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2013 ANNUAL REPORT



**TRANSPARENCY
INTERNATIONAL
SRI LANKA**
a nation that upholds integrity

Transparency International Sri Lanka (TISL) is a National Chapter of Transparency International (TI), the leading global movement against corruption. TISL operates as an autonomous chapter that defines its own strategies and interventions and is responsible for mobilizing resources for these programmes.

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CORPORATE INFORMATION

NAME

Transparency International Sri Lanka
Company Registration No - GA 279

LEGAL STATUS

Company Limited by Guarantee incorporated in
Sri Lanka

DATE OF INCORPORATION

23 March 2004 under the Companies Act No.7
of 1982
Re-registered under the Companies Act No.7
of 2007

REGISTERED OFFICE

No 183/5, High Level Road,
Colombo 6, Sri Lanka
Telephone : 011 4369781
Fax : 011 2514588
E-mail : tisl@tisrilanka.org
Web : www.tisrilanka.org

COMPANY SECRETARY

Charuni Gunawardana LLB (Hons) LLM

AUDITORS

Ernst & Young
Chartered Accountants

BANKERS

Hongkong and Shanghai Banking Corporation Ltd.
Commercial Bank of Ceylon PLC

OUR VISION

A nation that upholds
Integrity

OUR MISSION

Support the collective
effort to eradicate
corruption in order to build
a future Sri Lanka which is
equitable, peaceful and just

PURPOSE

Contribute to increase
understanding of
corruption, strengthen
anti-corruption structures
and processes and to
appreciate upholding
of integrity and build a
future Sri Lanka which is
equitable, peaceful and just

CHAIRMAN SUMS UP THE CHALLENGES



We have concluded another momentous year when the events have shown that TISL is an indispensable institution at a critical moment of the history of our country. We have reached a stage where there is a great need to ensure transparency in state actions and the corporate sector, irrespective of socio political realities

Instances of massive corruption and colossal wastage in the public sector were brought to light throughout the year by the Coalition against Corruption initiated by TISL. These exposures forced the authorities to initiate action in several instances.

Among many other success stories, we made a major breakthrough in getting Members of Parliament to respond to an invitation from TISL to participate in a round table discussion on formulating an action plan against corruption.

Meanwhile, throughout the country, the public sought redress from the free legal advice provided through TISL's 'Shelter for Integrity'.

A significant factor that emerged during the year was the enthusiasm of the youth in combating corruption. The Youth Integrity Survey revealed their concern and apprehension of the increasing canker in the society. TISL is in the process of planning programmes to get the public engaged and involved in anti-corruption work.

The People's Tribunal held to discuss the frequent electricity tariff hikes was another fine example of people's concern

TISL led public discussions on national issues that affected the people and the active

participation of the public at these has proved that the people are losing faith in power therefore there is a need to respect and protect the public trust. Transparency International as a global movement has recognized that impunity is a global problem that has undermined the public trust.

Our stakeholders and our membership are diverse. Our interventions are decisive. At this moment of history of our country we manage to survive in a critical civil society role to help improve governance. We are confident that collectively we can meet all possible collectively.

Operational challenges are becoming more and more difficult for NGOs but we are equally determined to carry on with our mission of building a nation on integrity. Finding sources for funds is becoming extremely difficult and in such a situation we are most grateful to the donors who continue to support us.

We feel most satisfied that local government authorities, particularly the elected members -irrespective of party affiliations - are most appreciative and enthusiastic in our effort to improve governance at regional level. The community leaders and the public are equally happy that through our well planned and well organized training sessions, workshops

and seminars, they are able to play an active participatory role in the administrative machinery in their areas. We acknowledge the cooperation extended by the elected members, officials and the public towards the programmes we implemented.

It is my duty to mention the noteworthy contribution made by the earlier Board of Directors headed by chairman, M D A Harold – retired Deputy Auditor-General. The team has guided TISL throughout the formative years facing increasing challenges as the years went by.

Lack of resources has left TISL with no alternative but to reduce its staff. On behalf of the Board, I thank the stakeholders, media, TISL members, Executive Director S Ranugge and the staff for continuing the TISL's initiatives in anti-corruption activities and the promotion of integrity, governance and accountability.

J C Weliamuna
19 June 2014

PROGRESS AMIDST CHALLENGES

It was yet another challenging year for us at TISL. Having recognized the phenomenal increase in corruption in the country, from its 79th place in 2012 to 91st place in 2013 of the World Corruption Perception Index (CPI). The Transparency International Sri Lanka with its limited resources continued to carry out its anti-corruption work with high commitment and dedication.

The programmes that were in operation were continued in 2013 too expanding its coverage. The ALAC program which provides legal advice to victims and witnesses of corruption that are expanded to the North has finalized plans for setting up a regional office at Vavuniya, making it the 4th regional office. Since its inception in early 2014, services provided by the office were well received by the citizens and the public officials of the province. Cooperation extended by the Government agent, Vavuniya and his staff and the Deputy Inspector General, Vanni was commendable and they have contributed immensely for it success within a short period of time.

Youth involvement in anticorruption work under the Youth Integrity Project (YIP) took a new turn establishing a youth network and organizing a youth walk in the city of Colombo on the World Anti-corruption Day. The Sri Lanka Youth (National Youth Council) played a lead role joining hands with us and mobilizing the youth to fight corruption. This has proved the accuracy of the findings of the Youth Survey that youth are willing to fight corruption.

The Coalition against Corruption which started at the end of the previous year has gained a momentum with guidance from TISL and organized itself and launched a vigorous campaign against cases of corruption in several government institutions like Education Employees'

Cooperative, Thrift & Credit Society, Ceylon Petroleum Corporation, Road Development Authority of NCP and the Gem and Jewellery Authority. There was a temporary setback in the Coalition work due to the unexpected withdrawal of Fedrick Ebert Stiftung (FES) but TISL managed to continue its good work with the support of the core grant.

'Shambashana', TISL's regular feature program continued its monthly dialogue on important issues of governance such as the electricity tariff hike, the milk powder contamination etc. and position papers too were developed to draw the attention of policy makers on such nationally significant subjects of national level.

The project on citizen engagement in local governance in the Galle district met with a great challenge as the government agent requested TISL to assist the local authority, Bope-poddala, which had the poorest performance of the province. Our intervention with the councilors and the officials of the local authority and the citizens with TISL tools has given space for the citizens to actively engage in the work of four sub-committees; participation in the public gallery, access to information and participatory budgeting. We continued to assist the other three local authorities at a reduced scale as we have been working with them over the past three years.



The long term sustainability of TISL work posed a challenge during the year under review as many donors indicated their intention to withdraw from Sri Lanka as the country has graduated to a lower middle income country status in 2010. The Norwegian Government which has been the core funder over the past few years signaled that they would discontinue funding from the following year. The project grants from TIS Secretariat were also cut down by one half compelling the TISL management to prone down its staff to a manageable level. The new Board of Directors tried their best revisiting the fund raising strategy and meeting donors but no significant progress was yet to be seen. However, the management has been able to secure some grants from Daikonnia, Helvitas and the TIS Secretariat to continue its activities.

Finally, I take this opportunity to thank our donors, the Norwegian government, Transparency International Secretariat, National Endowment Fund for Democracy, Taiwan Foundation for Democracy, Daikonnia for their continuous support, TISL Board of Directors for their guidance and encouragement and our staff for their genuine work, with dedication and cooperation.

S Ranugge
Executive Director
17 June 2014

ENCOURAGING RESPONSE FOR THE SHELTER FOR INTEGRITY

THE SHELTER FOR INTEGRITY - THE NATIONAL VERSION OF GLOBALLY DRIVEN ADVOCACY AND LEGAL ADVICE CENTRE (ALAC) - CONTINUED ITS PROGRAMME FOR THE SECOND YEAR SUCCESSFULLY.





Shelter for Integrity programme is not limited to providing legal advice. It has also been engaged in a number of advocacy campaigns such as Training of public officials on anti-corruption Initiatives, Round table discussions with public officials, awareness campaigns for leaders of the civil society, leaders training sessions on street dramas and legal advice were broadcasted through radio programmes. Five Citizens' Committees have been set up attached to the regional centers.

The Shelter for Integrity conducted a programme to assist the officials who were willing to stand against malpractices and ensure integrity during the the Provincial Council elections held in three provinces in 2013.

