



# 2010

## Annual Report



**TRANSPARENCY  
INTERNATIONAL  
SRI LANKA**  
building a nation of 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.

**OUR VISION:**  
To build a nation of integrity

{ 2010 }

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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

6 37th Lane, Queen's Road  
Colombo 3, Sri Lanka  
Telephone : 011 4369781  
Fax : 011 2506419  
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

Ernst & Young  
Chartered Accountants

### BANKERS

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

## 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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Designed by Haritha Dahanayaka

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

## Message from the Chairman

**It was yet another challenging year for TISL, particularly with the anti-NGO sentiments continuing mainly through the editorial columns of certain newspapers. TISL, however, continued with its programmes in keeping with its vision of 'Building a Nation of Integrity'.**

It was also an eventful year for TISL. We completed a decade in our journey in search of integrity.

Our Executive Director J C Weliamuna who had announced his intention of moving out at the end of the year, had the distinction of being elected to the board of directors of Transparency International, the global movement against corruption, at the Annual Membership Meeting held in Bangkok in November 2010. While congratulating him on behalf of the TISL Board of Directors on his achievement as the first Sri Lankan to be elected to such a prestigious position, I wish to record our deepest appreciation of his dedicated and committed service to TISL during his tenure as Executive Director over a period of eight and a half years. I wish him every success in his future endeavours.

It was a proud moment for us when the first winner of the National Integrity Award, Poddala Jayantha won the Global Integrity Award after being nominated by TISL. The investigative journalist was forced to leave the country to save his life after he was abducted and brutally assaulted.

TISL Deputy Director Rukshana Nanayakkara joined Transparency International Secretariat in Berlin as Programme Coordinator - Asia Pacific Region. I wish him well in his new assignment.

I wish to formally welcome the new Executive Director, Dr Wijaya Jayatilaka who assumed duties at the beginning of this year. An educationalist, academic and an activist, he has extensive experience in capacity development, good governance and human rights-related work. I have no doubt that he will take TISL to great heights in its next phase.

Our Donors deserve a special 'thank you' for their continued cooperation without whose support we would have found it hard to implement the planned programmes.

The Board deeply appreciates the effort of the committed team at TISL to work towards its goals. With a new Strategic Plan in place, the Board is watching with interest how the team will perform according to a fresh Work Plan just being finalised.

We are gradually increasing our membership and are in the process of amending the criteria for membership to attract more to join.

I look forward to TISL forging ahead working with its partners in keeping with its mission to enhance integrity and work towards eradicating corruption in Sri Lanka.

M D A Harold

## Message from Executive Director

**The challenging journey embarked by the anti-corruption initiative of Transparency International Sri Lanka (TISL) concluded another phase in December 2010. The year was challenging due to several reasons. We continued to be praised and encouraged for the work we have undertaken which required courage, commitment and foresight.**

The organization was also subjected to scrutiny that went beyond reasonable financial and administrative oversight requirements. Investigated, work disrupted, anxious about false accusations - yet the team worked with dedication to adhere to the planned work program for the year and completed the task successfully.

TISL produced several publications and conducted numerous programs to increase awareness and engagement of stakeholders to uphold integrity and work against corruption, the details of which are presented in this Report.

In December 2010, we concluded work undertaken on the Strategic Plan that guided our work from 2008 - 2010. Based on the experience and lessons learnt as well as the changing context of the country, the team started a process of reflection, to review, contextualize and critically examine what we should do in order to achieve our organizational goals. A new strategic planning process was initiated in October 2011 and will result in a Strategic Plan for 2011-2016.

A significant change was the conclusion of tenure by Mr. J. C. Weliamuna after a career and leadership at TISL since July 2002. Mr. Weliamuna was able, through several interventions, to put TISL as an organization and anti-corruption as a concept firmly in the socio-political landscape of the country. A

vigorous champion of integrity and anti-corruption he was elected to the Board of Directors of Transparency International, the global anti-corruption movement. We wish him well.

The composition of the TISL team has changed over the year, ten left for different positions and seven joined the team. We welcome those who joined and wish success to those who have moved on. They, I am sure, will contribute significantly to our cause and vision with their new roles and responsibilities.

We look forward with optimism and hope to continue our work to strengthen integrity and prevent corruption in Sri Lanka. Through our efforts we will strive towards a shared vision of a nation that upholds integrity.

Wijaya Jayatilaka, PhD

# Operational Review

In 2010 TISL selected Local Accountability, Right to Information and Networking as its core thematic areas. In addition, Election Monitoring, Non-State Actors' Governance, National Level Governance Assessment and Training formed the basis of programmes conducted during the year.

Operationally, the organization was structured into five units of Research, Advocacy, Capacity Building, Communication and Institutional Development to plan and implement activities based on the thematic areas.



## Promoting good governance

Local level accountability programmes formed the basis for the introduction of tools for enhancing integrity for the public sector. An element of attitudinal change has been noticed following a series of training programmes culminating in both the public sector and the civil society in Mawathagama and Polpithigama areas taking up collaborative efforts in promoting accountability and reducing corruption in their areas. Giving the lead in this process is the Public Defence Committee (PDC) of Polpithigama who initiated a discussion with TISL to discuss issues related to corruption and how to combat corruption.



On the invitation of the Sri Lanka Foundation Institute (SLFI) TISL resource persons conducted trainings for public officials on governance and anti-corruption.

At the request of community based groups in Ampara and Anuradhapura Capacity Building programmes were conducted periodically.

Continuing our close relationship with the Department of Immigration and Emigration, a series of training programmes on good governance were conducted for newly appointed staff members.

Under this programme 350 staff members underwent training on good governance, anti-corruption and financial integrity.

Arranged at the request of the department's Training Division, the programmes were held over a period of four weeks. The director-general of the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), Lakshmi Jayawickrema inaugurated the programme with a lecture on 'Corruption and its impact'.

On the initiative of a TISL member in the South, a workshop on bribery and corruption was organised for the benefit of local public officials. Over 50 participants including police officers, school teachers, grama niladharis and CBO members attended the one-day workshop aimed at skills and knowledge-building. It was held in the auditorium of the Fisheries University in Tangalle.



## A helping hand to the rural folk

Findings during anti-corruption programmes conducted by TISL at several divisional secretariat divisions revealed that the public are victims of corruption due to lack of awareness. If the public were educated on how services could be obtained at provincial offices, there wouldn't be a place for middlemen to intervene.

This prompted TISL to compile a Citizen's Handbook outlining the services provided by Divisional Secretariats in Sri Lanka.

Titled '*Puravesi Athwela*' it comprises instructions in Sinhala on how the public can conveniently obtain services from the Secretariats. The services and relevant documents are explained in simple language in the handbook.

