

Annual Report | 2009  
**impact**

**Transparency International Sri Lanka (TISL) is the national chapter of Transparency International (TI), the global civil society organization leading the fight against corruption.**

**[www.tisrilanka.org](http://www.tisrilanka.org)**

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Designed by Haritha Dahanayaka

## CORPORATE INFORMATION

### NAME

Transparency International Sri Lanka  
Company Registration No - GA 279

### LEGAL STATUS

Company Limited by Guarantee  
Incorporated in Sri Lanka on 23 March 2004  
Under the Companies Act No. 7 of 1982  
Re-registered under the Companies Act No 07  
of 2007

### REGISTERED OFFICE

28/1 Bullers Lane, Colombo 07, Sri Lanka  
Telephone : 011 2506419  
Fax : 011 2592287  
E-mail : [tisl@tisrilanka.org](mailto:tisl@tisrilanka.org)  
Web : [www.tisrilanka.org](http://www.tisrilanka.org)

### COMPANY SECRETARY

Charuni Gunawardana LLB (Hons) LLM

### AUDITORS

Joe Muttupulle & Co  
Chartered Accountants  
252-A 2nd Floor, Galle Road,  
Colombo 04

### BANKERS

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

## OUR VISION:

To build a nation of integrity

## OUR MISSION:

To lead and support the  
collective effort to enhance  
integrity and eradicate  
corruption by generating  
knowledge and stimulating  
action

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Our Annual Report 2009 focuses on the impact that TISL made through its activities in 2009. For information about our current activities please visit our website:

[www.tisrilanka.org](http://www.tisrilanka.org)

# FOREWORD



**J C WELIAMUNA**  
EXECUTIVE DIRECTOR

TISL continued to discharge its mandate amidst increasing challenges. The anti-NGO sentiments have reached unprecedented levels but we managed to carry on with our activities without a major setback. The support we received from the stakeholders and members of the Board helped the staff to mitigate risks suitably thereby minimizing any adverse impact on our activities.

The year 2009 marked frontal attacks on media in the country with the first ever International Integrity Award winner Mr. Lasantha Wickramatunge being assassinated. TI Sri Lanka's first National Integrity Award winner Mr. Poddala Jayantha was abducted and later released. In that context we were naturally engaged in a series of activities to protect media freedom in the country.

We were subjected to two evaluations internally and externally, which process helped us to identify our strengths and weaknesses. During the evaluation we also evolved a mechanism to assess the impact of our work which made it easy for TISL to plan and implement useful programmes. Our activities during the year are recorded in the Operational Review.

Our accreditation with Transparency International was renewed in 2009.

With my long service, TISL is now poised to a succession plan for leadership position in 2010.

The longest serving member of the Board, Dr. Pakiyasothy Saravanamuttu retired after completing three terms. A pioneer in promoting the values and ideals of TISL, his share in the progress we have made so far has been immense. On behalf of TISL, I wish to acknowledge his valuable contribution to our institution.

The support and guidance received from the Board of Directors, Members, local and international stakeholders is gratefully acknowledged.

I extend our gratitude to the Donors for their continued cooperation without whose support we would not have been successful in both implementing our programmes and meeting growing challenges to the civil society.

I wish to thank the admirable, professional staff for their unstinted cooperation to reach our mission and vision and willingness to stand up to any challenge in these crisis times.

# OPERATIONAL REVIEW

In an year which experienced immense threats for anti-corruption and good governance work and with limited and shrinking space for civil society activities, TISL continued to work in reaching its Vision and Mission in 2009.

In the light of the evaluation of achievements and challenges since the inception of the Strategic Plan, in 2009 TISL decided to restructure its activities to achieve greater synergies, and to avoid duplication. Thus in 2009 the institution was restructured to four new units - Research, Advocacy, Capacity Building and Communication - to enhance the impact of its activities. Office administration, finance, human resources, fund raising, monitoring and evaluation continued under the existing Institutional Development Unit.

## OUR PRINCIPAL STRATEGIES:

- Building coalitions and diversification of stakeholders
- Multi-sectoral interventions
- Demand creation for anti-corruption initiatives
- Expansion of outreach



## PROBLEM

Sri Lanka is not yet identified as a “failed state” though it is categorized as “country in danger.” Unless remedial measures are adopted to prevent further deterioration of the current situation the danger of becoming a failed state is imminent. Over the years Sri Lanka slipped its ranking in TI’s Corruption Perception Index from 67 in 2004 to 97 in 2009 with a lowering score of 3.5 to 3.1 out of 10. Yet Sri Lanka hasn’t fallen into the countries that have scored less than 3 indicating a rampant corruption that poses a threat to institutions as well as to social and political stability. Over the last few years Sri Lanka lost its place of being the least corrupt country in South Asia to Bhutan and India.

The failure to enforce corruption laws in the country is accompanied by a general failure of the government to properly account for expenditures and to enforce laws. For example, the Auditor General’s reports have revealed that the entire tax collection system is corrupt. In 2004, the Auditor General found that 441 billion rupees (US\$3.89 billion) in taxes, more than the total tax revenue collected in a year, was lost to fraud committed either “willfully or negligently” by the Inland Revenue Department between 2002 and 2004.

## APPROACH

As a civil society organization which is fully mandated to tackle corruption and promote good governance, TISL has adopted a two prong approach in countering corruption in the country: on the one hand, it encourages and develops positive practices and on the other, discourages and fights the existing and potential corrupt practices, particularly highlighting the systemic barriers and malpractices. In doing so it works both at the national level as well as at the grassroots reaching different masses of the Sri Lankan ethnic and social strata.

Our activities over the years have exposed corruption in different sectors in Sri Lanka while highlighting the possible remedial measures developing a solid knowledge base for those who are serious about fighting corruption. We also played a pivotal role in establishing an independent network of resource persons who are knowledgeable about approaches and tools in fighting corruption.