In addition to the main Centre in Colombo, two regional Centres – one in the East in Batticaloa and the other in the South in Matara - provided the public with the opportunity of seeking legal advice free of charge when faced with an incident of corruption while obtaining a service from a state institution. By the end of 2013 a third regional office was ready to be opened in the North. The selected location was the town of Vavuniya. This was conceived as a preliminary step to expand TISL work into the Northern Province after the termination of 30 years of civil conflict.

The Centre was also willing to assist voters to seek either legal or administrative redresses against their grievances, if any, during the provincial elections.

TISL believes that the Centre will empower citizens to make and pursue corruption related complaints and bring about a change in their attitude towards corruption and realize that corruption is not insurmountable. The Centre is also able to support state institutions through evidence, solutions and capacity by building their own initiatives to eliminate corruption and enhance principles of good governance.

The Shelter for Integrity Centre listened to around 3000 victims and witnesses of corruption and administrative malpractices during this period. Centers have been reached by people from each and every district of the Island. In addition to written complaints, individuals turned up at the offices to discuss their problems and get advice.

So far over a thousand (1708) complaints have been referred to relevant authorities/institutions through clients. Some cases have been referred to more than one institution. The majority of these have been forwarded to the Human Rights Commission of Sri Lanka and Divisional Secretaries who have land administrative powers within respective divisions.



YOUTH READY TO BATTLE AGAINST CORRUPTION

ONE IN EVERY THREE YOUTH IN SRI LANKA IS ALWAYS WILLING TO RAISE HIS VOICE AGAINST CORRUPTION. ANOTHER SIMILAR NUMBER WOULD 'SOMETIMES' RAISE THEIR VOICE AGAINST CORRUPTION.



This was revealed at the survey done by TISL on the awareness of corruption among the youth in partnership with the National Youth Services Council - the State institution dealing with youth affairs in Sri Lanka. It was conducted among 1005 persons between the ages of 15 to 29 representing all communities and regions (both urban and rural) in the country. An additional one thousand adults were used as a control group.



The majority (84%) of the respondents believe that the lack of integrity is a serious problem not only affect their personal lives but also affect their families, economic prospects and the country as a whole. At least 56% feel that they can play a major role in combating corruption while another 36% feel that youth can play at least a limited role.

Statistics reveal that Sri Lanka has a youth population of five million, i.e. 26% of the total population.

The survey found that youth has an important role in the fight against corruption. They had a disappointingly low opinion of public officers, particularly within the police and local administration.

YOUTH INTEGRITY PROGRAMME MAKES PROGRESS

TISL was able to create an impact among the youth on the need to combat corruption and promote integrity-based values under numerous activities under the Youth Integrity Programme (YIP).

TISL played a key role in Youthlink - a group of organizations that work on youth related issues that have come together to promote their work and create awareness among youth through a web based medium.

Among other findings of the survey were:

- Only 6% of youth at all education levels felt that they knew 'a lot' about corruption rules and regulations.
- 45% of the youth respondents felt that their voice will not have any effect on corruption. An additional 23% felt that raising their voice against corruption was not their business.
- A high percentage of more than 80% would display unethical behaviour to secure employment or to obtain. This was more likely for male than female youth, and for rural than urban youth. 40% of urban and 23% of rural youth were willing to engage in unethical behaviour in certain situations to please a relative or simply because "it is how things are done".
- Urban youth were more likely to value integrity absolutely than their rural counterparts.
- Sri Lankan youth have access to a wide variety of media, including TV (31%) radio (20%) and mobile phones (18%). However lack of internet access in most parts of the country has resulted in getting information by a lower number of youth than expected to get information through social media or the internet (5% and 4% respectively).

According to the Lead Researcher, Dr Shantha Abeyasinghe the survey revealed the attitude of youth towards integrity and corruption clearly and emphatically.

Through the World Bank Youth Portal Forum TISL organised a programme to equip young academics in three universities (Jaffna, Peradeniya and Ruhuna) with concepts related to Right to information. TISL's role in the programme was to share the YIP survey findings and the provisions available in Sri Lanka to access of information among them and show them the importance of having the right to access information.

CLOSE RELATIONSHIP WITH NYSC CONTINUES

After a number of consultation meetings with the National Youth Service Council (NYSC) on a more concrete form of collaboration, it was decided that both parties should work together to develop a Training Manual for youth. In order to formalize this agreement TISL signed a MoU with the NYSC in October 2013. TISL considered this agreement as a significant success of the Youth programme as it is often difficult to sign MoUs with State related institutions to promote anti-corruption and governance related work.

The signing of the MOU followed the positive approach of the NYSC in agreeing to provide access to their district level officers and wide network to approach the youth to discuss the issue of corruption. The activity based training module will be developed with the participation of youth that will build youth capacity in terms of leadership, communication and integrity based values. The module will be incorporated into their training curricular in order to make sure that it will have a long term impact.



TRAINING WORKSHOPS

An anti-corruption workshop was also held for the Association of Friendship and Love (AFRIEL) network - a group based in the Northern Province. Forty youth leaders who have lived through the conflict in the North were brought to Colombo for an exposure visit. They attended the workshop which was organised at the request of AFRIEL in order to make their visit more meaningful. TISL saw this as an excellent opportunity to reach out to the youth in the North and expand its own youth network. The youth were from Jaffna, Mulathivu, Vauniya and Mannar.

The final year undergraduates studying Mass Communication in the University of Kelaniya attended a workshop on Investigative Journalism and Corruption Reporting.



A workshop was also held at Matara to enlist more youth to TISL's youth network and to spread the knowledge of anti-corruption among a wider group of youth. Fortyfive young people between the ages of 16 to 20 participated in this event.

YOUTH WALK FOR INTEGRITY

A highly successful Youth Walk was held to mobilize youth in the fight against corruption. The objective of the walk was twofold; to demonstrate the commitment of youth towards values of integrity, and to make young people be aware of the negative impact of corruption that would affect their future. The walk intended to bring together young people from all walks of life to one platform and increase their network of support where they will be encouraged to become changing agents who tackle corruption.

In order to make the walk more inclusive and successful TISL decided to partner with the National Youth Services Council and the Sri Lanka Federation of Youth Clubs.

Nearly five hundred youth took part carrying placards with anti-corruption slogans and at the end of the Walk they gathered at the Vihara Maha Devi Open Theatre. There the anti-corruption communiqué which was drafted with the input of youth was read out to all of the participants present in Sinhala and Tamil to the participants present. They endorsed the document which was presented to the Secretary to the Ministry of Youth Affairs and Skill Development who graced the occasion.



He agreed to share the document with the relevant authorities.

CARTOON AND SLOGAN COMPETITIONS

An island-wide anti-corruption cartoon competition and an anti-corruption slogan competition provided the youth with an opportunity to use their creativity to fight corruption. The competitions were open to two categories of youth: School Category – 15 to 18 years and Open Category – 19 to 29 years. The response was quite good. The slogans could be submitted either in English, Sinhala or Tamil on how youth can fight corruption. TISL received 134 slogans in both categories and in all three languages. Independent panels of judges evaluated the entries in above competitions and selected the winners.

TISL intends to engage the participants in future youth based activities in future. The Judges encouraged TISL to organize an awareness raising program for all the participants to increase their knowledge and stimulate their interest on anti-corruption issues. In order to encourage them to engage in the fight against corruption and enhance their knowledge on anti-corruption TISL organized a half a day workshop for them. The workshop instilled different forms of corruption and the negative impact it can have on their lives and their future in the young winners and in their parents.

PEOPLE'S TRIBUNAL ON ELECTRICITY TARIFF

TISL BROKE NEW GROUND IN DISCUSSING ELECTRICITY TARIFF HIKES, A BURNING ISSUE OF THE DAY AT A COURT-ROOM STYLE FORUM. SEVERAL WITNESSES WERE SUMMONED TO TESTIFY BEFORE A PEOPLE'S TRIBUNAL THAT WAS INVESTIGATING WHETHER THE INCREASES IN ELECTRICITY TARIFFS IN THE COUNTRY WERE JUSTIFIED.



The three-hour public forum titled 'Is the electricity bill justified?' was conducted in courtroom style, at the J.R. Jayewardene Centre in Colombo 7. Sitting as tribunal judges at the forum were retired High Court Judge W.T.M.P.B. Warawewa, Attorney-at-Law S.G. Punchihewa, former Advisor to the Ministry of Power and Energy Dr. Janaka Ratnasena and former Secretary, Posts and Telecommunications Ministry Piyatissa Ranasinghe.