The free distribution of the handbook was begun in the Polpithigama Divisional Secretariat division in the Kurunegala district where TISL had been engaged in a series of capacity building programmes.

The handbook was hailed as a very useful tool and generated a lot of interest among several institutions and civil organizations. The Stromme Foundation is using the Handbook as a resource in their training programmes. Community-based committees are in the process of developing programmes to enhance community awareness based on the handbook.



## Enhancing demand for accountability in local governance

A significant milestone achieved during 2010 is the completion of an exhaustive survey in Ampara, Anuradhapura and Polonnaruwa districts covering six Divisional Secretariat's Division Offices (DSDO)s. The primary objective of this survey, funded by the European Union, was to capture the citizen's perspective and satisfaction based on experience in availing the public services rendered by the DSDOs. 1950 questionnaires were administered by teams of supervisors and enumerators in Nuwaragam Palatha East, Horowpothana, Hingurakgoda, Thamankaduwa, Kalmunai Tamil and Addalachchenai.

The research findings have been shared with all DSDO staff and at present it is being presented to partner community based organisations (CBO)s in the project implementation areas.

Parallel to this process a social mobilisation series for CBOs and a demand driven capacity building programme for DSDO officials took place on a weekly basis. The area of training and mobilisation was determined after the completion of needs assessments. While catering to their needs such as skills in public relations, training in land issues, qualitative service delivery basic principles of good governance and accountability are also introduced. An endearing and innovative exercise initiated with the CBOs was the corruption cost calculation from their monthly/ annual household budgets.

In addition, twenty eight CBOs representing the three districts that have come together to combat corruption and demand accountability, were further strengthened through a systematic capacity building programme and networking mechanism at a three-day residential training programme.

This training, which is the first of a series of capacity building programmes laid the conceptual foundation to an analysis of the governance situation of the communities in a participatory reflective manner that would enable a deep understanding and consciousness raising among the communities of men and women on their rights and space.



## Citizen participation at local level

Enhancing participation of citizens in Pradesheeya Sabhas (PS) was the theme of a project funded by Partnership for Transparency Fund (PTF). Two Pradesheeya Sabhas in the Badulla District - Meegahakiula and Rideemaliyaddha - were selected for the project.

The project was started in January 2010 after approval and consent of relevant authorities including the local government officials, chairpersons and elected members of each PS was received. During the first quarter of the project, TISL conducted a series of Focus Group Discussions with a cross section of the project stakeholders. In response to a request by the PS, a Capacity Building workshop was carried out in May 2010.

The next stage was to conduct a Citizen Report Card (CRC) survey to assess the level of satisfaction on services rendered by the Pradesheeya Sabha. TISL commissioned the survey to a specialized agency, 'Social Indicator' after a competitive bidding process where four bids were evaluated. The CRC questionnaire was developed after Focus Group Discussions and several field visits in July 2010. Data was collected in August and September 2010.

During the household survey, 304 service recipients from the two Pradeshiya Sabhas (152 each) were interviewed from 21st August to 17th September. Four enumerators with two supervisors conducted the interviews.

The survey revealed that -

\* 99% of respondents are unaware of the annual report of the PS, and only 7% of respondents think that financial information of the PS is accessible to people in the village.

\* In Rideemaliyaddha, only 6% of respondents had ever made a complaint, while 42% of those in Meegahakiula had made a complaint.

\* There is very little public awareness of the financial situation of the PS.

\* Knowledge on the development work that the PS is doing or could do is very limited. Only one third of respondents knew about such work, and of those 96% did not know the cost of the development projects.

\* Only a fraction of respondents is fully aware of the services to be delivered by the PS.

## Revelations on plantation schools

TISL received positive responses to a study on the quality of education in the plantation schools in Passara in the Badulla District which revealed pathetic conditions prevalent in them.

The study, funded by the World Bank covered 21 schools out of 45 in the Passara education zone. Among the key findings were:

- Drop-out rates are high due to poverty and negligence of parents.
- Lack of public transport coupled with the bad state of the roads lead to loss of time, late arrivals in schools both by the teachers and the students, absenteeism and exhaustion.
- Lack of toilet facilities in the schools affects the children.
- Teachers are in the habit of taking leave frequently.
- Lack of trained teachers affects the standard of teaching.
- Teacher appointments and transfers are done on political recommendations.
- Corruption is rampant in the appointments, transfers and promotions of teachers.
- Involvement of teachers is minimal in school affairs.

The findings were presented and discussed at a multi-stakeholder meeting attended by the Director of Plantation Unit in the Ministry of Education, the Head of Education Department at the University of Colombo, the Ceylon Workers Congress (CWC) Member of Parliament representing the area, representatives of local Community Based Organisations (CBO), education officials, principals and teachers in Passara and officials of the National

Institute of Education (NIE). This forum as well as the World Bank Education expert found the study very useful and requested TISL to take the issue up with the Provincial Education authorities.

Ms Maheshawari Sabharangjani, Director - Plantation Schools, found the study to be truthful and important and suggested taking up the issues at provincial level.

TISL received good cooperation and support from the Passara Zonal Education office and the Divisional Secretariat office.

We partnered Uva Shakthi - a CBO working on Governance Issues on the project. In the initial stage, awareness sessions were held in five estates attended by parents.

Uva Community Radio broadcast live interviews to raise awareness among the parents.

A street drama was produced and performed before the public in the plantation sector.



## Monitoring Presidential & Parliamentary elections

In a bid to maintain integrity at the Presidential & Parliamentary elections, TISL's election monitoring arm - The Programme for Protection of Public Resources (PPPR) - kept a close watch on the abuse of public resources with the intention of recording and minimizing such abuse through raising public awareness.

Collecting information and the verification of the accuracy of the information being extremely important, the PPPR used two hotlines, a fax and e-mail which were widely publicized for the public to report about specific abuses. After systematically recording the complaints, they were referred to a team of investigators for verification. It was only such verified information that were released through several interim reports during the two elections.

The abuse of state institutions, vehicles, the public transport system and state media institutions, and the participation of public officers in election propaganda and the use of state employees for election campaign related work were commonly identified issues in these reports. The PPPR called on the authorities to respond to the abuses highlighted in the reports demanding counter measures for rectification.

The public was constantly informed through media releases, which were extensively used by the print and electronic media as well as web sites. In all, 21 releases were issued during the course of the two elections.

The PPPR was also successful in enriching the knowledge of the public about the costs of such abuses and waste of public resources. There were positive and negative reactions by political parties to the interim reports issued during the elections. The

most positive reaction was the use of the reports by political parties as a credible report in Parliament, televised political debates and political platforms.