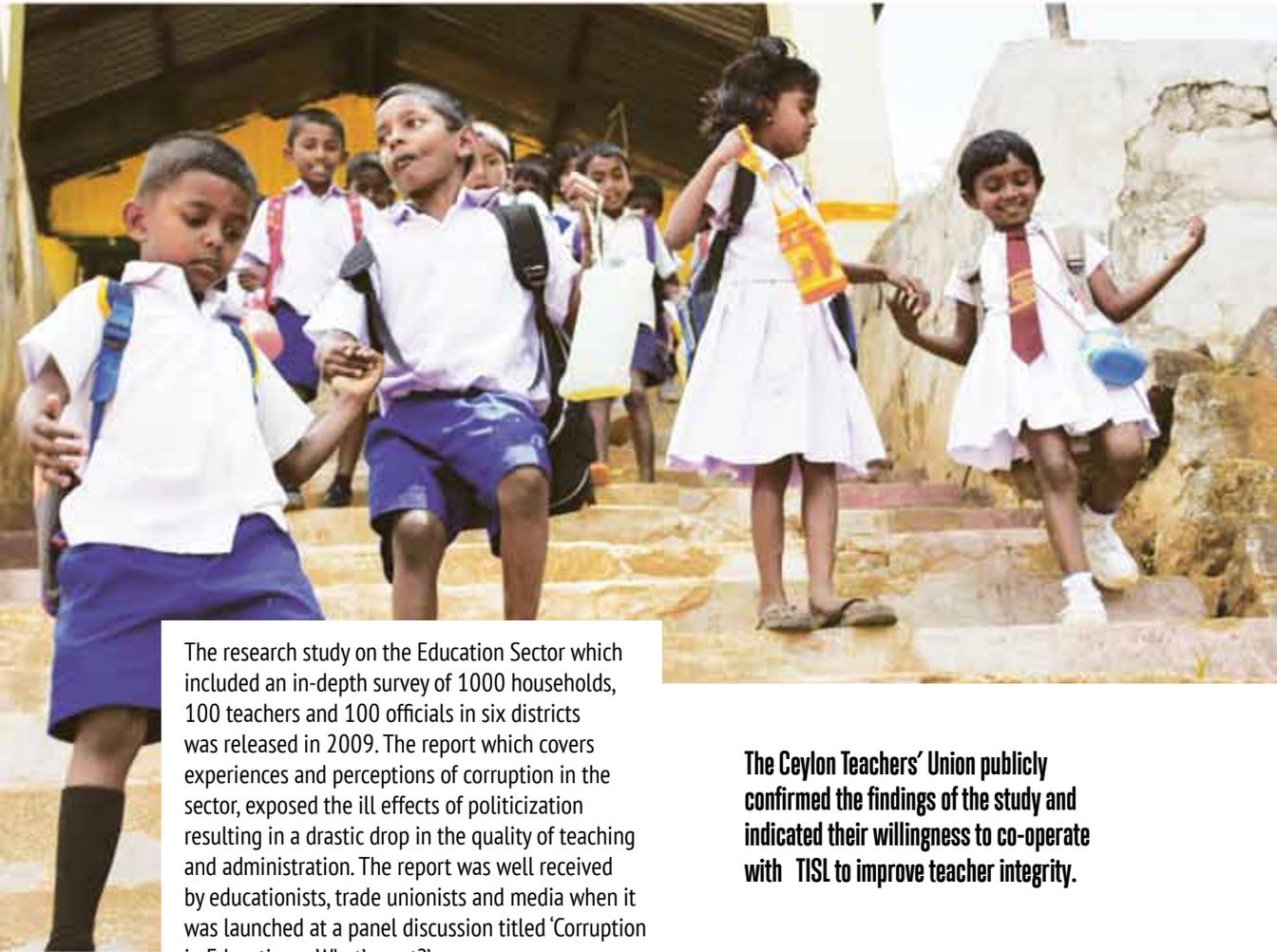
In a climate of political non-cooperation and shrinking space, TISL was successful in winning the public officials’ trust and confidence by clearly emphasizing the sustainability of our programmes and thus becoming a collaborative, as opposed to a confrontational, intervention.



# **THE IMPACT WE MAKE**

**Paving the way for an informed  
anti corruption discourse.....**

# Education



The research study on the Education Sector which included an in-depth survey of 1000 households, 100 teachers and 100 officials in six districts was released in 2009. The report which covers experiences and perceptions of corruption in the sector, exposed the ill effects of politicization resulting in a drastic drop in the quality of teaching and administration. The report was well received by educationists, trade unionists and media when it was launched at a panel discussion titled 'Corruption in Education – What's next?'

The report was made available in Sinhala and Tamil as well. In 2009 alone it was downloaded by 900 users since its launch.

As a further spinoff of the project TISL initiated a study to examine malpractices in schools in the country's plantation sector. The project is focusing on the quality of education in Passara plantation schools. The research was begun in the latter part of 2009 in co-operation with the zonal education office and local NGOs in the area and be completed in 2010.

**The Ceylon Teachers' Union publicly confirmed the findings of the study and indicated their willingness to co-operate with TISL to improve teacher integrity.**



*At the panel discussion - 'Corruption in Education – What's next?'*

# Seeking foreign employment

TISL's research on "Integrity in Foreign Employment" revealed several governance issues and corruption risks faced by migrant workers in Sri Lanka. The research aimed at supporting the existing efforts to reduce the risks faced by the migrant workers and provide safe environment for recruitment, spells out a number of recommendations to that effect. TISL has come up with an advocacy plan to pursue with the recommendations of the report including exploring the possibility of working with Sri Lanka Bureau of Foreign Employment to carry forward some of the recommendations.