Eleven witnesses were called before the Tribunal to 'give evidence' on whether the country's electricity tariffs were justified from the perspective of consumers. Ranging from retired public servants to ordinary citizens, witnesses before the tribunal cited broad Government sector corruption, poor energy policy, the poor management and inefficiency of the Ceylon Electricity Board and a lack of public consultation and participation in formulating a state policy.



Many of the witnesses complained that following the tariff hike, attempts to reduce consumption had proved futile since electricity bills were still higher than pre-increase despite lower unit usage.

The panel of judges and prosecutors called on the witnesses to submit documentary proof about the corruption and wastage at CEB and the electricity bills proving the exponential increase in tariffs to the tribunal for perusal.



MONITORING THE MISUSE OF PUBLIC RESOURCES AT PROVINCIAL ELECTIONS

THE PROVINCIAL COUNCIL ELECTIONS HELD IN THE NORTHERN, NORTH-WESTERN AND CENTRAL PROVINCES CAME UNDER THE SCRUTINY OF TISL'S PROGRAMME TO PROTECT PUBLIC RESOURCES (PPPR) – THE STUDY OF ELECTION MALPRACTICES CONDUCTED DURING THE PRESIDENTIAL, PARLIAMENTARY AND PROVINCIAL ELECTIONS IN SRI LANKA SINCE 2001.

ELECTORAL INTEGRITY

A REVIEW OF THE ABUSE OF STATE RESOURCES AND SELECTED INTEGRITY ISSUES DURING 2013 PROVINCIAL COUNCIL ELECTION IN SRI LANKA

 **TRANSPARENCY INTERNATIONAL SRI LANKA**
Building a Nation of Integrity

The objective is to prevent the misuse of public resources like government vehicles, SLTB buses and public buildings such as schools and regional offices.

During the provincial elections 2013, TISL monitored and investigated abuse of public property by political parties, candidates, officials or public institutions during the period prior to the provincial elections. In addition, public officials engaging in political campaigns were monitored.

Public complaints were entertained and the TISL staff worked alongside a team of investigators to inquire the complaints which were then forwarded to the Commissioner of Elections and other relevant authorities for necessary action. The response from the public was encouraging and 165 complaints were received. Releases were issued to media on a regular basis.

A group of identified competent community leaders identified was appointed as field coordinators for each electorate. They were given the dual responsibility of collecting information and verifying information in the field. They were the direct contact points of TISL.

TISL established a partnership with local level networks and used them as sub coordinators to assist the main field coordinators.

More than 360 monitors were involved in the process to submit regular reports on the misuse of public resources with evidence. In addition, TISL advanced in other ways, for instance the Coalition against Corruption and the introduction of the Network of Investigative Journalists as an integral part of the monitoring system.

The misuse of government vehicles by ruling party candidates from buses, lorries and double cabs to helicopters. And the physical use of public buildings and vacant lands and the participation of public servants from trainees to Provincial Governors was endorsed by the teams of investigators.



There was evidence to prove that over 300 vehicles belonging to the ministries, the departments and other institutions were used for election propaganda work. This was mainly due to the active involvement of almost all the ministers in the election campaign. Over a thousand public officials and other staff openly canvassed for the ruling party candidates.

TISL released a comprehensive report on the findings along with a series of recommendations with the hope of minimizing the misuse of public resources at future elections.

TRADE UNIONS STEAL THE LIMELIGHT AT NATIONAL INTEGRITY AWARD

A SENIOR TRADE UNION LEADER AND AN INFLUENTIAL TRADE UNION GAINED RECOGNITION AT THIS YEAR'S PRESENTATION OF THE NATIONAL INTEGRITY AWARD (NIA) OF TRANSPARENCY INTERNATIONAL SRI LANKA (TISL).





Both won Special Mentions. The Union leader was Saman Ratnapriya and the union was the Rakshana Sewaka Sangamaya of the Sri Lanka Insurance Corporation.

They received the awards from the world renowned Justice C.G.Weeramantry at the presentation ceremony held at the BMICH on 9th December – UN Anti-Corruption Day. A full house in Committee Room B, including politicians, diplomats and professionals witnessed the presentation. The two Special Mention winners exemplify in every way their courage and determination exposing corruption at great personal risk.

This was the tenth successive year that the NIA presentation was held. Since it was launched in 2004. Awards were won by journalists, union activists, government officials and a leader of the civil society leader who had, all fought against corruption.

Saman Ratnapriya is an active trade unionist and is the president of the 'Rajaye Heda Sangamaya' and the Health Services Trade Union Coalition. He has been unearthing corrupt activities and malpractices in the Health Sector as well as other sectors. He started his trade union activities in 1969 and formed the Health Services TU Coalition in 2003.

Over the years he has exposed corruption in the purchase of drugs without proper tender procedures, use of drugs with foreign matter, purchase of low quality drugs and other malpractices.

In 2002, Rakshana Sewaka Sangamaya (RSS) was one of the ten trade unions in the Sri Lanka Insurance Corporation functioning as a small union with just 39 members (1%). Most were namely unions due to the stern anti-union attitude of the management at the time. Though the unions went underground, some were acting secretly against corruption and mismanagement.



While the major unions were inactive, RSS was bold enough to expose and demand a change in the management.

Since they could not function within the Corporation premises, they moved out and operated in a small office forming a wide network throughout the island and exposing the Corporation's malpractices through the media. They also took steps to keep the President and high officials informed of the malpractices.



ENCOURAGING RESULTS IN THE SOUTH

THE LOCAL GOVERNANCE PROGRAMME CONDUCTED BY TISL IN THE SOUTH IS BEARING FRUIT. THE PROGRAMME WAS INITIATED IN A CONTEXT WHEN THERE WAS LIMITED CITIZEN ENGAGEMENT IN THE GOVERNANCE PROCESSES.



The positive responses and enthusiasm of the citizen groups from all programme locations, the cooperation from top level administrators such as the Chairmen from Ambalangoda, Yakkalamulla and Bope Poddala. Local authorities itself is a testimonial that the TISL project is providing a space and a platform to address issues related to governance.



Yakkalamulla Pradeshiya Sabha (PS) earned 354.25 points becoming second in the Galle District in the Performance Assessment by the Local Government Authority Office of Southern Province.

Yakkalamulla Pradeshiya Sabha which had earned only 98.75 points at the initiation period of the project had considerably improved the performance over the years. According to PS Chairman Chandima Liyanage the training obtained by the staff on transparency and accountability has helped them to improve performance and bring about an attitudinal change.

Commending the TISL initiative, the Commissioner of local government- Galle District, Chandima Muhandirange commented that “Effective public participation in Provincial Administration and Development projects is a must”.

Participation of the people of the Ambalangoda Urban Council area in preparing its Annual Budget and the cooperation of public officials and elected members of the Urban Council was a pioneering example set up by a local government institution. The annual budget of Rs 202 million consisted proposals put forward by citizens was passed by the council. The Chairman of Ambalangoda Urban Council chairman said that working together with TISL helped to bring about a positive change in attitudes of the staff about their roles and responsibilities and this in turn has improved service delivery and created a good impression about the council among citizens.



Meanwhile, members of the Bope Poddala Pradeshiya Saba (PS) in Galle pledged their fullest cooperation to make the local authority more transparent and accountable.

The participation of most of the members from both the ruling party and the opposition was significant at training workshops conducted by TISL.

The project is funded by the National Endowment for Democracy (NED).

PUBLIC SERVICES HIGHLY APPRECIATED

THERE WAS A LOT OF INTEREST AND KEENNESS SHOWN BY THE RESIDENTS IN AND AROUND AMBALANGODA WHEN TISL ORGANISED A PUBLIC SERVICE DAY PROVIDING ESSENTIAL SERVICES TO THE PUBLIC.



They sought the services of public officials to obtain identity cards, passports and information relating to corruption mitigation, legal advice, foreign employment and pensions.

The stalls manned by officials of the Susari Sevana Advocacy and Legal Advice Center of the TISL, Department of Registration of Persons, Department of Immigration and Emigration, and Divisional Secretariat of Ambalangoda were 'invaded' throughout the day.



CIABOC, PAFERAL, Legal Aid Commission and Human Rights Commission also had stalls. Visitors found material exhibited at the stalls interesting and were seen spending time studying them.

TISL stall was a novel experience for the visitors where the display materials displayed highlighted TISL work relating to anti-corruption and governance.

Staff members of the Ambalagoda Divisional Secretariats especially the 'Grama Niladharis' had a busy time answering queries and providing numerous services to the public.