While there was no response from the political parties to curtail state resource abuse, during the Parliamentary Election there was a marked increase in the number of complaints received from the public which denotes increased public awareness created during the Presidential Election and soon after.

In the final report on the two elections titled 'Electoral Integrity', TISL recommended several landmark changes to the electoral process to raise the level of integrity of elections. Among the key recommendations were:

- Hold all future elections under a Caretaker Government.
- Appoint an independent Election Commission with enhanced powers to help the Commission to implement the election law preventing abuse of resources.
- Make systemic changes such as automatic audit systems to prevent abuse of public resources.
- Formulate a model code of conduct with the participation and sanction of all stakeholders to promote self-regulation during elections.
- Strict regulation of political party funding.

The Report was launched at a seminar jointly arranged with the other election monitoring groups - the Center for Monitoring Election Violence (CMEV), People's Action for Free and Fair Election (PAPFREEL) and the Campaign for Free and Fair Election (CaFFE) indicating the broad-based support and alliances in place during and after this programme to promote electoral integrity in Sri Lanka.



<http://www.cpahq.org>

## Parliament Watch

Parliament Watch, a joint initiative of TISL and South Asians for Human Rights (SAHR) promotes enhanced public access, transparency and accountability in Parliament. This is the first South Asian initiative to gauge parliamentary practices in selected regional democracies. It seeks to enhance the public's understanding of parliaments in the SAARC region.

The program which commenced in March 2010 has been replicated in India, Maldives and Bangladesh.

Research reports were issued on a monthly and quarterly basis based on evaluation methodologies to assess the public access to legislatures, laws introduced and focus of debates and promote accountability in legislative practices.

During the program review conducted at the Annual General Meeting of the SAHR in Katmandu, Nepal in November 2010, the program also came up with a South Asian regional advocacy concept to promote enhanced transparency and accountability in South Asian Parliaments.

A South Asian parliamentarians meeting was also conducted with regional legislators pledging to support the advocacy work of the program.

TISL Director-Advocacy Dilrukshi Handunnetti represented Sri Lanka at the meeting.





## A manual & tool kit on Investigative Journalism

Continuing the programme to develop skills of journalists on investigative journalism (IJ), TISL initiated the preparation of a manual and tool kit as a resource to develop a pool of trained investigative journalists who will in turn serve as trainers.

A four-day Training of Trainers workshop was held in June 2010 facilitated by an international consultant, Aniruddha Bahal – Editor & CEO of Cobraposty.com and co-founder of Tehelka.com, and a local consultant, Ranga Kalansuriya, journalist & former Director General of Sri Lankan Press Institute. Sixteen senior journalists representing print and electronic media both at national and regional levels participated. A draft manual was used in the training.

A Review Committee was established to steer the process and meetings were held with selected journalists to review the draft manual. Selected topics in the draft manual were used in the regional training workshops.

Two regional workshops were conducted in October and November 2010 for regional journalists in Colombo and Trincomalee. Another workshop attended by electronic and print media journalists was conducted for national and regional journalists in collaboration with SAFMA (South Asia Free Media Association).

The manual & tool kit is being finalised.

The IJ programme is being conducted in partnership with Friedrich-Ebert Stiftung (FES).



## Right to Information

TISL partnered with Uva Community Radio (UCR) for the initial introduction of the concepts on Right to Information focusing at the rural population in Sri Lanka.

After an introductory workshop conducted for UCR in June 2010, discussions on programme planning were held and a Memorandum of Understanding (MoU) signed.

Ninety radio programmes on the subject were aired over a period of three months. These programmes helped to build a network of whistleblowers among listeners. UCR has a listenership covering Uva, Sabaragamuwa, Southern, Central, North Central and North Western provinces.

Two training sessions were conducted in September 2010 with the academic staff of the Open University.

TISL partnered Sarvodaya Movement, Sri Lanka's largest people's organization, in disseminating information on RTI through their island-wide network.

It is encouraging to note that several organizations are willing to work with TISL on Right to Information.

Meanwhile, TISL linkages with the media, both regional and national, have also been beneficial to the organization - in educating the journalists on evidence-based quality reporting and consequent spreading of the anti-corruption message.

### Nepalese journalist at RTI Workshop

TISL conducted a Workshop on RTI specially designed for mainstream journalists on December 11 in collaboration with SAFMA. The keynote speaker was NIA 2010 chief guest, Nepalese journalist and activist, Kanak Dixit.



The half-day workshop was organized to emphasize on the role of media as message multipliers and to call upon them to play the important role of a key stakeholder group in promoting RTI law in Sri Lanka and citizen engagement.

The workshop emphasized on the rights perspective and identified RTI as a human right and a cornerstone of democracy. How journalists the world over have enriched the RTI discussion and contributed to the introduction of the RTI law or used it for public benefit in specific countries was also discussed.



## National Integrity Award 2010

For the first time, the National Integrity Award (NIA) was awarded posthumously at a simple but impressive ceremony held at the BMICH on 9 December – the UN Anti-Corruption Day. The winner was the late Sujith Prasanna Perera, former Assistant Superintendent of Customs who paid the price with his life for promoting integrity in the department.

A Maulavi (Muslim priest) from Kinniya in the Eastern Province, M Y Hathyathullah won recognition with a Special Mention for his active involvement in anti-corruption activities.

This was the seventh successive year that the National Integrity Award was presented. A cross section of civil society, public officials, media personnel and representatives from Community Based Organizations (CBO) from different parts of the country filled the 'Mihilaka Medura' where the ceremony was held.

Two minutes silence was observed as a mark of respect for the slain Sujith Perera after which his wife Angela Perera walked up and received the award from chief guest Kanak Mani Dixit, writer and activist from Nepal.

Delivering the keynote address, chief guest Mr Dixit thanked TISL for maintaining a fine tradition recognizing people with integrity. He was happy that journalists, civil servants and trade unionists had won the Award during the past few years.

### Global Integrity Award for Poddala

Investigative journalist Poddala Jayantha was awarded the prestigious Global Integrity Award 2010 by Transparency International on the recommendation of TISL.



He is the second Sri Lankan journalist to win the award. The first was Sunday Leader editor, the late Lasantha Wickrematunga who won it in its inaugural year in 2000.

Poddala, who fled the country to save his life following a brutal attack was not present to receive the award at the International Anti-Corruption Conference held in Bangkok on 12 November. On Poddala's request, the award was received by TISL Executive Director J C Weliamuna. It was handed over to Poddala's parents at the NIA presentation ceremony.

