance & Pre-need companies													
Specialized Courses													
Audit	250		250		250				250		250		1,250
Risk Management	250		250		250				250		250		1,250
Finance		250		250		250				250		250	1,250
Board Assessment/Governance		250		250		250				250		250	1,250
Family Corporation			250						250		250		750
Compensation									250		250		500
Independent Directors										250		250	500
Board Reporting										250		250	500
Core course									1,000				1,000
Total Course fee proceeds	850	1,100	1,100	950	1,100	850	500	250	2,600	1,700	1,600	1,850	14,450
Reports	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Publications						700	140	140	140	140			1,260
Membership Fees	150	150	300	300	300	300	300	300	300	300	300	300	3,300
Corporate Sponsorships	300	600	300			1,000							2,200
TOTAL REVENUES	1,400	1,950	1,800	1,350	1,500	2,950	1,040	790	3,140	2,240	2,000	2,250	22,410
Direct costs													
Training	340	440	440	380	440	340	200	100	1040	680	640	740	5,780
Reports	30	30	30	30	30	30	30	30	30	30	30	30	360
Publications	0	0	0	0	0	350	70	70	70	70	0	0	630
Membership Program	90	90	180	180	180	180	180	180	180	180	180	180	1,980
Corporate Sponsorships	120	240	120	0	0	400	0	0	0	0	0	0	880
TOTAL DIRECT COSTS	580	800	770	590	650	1,300	480	380	1,320	960	850	950	9,630
Gross Margin	**820**	**1,150**	**1,030**	**760**	**850**	**1,650**	**560**	**410**	**1,820**	**1,280**	**1,150**	**1,300**	**12,780**
Operating Expenses													
Salaries and Wages	438	438	438	438	438	438	438	438	438	438	438	438	5,256.00
Professional Fees	275	275	275	275	275	275	275	275	275	275	275	275	3,300.00
Rent, parking and other building fees	97	97	97	97	97	97	97	97	97	97	97	97	1,164.00
Representation Expense	50	50	50	50	50	50	50	50	50	50	50	50	600.00
Light & Water, other fees	11	11	11	11	11	11	11	11	11	11	11	11	132.00
Stationary & Supplies	10	10	10	10	10	10	10	10	10	10	10	10	120.00
Repairs & Maintenance	10	10	10	10	10	10	10	10	10	10	10	10	120.00
Postage , Telephone & Telegraph	41	41	41	41	41	41	41	41	41	41	41	41	492.00
Membership dues and subscription	30	30	30	30	30	30	30	30	30	30	30	30	360.00
Miscellaneous	10	10	10	10	10	10	10	10	10	10	10	10	120.00
TOTAL OPERATING EXPENSE	972	972	972	972	972	972	972	972	972	972	972	972	11,664.00
Excess of receipts over disbursements	**152**	**178**	**58**	**212**	**122**	**678**	**412**	**562**	**848**	**308**	**178**	**328**	**1,116**
Projected Net Proceeds from Grants	**100**	**100**	**200**	**100**	**100**	**300**	**100**	**100**	**200**	**100**	**100**	**500**	**2,000**

ANNEX 3

SAMPLE OPERATING SURPLUS STATEMENT

The following example was provided by the Institute of Directors, UK.

MEMBERSHIP INCOME	
Membership subscriptions	0,000
Election fees	0,000
	00,000
MEMBERSHIP EXPENSES	
Marketing and membership	(0,000)
	0,000
REVENUE EARNING ACTIVITIES	
Catering and functions	000
Publications	000
Courses	000
Conferences	000
Events	000
Product marketing	000
	0,000
MEMBER SERVICES	
Member information and advice	(000)
	(0,000)
OPERATING AND OVERHEAD COSTS	
Property costs	(0,000)
Depreciation	(0,000)
IT and website	(0,000)
Central administration	(0,000)
Interest receivable and similar income	000
	(0,000)
REPRESENTATION AND DIRECTORATE	
Representation (Policy unit)	(000)
Directorate	(0,000)
Communciations	(000)
	(0,000)

ANNEX 4

SAMPLE BALANCE SHEET

The following sample was provided by the Institute of Directors, UK.

FIXED ASSETS	
Intangible fixed assets	
Publications rights of magazine	0
Tangible fixed assets	0,000
Investments	00
CURRENT ASSETS	
Debtors	0,000
Short-term investment	0,000
Short-term bank deposit	000
Cash at bank and in hand	00
CURRENT LIABILITIES	
Creditors – amounts falling due within one year	(0,000)
Deferred membership income	(0,000)
Bank overdraft	—
Net current liabilities	(0,000)
Total assets less current liabilities	0,000
CREDITORS	
Amounts falling due after more than one year	(000)
Net assets	0,000
Represented by:	
ACCUMULATED FUND	
Accumulated fund at 1 January	0,000
Revenue (deficit)/surplus for the year	(00)
Accumulated fund at 31 December	0,000

ANNEX 5

SAMPLE INCOME STATEMENT

The following sample was provided by the Institute of Directors, UK.

INCOME	
Membership income	000
Revenue earning activities	000
Other trading income	000
Interest receivable and similar income	000
	000
EXPENDITURE	
Employment costs	000
Direct costs	000
Indirect costs	000
Property expenditure	000
Depreciation	000
Branch expenditure	000
	000
Surplus on ordinary activities before taxation	000
Taxation	(000)
(Deficit)/Surplus on ordinary activities after taxation	000

ANNEX 6

SAMPLE CASH-FLOW STATEMENT, UK

The following sample was provided by the Institute of Directors, UK.