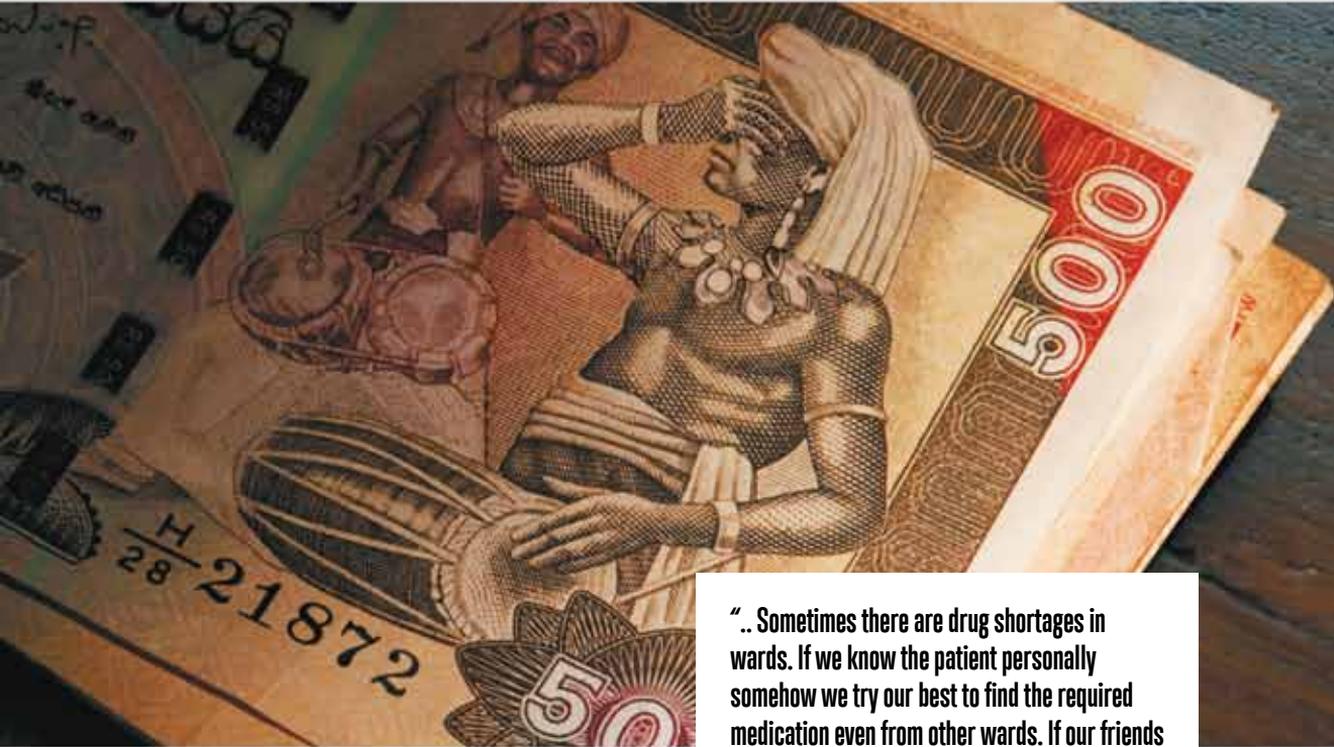
*Sri Lankan maids wait in a shelter in Beirut after escaping their employers' households. (AFP/Anwar Amro)*

**When Samantha was planning to migrate, he was introduced to a sub-agent at Kaluwana, Ambatenna in the Matale district who promised him a job in Dubai within three months if he paid Rs. 10,000 for the passport and medical examination. The agent's fee was Rs. 75,000. Samantha paid an advance of Rs. 15,000 in 2007 but six months later was still without a job, only to find that the sub-agent had left the country.**

*Migrant workers in Kuwait © <http://www.migrant-rights.org>*



# Petty corruption in government hospitals



The need for a strong community awareness programme was stressed in the research report on "Integrity in Government Hospitals in Colombo District." The report revealed the widespread petty corruption, bribery and nepotism taking place in hospitals. The study covered 200 households in Colombo District, located in urban, rural and estate areas covering Sinhala, Tamil and Muslim ethnic groups of various economic levels. Findings suggest that respondents and/or their family members frequently give money, gift or 'santhosam' in order to get the required service from the hospital, either to get preferential treatment of as a token of appreciation for the service that they received.

**".. Sometimes there are drug shortages in wards. If we know the patient personally somehow we try our best to find the required medication even from other wards. If our friends or relatives come and ask a favor we cannot refuse it"**

**"Some people who come from distant places are not aware of the procedures of releasing a dead body from the mortuary. If there are any suspicious cases, those bodies will be sent to the police mortuary for further inquiries. Then the situation becomes worse and relatives find it difficult to follow the required procedures. The laborers who are working in the mortuary know the mentality of relatives and get involved with helping them. However, at the end they ask for money from people who get their help".**

# Annual Governance Report

TISL's annual flagship publication - Sri Lanka Governance Report 2009 - provides useful insights into a spectrum of governance issues. The report covers areas going beyond minimalist and exclusive statist definitions of governance which include issues of participation, transparency, accountability, gender sensitivity and anti-corruption to name but a few. For example, the chapters in the report describing the year's performance of COPE, the Central Bank, and the Bribery Commission share a common underlying theme. That is, accountability must not be confined to specialists and privileged interlocutors who are able to demand information from responsible and crucial state regulatory institutions. Instead, accountability should be proactively transparent towards all sections of the society. The analysis in the post-conflict governance in the North and East articulates the view that, irrespective of the motives of government, legitimacy can only be derived through meaningful participation and ownership of projects, which must include serious input into decision-making and periodic review. The same applies to the analysis of governance concerns regarding the politicization of the ministries of education and foreign affairs.

The contributions to the report acknowledge positive changes made by the State as well as real obstacles that need to be overcome by all stakeholders.



**The Report has been widely distributed among many relevant stakeholders including academics and Members of Parliament. The GTZ Performance Improvement Project distributed the report to their counterparts in the North and East of Sri Lanka. The report has been downloaded more than 500 times from TISL website within the first quarter of 2010.**



*Former civil servant Bradman Weerakoon at a discussion held on "Sri Lanka Governance Report 2009" described the report as "clean, concise, factual, authentic, evidenced-based information backed by references." He found it most interesting and recommended it as a good read.*

# Position papers

Three position papers were released in 2009 with the objective of raising awareness and creating public discussion on selected topics.

## **Petty corruption in government hospitals**

An Interim Report issued by TISL on health sector corruption revealed that there is widespread petty corruption, bribery and nepotism in government hospitals in the Colombo District. It also focused the attention on numerous difficulties that the patients face when they went to government hospitals to take treatment. The Position Paper was based on the findings of the survey done prior to the release of the report.



## **Corruption in the Education Sector**

Following the release of the Report on Corruption in the Education Sector in Sri Lanka, TISL circulated a position paper outlining 29 recommendations made to different stakeholders including the Government, the Ministry, Trade Unions, Principals & Teachers, and Parents.



## **Loopholes in the Companies Act**

The shortcomings in Section 487 of Sri Lanka's new Companies Act No.7 of 2007 were discussed in this position paper. It argued that some provisions in the section provide room for abuse, and actually contravene the very essence of the Companies Act, i.e. to ensure the survival and continuity of a corporate entity as opposed to securing its demise. It also highlighted low compliance with the Act, and provided recommendations for all stakeholders on how to overcome the loopholes in the Act.





## Accountability of non - state actors

### Governance of CSOs

In the context of a shrinking space for civil society in Sri Lanka, TISL made a pioneering impact in building strength by introducing good governance structures to the Civil Society Sector in Sri Lanka.

TISL developed a set of “Golden Rules” - eight principles providing a framework for transparent governance of a CSO. The principles were developed as TISL strongly promotes the idea of better governance for the NGO sector in the country as much as it demands the same from the public and private sectors.