## Private Sector Integrity Coalition

During the year, TISL succeeded in broad-basing the business integrity initiative through the establishment of the Private Sector Integrity Coalition.

The Coalition comprises the Ceylon Chamber of Commerce, National Chamber of Commerce - Sri Lanka, Federation of Chambers of Commerce and Industry in Sri Lanka, Institute of Chartered Accountants of Sri Lanka, Chartered Financial Analysts Sri Lanka, Post Graduate Institute of Management, and the Organization of Professional Associations of Sri Lanka.

With the Coalition members being from either chambers or a professional association, it gives TISL access to a broader group of corporate sector entities. By joining this Coalition our partners effectively endorse and pledge to support the strategic interventions planned to introduce the business principles to the corporate sector, to identify 'champions' among the corporate sector to take our message forward and to introduce integrity tools such as the 'Integrity Pacts' to the sector.

Both the National Chamber of Commerce and the Federation of Chambers of Commerce and Industries in Sri Lanka have indicated their approval to include adherence to Business Integrity Principles as a criteria for selection in their respective Business Excellence Awards. This will take effect from the 2011 Awards.

# Creating wider public awareness

TISL ensured that the public have wider access to TISL products and positions as well as anti-corruption initiatives through regular updates on our website [www.tisrilanka.org](http://www.tisrilanka.org) and release of publications.



TISL website [www.tisrilanka.org](http://www.tisrilanka.org) won recognition in an island-wide competition organized by the LK Domain Registry when it was adjusted first runner-up of the Best Non-Profit Website category 2010. An independent non-profit organization, LK Domain Registry helps create the unique Sri Lankan identity on the web by registering Internet domain names in Sri Lankan country coded top level Internet domain (ccTLD) lk.

**Annual Report 2009**  
English  
Audited annual accounts & outline of the year's activities

**'In Search of Integrity'**  
English  
The story of Transparency International Sri Lanka

**Service delivery in selected Divisional Secretariat divisions**  
Sinhala  
Reader-friendly pamphlet on survey in Polpithigama & Mawathagama DS divisions

**'Reader-Friendly pamphlet'**  
'Integrity in Foreign Employment'  
'Lessons from Passara'

**'Electoral Integrity' (PPPR)**  
English and Sinhala  
A review of the abuses of state resources and selected integrity issue during the Presidential & Parliamentary elections 2010

**'Lessons from Passara'**  
English with reader friendly pamphlets in Sinhala and Tamil  
Research report detailing people's views and experience on the quality of education in the plantation schools

**'Integrity in Foreign Employment'**  
English, Sinhala and Tamil  
Research findings of a survey on governance issues and corruption faced by migrant workers in Sri Lanka.

**'Puravesi Athwela'**  
Sinhala  
Citizen's Handbook outlining the services provided by Divisional Secretariats in Sri Lanka.

**'Integrity'**  
TISL Newsletter  
English, Sinhala & Tamil

**'Anawarana'**  
Sinhala & Tamil  
Working Papers released by Transparency International on Poverty/ Youth/ Sports



## At anti-corruption International conference

TISL made its presence felt at the 14th International Anti-Corruption Conference held in Bangkok in November. While a TISL delegation participated at the conference, TISL showcased its products and services at a stall run along with other TI South Asian Chapters.

Participants showed a keen interest in work done by TISL and constantly visited the stall and obtained details of our operations.



Heads of TI Bangladesh(above) and TI Pakistan at our stall



## Our Human Resources

At the end of 2010, our total staff strength was 35. Among them were seven interns who joined TISL under its internship programme which is being well appreciated. Interns from local and foreign universities as well as other educational institutions served for periods between three weeks to three months.

The Fredkorpset South-South East Exchange Programme aimed at sharing expertise and human resources among TI chapters in South Asia continued for the second successive year. One staff member - Dilshan Weerasinghe was sent to India for 10 months. In turn, two staff members - Anjana Bhattarai from TI Nepal and Samapika Halder from TI Bangladesh - came to TISL for the same duration.

# 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 was later 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'.

# { Financial Statements }

Chartered Accountants  
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BW/CDW/DM

**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 Balance Sheet as at 31 December 2010, and the Statement of Financial Activities, Statement of Changes in Accumulated Funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the organization as of 31 December 2009 were audited by another auditor whose report dated 24 February 2010 expressed a unqualified opinion on those financial statements.

**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 misstatement.

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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

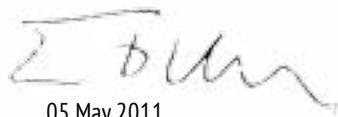
We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, So far as appears from our examination, the Organisation has maintained proper accounting records for the year ended 31 December 2010 and the financial statements presents fairly in all material respects, the Organisation's state of affairs as at 31 December 2010 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.



05 May 2011  
Colombo

# Balance Sheet

As at 31 December 2010

ASSETS	Note	2010 Rs.	2009 Rs. (Restated)
<b>Non-Current Assets</b>			
Property, Plant & Equipment	4	3,654,607	4,936,282
		<u>3,654,607</u>	<u>4,936,282</u>
<b>Current Assets</b>			
Short Term Deposits	5	2,488,984	29,234,532
Receivables	6	2,253,413	3,074,905
Cash & Bank Balances	15	18,916,911	3,731,171
		<u>23,659,308</u>	<u>36,040,608</u>
<b>Total Assets</b>		<u><b>27,313,915</b></u>	<u><b>40,976,890</b></u>
<b>FUNDING &amp; LIABILITIES</b>			
<b>Accumulated Funds</b>			
Restricted Funds	7	19,952,212	29,697,916
Unrestricted Funds	8	(919,353)	(1,757,471)
Transparency International Secretariat		-	5,131,914
Capital Grants	9	3,904,080	5,125,016
<b>Total Accumulated Funds</b>		<u><b>22,936,939</b></u>	<u><b>38,197,375</b></u>
<b>Non-Current Liabilities</b>			
Retirement Benefit Liability	10	1,589,111	1,528,907
		<u>1,589,111</u>	<u>1,528,907</u>
<b>Current Liabilities</b>			
Income Tax Payable		-	486,506
Creditors	11	1,615,246	492,948
Bank Overdraft	15	1,172,619	271,154
		<u>2,787,865</u>	<u>1,250,608</u>
<b>Total Accumulated Funds and Liabilities</b>		<u><b>27,313,915</b></u>	<u><b>40,976,890</b></u>

  
Finance Officer

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

  
Director

  
Director

The accounting policies and notes on pages 23 through 43 form an integral of the finance statements.  
05 May 2011  
Colombo