The People's Platforms and the Legal Clinic too attracted big crowds who raised questions relating to matters affecting them.

DISCUSSIONS OF TOPICAL ISSUES CONTINUED

TISL'S OUTREACH PROGRAMME, 'SAMBHASHANA' HELD TO DISCUSS TOPICAL NATIONAL ISSUES CONTINUED FOR THE THIRD SUCCESSIVE YEAR.



Through discussion, TISL seeks to promote concepts of integrity among the public and to generate a debate on vital issues of governance that have an impact on the day to day life of people.

The milk powder issue, for example, created quite a stir among all sections of society and TISL moved in to discuss it with special reference to accountability of regulators.

The future of the Executive Presidency was a much talked about subject in 2013. A 'Sambhasaha' programme took up the issue to debate whether the Executive Presidency should be abolished before the next Presidential election.

Yet another burning issue of the day is the

breakdown of the Rule of Law and a lively discussion took place.

The discussions held with a representative gathering present attracted substantial interest by media.. Knowledgeable panelists are selected to lead the discussions. Among them were parliamentarians – both from the Government and Opposition-, academics, professionals, trade unionists, social activists and community representatives.

So far conducted more than 25 discussions conducted were conducted under Chatham House Rules and all of them were open to public.

Meanwhile, a Position Paper was released on the much discussed Impeachment of Chief Justice Shirani Bandaranayake and the related issue about the independence of the Judiciary.



MASSIVE FRAUDS REVEALED

THE COALITION AGAINST CORRUPTION FACILITATED BY TISL EXPOSED A NUMBER OF FRAUDS AND OTHER CORRUPT ACTIVITIES IN THE PUBLIC SECTOR INSTITUTIONS LEADING TO OFFICIAL INQUIRIES BEING HELD ON THE ISSUES.

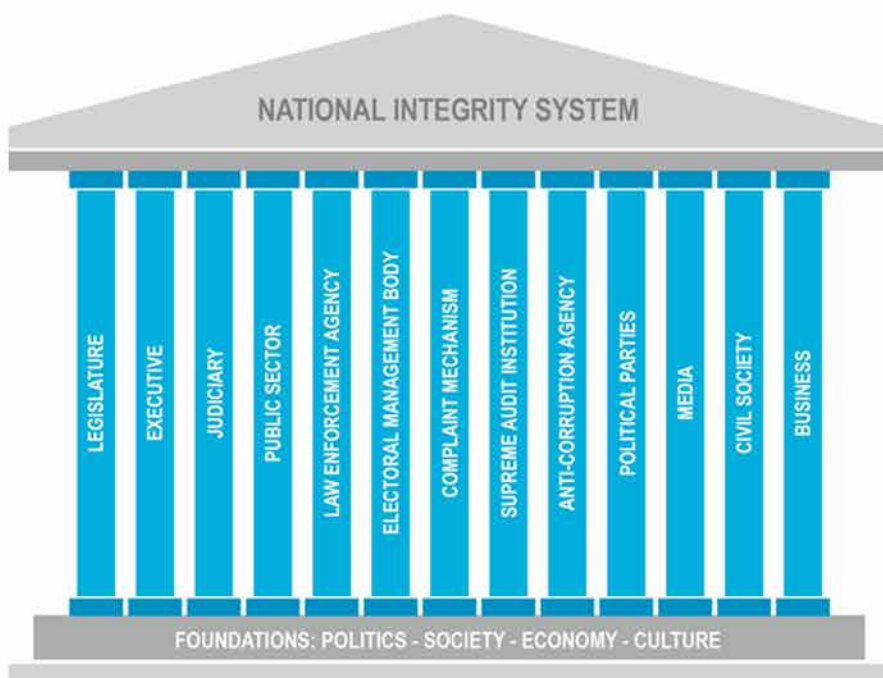


Among the cases exposed during 2013 were:

- The disappearance of 600 million rupees deposited in a state bank by the Education Employees' Cooperative, Thrift & Credit Society Ltd has affected around 150,000 members of the society who are unable to obtain loans and other facilities. The society which dates back to 1930 comprises nearly 150,000 members.
- Corrupt deals in the Ceylon Petroleum Corporation (CPC) resulting in heavy financial losses to the CPC. These related to the agreement between CPC and PV Oil Singapore.
- Corruption and malpractices in the Gem and Jewellery Research & Training Institute in Ratnapura resulting in the Institute facing a grave crisis.
- Over Rs. 3000 million rupees has been swindled during the road constructions and developments by the North Central Province Road Development Authority (NCP RDA) prior to the 2012 Deyata Kirula exhibition. Two of its highest ranking officers had been interdicted and investigations started against allegations of massive corruption.
- The proposed 500 Megawatt coal fired power plant at Sampur will incur a loss of Rs 763 million per year, once commissioned, according to current prices each consumer would have to pay Rs.1,525 per year to recover the losses.
- Corruption is rampant especially in leading schools in cities as money is being collected from students despite the many circulars issued against it.
- The media gave wide coverage to these when revealed at press conferences.

ASSESSING NATIONAL INTEGRITY AGENCIES

WORK WAS STARTED IN ASSESSING THE NATIONAL INTEGRITY SYSTEMS (NIS) TO MEASURE THE STATUS OF THE KEY INSTITUTIONS THAT ARE CRITICAL TO TACKLING CORRUPTION.



This is the second time that TISL is compiling the NIS report. The report, to be released in 2014, will update the information presented in the report of 2010 and identify weaknesses in the overall governing structure of the country while recommending advocacy measures to address these concerns.

Thirteen institutions or pillars assessed in the National Integrity Systems Assessment are amongst the most crucial. They are the Legislature, Executive, Judiciary, Public Sector, Law enforcement agencies, Elections

Commission, Complaint mechanisms, Auditor General, Anti-corruption Commission, Political Parties, Media, Civil society and Businesses. The story will show how well these institutions perform identifying strengths and weaknesses in the existing laws and the corresponding practices. When one of these institutions is weak or too strong it is easier for corruptions to thrive.

The report will feed into a regional report on the status of governance in South Asia.

BOARD OF DIRECTORS

J. C. WELIAMUNA (CHAIRMAN)

One of Sri Lanka's leading public interest and Constitutional lawyers. After establishing his legal career in commercial law, Mr. Weliamuna moved into the fields of constitutional and human rights law, and became an active contributor to local and foreign media on governance and human rights challenges in Sri Lanka. He has played a leadership role in several pro democratic movements in the country and in the sub region. He was TI Sri Lanka's first Executive Director (2002 – 2010). Presently he also serves as a director of TI's Board after being elected by Global membership of TI movement in 2010.

ANUSHIKA AMARASINGHE

Spent eight years of her professional career in a managerial capacity at TI Sri Lanka (TISL) since its inception. She effectively applied her multiple professional qualifications of law, management and accounting, in performing an integral role in the development of the institution. As a free-lance consultant in the development sector, Ms. Amarasinghe has worked on several assignments in organizational development, strategic planning and fundraising.

G.S.LAKSHAN J.S. DIAS

Attorney –at-Law. A prominent human rights lawyer who has provided legal representation in a number of high-profile cases involving deportation and immigration, the Prevention of Terrorism Act, and allegations of torture. A vocal advocate of judicial independence; he has provided protection to human rights defenders and journalists at risk. He has held a number of high level positions in Young Men's Christian Association (YMCA) in Sri Lanka and currently he is serving as a Board member of Rights Now Collective.

RANJITH FERNANDO

Was one of Sri Lanka's top Development Bankers playing a key role in transforming the then State-owned National Development Bank (NDB) which he served from its inception in 1979 until his retirement in 2001. As a Director/ CEO of NDB (1989 onwards) successfully gave leadership to several strategic changes, starting with the privatization of the Bank. He served as the Secretary to the Ministry of Enterprise Development, Industrial Policy, Investment and Constitutional Affairs (2001-04) and was Chairman of United Motors Lanka Ltd. He serves the Director of several private sector companies. An Attorney-at-Law, he possesses a Bachelor of Laws (Hons) Degree from the University of Ceylon and is a Fellow of the Chartered Institute of Management Accountants (UK), Chartered Institute of Bankers (UK) and a Companion of the Chartered Institute of Management (UK).

SHYAMALA GOMEZ

Country Director, FOKUS Women she taught law at the University of Colombo for over eight years and was also Gender Advisor to the UN Office of the Resident Coordinator in Colombo for many years. She also served as the Senior Programme Officer, (Women and Housing Rights) at the Centre on Housing Rights and Evictions (COHRE A Fulbright Scholar, she has an LLB (Hons) from the University of Colombo and a Masters in Law from Georgetown University, Washington DC.