The initially developed principles were further streamlined to suit small civil society entities on an invitation by Fredskorpset Sri Lanka network in order to strengthen the governing structures of its partner organizations. The twelve CSOs in the network accepted the governance framework which was developed with their consultation and collectively pledged to adopt and implement the framework within their institutions.

The project will be continued during 2010 with a governance assessment and capacity building programme to observe and ensure the implementation of the Good Governance Framework.

**The Fredskorpset Network Sri Lanka adopted the good governance framework at the annual network meeting held on 4<sup>th</sup> November 2009**



*Discussing 'Golden Rules'*

# Working with the private sector



Round table discussion

In 2009, TISL inaugurated its formal work in the Private Sector through a structured process of creating networks and flagging key integrity issues at Roundtable discussions. Leading members of the Private Sector, professionals, academia and media participated at the inaugural discussion where the background behind the corporate collapses was highlighted.

Following a fruitful discussion, a memorandum was addressed to HE the President urging him to appoint a Banking and Finance Commission to study and recommend measures needed to maintain overall economic and financial stability.

At a follow-up Experts Forum comprising representatives from the corporate and audit sectors, professional associations and chambers of commerce, among issues raised was the absence of transparency and accountability in the financial sector and its regulators. Participants felt that regulators lacked the capacity regarding professional and intellectual knowhow as well as independence from political interference. The necessity of reviewing key regulatory institutions was stressed at the Forum.

On invitation by the Federation of Chambers of Commerce and Industry Sri Lanka (FCCISL), TISL conducted a workshop in Kurunegala on Business Integrity Fundamentals in collaboration with FCCISL regional chambers. This helped TISL to extend its outreach to small and medium enterprises in the North Western Province.

Meanwhile, the Post-Graduate Institute of Management (PIM) of the University of Sri Jayawardenepura, invited TISL to develop course content for the introduction of 'Business Integrity' as a sub topic in its core curriculum.





## Promoting youth in anti-corruption Activities

**TISL should be commended for its effort to combat corruption for analyzing the issues extensively and formulating practical strategies.**

- Bhikkhu Upali Sramon, Winner - English medium



*English medium winner Bhikkhu Upali Sramon receives prize from NIA chief guest Arvind Kejriwal*

**The loopholes in the legislation have to be amended to trap the culprits. The laws themselves allow the alleged persons to escape. Thus changes in the legislation with a strong civil society and awareness programmes are necessary to curb corruption.**

- Extract from essay by Padmanadam Shivashankar

A significant achievement in 2009 was the creation of a national level youth coalition through the Anti-Corruption Assignment Competition, which targeted students in higher educational institutions. The objective of the competition was to build a coalition of youth who is knowledgeable on anti-corruption and governance issues and to be proactive in taking initiatives to combat corruption in the country.

The competition was held in Sinhala, Tamil and English languages with a high participation of students in the Tamil medium. 13 seminars were organized throughout the island in preparation of submitting the assignments giving an opportunity for students from different educational institutions to come together and discuss issues relating to corruption and to share ideas.

The participants acknowledged the competition as a rewarding experience. The competition marked a huge success where the youth of the country made a promising commitment to fight against corruption. TISL plans to utilise this commitment in its activities in the coming years.

# Investigative Journalism

In 2009, significant impact was created through a series of capacity building workshops on Investigative Journalism which inculcated an anti-corruption dimension into the mindset of the trainee journalists and into the existing programmes of the media institutes. 80 provincial journalists and editorial members of print and electronic media were trained through this programme. The participants were from Badulla, Kurunegala, Puttalam and Colombo districts.

At post-training evaluations, interviewees mentioned that the content and quality of stories covered in provincial newspapers have improved following the TISL workshops. These highlighted incidents of corruption in the public and private sectors. The publicity generated by these articles had stimulated public institutions and authorities in question to take remedial action.

The capacity building programmes were conducted in partnership with Sri Lanka Press Institute (SLPI), Sri Lanka College of Journalism and the Working Journalists' Association.



*At a workshop on Investigative Journalism*

*Trainer Poddala Jayantha guides a group at a workshop*



# Right to Information (RTI)



The expertise of Indian RTI activist Arvind Kejriwal, who was invited by TISL shared his advocacy strategies based on the Indian experience with public officials, senior journalists and media activists creating a new impetus in the RTI movement in Sri Lanka.

He addressed top officials of the Inland Revenue Department and over 400 provincial public officials in the Badulla district on the theme 'Towards a public service with integrity'. In a session at Sri Lanka Press Institute he shared his expertise and experiences with a group of Sri Lankan journalists highlighting the active involvement of journalists to create a demand for a RTI law in Sri Lanka.

The huge success of this initiative prompted TISL to identify RTI as a thematic area in the 2010 Work Plan. Thus a number of activities are lined up both to create awareness on the importance of the issue and to demand for the enactment of RTI law.



*Arvind Kejriwal addresses media gathering*

# Curbing corruption at regional level



*Training village leaders*

During the year, TISL embarked on a structured and intense capacity building interventions initiated in the form of basic training to curb corruption at district/ divisional and village levels in the Kurunegala district. The programme targeted public officials, elected members of local government authorities, leaders and members of Community Based Organisations (CBOs). Despite an initial expression of doubt and concern at the point of entry about the effectiveness of the programmes, TISL was successful in winning the officials' trust and confidence by clearly emphasizing the sustainability of the programmes. TISL's approach of dealing with systemic issues in tackling corruption won more collaborative support from different stakeholders as opposed to being looked confrontational.

In partnership with the Mawathagama and Polpithigama Divisional Secretariat (DS) Divisions of the district, 36 one-day trainings were conducted for 128 grama niladaries (GN) 100 DS office staff, 156 Samurdhi staff, 114 Agriculture Extension Officers, 79 field officers, 54 elected members and officials, and 412 leaders/members of CBOs.

Joint Action Committees (consisting of CBOs and public officials) formed in the two divisions incorporated the skills and tools acquired through capacity building programmes into a realistic action plan.

Further trainings were conducted for the Action Committee members on understanding the responsiveness of public officials, ethics of public officials, importance of citizens' participation, and tools in fighting corruption.

Following a request by the Joint Action Committee members and the Divisional Secretaries, TISL at present is developing a Citizens Handbook – in obtaining public service delivery spelling out procedures and the available formats – as a tool to raise public alertness.

*Action committee meeting*



# National Integrity Award

For the sixth successive year, TISL organized the presentation of the National Integrity Award (NIA) to mark the International Anti-Corruption Day (9 December). The event provided a platform for the projection of TISL's message of integrity to the coalitions created in our programmes. It was attended by nearly 400 persons with diverse backgrounds, representing the Public & Corporate Sectors, Media, Community Based Organizations, NGOs, Trade Unions, and the Clergy. RTI activist from India, Arvind Kejriwal was the chief guest.