# Statement of Financial Activities

Year ended 31 December 2010

	Note	2010 Rs.	2009 Rs. (Restated)
Incoming Resources	3	73,990,205	43,282,570
Project Expenditure	12	(50,785,297)	(21,314,284)
<b>Net Surplus on Projects</b>		23,204,908	21,968,286
Revenue Earned from Other Activities	13	838,118	482,809
Administrative Expenses	14	(22,959,800)	(20,613,730)
<b>Net Surplus / (Deficit) Before Tax</b>		1,083,226	1,837,365
Income Tax (Expenses) / Reversal		(245,108)	(574,329)
<b>Net Surplus / (Deficit) After Tax</b>		838,118	1,263,036

# Statement of Changes in Accumulated Funds

Year ended 31 December 2010

	Restricted Funds Rs.	Unrestricted Funds (Restated) Rs.	Transparency International Secretariat Rs.	Capital Grants (Restated) Rs.	Total Rs.
<b>Balance as at 1 January 2009 as previously stated</b>	3,019,273	(3,418,668)	5,131,914	4,155,425	8,887,944
Effects of Correction of Prior Periods - Note 17	-	398,161	-	(398,161)	-
<b>Balance as at 1 January 2009 (Restated)</b>	3,019,273	(3,020,507)	5,131,914	3,757,264	8,887,944
Funds Received/(Returned) During the Year (Restated)	68,075,684	-	-	-	68,075,684
Accrued Interest	1,523,290	-	-	-	1,523,290
Funds Transferred to Statement of Financial Activities	(42,920,331)	-	-	(991,726)	(43,912,057)
Net Surplus / (Deficit) for the Year (Restated) - Note 17	-	1,263,036	-	-	1,263,036
Capitalize during the Year	-	-	-	2,359,478	2,359,478
<b>Balance as at 31 December 2009 (Restated)</b>	29,697,916	(1,757,471)	5,131,914	5,125,016	38,197,375
Funds Transferred from Transparency International Secretariat to Restricted Funds	5,131,914	-	(5,131,914)	-	-
Funds Received During the Year	58,653,567	-	-	-	58,653,567
Funds Transferred to Statement of Financial Activities	(73,815,611)	-	-	(1,581,596)	(75,397,207)
Accrued Interest	964,029	-	-	-	964,029
Returned to Donor	(679,603)	-	-	-	(679,603)
Capitalised During the year	-	-	-	360,660	360,660
Net Surplus / (Deficit) for the Year	-	-	-	-	838,118
<b>Balance as at 31 December 2010</b>	19,952,212	(919,353)	-	3,904,080	22,936,939

# Cash Flow Statement

Year ended 31 December 2010

	Note	2010 Rs.	2009 Rs. (Restated)
<b>Cash Flows from Operating Activities</b>			
Net Surplus/(Deficit) before Taxation		1,083,226	1,837,365
Adjustments for			
Depreciation	4	2,217,774	1,264,917
Provision for Gratuity	10	607,325	481,658
(Profit)/Loss on sale of Property, Plant & Equipment		32,321	39,498
Amortization		(1,581,596)	(991,726)
Interest Income		(466,623)	(199,695)
Net cash flow before Working Capital Changes		1,892,427	2,432,017
(Increase)/ Decrease in Receivables	6	821,492	(277,359)
Increase/(Decrease) in Creditors	11	1,122,298	(742,475)
Cash Generated from Operations		3,836,217	1,412,183
Payment of Taxes		(326,959)	(700,177)
Net Cash from Project Activities		3,509,258	712,006
<b>Cash Flows from/(Used in) Investing Activities</b>			
Purchase of Property, Plant & Equipment	4	(662,787)	(828,311)
Proceeds from sale of Property, Plant & Equipment		67,680	2,499
Proceeds from/(Investment on) Short Term Deposits		26,745,548	(23,130,140)
Interest Income	13	466,623	199,689
Net Cash from/(used in) Investing Activities		26,617,064	(23,756,263)
<b>Cash Flows from/(Used in) Financing Activities</b>			
Cash received from Donors not used		(15,842,047)	26,388,645
Net Cash from/(used in) Financing Activities		(15,842,047)	26,388,645
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		14,284,275	3,344,388
Cash and Cash Equivalents at the beginning of the year	15	3,460,017	115,629
Cash and Cash Equivalents at the end of the year	15	17,744,292	3,460,017

# Notes to the Financial Statements

Year ended 31 December 2010

## 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 of the Company is located at No. 28/1, Bullers, Lane, Colombo 07, and the principal place of the Company is located at No. 06, 37th Lane, Off Queens Road, Colombo 03. 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 2010 was authorized for issue in accordance with a resolution of the board of directors on 5 May 2011.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2. BASIS OF PREPARATION

### 2.1 General Policies

#### 2.1.1 Basis of Preparation

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

#### 2.1.2 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.

#### 2.1.3 Comparative Information

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

#### 2.1.4 Translation of Foreign Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Trust'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.

#### 2.1.5 Taxation

##### Current Taxes

Board of Directors of the Organisation 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 on treasury bill is taxed at 30%.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.2 Accounting for the Receipts & Utilization of Funds

### 2.2.1 Funds

#### a) Unrestricted Funds

Unrestricted Funds are those that are available for 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 amount is 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 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.

### 2.2.2 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 way of a reduced depreciation charge in the Statement of Financial Activities over the useful life of the asset.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.3 Valuation of Assets and their Measurement Bases

### 2.3.1 Receivables

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

### 2.3.2 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.

### 2.3.3 Property Plant & Equipment

#### 2.3.3.1 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.

#### 2.3.3.2 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 month 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 are set off against the amortization of this capital grant.

#### 2.3.3.3 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.

#### 2.3.3.4 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.

# Notes to the Financial Statements

Year ended 31 December 2010

## 2.4 Liability and Provisions

### 2.4.1 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.

## 2.5 Statement of Income

### 2.5.1 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.

### 2.5.2 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 incurred in administering and running the organization and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of financial activities.