K. W. JANARANJANA

Attorney-at-Law. senior journalist who is presently Editor of the weekly newspaper –‘Ravaya’. He was the founder member and CEO of Rights Now Collective for Democracy (2007-08). He has served as the Assistant Secretary and secretary for Free Media Movement for several years and currently he is functioning as an executive committee member. He is a lecturer of Law and is currently serving as a Senior Lecturer at the Centre for Professional Studies (CFPS) Colombo. He is a diploma holder in communication from Sri J’pura University and is an active member of Lawyers for Democracy.

W.A. JAYASUNDARA

Former Additional Director (Training) and Senior Consultant in Human Resource Management, General Management and Strategic Management at the Sri Lanka Institute of Development Administration (SLIDA). Counting 30 years of experience in the public and private sectors as a Management Consultant and a Corporate Trainer, he is also a Senior Visiting Lecturer in Human Resources Management and Marketing of the Master’s Degree programmes conducted at National and International universities. He holds a B.Ed (Hons.- Colombo University), M Sc in International Marketing (Strathclyde Business School, University of Strathclyde, Glasgow, UK), and Post Graduate Diploma in Legislative Drafting, Boston University, USA,.

S. K. LIYANAGE

Has served on the Board of TI Sri Lanka for several years. The winner of the National Integrity Award 2007, he was a Class 1 officer of the Sri Lanka Administrative Service (SLAS). He retired as Additional Secretary – Ministry of Provincial Councils & Local Government. Well recognized as an investigator in the public service, he holds a BA from Kelaniya University and LLB from Open University of Sri Lanka.

SHEILA RICHARDS

Deputy Chief of Party, of the Support for Professional and Institutional Capacity Enhancement (SPICE) Project of Management Systems International/ USAID. She has been in the relief and development sector for nearly 17 years; both in International NGOs as well as grant making organizations. She was the Executive Director of the Neelan Tiruchelvam Trust – an indigenous grant making organization prior to which she was the Programme Officer of the Swedish International Development Cooperation Agency (SIDA) for 5 years. Ms. Richards has a BA Hons degree in Psychology from the Peradeniya University and a Post-Graduate Diploma in Conflict Resolution and Security Studies from Bradford University, UK.

TONY SENEWRATNE

National Director of Habitat for Humanity Sri Lanka since 2001 and has served as a voluntary board member of the National Child Protection Authority (NCPA) & Deputy Chairman. He was the Executive Director of LEADS (Lanka Evangelical Alliance Development Service) 1991- 2000. He also set up Y-Gro – a Youth Rehabilitation program – Vocational training center & Campsite and was its director from inception. He presently serves as the Treasurer of Y-Gro.

JAYAKUMAR THANGAVELU

Former Deputy Inspector General of Police. He earned a Bachelor’s Degree in Law while in service. His interest in pleading for the rights of the underdog led him into the area of Human Rights that prompted him to follow a course at the International Institute of Human Rights at Strasbourg, France. He was the head of the Police Legal Division and his duties included conducting classes and training programmes for police officers to upgrade their knowledge of the law and appreciation of human rights. He has served as the Head of the Victims and Witnesses Assistance and Protection Unit of the Special Presidential Commission of Inquiry of 2007 to investigate serious violations of human rights.

FINANCIAL STATEMENTS



Ernst & Young
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BW/RNG/ENDP/AD

AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF TRANSPARENCY INTERNATIONAL SRI LANKA (GUARANTEE) LIMITED

We have audited the accompanying Financial Statements of Transparency International Sri Lanka (Guarantee) Limited, which comprise the Statement of Financial Position as at 31 December 2013, and the Statement of Comprehensive Income, Statement of Changes in Accumulated Funds and Cash Flow Statement for the year then ended 31 December 2013, and a Summary of Significant Accounting Policies and Other Explanatory Notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, So far as appears from our examination, the Organisation has maintained proper accounting records for the year ended 31 December 2013 and the financial statements presents fairly in all material respects, the Organisation's state of affairs as at 31 December 2013 and its financial activities and Cash Flows for the year then ended in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

A handwritten signature in black ink that reads 'Ernst & Young'.

10 June 2014
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

ASSETS	Note	2013	2012
		Rs.	Rs.
Non-Current Assets			
Property, Plant & Equipment	5	265,330	1,269,547
		265,330	1,269,547
Current Assets			
Short Term Deposits	6	3,227,007	2,912,025
Receivables	7	4,218,584	2,740,628
Cash & Bank Balances	17	39,087,935	29,475,664
		46,533,526	35,128,317
Total Assets		46,798,856	36,397,864
FUNDING & LIABILITIES			
Accumulated Funds			
Restricted Funds	8	31,604,559	23,954,143
Unrestricted Funds	9	10,410,653	8,942,246
Capital Grants	10	348,596	348,596
Total Accumulated Funds		42,363,808	33,244,985
Non-Current Liabilities			
Retirement Benefit Liability	11	1,020,350	1,612,000
		1,020,350	1,612,000
Current Liabilities			
Income Tax Payable		409,466	154,625
Creditors	12	1,717,965	679,012
Bank Overdraft	17	1,287,267	707,241
		3,414,698	1,540,879
Total Accumulated Funds and Liabilities		46,798,856	36,397,864

Indubhaya
Finance Officer

The Management is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Organization by;

[Signature]
Director

[Signature]
Director

The accounting policies and notes on pages 31 through 44 form an integral of the finance statements.
10 June 2014
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013	2012
		Rs.	Rs.
Incoming Resources	4	58,300,878	54,171,026
Operating Expenditure			
Project Expenditure	13	(41,885,315)	(41,837,987)
Administrative Expenses	16	(16,415,563)	(12,590,350)
Total Operating Expenditure		(58,300,878)	(54,428,337)
Net Deficit on Operating Activities		-	(257,311)
Revenue Earned from Other Activities	15	2,751,062	6,211,222
Net Surplus/(Deficit) Before Tax		2,751,062	5,953,911
Income Tax Expenses	14	(665,113)	(405,917)
Net Surplus / (Deficit) After Tax		2,085,949	5,547,994
Total Comprehensive Income for the Year		2,085,949	5,547,994

The accounting policies and notes on pages 31 through 44 form an integral part of the financial statements.

STATEMENT OF CHANGES IN RESERVES

Year ended 31 December 2013

	Restricted Funds	Unrestricted Funds	Capital Grants	Results for the year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2012	23,727,806	3,394,252	4,420,941	-	31,542,999
Net Surplus / (Deficit) for the Year	-	-	-	5,547,994	5,547,994
Balance Before Transfer to Reserves	23,727,806	3,394,252	4,420,941	5,547,994	37,090,993
Allocation of Results to Reserves		5,547,994		(5,547,994)	-
Funds Received During the Year	54,027,633	-	-	-	54,027,633
Funds Transferred to Statement of Financial Activities	(54,171,026)	-	(4,072,345)	-	(58,243,371)
Accrued Interest	369,730	-	-	-	369,730
Balance as at 31 December 2012	23,954,143	8,942,246	348,596	-	33,244,985
Net Surplus / (Deficit) for the Year	-	-	-	2,085,949	2,085,949
Balance Before Transfer to Reserves	23,954,143	8,942,246	348,596	2,085,949	35,330,934
Allocation of Results to Reserves	-	2,085,949	-	(2,085,949)	-
Funds Received During the Year	65,928,728	-	-	-	65,928,728
Reclassification of Reserves	617,542	(617,542)	-	-	-
Interest Income	1,121,334	-	-	-	1,121,334
Funds Transferred to Statement of Financial Activities	(58,300,878)	-	-	-	(58,300,878)
Returned to Donor	(1,716,312)	-	-	-	(1,716,312)
Balance as at 31 December 2013	31,604,559	10,410,653	348,596	-	42,363,808

The accounting policies and notes on pages 31 through 44 form an integral part of the financial statements.

