



គណៈកម្មាធិការ
សហប្រតិបត្តិការដើម្បីកម្ពុជា
Cooperation Committee
for Cambodia
Comité de Coopération
Pour le Cambodge

ទស្សនវិស័យ៖ ការអភិវឌ្ឍប្រកបដោយនិរន្តរភាពសម្រាប់ប្រទេសកម្ពុជា
Vision: Sustainable development for Cambodia

Minute of 1st Finance Learning Forum



26 June, 2014, KSSA, Phnom Penh

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I. INTRODUCTION:

As the longest established membership organization in Cambodia, the Cooperation Committee for Cambodia (CCC) has played a unique role since 1990 in strengthening the cooperation, professionalism, accountability, governance, and development effectiveness of the Civil Society Organizations (CSOs) that are working across diverse sectors in Cambodia.

CCC delivers its mission and mandate through a five-year program entitled “**Governance Hub Program (GHP)**” for 2011 – 2015, aiming at building a more cohesive, accountable, transparent NGO sector, contributing more effectively to the development of Cambodia. GHP focuses on three interconnected components: 1) Voluntary Certification Standards of Good Practice; 2) Capacity Development and Learning; and 3) Knowledge management, Advisory, Referral and Linkages.

Responding to its vision which is for a strong and capable civil society, cooperative and responsive to Cambodia’s development challenges, CCC offers a range of capacity development and learning opportunities for NGO staff to influence their thinking and practices and to deliver high quality services appropriately respond to the true needs of those CSO.

One of many activities of the component 2 is to conduct various learning forums for CCC members such as Human Resource Management (HRM), Monitoring and Evaluation (M &E), Information Communication Technology (ICT) and Finance Management forum.

The Finance Learning Forum has established since 2009 and CCC has formed a dynamic working group and technical support from finance professionals and practitioners of CCC members. The overall objectives of finance learning forum is to *1) stimulate action learning to transform knowledge; skills and experiences of individual people and organizations into a community of practices for a betterment of NGO community in Cambodia in the field of finance and 2) build a strong network among finance practitioners and professionals for ongoing learning on finance matters and issues related.*

To continually respond to the needs of the NGO community for good practice within the NGOs, in 2014 CCC will host two full day Finance learning forums for member and nonmember organizations; in which the first forum will be conducted on **26 June 2014** and the second will be on 14 November 2014.

This is the minute of the first Finance learning forum which was held on 26 June 2014 at KSSA building in Phnom Penh. The forum was attended by 116 participants (81 are Females) from 83 NGOs (5 are non-members) who are finance practitioners of CCC member and non-member organizations. The objectives and expected outcomes of the forum are as below:

OBJECTIVES OF THE FORUM

- ❖ To enhance understanding on budget planning for both yearly and operation as well as finance reporting for finance and non-finance manager.
- ❖ To discuss among participants to expand their learning insight of the budget planning and financial report format.
- ❖ To share the key elements of finance in relation to the code and minimum standards as tool for good practice of the NGO.
- ❖ To build up more network and relationship among finance practitioners and professionals for ongoing learning on finance matters and related issues.

EXPECTED OUTPUTS:

- ❖ Participants have better understood about budgeting and finance reporting for finance and non-finance manager.
- ❖ Participants have actively involved in class activity and shared knowledge and experience related to finance.
- ❖ Participants have enhanced network of finance practitioners and professionals.

II. SUMMARY OUTPUTS OF THE FORUM:

The 1st Finance Learning Forum was presided by Ms. Bou Molika, the executive committee member-at large, CCC and Program Coordinator, AVI. She surprisingly appreciated the presences of the participants which noticeably increased in comparison to the last finance learning forum. There were four important learning forums facilitated by CCC, Finance, Human Resources, Information Communication Technology (ICT), and Monitoring and Evaluation (M&E) learning forums.

Finance is the core engine which supports organization running. Finance Learning Forum plays very important roles. Finance Working Group began since 2009 and helps a lot for finance learning forum which conducts two times per year. Looking at the trends of organization, there is extreme change. Nothing is stable in the world. For example, the dinosaur could not live till today because they could not adopt themselves to the world's change.

Therefore, she added that, two points to consider among participants. *Firstly, it is to build up individual strength as personal growth and leads to contribute to better financial work in the workplace. Secondly, it is a good time to build strong network and share practical experiences and learn as there are lots of finance practitioners and managers participate in the forum.* In her last opening remark, on behalf of CCC's board, she thanked to all working groups and organizers for hard working and contribution to make learning forum happened, and appreciated the participants for trying to learn, share, and bring change back to the organization.