(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 2010

3. INCOMING RESOURCES	2010	2009
	Rs.	Rs.
Restricted Funding	73,815,611	43,282,570
Income from Private Sponsorships	174,594	-
	<u>73,990,205</u>	<u>43,282,570</u>

4. PROPERTY, PLANT & EQUIPMENT	Balance	Additions	Disposals	Balance
	As at			As at
4.1 Gross Carrying Amounts	01.01.2010			31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	1,366,768	284,778	-	1,651,546
Office Equipment	4,558,500	90,200	70,950	4,577,750
Computer	2,368,591	570,470	333,251	2,605,810
Motor Vehicle	387,325	77,999	-	465,325
	<u>8,681,184</u>	<u>1,023,447</u>	<u>404,201</u>	<u>9,300,431</u>
<b>Total Gross Carrying Amount</b>	<u>8,681,184</u>	<u>1,023,447</u>	<u>404,201</u>	<u>9,300,431</u>

4.2 Depreciation	As At	Charge for	Disposals	As at
	01.01.2010	the year		31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	426,350	383,879	-	810,229
Office Equipment	1,720,517	1,151,688	35,476	2,836,729
Computer	1,598,035	574,001	281,376	1,890,660
Motor Vehicle	-	108,206	-	108,206
	<u>3,744,902</u>	<u>2,217,774</u>	<u>316,852</u>	<u>5,645,824</u>
<b>Total Depreciation</b>	<u>3,744,902</u>	<u>2,217,774</u>	<u>316,852</u>	<u>5,645,824</u>

4.3 Net Book Values	As At	As at
	01.01.2010	31.12.2010
	Rs.	Rs.
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<u>4,936,282</u>	<u>3,654,607</u>

4.4 During the financial period, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. Rs.662,787/- and capitalised Property, Plant & Equipment which has been categorised under "Project Assets Not Included in the Balance Sheet" to the aggregate value of Rs. 360,660/-.

4.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,357,536/- (2009 - Rs.2,151,358/-).

# Notes to the Financial Statements

Year ended 31 December 2010

4.6 The useful lives of the assets are estimated as follows;	2010	2009
Furniture & Fittings	Over 4 Years	Over 4 Years
Office Equipment	Over 4 Years	Over 4 Years
Computer	Over 4 Years	Over 4 Years
Motor Vehicle	Over 4 Years	Over 4 Years

4.7 Project Assets not Included in Balance Sheet	Balance	Additions	Capitalised	Balance
	As at	During	During	As at
	01.01.2010	the year	the year	31.12.2010
At Cost	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	8,010	169,575	(8,010)	169,575
Office Equipment	-	38,575	-	38,575
Computer	252,500	100,150	(352,650)	-
Air Conditioners	-	111,675	-	111,675
	<u>260,510</u>	<u>419,975</u>	<u>(360,660)</u>	<u>319,825</u>

5. SHORT TERM DEPOSITS	2010	2009
	Rs.	Rs.
Fixed Deposits	2,488,984	2,940,300
Treasury Bills	-	26,294,232
	<u>2,488,984</u>	<u>29,234,532</u>

6. RECEIVABLES	2010	2009
	Rs.	Rs.
Deposits & Prepayments	1,758,767	1,742,250
Advances	19,900	1,020,730
Other Receivables	474,746	311,925
	<u>2,253,413</u>	<u>3,074,905</u>

7. RESTRICTED FUNDS	2010	2009
	Rs.	Rs.
		(Restated)
Balance as at Beginning of the Year	29,697,916	3,019,273
Secretariat	5,131,914	-
Funds Received During the Year (7.1)	58,653,567	68,075,684
Accrued Interest	964,029	1,523,290
Transfer to Statement of Financial Activities (7.1)	(73,815,611)	(42,920,331)
Returned to Donor	(679,603)	-
Balance at End of the Year	<u>19,952,212</u>	<u>29,697,916</u>

7. RESTRICTED FUNDS (Contd..)

7.1 Movements in Restricted Funds - 1 January to 31st December 2010

Name of Donor Organisation	Project	Project Budget '2010	(A) Balance Brought forward	(B) Transferred from Transparency International Secretariat	(c) Received/during the year	(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	(I) Surplus Returned to Donor /Transferred to/(from) Co-donor	(J)=(E)-(H)-(I) Balance carried forward
		Rs	Rs		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
SIDA / MFA	From Co-donors	46,746,529	10,968,696	-	36,203,855	339,455	47,512,006	20,083,119	23,204,908	43,288,027	241,173	3,982,806
FES	Investigative Journalism Workshop	1,656,296	-	-	1,656,296	-	1,656,296	1,913,296	-	1,913,296	-	(257,000)
TI Secretariat	3 Position Paper Translations	55,587	-	-	55,087	-	55,087	-	-	-	-	55,087
TI Secretariat	Security Grant 2010 - Enhance Security Measures	960,000	11,760	-	1,496,647	523	1,508,931	1,496,647	-	1,496,647	-	12,284
World Bank	Plantation Sector Community Development - Education Sector	500,622	499,703	-	-	22,160	521,863	694,122	-	694,122	(172,259)	-
Stromme Foundation	Civil Society for Accountable Governance - CBO Network	895,550	97,788	-	895,550	-	993,338	215,547	-	215,547	679,603	98,188
TI Secretariat	National Integrity Study	1,049,096	1,049,096	-	-	51,361	1,100,458	779,240	-	779,240	-	321,218
FK	Exchange Programme - TI South Asian Chapters	1,402,031	1,402,031	-	-	31,977	1,434,009	1,140,679	-	1,140,679	-	293,330
FK-2010/11	Exchange Programme - TI South Asian Chapters	2,091,900	-	-	2,563,477	9,613	2,573,089	2,105,104	-	2,105,104	-	467,986
TI Secretariat	Seed Funding - Website , Newsletter & Annual Report	919,900	-	-	897,858	-	897,858	945,111	-	945,111	-	(47,252)
Helvetas Sri Lanka	Programme Activities	1,000,000	-	-	900,000	-	900,000	1,068,914	-	1,068,914	(68,914)	(100,000)
Helvetas Sri Lanka - Ampara	Public Officials Capacity Development	12,500	12,500	-	-	-	12,500	-	-	-	-	12,500
Helvetas Kalmunai	Public Officials Capacity Development	23,549	23,548	-	-	-	23,548	-	-	-	-	23,548
SAHR	Parliament Watch	584,000	-	-	463,000	-	463,000	485,033	-	485,033	-	(22,033)
NED Washington D C USA	Kurunegala Capacity Building Project-2 DS Divisions	4,206,542	1,504,786	-	2,112,118	-	3,616,904	4,487,648	-	4,487,648	-	(870,744)
Royal Netherlands Embassy	Governance Report 2010	2,416,060	-	-	2,295,257	25,030.00	2,320,287	170,105	-	170,105	-	2,150,182
European Union	Enhancing Demand for Accountability in Local Governance- Anurdhapura,Polonnaruwa and Ampara Districts	15,535,677	12,407,665	-	8,902,562	483,909	21,794,136	13,126,938	-	13,126,938	-	8,667,198
PTF	Financial Accountability in 2 Pradeshiya Sabhas-Badulla	3,956,146	1,237,446	-	-	-	1,237,446	1,299,177	-	1,299,177	-	(61,731)
Federation of Chambers of Commerce	FCCISL Seminar-Regional Chamber Awareness Seminar	37,111	-	-	37,111	-	37,111	-	-	-	-	37,111
TI Secretariat	Global Corruption Report	483,000	482,896	-	-	-	482,896	430,140	-	430,140	-	52,756
CHRI	Right to Information	172,110	-	-	174,749	-	174,749	169,883	-	169,883	-	4,865
TI Secretariat		-	-	5,131,914	-	-	5,131,914	-	-	-	-	5,131,914
Interest Income		1,500,000	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>86,204,206</b>	<b>29,697,916</b>	<b>5,131,914</b>	<b>58,653,567</b>	<b>964,029</b>	<b>94,447,426</b>	<b>50,610,703</b>	<b>23,204,908</b>	<b>73,815,611</b>	<b>679,603</b>	<b>19,952,212</b>