The occasion provides a source of inspiration for the corruption fighters where their commitment and courage is recognized and publicized at the national level. The prestigious award helps to create a group of anti-corruption icons in Sri Lanka, who will continue to carry forth the TISL message.

This year's winner was a trade union activist, W M Chandana Jayatissa whose lone effort at fighting corruption at Milco helped to transform this state-managed organization into a profitable one. Winning a Special Mention was Iranganie de Silva, who has been successful in rectifying loopholes in legislation relating to cruelty to animals and promoting good governance.

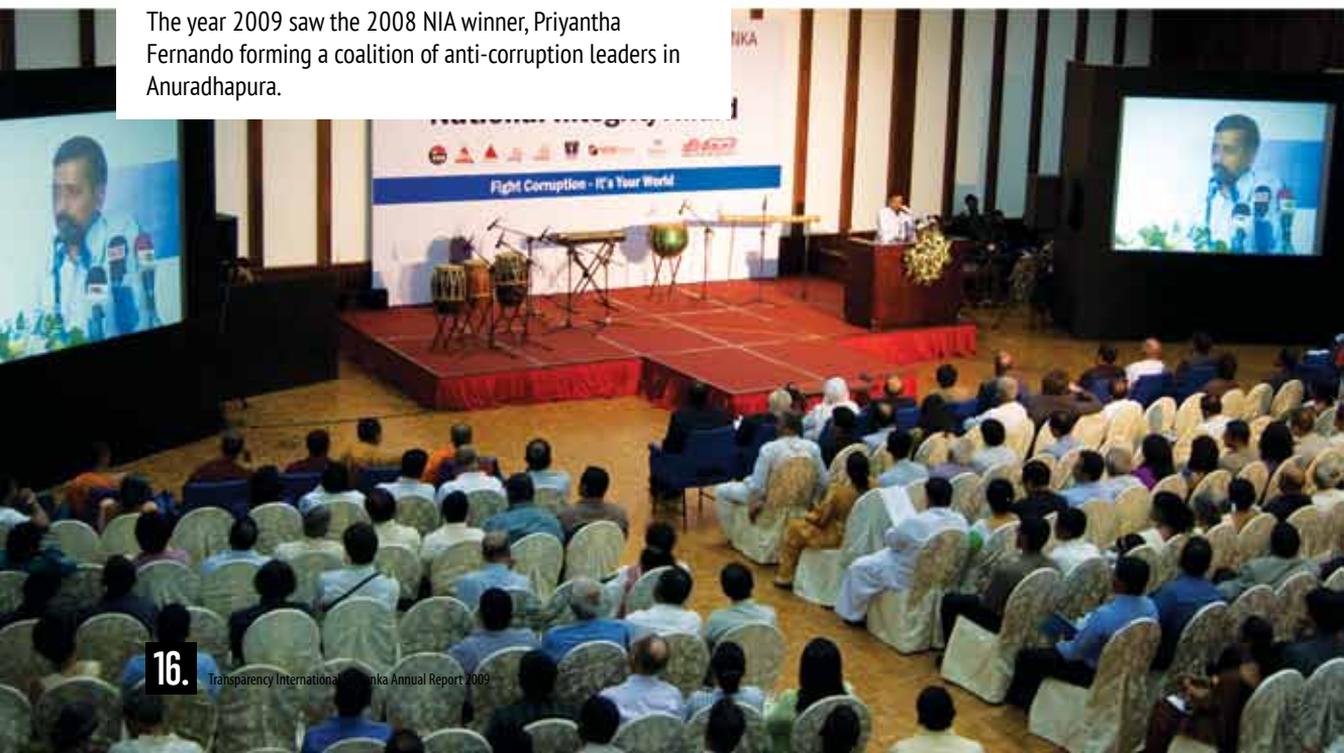
The year 2009 saw the 2008 NIA winner, Priyantha Fernando forming a coalition of anti-corruption leaders in Anuradhapura.



NIA Winner Chandana Jayatissa



Special Mention- Iranganie de Silva



# BOARD OF DIRECTORS

## **M.D.A. HAROLD - CHAIRMAN**

Chairman of TISL since December 2004. A former Deputy Auditor General he has been in public service for 40 years. He is a Fellow of the Institute of Public Financial and Development Accountancy and a senior member of the Association of the Accounting Technicians of Sri Lanka. He holds Diplomas in Accountancy from Ceylon Technical College, and Public Financial Management from the Sri Lanka Institute of Development Administration (SLIDA).

## **V. K. NANAYAKKARA**

Former Secretary to the Prime Minister and Secretary to the Ministry of Education, he is presently the Director of the Hector Kobbekaduwa Agrarian Research Institute. At the time of his retirement, he was a Class I officer of the Sri Lanka Administrative Service.

## **TASSIE SENEVIRATNE**

A retired Senior Superintendent of Police with 37 years of experience as a Law Enforcement Officer. He was the Convenor SASA NET 2002/03 in the Campaign against Proliferation of Small Arms in South Asia (South Asia Partnership). He was also Director of Investigations in the Programme for the Protection of Public Resources implemented by the Institute of Human Rights & TISL.

## **ANUSHYA COOMARASWAMY**

A fellow of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of the UK and the Society of Certified Managements Accountants of Sri Lanka. She has served in senior management positions in the private sector. After serving as Group Finance Director - John Keells Holdings Limited (1994-2002), she joined the Ministry of Finance in January 2003 as an adviser with particular involvement in fiscal policy and public debt. A Non- Executive Director of two private companies, she is also a member of the Board of Directors of Centre for Policy Alternatives and Consortium of Humanitarian Agencies.

## **NELUM GAMAGE**

An Attorney at Law currently serving as a consultant to the Legal Aid Commission of Sri Lanka. She had served the government of Sri Lanka for over 30 years prior to retiring as the Additional Secretary, Ministry of Justice and Legal Reforms. Her service in the Bribery Commissioner's Department since 1975 culminated with her becoming the first female Bribery Commissioner (1989-94) and later served as the Director General of the Commission to Investigate Allegations of Bribery and Corruption (1994-97).

## **S.K. LIYANAGE**

Winner of the National Integrity Award 2007 when he was recognized for his tireless efforts in fighting corruption. He holds a Bachelor of Arts degree from the Kelaniya University and a LLB from the Open University of Sri Lanka. A Class I Officer of the Sri Lanka Administrative Service, he retired as the Additional Secretary to the Ministry of Provincial Council and Local Government. He is well reputed as an investigator in the public service in Sri Lanka.