CASH FLOW STATEMENT

Year ended 31 December 2013

	Note	2013	2012
Cash Flows from Operating Activities		Rs.	Rs.
Net Surplus/(Deficit) before Taxation		2,751,062	5,953,911
Adjustments for			
Depreciation	5	1,047,058	1,174,942
Provision for Gratuity	11	369,571	(41,724)
(Profit)/Loss on Sale of Property, Plant & Equipment		(254,000)	-
Amortization of Fixed Assets		-	(4,072,345)
Interest Income	15	(1,254,071)	(1,446,995)
Net cash flow before Working Capital Changes		2,659,620	1,567,789
(Increase)/ Decrease in Receivables	7	(1,477,956)	(628,281)
Increase/(Decrease) in Creditors	12	1,038,953	(532,036)
Cash Generated from Operations		2,220,617	407,473
Payment of Taxes		(410,274)	(407,569)
Gratuity Paid		(961,221)	
Net Cash from Project Activities		849,122	(96)
Cash Flows from/(Used in) Investing Activities			
Purchase of Property, Plant & Equipment	5	(42,840)	-
Proceeds from Sale of Property, Plant & Equipment		254,000	-
Proceeds from/(Investment on) Short Term Deposits		(314,982)	(278,992)
Interest Income	15	1,254,071	1,446,996
Interest Income- Restricted Fund		-	369,730
Net Cash from/(used in) Investing Activities		1,150,249	1,537,734
Cash Flows from/(Used in) Financing Activities			
Cash Received from Donors not Used		7,650,417	(143,392)
Reclassification of Reserves		(617,542)	-
Net Cash from/(used in) Financing Activities		7,032,875	(143,392)
Net Increase/(Decrease) in Cash and Cash Equivalents		9,032,246	1,394,245
Cash and Cash Equivalents at the Beginning of the Year	17	28,768,423	27,374,178
Cash and Cash Equivalents at the End of the Year	17	37,800,668	28,768,423

The accounting policies and notes on pages 31 through 44 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

1. BACKGROUND INFORMATION

1.1 General

Transparency International Sri Lanka (Guarantee) Limited was incorporated on 23 March 2004 under the Companies Act No. 17 of 1982 as a limited company. It was re-registered on 07 May 2009 under the Companies Act No. 7 of 2007 as a company limited by guarantee.

Transparency International Sri Lanka is domiciled in the Democratic Republic of Sri Lanka. The registered office and the principle location of the Organization is located at No. 183/5, High-level Road, Colombo 06. Its programmes are carried out throughout the country.

1.2 Principle activities of the organization

Transparency International Sri Lanka (Guarantee) Limited (TISL) is a National chapter of Transparency International (TI), the leading global movement against corruption. TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it. TI has an international secretariat in Berlin, Germany, and more than 90 Chapters worldwide.

Transparency International Sri Lanka (Guarantee) Limited (TISL) commenced active operations at the end of 2002 and has since built a strong institution arduously fighting corruption in Sri Lanka. It functions as a self-financing autonomous Chapter of TI with its own strategic directions and priorities.

1.3 Date of Authorization for Issue

The Financial Statements of Transparency International Sri Lanka (Guarantee) Limited, for the year ended 31 December 2013 was authorized for issue in accordance with a resolution of the board of directors on 10 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2. BASIS OF PREPARATION

2.1 Basis of Preparation

The Financial Statements are presented in Sri Lankan Rupees and have been prepared on a historical cost basis. The Preparation and Presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.2 Statement of compliance

The Financial Statements of Transparency International Sri Lanka have been prepared in accordance with the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

2.3 Comparative Information

Previous year's figures and phrases have been re-arranged wherever necessary to confirm to the current presentation.

2.4 Changes in Accounting Policies and Disclosures

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years, except for the changes in accounting policies specified by the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) issued by the Institute of Chartered Accountants of Sri Lanka.

2.5 Going Concern

The Financial Statements of the Organization have been prepared on the assumption that the Organization would be able to continue its operations in the foreseeable future.

2.6 Use of Estimates and Judgements

The presentation of Financial Statements in conformity with Sri Lanka Financial Reporting Standards requires management to make judgments, to estimate and to assume what affect the application of Accounting Policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed and affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Translation of Foreign Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Organization's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any resulting exchange gains and losses are accounted for in the statement of financial activities except for gains or losses relating to items adjusted through the Accumulated Fund which are reflected therein.

3.2 Taxation

Current Taxes

Board of Directors of the Organization is of the view that it does not come under the definition of a Non-Governmental Organizations (NGOs) as being a limited by Guarantee Company. Accordingly the grants and donations received by TISL are not liable for income tax. Interest Income is taxed at 28%.

3.3 Accounting for the Receipts & Utilization of Funds

3.3.1 Funds

a) Unrestricted Funds

Unrestricted Funds are those that are available to use by the Organization at the discretion of the board, in furtherance of the general objectives of the Organization and which are not designated for any specific purpose.

Contributions received from the general public are recognized in the statement of Financial Activities on a cash basis.

b) Restricted Funds

Where grants are received for use in an identified project or activity, such funds are held in a Restricted Fund account and transferred to the Statement of Financial Activities Account to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under Accumulated Fund in the Balance Sheet until such time as they are required.

Funds collected through a fund raising activity for any specific or defined purpose are also included under this category.

Where approved grant expenditure exceeds the income received and there is a certainty that the balance will be received such amounts recognized through debtors in the Balance Sheet.

The activities for which these Restricted Funds may and are being used are identified in the notes to the Financial Statements.

c) Endowment Funds

Where assets are received as an endowment which are not exhausted, only the income earned from such assets may

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

be recognized and used as income.

d) Investment income and other gains realized from funds available under each of the categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

3.3.2 Grants and Subsidies

Grants and subsidies related to assets are deferred in the Balance Sheet and recognized as income over the life of depreciable asset by a way of a reduced depreciation charge in the Statement of Financial Activities over the useful life of the asset.

3.4 Receivables

Receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

3.5 Cash & Cash Equivalents

Cash and cash equivalents are defined as cash in hand, short term investments readily convertible to identified amounts of cash and which are not subject to any significant risk of change in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and bank deposits, net of outstanding bank overdrafts.

3.6 Valuation of Assets and their Measurement bases

3.6.1 Property Plant & Equipment

a) Cost and Valuation

Property, Plant & Equipment is stated at cost excluding the cost of day to day servicing less accumulated depreciation and accumulated impairment in value.

Property, Plant and Equipment is purchased as a part of a project is capitalised at the completion of projects at cost less accumulated depreciation and accumulated impairment is in value.

b) Depreciation

Depreciation is provided for on all assets on the straight line basis and is calculated on the cost or revalued amount of all Property, Plant and Equipment less any terminal value in order to write off such amounts over the estimated useful lives of such assets. Depreciation is provided on assets commencing from the year assets are available for use. Where project assets are subsequently transferred to property, plant & equipment a corresponding amount is credited to capital grant account. Depreciation charged on these assets is set off against the amortization of this capital grant.

d) Donated Asset

When Property, Plant and Equipment is purchased as a part of a project through restricted funds until the conclusion of the project or if on conclusion of the project, the assets is not handed over to the beneficiary or returned to the original donor the cost of the asset is included in a memorandum inventory of property, plant and equipment identified as such in the Financial Statements. Depreciation is not provided on such assets.

3.7 Investments

Fixed Deposits and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus the relevant proportion of the discounts or premium.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3.8 Liability and Provisions

3.8.1 Retirement Benefit obligations

(a) Defined Benefit Plan- Gratuity

Retirement Gratuity is a Defined Benefit Plan. The Organization is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried in the Balance Sheet that is based on a half months salary as of the last month of the financial year for all employees for each completed year of service commencing from the first year of service. The difference between the provision that is brought forward at the beginning of the year and the provision that is required to be carried forward at the end of the year is adjusted through the Statement of Financial Activities.

This provision is not externally funded. However in accordance with the payment of Gratuity Act No 12 of 1983, this liability arises only on the completion of five years of continued service of any employee.

(b) Defined Contribution Plans

All employees are eligible to contribute to the Employees Provident Fund and the Employees Trust Fund in accordance with the relevant statutes and regulations. The Organization contributes 12% and 3% of the gross emolument of the employees to the Employees Provident Fund and to the Employees Trust Fund respectively.

3.9 Statement of Income

3.9.1 Income Recognition

(a) Incoming Resources

Income realized from restricted funds is recognized in the Statement of Financial Activities only when there is a certainty that all conditions for receipt of funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of Financial Activities. Unutilized funds are carried forward as such in the Balance Sheet.

All other income is recognized when the Organization is legally entitled to the use of such funds and the amount can be quantified.

(b) Revenue Earned from Other Activities

Interest earned is recognized on an accrual basis.

Revenue earned on services rendered is recognized in the accounting period in which the services are rendered.