Net cash inflow from operating activities		
(see reconciliation below)	000	
Returns on investments and servicing of finance		
Interest received	000	
Taxation		
UK Corporation tax paid		(000)
Capital expenditure		
Payment to acquire tangible fixed assets		(000)
Payment to acquire investments		(000)
Cash inflow/(outflow) before use of liquid resources		
	000	
Management of liquid resources		
Purchase of short-term investments	(000)	
Realisation of short-term deposits	000	
(Decrease)/Increase in bank current account in the year		000

Reconciliation of surplus on ordinary activities to net cash flow from operating activities:

Surplus on ordinary activities before taxation		000
Depreciation on tangible fixed assets etc		000
Loss on disposal of fixed assets		000
Interest receivable and similar income		(000)
	000	
(Increase)/decrease in debtors	000	
(Decrease) in creditors	(000)	
Increase in membership deferred income	000	
Net cash inflow from operating activities		000

ANNEX 7

SAMPLE CASH-FLOW STATEMENT, TURKEY

The following example was provided by the Corporate Governance Forum of Turkey.

CASH-FLOW STATEMENT
PERIOD: 1/3/2003 - 28/2/2004

EXPENSES

One-off Expenses		
Trademark registration	000	
Logo Design, stationary and folders	0,000	
Web design	0,000	
Launch	(SU,TUSIAD direct)	
Total “One -off”	0,000	
Running Expenses		
Human Talent(*)		
Gross Salary Forum Director (5 months)	00,000	(SU in kind)
Gross Salary Secretary	0,000	
Gross Salary Projects Coordinator	00,000	
Gross Salary Academic Coordinator	0,000	(SU in kind)
Gross Salary Academic Coordinator	0,000	(SU in kind)
PhD student(4 months)	0,000	
Sub-total Human Talent	00,000	
External Audit	000	
Total Running Expenses	00,000	
Promotion and representation		
Flier, brochure, press	0,000	
Representation	0,000	
Total Promotion	0,000	
Travel		
Domestic Travel	0,000	
International Travel	00,000	
Total travel	00,000	
Research Preparation and Project Development	00,000	
Awareness Sessions (Panels, Media, etc)	0,000	
Miscellaneous/Sundry Expenses	0,000	
Total Expenditure	000,000	
SU Allocated Costs inc. Overhead(%25)	00,000	
TOTAL COST	000,000	

CASH-FLOW STATEMENT *continued*

INCOME

TUSIAD Contribution	00,000
SU Contribution (Allocated Costs inc. Overhead)	00,000
Office space	
Office materials	
Office Equipment	
Communications Equipment	
Stamp duties and legal cost	
Utilities	
Maintenance and security costs	
Information Technology Costs	
Insurance costs	
Rental and leasing costs	
Web services (Web master and Web server)	
Campus commutation costs	
SU in kind contributions (exc. Allocation)	00,000
Total Income for Operations	000,000

CONTRIBUTORS

Peer Review Group

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Country contributors

Australia
Ian Dunlop,
Governance and Sustainability Advisor
John Hall,
Australian Institute of Company Directors
Pamela Murray-Jones,
Australian Institute of Company Directors

Brazil
Heloisa Bedicks,
Brazilian Institute of Corporate Governance
Bengt Hallqvist,
Brazilian Institute of Corporate Governance
Leonardo Viegas,
Brazilian Institute of Corporate Governance
Paulo Villares,
Brazilian Institute of Corporate Governance

Canada
Bernard Wilson,
Institute of Corporate Directors

Colombia
Paola Gutierrez Valandia, Confecámaras

Hong Kong
Carlye Tsui,
Hong Kong Institute of Directors

India
Sheela Bhide,
Ministry of Finance and Company Affairs
N. Balasubramanian,
Indian Institute of Management Bangalore

Indonesia
Anugerah Pekerti,
Institute for Corporate Directorship

Ireland
Susan Thornber,
Institute of Directors in Ireland

Kenya
Karugor Gatamah,
Centre for Corporate Governance

New Zealand
David Newman,
Institute of Directors New Zealand

The Philippines
Jesus Estanislao,
Institute of Corporate Directors
Jonathan Juan Moreno,
Institute of Corporate Directors

Russia
Igor Belikov,
Russian Institute of Directors
Alexander Ikonnikov,
Independent Directors Association

South Africa
Richard Wilkinson,
Institute of Directors in Southern Africa

Turkey
Melsa Ararat,
Corporate Governance Forum, Turkey

United Kingdom
Philippa Foster Back,
Institute of Business Ethics
Alan Morkel,
Institute of Directors, UK

United States
Roger Raber,
National Association of Corporate Directors
Alexandra Lajoux,
National Association of Corporate Directors

Zambia
Patrick Chisanga,
Institute of Directors Zambia

Zimbabwe
Peter Broadway,
Institute of Directors Zimbabwe

International contributors

Alexander Berg,
World Bank Group
Geoffrey Bowes,
Commonwealth Association
of Corporate Governance
Michael Gillibrand,
Commonwealth Secretariat
Darrin Hartzler,
International Finance Corporation
Florencio Lopez de Silanes,
Yale's International Institute for
Corporate Governance
Mike Lubrano,
International Finance Corporation
Alyssa Machold,
Global Corporate Governance Forum
Anne Molyneux,
CS International
Behdad Nowroozi,
World Bank Group
Djordjija Petkoski,
World Bank Institute
Sue Rutledge,
World Bank Group
John Sullivan,
Center for International Private Enterprise