Transferred to statement of financial activities for Project Cost	50,610,703
Income from Private Sponcerships (Note 3)	174,594
	<u>50,785,297</u>
Transferred to statement of financial activities for Administrative Cost (Note 3)	22,959,800
Tax Expense	245,108
	<u>23,204,908</u>

# Notes to the Financial Statements

Year ended 31 December 2010

8. UNRESTRICTED FUNDS	2010	2009
	Rs.	Rs. (Restated)
Balance as at the Beginning of the Year	(1,757,471)	(3,020,507)
Net Surplus / (Deficit) for the Year	838,118	1,263,036
Balance as at the End of the Year	(919,353)	(1,757,471)
<b>9. CAPITAL GRANTS</b>	<b>2010</b>	<b>2009</b>
	<b>Rs.</b>	<b>Rs.</b> (Restated)
Balance as at the Beginning of the Year	5,125,016	3,757,264
Transfer to Statement of Income & Expenditure	(1,581,596)	(991,726)
Capitalise During the Year	360,660	2,359,478
Balance as at the End of the Year	3,904,080	5,125,016
<b>10. RETIREMENT BENEFIT LIABILITY</b>	<b>2010</b>	<b>2009</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Retirement Benefits Obligation-Gratuity</b>		
As at 1 January 2010	1,528,907	1,047,250
Charge for the Year	607,325	481,657
Payments Made During the Year	(547,121)	-
As at 31 December 2010	1,589,111	1,528,907
<b>11. CREDITORS</b>	<b>2010</b>	<b>2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Accrued Expenses	1,568,972	457,622
Other Payables	46,274	35,326
	1,615,246	492,948
<b>12. PROJECT EXPENDITURE</b>	<b>2010</b>	<b>2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Staff (12.1)	26,250,242	7,517,719
Direct Cost (12.1)	23,206,513	13,659,655
Indirect Cost (12.1)	1,328,542	136,910
	50,785,297	21,314,284

# Notes to the Financial Statements

Year ended 31 December 2010

## 12. PROJECT EXPENDITURE (Contd.)

### 12.1 Project Activity Summary For the year ended 31st December 2010

Activity/Project	Donor Organization	Project Budget Year 2010	Transferred From Restricted Fund	Total Amount Expended			Net Surplus /Deficit
				Staff Cost	ECT Project Cost	Indirect Project Cost	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NIS Study	TI Secretariat	1,838,311	2,006,773	1,888,508	118,265	-	2,006,773
Position Papers & Short Publications	SIDA/MFA	879,331	486,128	318,683.96	167,443.69	-	486,128
Foreign Employment Study	SIDA/MFA	486,100	554,861	123,596	431,265	-	554,861
Accountability in Plantation Schools	World Bank	1,367,197	1,442,599	1,293,460	149,139.0	-	1,442,599
Governance Report 2010	Royal Netherland Embassy	2,416,060	195,369	195,369	-	-	195,369
Financial Accountability in 2 Prad.Sha. In Badulla	PTF	5,002,614	2,628,914	1,913,572	715,343	-	2,628,914
Enhancing Demand for Local Accountability	NED	7,663,797	5,778,952	3,135,444	2,308,574	334,933	5,778,952
Regular Policy Update and Networking	SIDA/MFA	132,482	111,158	111,158	-	-	111,158
Research Advisory Committee	SIDA/MFA	108,100	18,000	18,000	-	-	18,000
National Integrity Awards	SIDA/MFA	3,131,827	4,340,805	1,380,577	2,960,227	-	4,340,805
Campaign for Right to Information	SIDA/MFA	1,610,728	746,162	422,573	323,589	-	746,162
Private Sector Programme	TI Secretariat	1,107,610	1,099,443	455,998	643,445	-	1,099,443
Parliamentary Watch	SAHR	980,102	802,844	702,019	76,825	24,000	802,844
Civil Society for Accountable Governance within-CSO Network	Stromme Foundation	1,025,879	329,500	313,803	15,697	-	329,500
PPPR Parliamentary Election	SIDA/MFA	2,580,290	2,404,094	1,353,561	1,050,533	-	2,404,094
PPPR Presidential Election	SIDA/MFA	3,239,851	3,712,073	2,376,015	1,336,058	-	3,712,073
Foreign Employment Study- Launch	SIDA/MFA	106,853	6,657	5,957	700	-	6,657
		33,677,132	26,664,331	16,008,294	10,297,104	358,933	26,664,331

12. PROJECT EXPENDITURE (Contd.)

12.1 Project Activity Summary For the year ended 31st December 2010 (Contd..)

Activity/Project	Donor Organization	Project Budget Year 2010	Transferred From Restricted Fund	Total Amount Expended			Total Expenses	Net Surplus /Deficit
				Staff Cost	ECT Project Cost	Indirect Project Cost		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Total brought forward		33,677,132	26,664,331	16,008,294	10,297,104	358,933	26,664,331	-
Governance Report 2009 -Launch	SIDA/MFA	150,000	136,816	44,016	92,800	-	136,816	-
NIS Study Launch	SIDA/MFA	123,195	-	-	-	-	-	-
Advocacy Events as need Arises+ Blog	SIDA/MFA	986,029	496,816	440,929	55,887	-	496,816	-
Developing Resource Material	SIDA/MFA	1,590,079	1,511,023	395,825	1,115,198	-	1,511,023	-
Investigative Journalism Training & Tool Kit	FES/SIDA/MFA	2,857,386	2,769,061	1,683,194	1,085,867	-	2,769,061	-
DIE Programme	SIDA/MFA	590,269	434,201	171,302	262,899	-	434,201	-
PIM Programme	SIDA/MFA	570,498	122,089	122,089	-	-	122,089	-
On Request	SIDA/MFA	1,310,206	263,091	209,246	53,845	-	263,091	-
CHRI	CHRI	172,110	243,514	178,389	65,125	-	243,514	-
Enhancing demand for local Accountabil	EU	17,249,932	14,821,172	5,386,723	8,464,840	969,609	14,821,172	-
Exchange Programme - TI South Asian Chapters	FK	1,402,031	1,138,882	598,733	540,149	-	1,138,882	-
Exchange Programme - TI South Asian Chapters	FK 2010/11	2,091,900	2,184,300	1,011,501	1,172,799	-	2,184,300	-
<b>TOTAL</b>		<b>62,770,767</b>	<b>50,785,297</b>	<b>26,250,242</b>	<b>23,206,513</b>	<b>1,328,542</b>	<b>50,785,297</b>	<b>-</b>