SESSION 1: Review learning points from previous finance learning forum

This session was facilitated by Mr. Try Sokha, Finance Specialist, CCC. He reviewed some points that the participants have learnt in the previous finance learning forum. The key reviews were as following:

1- Process of developing policies and procedures

There were following steps in developing finance policy such as identification of the need of the organization, responsible person to lead, delegation of responsibilities such as key staff, working group or management team, and gathering the information for developing the policy. Draft policy is done in the following step. Good policy needs to be considered clear technical term and its lengths. Once it is approved, policy needs to communicate across the organization and relevant donors. Finally, it is the monitoring and evaluation of the implementation.

2- Budget management

Budget management plays vital roles in organization. It needs to carefully monitor the cash flow. Good budget management contributes to better monitoring and implementing the program activities.

For further details, please see attached slide presentation on CCC web.

SESSION 2: "Budget planning for finance and non-finance managers"

- **Budget planning for both yearly and operation**

This session was facilitated by Mr. Ky Sophan, Finance Working Group Member and Finance and Admin Manager, CDPO. His session covered on 7 key topics of ***what is budget, why do we need budget, type of budget, budget development process, budget structure, issue in budget development and example of budgeting.***

BUDGET: A budget describes an amount of **money** that an organization **plans** to raise and spend for a set **purpose** over a given period of **time**.

WHY DO WE NEED THE BUDGET: A budget has several difference functions and is important at every stage of a project including **Planning, Fundraising, Project Implementation, Monitoring and Evaluation.**

TYPE OF BUDGET: There were two types of budget, ***income & expenditure*** and ***cash flow forecasting*** which more common in NGO practice.

BUDGET DEVELOPMENT PROCESS: The process of budgeting is depended on the option of the budgeting, whether it is zero-based budget or activity-based budget. Zero-based budgeting is done where it is the new project which is seeking funding. Activity-based budgeting is done for those existing activities. The budget is rarely approved by board for most of the local NGOs where it might be approved by leadership team for some international NGOs.

Generally, the project plans their activities and budget for them, then the finance team collaborates and incorporates policies and guidelines of budgeting with the project team to do the budget. The project manager is the master for those project activities budget and adjustment if it is needed. Those budgets will combine together into a master one which Executive Director is responsible review and comment. Finally it is submitted for board of the director comment and approval. Donor is also approved where the condition is needed.

BUDGETING STRUCTURE: Choosing the budgeting structure helps much in coordinating with multiple donors. Normally, there are three budgeting structure fitting most to the specific needs of the NGOs. Chart account is also considered as an important tool in order to coordinate multiple donor requirements.

ISSUE IN BUDGET DEVELOPMENT: There are several issues in the budget development which need to be careful with such as *budget for the price increased, forgetting budget, level of detail budget needed, contingency amount, and timeframe for budget.*

EXAMPLE OF BUDGETING (EXERCISES): Three examples have shown to the participants. Exercises were done within the small group discussion by table on how to develop annual action plan and annual budget then the result of each group discussion was shared by group volunteers.

There were actively asked questions and answers among the participants and facilitators as following:

- Q1 : How many % of variance is mostly acceptable and what is the standard referred?
There is no any standard. It depends on the requirement of and/or agreement with donor. In general, 5% is more practiced and it is also acceptable in the interval of 5% - 15%.
- Q2 : There are so many differences of the requirement of the donor, how can we handle?
Budgeting structure mostly can help this issue. Choosing the right budget for the right situation can better helps and so do careful with budgeting structure selection.
- Q3 : How do we budget where the donor allow only 20% for all overhead cost?
It is a hard one, specific technical of finance support might not help if it is already agreed. Therefore it is the management decision is more helpful support. Careful negotiation and agreement with the donor before accepting the grant is much better. 20% covering all overhead cost is hardly never possible to run a project.
- Q4 : How can we do contingency budget while the most of the donors do not allow?

There is still a solution. Some donors also agreed with 5% of annual lump-sum budget. Another solution is to include them in the operational or activity cost.

- ***Financial Reports for management and project/program***

This session was presented by Mr. CHHOEU Chhardaphea, Finance Working Group Member and Finance Manager from iDE Cambodia. His session covered on ***the accounting basis, financial statement, budget and actual expenditure report, and good practice in budget monitoring.***

ACCOUNTING BASIS: There are two types of accounting basis, cash basis accounting and accrual basis accounting. In reality and practice, we practice hybrid—mixing of them.

FINANCIAL REPORT: there are three types of finance reports in NGOs. Generally they are balance sheet, income statement (statement of income and expenditure), and cash flow.

STATEMENT OF INCOME AND EXPENDITURE: This helps to generate the balance statement at the end of the months by calculating Income and expenditure. We do it every month basis.

BALANCE SHEET: Balance sheet helps in reconciliation. Practically, balance sheet and statement of income and expenditure are reconciled to verify of the balance and accuracy of income and balance. Balance sheet in NGOs shows only two parts, **Assets** and **Liabilities**.

CASH FLOW: Shows the cash flow within the organization. It contains opening cash balance and its total, cash Inflow and its total, cash outflow and its total, net cash inflow/outflow, and ending balance.