## **CHANDRA JAYARATNE**

A Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants. Having extensive cross-functional corporate sector experience since 1965, he has been the Managing Director of Eagle Insurance Company Limited since 1994. A former Chairman of the Ceylon Chamber of Commerce, he is a consultant to the World Bank on Regional Planning and Regional Economic Development and to the Asia Pacific Philanthropy Consortium on Civil society. He is a professional Facilitator at the Finance and Banking Commission and a member of the Financial Sector Reforms Committee at the Central Bank of Sri Lanka. He was awarded the Eisenhower Exchange Fellowship USA in 1989 for Mid Career Professional Development. He was named 'Sri Lankan of the Year 2001' by LMD Magazine in recognition of being the Voice of Business promoting 'Vision 2020'.

# OUR STRENGTH OUR HUMAN RESOURCES



Institutional capacity was strengthened by the optimum utilization of resources ensured through the generation of a competent institutional human resource force that was further capacitated via training. 15 persons were sent to external training programmes and three in-house training programmes were conducted.

TISL continued its internship programme which has been well appreciated. Interns from local and foreign universities as well as other educational institutions served for periods between three weeks to three months.

### **FK EXCHANGE PROGRAMME**

**One of our staff members was selected for the Fredkorpset South-South Exchange Programme and was sent to Bangladesh for 10 months. In turn, a staff member from TI Maldives came to TISL for the same duration. This exchange programme aims at sharing expertise and human resources among TI Chapters in South Asia together with deepening a better cultural understanding among the participants.**



# FINANCIAL STATEMENTS

## JOE MUTTUPULLE & Co. Chartered Accountants

J.G.D.R. MUTTUPULLE, F.C.A  
Mrs. N. MUTTUPULLE, A.C.A, A.C.M.A

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## AUDITORS REPORT TO THE MEMBERS OF TRANSPARENCY INTERNATIONAL SRI LANKA

We have audited the Balance Sheet of the Transparency International Sri Lanka as at 31st December 2009 and the related Statements of Financial Activities. Changes in Accumulated Fund and Cash Flow for the year then ended together with notes thereto.

### Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with Sri Lanka Statement of Recommended Practice for Not-For-Profit Organisations (SL SoRP NPOs). Our responsibility is to express an opinion on the financial statements based on our audit.

### Basis of Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting policies used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with SL SoRP NPOs. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 maintained proper books of account for the year ended 31st December 2009, and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Financial Activities, Changes in Accumulated Fund and Cash Flow together with the Notes thereto, which are in accordance with the said books and have been prepared and presented in accordance with SL SoRP NPOs, provide the information required by the Companies Act No 7 of 2007, and give a true and fair view of the state of affairs of the Organisation as at 31st December 2009, and of the results of its activities for the year then ended.

### Directors Interest in Contracts with the Company

According to the information made available to us, the Directors of the Organisation were not directly or indirectly interested in contracts with the Organisation.



CHARTERED ACCOUNTANTS  
Colombo  
24th February 2010

**BALANCE SHEET****AS AT 31ST DECEMBER**

	NOTE	2009 Rs.	2008 Rs.
<b>Non Current Assets</b>	<b>1</b>	<b>4,936,283</b>	<b>3,055,405</b>
Property , Plant and Equipment		<u>4,936,283</u>	<u>3,055,405</u>
<b>Current Assets</b>			
Treasury Bills	2	26,294,232	6,104,392
Fixed Deposits- Commercial Bank		2,940,300	--
Other Receivables	3	311,925	1,046,546
Deposits and Advance	4	2,782,980	1,751,000
Balance at Bank and Cash in Hand	5	2,202,572	115,629
		<u>34,532,009</u>	<u>9,017,567</u>
<b>Less:</b>			
<b>Current Liabilities</b>			
Other Payable	6	979,454	1,847,778
Restricted Funds		28,460,472	3,309,273
Provision for Gratuity		1,528,907	1,047,250
		<u>30,968,833</u>	<u>6,204,301</u>
<b>Net Current Assets</b>		<u>3,563,176</u>	<u>2,813,266</u>
<b>Net Assets</b>		<u>8,499,459</u>	<u>5,868,671</u>
<b>Funds Employed</b>			
<b>Accumalated Fund</b>			
Balance as on 01.01.2009		(3,418,668)	(3,566,071)
Excess of ( Expenditure over Income ) / Income over Expenditure		271,310	147,403
Balance as on 31.12.2009		<u>(3,147,358)</u>	<u>(3,418,668)</u>
<b>Funds - Transparency International Secretariat</b>			
Balance as on 01.01.2009		5,131,914	5,131,914
Receipts for the Period			
Balance as on 31.12.2009		<u>5,131,914</u>	<u>5,131,914</u>
<b>Capital Reserve</b>		6,514,903	4,155,425
		<u>8,499,459</u>	<u>5,868,671</u>

Colombo

Date : 24th February 2010

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31ST DECEMBER**

	NOTE	2009 Rs.	2008 Rs.
<b>Incoming Resources</b>	<b>8</b>	<b>43,282,570</b>	<b>52,296,693</b>
<b>Project Expenditure</b>			
Staff		10,048,736	2,609,753
Other Direct Cost		15,558,641	36,014,617
Other Indirect Expenditure		260,510	2,359,478
Total Project Costs		<b>25,867,887</b>	<b>40,983,848</b>
Net Surplus/ Deficit on Projects		<b>17,414,683</b>	<b>11,312,845</b>
Revenue Earned / Expenses Incurred form other Activities	<b>7</b>	<b>283,111</b>	<b>963,571</b>
Interest Income		199,698	
		<b>17,897,492</b>	<b>12,276,416</b>
Administrative Expenses		7,686,573	915,140
Staff Cost		7,520,611	8,703,830
Establishment Expenses		1,844,669	1,693,875
		<b>17,051,853</b>	<b>11,312,845</b>
Net Surplus/ Deficit on Operating Activities		<b>845,639</b>	<b>963,571</b>
<b>Net Surplus / Deficit Before Tax</b>		<b>845,639</b>	<b>963,571</b>
Income Tax Expenses		574,329	816,168
<b>Net Surplus / Deficit AfterTax</b>		<b>271,310</b>	<b>147,403</b>

**CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER**

	2009	2008
	Rs.	Rs.
Excess of Income Over Expenditure	845,639	963,571
<b>Adjustment For:</b>		
Balances Written Off		(499,295)
Depreciation	1,264,914	1,770,088
Provision for Gratuity	481,656	
Interest Income	(199,698)	(3,622)
Loss on Sale of Fixed Assets	39,499	
<b>Operating Cash Flow Before Working Capital Changes</b>	<b>2,432,010</b>	2,230,742
(Increase)/Decrease in Project Receivables		200,000
(Increase ) / Decrease in Other Receivables	734,621	(996,546)
(Increase ) / Decrease in Deposits and Advances	(1,031,980)	(567,852)
Increase/(Decrease ) in Project Payables		(951,404)
Increase/(Decrease ) in Other Payables	(742,476)	1,291,537
Increase/(Decrease) in Audit Fees Payables		(51,750)
	<b>(1,039,835)</b>	<b>(1,076,015)</b>
<b>Cash Generation from Operations</b>	<b>1,392,175</b>	1,154,727
Finance cost paid		
Interest Income	199,698	3,622
Income Tax Paid	(700,177)	(203,814)
<b>Net Cash from Operating Activities</b>	<b>891,696</b>	954,535
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of Fixed Assets	2,499	
Acquisition of Property, Plant & Equipment	(828,312)	
Acquisition of Treasury Bills	(20,189,840)	7,875,911
Investment in Fixed Deposits	(2,940,300)	
<b>Net Cash from Investing Activities</b>	<b>(23,955,953)</b>	7,875,911
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted Funds Payable	25,151,199	(9,966,015)
<b>Net Cash from Financing Activities</b>	<b>25,151,199</b>	(9,966,015)
<b>Net Increase / (Decrease ) in cash &amp; Cash Equivalents</b>	<b>2,086,942</b>	(1,135,569)
Cash and Cash Equivalent at the Beginning of the year	115,629	1,251,198
Cash and Cash Equivalent at the end of the year	<b>2,202,571</b>	115,629

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## General Policies

### Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Statement of Recommended Practice for Not – For – Profit Organisations (including NGOs), by the Institute of Chartered Accountants of Sri Lanka (ICASL).

### Basis of Measurement

The Financial Statements have been prepared on the historical cost basis.

### Grants

Grants received on account of specific projects have been credited to the appropriate restricted fund (project fund). These sums are then transferred to income account as and when the relevant expenses are being charged.

Monetary Grants and Donations received without any specific conditions are credited directly to income account to be used against normal unrestricted expenses of the Organisation.

### Transactions in Foreign Currency

All other assets and liabilities denominated in foreign currencies at the year end are translated at the exchange rates prevailing at the balance sheet date.

Other normal foreign currency transactions are converted at the exchange rates prevalent on the date of the transaction.

All gains or losses on foreign currency transactions is transferred to Restricted Funds Account.

## Property, Plant and Equipment

### Cost or Valuation

Property, Plant and Equipment are reflected at cost less accumulated depreciation. Property, Plant and Equipment purchased for projects would be capitalized at the completion of projects at their fair values determined by the Directors.

### Depreciation

A full year's depreciation is charged in the year of sale and none in the year of purchase. Fixed assets are depreciated at 25% per annum on a straight line basis.

### Investments – Treasury Bills

Treasury Bills are accounted for at cost plus the relevant proportion of the discount. Investment income is credited to Restricted Fund Account.

### Defined Benefit Plan - Gratuity

Full provision has been made in the accounts for retiring gratuities payable under the Payment of Gratuities Act No. 12 of 1983, for all employees, including those who have less than five years of continued service. Gratuities are recognized as project expense in the period during which their services are rendered, in accordance with Sri Lanka Accounting Standards 16 – Retiring Benefits Costs.

### Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees Provident Fund contributions and Employees Trust Fund Contributions in line with the respective Statutes and Regulations. The Company contributes 12% and 3% of the salary of each employee to the Employees' Provident Fund and the Employees' Trust Fund respectively.

**NOTES TO THE ACCOUNTS**  
**Note 1**

Property, Plant and Equipment	Computers		Furniture and Fitting		Office Equipment		Electrical Equipment		Motor Vehicles		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost / Valuation</b>												
Balance as at 01.01.2009	2,038,501	764,047	907,163	1,947,345								5,657,056
Additions	98,700	321,262	408,350									828,312
Capitalised during the Year	386,390	281,459	1,304,304							387,325		2,359,478
Disposals	(155,000)		(8,662)									(163,662)
Balance as at 31.12.2009	<b>2,368,591</b>	<b>1,366,768</b>	<b>2,611,155</b>	<b>1,947,345</b>						<b>387,325</b>		<b>8,681,184</b>
<b>Accumulated Depreciation</b>												
Balance as at 01.01.2009	1,300,622	237,243	251,689	812,098								2,601,652
Charge for the year	413,663	189,107	175,307	486,837								1,264,914
Disposal	(116,250)		(5,414)									(121,664)
Balance as at 31.12.2009	<b>1,598,035</b>	<b>426,350</b>	<b>421,582</b>	<b>1,298,935</b>								<b>3,744,902</b>
<b>Net Book Value</b>												
As at 31.12.2009	<b>770,556</b>	<b>940,418</b>	<b>2,189,573</b>	<b>648,410</b>						<b>387,325</b>		<b>4,936,283</b>
As at 31.12.2008	737,879	526,804	655,474	1,947,345								3,055,404

## NOTES TO THE ACCOUNTS

### Note 2

#### TREASURY BILL

#### STRATEGIC PLAN

	2009	2008
	Rs.	Rs.
TI - General Treasury Bills	1,683,956	1,294,431
Benevolent Fund	256,955	203,451
<b>Co- Donor Funding</b>		
Helvetas Sri Lanka	16	562,580
MFA Norway	-	4,043,930
SIDA	9,129,462	-
Seed Funding - TI Secretariat	877	-
Stromme Foundation	6,386	-
NIS Study - TI Secretariat	860,830	-
World Bank Project	529,431	-
Fredkopset	1,414,094	-
Security Grant 2009 - TI Secretariat	112,225	-
European Union	12,300,000	-
<b>Total</b>	<b>26,294,232</b>	<b>6,104,392</b>

### Note 3

#### OTHER RECEIVABLES

Amounts Receivable from Programme - Galle	-	54,458
Amounts Receivable from Programme- Badulla	-	87,085
IACC - CIM ,GTZ	-	233,935
IACC- Per Diem payment from participants	-	295,168
Damages Recoverable from Insurance	64,150	364,150
Office Maintainance		11,750
Treasury Bills - Interest Receivable	93,810	-
Fredskorpset - Air Ticket Fees to Nepal Recoverable	87,100	-
Shan Wijethunga - Advance Recoverable on German Tour	8,610	-
Helvetas Sri Lanka - Reimbursement on Kalmunai Project	44,079	-
Mario Gomes - NIS Study	14,176	-
	<b>311,925</b>	<b>1,046,546</b>