Other income is recognized on an accrual basis.

3.9.2 Expenditure Recognition

(a) Expenses in carrying out the projects and other activities of the Organization are recognised in the statement of Financial Activities during the year in which they are incurred. Other expenses are incurred in managing, functioning and operating the Organization and in restoring and maintaining the property, plant and equipment to perform at expected standards.

(b) For the purpose of presentation, of the statements of financial activities, the Management is of the opinion that the function of expenses method, presents fairly the elements of the Organisation's performance, and hence such a presentation method is adopted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

4.	INCOMING RESOURCES	2013	2012
		Rs.	Rs.
	Restricted Funding	58,300,878	54,171,026
		58,300,878	54,171,026

5.	PROPERTY, PLANT & EQUIPMENT	Balance As at	Additions	Disposals	Balance As at
5.1	Gross Carrying Amounts	01.01.2013			31.12.2013
	At Cost	Rs.	Rs.	Rs.	Rs.
	Furniture & Fittings	1,628,936	-	(33,625)	1,595,311
	Office Equipments	4,600,135	42,840	(349,779)	4,293,196
	Computers	2,807,810	-	(598,385)	2,209,425
	Motor Vehicle	407,940	-	(329,940)	78,000
		9,444,821	42,840	(1,311,729)	8,175,932
	Total Gross Carrying Amount	9,444,821	42,840	(1,311,729)	8,175,932

5.2	Depreciation	As at 01.01.2013	Charge for the Year	Disposals	As at 31.12.2013
	At Cost	Rs.	Rs.	Rs.	Rs.
	Furniture & Fittings	1,389,289	221,851	(33,625)	1,577,515
	Office Equipments	3,995,719	502,929	(349,779)	4,148,869
	Computers	2,492,436	220,293	(598,385)	2,114,343
	Motor Vehicle	297,830	101,985	(329,940)	69,875
		8,175,274	1,047,058	(1,311,729)	7,910,602
	Total Depreciation	8,175,274	1,047,058	(1,311,729)	7,910,602

5.3	Net Book Values	As at 01.01.2013			As at 31.12.2013
		Rs.	Rs.	Rs.	Rs.
	Total Carrying Value of Property, Plant & Equipment	1,269,547			265,330

5.4	During the financial period, the Organization has acquired Property, Plant & Equipment amounting Rs. 42,840 (2012 Nil)		
5.5	The useful lives of the assets are estimated as follows;	2013	2012
	Furniture & Fittings	Over 4 years	Over 4 years
	Office Equipments	Over 4 years	Over 4 years
	Computers	Over 4 years	Over 4 years
	Motor Vehicle	Over 4 years	Over 4 years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

5.6	Project Assets not Included in Statement of Financial Position	Balance As at	Additions During the year	Capitalised During the year	Balance As at
		01.01.2013			31.12.2013
At Cost		Rs.	Rs.	Rs.	Rs.
	Furniture & Fittings	321,727	-	-	321,727
	Office Equipments	722,100	99,230	-	821,330
	Computers	731,264	233,000	-	964,264
	Air Conditioners	-	-	-	-
		1,775,091	332,230	-	2,107,321

6.	SHORT TERM DEPOSITS	2013	2012
		Rs.	Rs.
	Fixed Deposits	3,227,007	2,912,025
		3,227,007	2,912,025

7.	RECEIVABLES	2013	2012
		Rs.	Rs.
	Deposits & Prepayments	2,235,944	1,348,716
	Advances	1,229,682	26,646
	Other Receivables	752,958	743,066
	FK-Exchange Programme - TI South Asian Chapters	-	622,200
		4,218,584	2,740,628

8.	RESTRICTED FUNDS	2013	2012
		Rs.	Rs.
	Balance as at 01 January 2013	23,954,143	23,727,806
			-
	Funds Received During the Year	65,928,728	54,027,633
	Accrued Interest	-	369,730
	Interest Income	1,121,334	-
	Transfer to Statement of Financial Activities	(58,300,878)	(54,171,026)
	Reclassification of Reserves	617,542	-
	Returned to Donor	(1,716,312)	-
	Balance as at 31 December 2013	31,604,559	23,954,143

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

8. RESTRICTED FUNDS (Contd...)

8.1 Movements in Restricted Funds - 1 January to 31st December 2013

Name of Donor Organisation	Project	Project Budget	(A) Balance Brought forward	(B) Transferred from TI Secretariat	(C) Received/ during the year
		Rs.	Rs.	Rs.	Rs.
SIDA / MFA (Ministry of Foreign Affairs)	From Co-donors	46,746,529	17,486,984	-	16,510,428
FES	Investigative Journalism Workshop	1,656,296	(399,362)	-	-
TI Secretariat	3 Position Paper Translations	55,587	55,087	-	
TI Secretariat	Security Grant 2010 - Enhance Security Measures	960,000	12,284	-	
Stromme Foundation	Civil Society for Accountable Governance	895,550	98,188	-	
TI Secretariat	CBO Network - National Integrity Study	1,049,096	361,038	-	
FK-2010/11	Exchange Programme - TI South Asian Chapters	2,091,900	2,917,546	-	2,819,663
TI Secretariat	Seed Funding - Website, Newsletter & Annual Report	919,900	(275,515)	-	
Helvetas Sri Lanka - Ampara	Public Officials Capacity Development	12,500	12,500	-	
Helvetas Sri Lanka Kalmunai	Public Officials Capacity Development	23,549	23,548	-	
SAHR	Parliament Watch	584,000	(179,622)	-	
NED Washington D C USA	Kurunegala Capacity Building Project-2 DS Divisions	4,206,542	267,392	-	5,587,521
Royal Netherlands Embassy	Governance Report 2010	2,416,060	343,747	-	
European Union	Enhancing Demand for Accountability in Local Governance-Anurdhapura,Polonnaruwa and Ampara Districts	15,535,677	(1,743,140)		1,325,802
PTF	Financial Accountability in 2 Pradeshiya Sabhas-Badulla	3,956,146	(1,733,785)	-	868,317
Federation of Chambers of Commerce	FCCISL Seminar-Regional Chamber Awareness Seminar	37,111	37,111	-	
TI Secretariat	Global Corruption Report	483,000	(183,944)	-	
CHRI	Right to Information	172,110	(17,300)	-	
ARD	Strengthening Institutional Capacity to Mitigate Corruption and Enhance Good Governance	3,969,228	(1,629,762)		888,485
TIS - ALAC	Advocacy of Legal Advice Centre	26,217,450	5,762,518		21,929,423
SAFMA	Media Coalition	40,000	(40,000)		
TI Secretariat	Core Funding	-	1,782,000	-	
YIP	Youth Programme		996,630		7,927,380
Reclassification of Reserves		-	-	-	-
Inter News	Internews				1,436,878
Swiss Embassy	Protect of Public property and Resources				1,095,000
TISL_NICSA	National Integrity Context and System Analysis				5,101,003
TMMF korea	Advocacy of Legal Advice Centre				438,828
TOTAL		112,028,231	23,954,143	-	65,928,728

(D) Interest Accrued	E=(A)+(B) +(C)+(D) Total available in current Year	(F) Transferred to statement of financial activities for Project Cost	(G) Transferred to statement of financial activities for Administrative and Tax Expense	(H)=(F)+(G) Total Transferred to statement of financial activities	Reclassification of Reserves	(I) Surplus Returned to Donor / Transferred to/(from) Co-donor	(J)=(E)-(H)-(I) Balance carried forward
Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.
329,420	34,326,832	22,971,979		22,971,979		(1,835,745)	9,519,108
-	(399,362)		-	-		-	(399,362)
-	55,087	-	-	-		(55,087)	-
-	12,284	-	-	-		(12,284)	-
-	98,188	-	-	-		(98,188)	(0)
-	361,038			-		(361,038)	-
106,202	5,843,411	3,735,014	-	3,735,014		-	2,108,397
	(275,515)		-	-		275,515	-
	12,500	-	-	-		(12,500)	-
	23,548	-	-	-		(23,548)	-
-	(179,622)		-	-		179,622	-
64,457	5,919,370	3,826,963	-	3,826,963		(104,529)	1,987,878
	343,747		-	-		(343,747)	-
-	(417,338)			-		417,338	(0)
-	(865,469)	-	-	-		865,469	0
	37,111	-	-	-		(37,111)	-
	(183,944)		-	-		183,944	-
	(17,300)		-	-		17,300	-
-	(741,277)	229,000		229,000		970,277	-
439,954	28,131,895	18,318,117		18,318,117			9,813,778
	(40,000)			-		40,000	-
	1,782,000	-	-	-		(1,782,000)	-
181,301	9,105,311	7,986,088		7,986,088			1,119,223
-	-	-	-	-	617,542	-	617,542
	1,436,878	173,814		173,814			1,263,064
	1,095,000	379,492		379,492			715,508
	5,101,003	680,410		680,410			4,420,593
	438,828			-			438,828
1,121,334	91,004,204	58,300,878	-	58,300,878	617,543	1,716,312	31,604,559