BUDGET AND ACTUAL EXPENDITURE REPORT: (Management Report)

This report is used for both financial and program staff. Finance staff produces the report and management or program staff reviews and monitors their expenses of the activities. The report helps to show the budget amount, actual expenditure, expenditure over/under, and percentage variance (over/under).

GOOD PRACTICE IN BUDGET MONITORING: Below illustrates the key good practices of monitoring the budget:

- ✓ Always start with the objective for the organization/activities
- ✓ Finance staff is to provide technical advice, but it is not decision of the budget
- ✓ Be realistic as possible
- ✓ Keep your notes
- ✓ Show agreed budget to staff
- ✓ Provide detail budget monitoring report
- ✓ Monitor the budget against actual income and actual expenditure
- ✓ Add note to budget and actual expenditure report
- ✓ Keep donors informed of any change to the change
- ✓ Annual budget, mid-year budget review (budget is not written on stone)

There was question and answer as following within this session:

Q1 : Please share formula to calculate percentage of time presented in the slide of budget monitoring?

There is no any standard or rule. The example showed only the purpose of its organizational need. It can be a creative formula and interpretation depending on the individual organization's need.

For further details, please see attached slide presentation on CCC web.

SESSION 3: Sound Financial Management of GPP Code

This session was presented by Ms. PEN MONOROM, National Code Compliance Committee (NCCC) Member of GPP and DEPUTY DIRECTOR: FINANCE at KHANA. Her session covered on the one heading of GPP Code of **Sound Financial Management** which consists of **3 standards, 10 guidelines** and **8 indicators**. All indicators were accessed by document reviewed and interviewed. These presentations crucially help interesting NGOs to apply for NGO GPP certificate as well as remind to those certified NGOs on those area should be strengthened within their implementation to keep compliance with GPP code. There were two parts which are important notice and practiced in assessing the organization. They are the document review and field interview. It is objectively to verify the existence of the documents and the actual practice.

As this session interested the participants, there were also asked questions and answers as below:

- Q1 : Does it require audit for all projects or just any project? How about the audit firm?
It is potentially required auditing for all project. The audit firm is acceptable for those that have registered with KICPAA.
- Q2 : Does audit report require approval from manager or board?
As most of the policies set within the organization, audit report should have been reviewed by executive director and approved by the board of director.

▪ Table discussion to define topic for the next Finance Learning Forum

Table discussion was facilitated by Mr. Lim Sokly, Learning Specialist from CCC. He asked each participant to define from two to three topics that they wish to happen for the next finance learning forum. Below are the topics raised by participants in the first finance learning forum of year 2014. 8 participants suggested having the next forum on the following key topics such as performing internal audit, internal control of finance, accounting basis, withholding tax, contents of financial policy and financial report analysis and its monitoring. 5 of 8 participants suggested including internal audit; 4 of them requested internal control session and 3 of them also suggested having withholding tax acceptance and content of financial policy.

▪ Conclusion and closing remarks

Conclusion and closing remarks was made by Mr. Soeung Typo, Component II Manager, CCC. He expressed heartfelt thanks for all the honored presence of all participants as well as highest thanks and appreciation to the working groups, honorable guest speakers, and event facilitators who contributed and made forums happened. CCC will consider all the suggested topics raised for the upcoming events.

III. CONCLUSION:

The first Finance Learning Forum was conducted successfully with active participation by all participants and professionally supported by honored guest speakers and fruitfully produced great outputs as expectation. Within these two important topics there were 66% of all participants rated as good and presented to the participants by the competent and experienced quest speakers from local and international organizations.

As the results of evaluation form completed by the participants, most of them claimed that the process, venue, logistics providing and organizers were good. In addition, 86% of 65 participants said the duration of the forum was not either very short or very long.

Among the 67 participants expressed that they clearly understood the important and interested contents of the two topics. Generally, they claimed that they clearly understood 53% on *budget development process*, 34% on *financial statements/reports* & 30% on *budget and actual expenditure reports*. Throughout fruitful presentation, experiences sharing and exchanging including questions-and-answers sessions, among the 59 participants emphasized and claimed 39% of *budget development process*, 27% of *financial statement/report*, and 20% of *budget and actual expenditure report* had picked up and put in their commitment to apply in their own workplace as it would help them better.

Meanwhile, there were several topics suggested including within the upcoming forums such as internal audit, financial internal control, accounting basis, withholding tax and contents of financial policy.

All in all, it was a successful financial learning event and it provided a great opportunity for finance practitioners as well as non-finance manager, program or project staff to build stronger network and share experiences and challenges of their daily operation. We, CCC, as an organizer were very proud of this fruitful result and success. Moreover, we commit to put more effort to improve and extend such good forum to serve as a pool of building more capacity together.

Annexes:

- Agenda of the forum
- Evaluation of the forum