### Note 4

#### DEPOSITS AND PREPAYMENTS

Hall charges - BMICH UN Anti- Corruption Day 2008		20,000
Exigency Advance	20,000	20,000
Franking Machine Deposit	100,000	100,000
Refundable Deposit - FK Expenses	30,000	3,000
Mobitel Lanka (Pvt) Ltd - Mobile Deposit	3,000	17,500
Employers Federation of Ceylon	18,750	-
Advance - Advocacy	832,500	-
Advance - Communication	6,000	-
Advance - Research	182,230	-
Rent Prepayment - 28/1, Bullers Lane	990,000	990,000
- 24 1/1, Bullers Lane	445,500	445,500
Refundable Rent Deposit - 28/1, Bullers Lane	100,000	100,000
- 24 1/1, Bullers Lane	55,000	55,000
	<b>2,782,980</b>	<b>1,751,000</b>

**NOTES TO THE ACCOUNTS****Note 5****BALANCE AT BANK AND CASH IN HAND**

	2009 Rs.	2008 Rs.
Balances at Banks	2,182,572	95,629
Cash in Hand	20,000	20,000
	<u>2,202,572</u>	<u>115,629</u>

**Note 6****OTHER PAYABLES**

Strategic Planning- CIDA	-	99,597
Audit Fees	50,000	-
Income Tax Payable	486,506	612,354
Provision for Expenses:		
Education - Health Sector Survey	-	340,000
Advocacy - Shief Guest UN Anti-Corruption Day 2008	-	558,155
Employees Provident Fund	223,423	184,350
Employees Trust Fund	32,699	27,653
PAYE	35,326	25,669
Translation Cost - Advocacy Unit	28,000	-
Printing Cost Foreign Employment Study	123,500	-
	<u>979,454</u>	<u>1,847,778</u>

**Note 7****REVENUE EARNED/EXPENSES INCURRED FROM OTHER ACTIVITIES**

Sundry Income	66,214	377,358
Interest Income	-	3,622
Long Outstanding Balances Written off	258,296	499,295
Surplus funding Written Off	99,597	-
Endowment Fund	-	83,296
Exchange Gain	101,565	-
Professional Fees	21,938	-
Loss on Disposal of Assets	(39,499)	-
Settlement of 3rd Party Accident Claim	(225,000)	-
	<u>283,111</u>	<u>963,571</u>



## NOTES TO THE ACCOUNTS

### Note 8 Movement in Restricted Funds

Name of Donor Organization	Project	Signed Total Project Cost	Balance Brought Forward	Received/ Restricted surplus during the year	Interest Accrued	Total to Date	Transferred to Income and Expenditure	Balance Carried forward
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SIDA	Programme Activities	32,651,963	1,492,262	31,995,787	701,532	34,189,581	23,220,885	10,968,696
MFA- Norway	Programme Activities	11,284,780	1,492,262	9,764,573	575,808	11,832,643	11,832,643	
Helvetas Sri Lanka	Programme Activities	3,000,000	34,751	2,700,000	3,512	2,738,263	2,738,264	
Friedrich Ebert Stiftung	Workshop on Investigative - Journalism	1,043,580	-	795,999		795,999	795,999	
Ti Secretariat	Security Grant	1,232,780	-	1,232,780	4,880	1,237,660	1,225,900	11,760
World Bank	Plantation Sector - Community Development	1,080,000	-	1,080,000	44,646	1,124,646	624,944	499,702
Stromme Foundation	Civil Society For Accountable Governance	270,500	-	273,266	6,396	279,662	181,875	97,787
Ti Secretariat	National Integrity Study	1,116,357	-	1,116,357	42,062	1,158,419	109,323	1,049,096
Ti Secretariat	Seed Funding Grant 2009 - Newsletter and Website	611,780	-	611,780	25,496	637,276	637,275	
Ti Secretariat	Exchange Programme	4,009,130	-	2,629,297	49,057	2,678,354	1,276,323	1,402,031
Helvetas Sri Lanka - Ampara	Public Officials Capacity Development	132,500	-	132,500	-	132,500	120,000	12,500
Helvetas - Kalmunai	Public Officials Capacity Development	102,500	-	102,500	-	102,500	78,951	23,549
NED Washington D.C - USA	Kurunegala Capacity Building Project	4,560,000	-	1,581,138	-	1,581,138	76,351	1,504,787
European Union	Enhancing Demand for Accountability in Local Governance	46,744,271	-	12,339,365	69,901	12,409,266	1,600	12,407,666
Ti Secretariat	Global Corruption Report	482,896	-	482,896		482,896		482,896
<b>Total</b>		<b>108,323,037</b>	<b>3,019,275</b>	<b>66,838,238</b>	<b>1,523,290</b>	<b>71,380,803</b>	<b>42,920,331</b>	<b>28,460,470</b>

### Project Assets not included in the Balance Sheet

Item	Balance as at 01.01.2009	Additions During the Year	Capitalise during the Year	Transfer	Balance as at 31.12.2009
	Rs	Rs	Rs	Rs	Rs
Computers	386,390	252,500	386,390	—	252,500
Office Equipment	1,304,304		1,304,304	—	—
Furniture	281,459	8,010	281,459	—	8,010
Electrical Equipment	—	—	—	—	—
Three Wheeler	329,940	—	329,940	—	—
TVS Champ Bike	57,385	—	57,385	—	—
	<b>2,359,478</b>	<b>260,510</b>	<b>2,359,478</b>	—	<b>260,510</b>



## **RE-ACCREDITATION and CREDIBILITY**

TISL will continue to operate as the national chapter of Transparency International as the chapter qualified through its re-accreditation process in 2009.

The stringent process reassures that national chapters are meeting the stipulated organizational and financial standards.

## **OUR DONORS**

- **MFA Norway**
- **Helvetas Sri Lanka**
- **TI Secretariat**
- **World Bank**
- **National Endowment Fund**
- **Fredskorpset Norway**
- **Friedrich Ebert Stiftung**
- **Swedish International Development Cooperation (Sida)**

# Are you an accomplice?

When was the last time you spoke out against corruption?  
The longer we stay silent the louder the danger is going to be.  
Don't be an accomplice. Speak out against corruption!