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

9.	UNRESTRICTED FUNDS	2013	2012
		Rs.	Rs.
	Balance as at 01 January 2013	8,942,246	3,394,252
	Reclassification of Reserves	(617,542)	-
	Net Surplus / (Deficit) for the Year	2,085,949	5,547,994
	Balance as at 31 December 2013	10,410,653	8,942,246

10.	CAPITAL GRANTS	2013	2012
		Rs.	Rs.
	Balance as at 01 January 2013	348,596	4,420,941
	Transfer to Statement of Income & Expenditure- Amortization	-	(4,072,345)
	Capitalize During the Year	-	-
	Balance as at 31 December 2013	348,596	348,596

11.	RETIREMENT BENEFIT LIABILITY	2013	2012
		Rs.	Rs.
	Balance as at 01 January 2013	1,612,000	1,653,724
	Charge for the Year	369,571	(41,724)
	Payments Made During the Year	(784,324)	-
	Adjustments Made During the Year	(176,897)	-
	Balance as at 31 December 2013	1,020,350	1,612,000

12.	CREDITORS	2013	2012
		Rs.	Rs.
	Accrued Expenses	691,832	376,182
	Other Payables	1,026,133	302,830
		1,717,965	679,012

13.	PROJECT EXPENSES	2013	2012
		Rs.	Rs.
	Staff (13.1)	10,535,236	11,848,868
	Direct Cost (13.1)	28,463,448	24,601,347
	Indirect Cost (13.1)	2,886,631	5,387,771
		41,885,315	41,837,987

14.	INCOME TAX EXPENSES	2013	2012
		Rs.	Rs.
	Current Income Tax		
	Current Tax Expense on Ordinary Activities for the Year	665,113	405,917
		665,113	405,917

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

13. PROJECT EXPENDITURE (Contd..)

Project Activity Summary For the year ended 31st December 2013 (Contd..)

Activity/Project	Donor Organization	Project Budget Year 2013	Transferred From Restricted Fund	Total Amount Expended			Total Expenses	Net Surplus /Deficit
				Staff Cost	Direct Project COST	Indirect Project COST		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
National & Local Governance								
Inter News	Inter News	174,408	173,814	163,674	8,175	1,965	173,814	
Women and Corruption	MFA	90,000	320,581	-	319,531	1,050	320,581	
NICSA (National Integrity Context and System Analysis)	TIS	2,084,000	689,405	383,600	305,805	-	689,405	
News letter	MFA	400,000	214,280	-	214,280	-	214,280	
PPPR (Programme of Protection Public Resource)	SWISS/MFA	2,800,000	2,017,047	-	2,017,047	-	2,017,047	
Galle District Programme	NED	5,670,000	3,733,436	1,276,409	2,438,594	18,433	3,733,436	
Governance Report	MFA	1,020,000	12,448	-	-	12,448	12,448	
Mapping & Identifying	MFA	551,542	553,192	163,329	166,841	223,023	553,193	
Engaging with the Public Sector	MFA	695,000	542,730	163,329	271,518	107,883	542,730	
Mapping & Identifying (Coalition)	MFA	867,600	900,392	-	689,721	210,672	900,393	
Create Regional & National UVA	MFA	350,000	304,420	163,329	-	141,091	304,420	
Engaging Young parliamentarians	MFA	535,000	576,913	163,329	264,860	148,724	576,913	
Sambashana	MFA	1,068,000	857,002	163,329	506,418	187,255	857,002	
Engaging Young People YIP (Youth Integrity Promotion Programme)	TIS	9,165,836	8,017,320	1,208,862	6,579,093	229,365	8,017,320	
Develop Recourse Center	TIS	18,500,000	17,086,712	5,145,577	11,701,522	239,613	17,086,712	
Strengthen the Governance	MS	200,000	170,978	-	59,147	111,831	170,978	
National integrity Award	MFA	2,275,000	1,950,036	-	1,671,757	278,278	1,950,036	
Exchange Programme - TI South Asian Chapters	FK	4,396,060	3,764,607	1,540,468	1,249,139	975,000	3,764,607	
TOTAL PROGRAM COST		50,842,446	41,885,315	10,535,236	28,463,448	2,886,631	41,885,315	
Administration Expenses		16,855,847	16,415,563	7,965,887	155,738	8,293,938	16,415,563	
Total Expenses		67,698,293	58,300,878	18,501,123	28,619,186	11,180,569	58,300,878	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

15.	REVENUE EARNED FROM OTHER ACTIVITIES	2013	2012
		Rs.	Rs.
	Sundry Income	69,010	1,500
	Interest Income	1,254,071	1,446,995
	Profit on Sale of Asset	254,000	-
	Old Newspaper Sale	-	4,794
	Exchange Gain/(Loss)	-	37,318
	Amounts Write Off	989,584	622,200
	Recourse Personnel Income	7,500	26,070
	Amortization- Capital Grant	-	4,072,345
	Gratuity Adjustment made During the Year	176,897	-
		2,751,062	6,211,222

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

16.	ADMINISTRATIVE EXPENSES	2013	2012
		Rs.	Rs.
	Salaries	7,965,887	7,076,476
	Consultancy Fees	78,368	11,967
	Audit Fee	182,491	181,489
	Staff Welfare	163,579	87,280
	Gratuity	369,571	(41,724)
	Travelling	58,323	42,331
	Insurance -Business Guard	760,297	79,071
	Printing and Stationery	99,208	45,852
	Postage, Stamps and Courier Charges	2,309	11,891
	Telephone / Internet Charges	305,983	133,637
	Water Rates	68,019	3,707
	Electricity	689,864	496,181
	Office Rent	1,644,560	1,078,440
	Equipment Maintenance	267,937	125,759
	Office Maintenance	188,648	67,254
	Security	701,185	320,804
	IT Maintenance	42,958	62,567
	Vehicle Maintenance	16,003	19,767
	Fuel	28,185	8,132
	Depreciation	929,396	507,869
	Bank Charges	66,558	79,225
	PAYE, EPF Surcharge	695	10,822
	Memberships	-	6,450
	Secretarial Fees	33,116	-
	Miscellaneous Expenses	5,201	5,105
	Office Reallocation	1,214,330	-
	Janitorial Charges	202,245	108,189
	Infrastructure Technology & Equipment	-	791,050
	Board Meeting Expenses	54,220	35,037
	Mid Year Evaluation	-	72,393
	Organization Structure and System	-	194,048
	Governance Quality and Strure	-	134,644
	Information Sharing System	-	597,439
	Communication Strategy	-	141,111
	Resource Mobilization	-	14,802
	Financial System & Control	-	17,136
	AGM Expenses	276,427	-
	Provision for Bad Debts	-	64,150
		16,415,563	12,590,350

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

17.	CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	2013	2012
	Components of Cash and Cash Equivalents	Rs.	Rs.
	Favorable Cash & Cash Equivalents Balance		
	Balance at Bank	39,061,305	29,449,034
	Cash in Hand	26,630	26,630
		39,087,935	29,475,664

	Unfavorable Cash & Cash Equivalent Balances		
	Balance at Bank	(1,287,267)	(707,241)
		37,800,668	28,768,423

18.	CAPITAL COMMITMENTS		
	There are no capital commitments as at 31 December 2013		

19.	CONTINGENT LIABILITIES		
	The Organization does not have significant contingent liabilities as at the 31 December 2013.		

20.	EVENTS OCCURRING AFTER THE DATE OF BALANCE SHEET		
	There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.		

21.	RELATED PARTY DISCLOSURES		

21.1	Transactions with Key Management Personnel of the Organization		
	The key management personnel are the members of the executive committee being responsible for Project management, General management and implementation of policy decisions. None of these key personnel are members of the board of directors of TISL. No member of the board of directors receives any salary or other compensation.		
		2013	2012
a)	Key Management Personnel Compensation	Rs.	Rs.
	Short - term employee benefits	4,329,903	4,584,340

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