# Notes to the Financial Statements

Year ended 31 December 2010

13. REVENUE EARNED FROM OTHER ACTIVITIES	2010	2009
	Rs.	Rs.
Sundry Income	344,528	66,214
Interest Income	466,623	199,698
Long Outstanding Balances Written Off	-	258,296
Surplus Funding Written Off	-	99,597
Exchange Gain	1,506	101,565
Professional Fees	-	21,938
Loss on Disposal of Assets	-	(39,499)
CBO Payment NIA	5,000	-
Old Newspaper Sale	6,500	-
Photocopy Charges	3,671	-
Supilipanna Books to EU	10,290	-
Settlement of third Party Accident Claim	-	(225,000)
	<b>838,118</b>	<b>482,809</b>

14. ADMINISTRATIVE EXPENSES	2010 Rs.	2009 Rs. (Restated)
Salaries	11,247,758	9,635,155
Consultancy Fees	632,296	744,133
Audit Fee	100,000	50,000
Staff Welfare	566,606	389,003
Staff Training and Development	37,748	82,192
Gratuity	607,325	481,656
Travelling	152,147	242,813
Foreign Travel	303,850	251,497
Insurance -Business Guard	84,715	103,042
Insurance -Life	176,717	362,039
Insurance -Cash in Transit	1,029	-
Printing and Stationery	1,063,207	722,236
Postage, Stamps and Courier Charges	8,308	25,918
Telephone/Internet charges	361,639	428,650
Internet and E-mail Charges	17,410	48,409
Water Rates	48,470	33,409
Electricity	735,160	921,775
Office Rent	825,119	1,554,000
Equipment Maintenance	1,072,566	837,806
Office Maintenance	395,748	199,919
Security	1,496,647	1,122,424
IT Maintenance	63,448	17,304
CMC Rate and Tax	34,477	74,669
Translation and Typesetting	194,720	152,940
Vehicle Maintenance	28,766	45,128
Fuel	59,847	54,526
Depreciation	636,183	273,187
Bank Charges	76,948	126,980
Work Shops	994,847	341,585
Loss on Disposal of Assets	32,321	-
PAYE + EPF Surcharge	10,515	-
Memberships	103,824	101,752
IACC Registration	294,743	-
Secretarial fees	55,527	59,325
Miscellaneous Expenses	439,169	1,130,260
	<u>22,959,800</u>	<u>20,613,730</u>

TISL received grants from certain donors to be used to subsidise rent, rates & electricity expenses. The amounts received have been credited against those expenses as follows;

	Rs.
Rent	775,381
Electricity	694,371
CMC rates	22,133
Water	36,792

## Notes to the Financial Statements

Year ended 31 December 2010

15. CASH & BANK BALANCES	2010 Rs.	2009 Rs. (Restated)
<b>Favorable Balances</b>		
Balance at Bank	18,895,682	3,691,171
Cash in Hand	21,229	40,000
	<u>18,916,911</u>	<u>3,731,171</u>
<b>Unfavorable Balances</b>		
Balance at Bank	(1,172,619)	(271,154)
	<u>17,744,292</u>	<u>3,460,017</u>

### 16. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

Statement of Financial Activities	2009 As reported previously	Increase	(Decrease)	2009 Current Presentation
	Previously			Rs.
<b>Project Expenditure</b>				
Staff Cost	10,048,736	-	(2,531,017)	7,517,719
Direct Costs	15,558,641	-	(1,898,986)	13,659,655
Indirect Costs	260,510	-	(123,600)	136,910
Administrative Expenses	16,060,127	4,553,603	-	20,613,730
	<u>41,928,014</u>	<u>4,553,603</u>	<u>(4,553,603)</u>	<u>41,928,014</u>

#### Reasons for change in the presentation and classification:

During the year ended 31 December 2009, a sum of Rs. 4,553,603/- was expended on the enhancing the IT capabilities of TI Sri Lanka. Since donor funding was received towards this cost, the entire cost had been identified as a project in the financial statements of that year. This has been rectified in the current year by the transfer of this amount to relevant expenditure items under Administrative Expenses.

# Notes to the Financial Statements

Year ended 31 December 2010

## 17. RETROSPECTIVE RESTATEMENT

17.1 Capital Grants represents the value of Project Assets subsequently capitalised as Property, Plant and Equipment. Up to and including the year ended 31 December 2009, although the corresponding Property, Plant and Equipment had been depreciated there had been no corresponding amortisation of the Capital Grant. The Financial Statements of 2009 have been restated to correct this error by setting off the amortisation against the corresponding depreciation charge in the Income Statement. The effect of the restatements is summarised below.

Income Statement	Effect on Year ended 31 December 2009 Rs.
Decrease in Administrative expenditure	991,726
Increase in Net surplus	<u>991,726</u>
Balance Sheet	31 December 2009 Rs.
Decrease in Capital Grants	(1,389,887)
Increase in Unrestricted Funds	<u>1,389,887</u>
Increase/(Decrease) in Accumulated Funds	<u>-</u>

## 17. RETROSPECTIVE RESTATEMENT OF ERRORS (Contd..)

17.2 In 2009, in view of a bank statement being received to the middle of a month, an amount received from a donor had been excluded from the Financial Statements. The Financial Statements of 2009 have been restated to correct this error. The effect of this restatements is summarised below.

Balance Sheet	31 December 2009 Rs.
Increase in Balance at Bank	<u>1,237,446</u>
Increase in Total Assets	<u>1,237,446</u>
Increase in Restricted Funds	<u>1,237,446</u>
Increase in Accumulated Fund	<u>1,237,446</u>

# Notes to the Financial Statements

Year ended 31 December 2010

## 18. CAPITAL COMMITMENTS

There are no capital commitments as at 31 December 2010.

## 19. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2010.

## 20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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.

a) Key Management Personnel Compensation	2010 Rs.	2009 Rs.
Short - term employee benefits	<u>7,526,774</u>	<u>5,131,500</u>



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