

TRANSPARENCY INTERNATIONAL SRI LANKA

FINANCIAL STATEMENTS

31 DECEMBER 2023

**TRANSPARENCY INTERNATIONAL SRI LANKA
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Independent auditor's report

To the Board of Directors of Transparency International Sri Lanka

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Transparency International Sri Lanka (the Company). The financial statements of the Company comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Statement of Recommended Practice (SoRP) for Not-for-Profit Organisations (NGOs) and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2023, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Statement of Recommended Practice (SoRP) for Not-for-Profit Organisations (NGOs) and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Deloitte partners

CHARTERED ACCOUNTANTS

COLOMBO

10 June 2024

TRANSPARENCY INTERNATIONAL SRI LANKA

Statement of comprehensive income

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2023	2022
Incoming resources	4	223,908,200	153,421,843
Operating expenditure			
Project expenses	5	(173,797,930)	(114,632,030)
Administrative expenses	6	(55,848,761)	(49,008,579)
Total operating expenditure		(229,646,691)	(163,640,609)
Net surplus / (deficit) on operating activities		(5,738,491)	(10,218,766)
Net financial income	7	10,648,306	5,165,798
Other gains and losses - net	8	6,470,054	2,758,359
Net surplus / (deficit) before tax		11,379,869	(2,294,609)
Income tax expenses	9	(3,460,105)	(1,748,973)
Net surplus / (deficit) after tax		7,919,764	(4,043,582)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on defined benefit plans	17	(301,080)	506,623
Total comprehensive surplus / (deficit) for the year		7,618,684	(3,536,959)

The Notes on pages 8 to 27 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA

Statement of financial position

(All amounts in Sri Lankan Rupees)

	Notes	31 December	
		2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,915,770	2,605,310
Right-of-use asset	11	11,504,408	15,887,039
		<u>14,420,178</u>	<u>18,492,349</u>
Current assets			
Notes and other receivables	12	6,066,079	6,282,188
Investments	13	36,241,476	26,034,153
Cash and cash equivalents	14	54,483,324	85,586,423
		<u>96,790,879</u>	<u>117,902,764</u>
Total assets		<u>111,211,057</u>	<u>136,395,113</u>
FUNDING and LIABILITIES			
Accumulated funds			
Restricted funds	15	28,829,164	58,367,162
Unrestricted funds		49,780,022	42,161,338
Capital grants	16	2,915,445	2,610,525
		<u>81,524,631</u>	<u>103,139,025</u>
Non-current liabilities			
Retirement benefit obligation	17	7,979,632	5,601,528
Lease liabilities	11	8,430,751	12,940,933
		<u>16,410,383</u>	<u>18,542,461</u>
Current liabilities			
Accruals and other payables	18	4,284,398	1,676,444
Income tax payable	19	1,530,108	1,013,822
Lease liabilities	11	4,510,182	4,014,624
Bank overdraft	14	2,951,355	8,008,737
		<u>13,276,043</u>	<u>14,713,627</u>
Total funding and liabilities		<u>111,211,057</u>	<u>136,395,113</u>

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.



Senior Manager - Finance and Operations

The Board of Directors are responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 10 June 2024.



Director



Director

The Notes on pages 8 to 27 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.

TRANSPARENCY INTERNATIONAL SRI LANKA

Statement of changes in funds

(All amounts in Sri Lankan Rupees)

	Restricted funds	Unrestricted funds	Capital grants	Results for the year	Total
Balance as at 01 January 2022	47,894,848	45,745,548	684,072	-	94,324,468
Net deficit for the year	-	-	-	(3,536,960)	(3,536,960)
Balance before transfer to reserves	47,894,848	45,745,548	684,072	(3,536,960)	90,787,508
Net deficit for the year	-	(3,536,960)	-	3,536,960	-
Funds received during the year	164,800,644	-	-	-	164,800,644
Adjustment made during the year	-	(47,250)	-	-	(47,250)
Additions during the year	-	-	3,706,343	-	3,706,343
Amortisation made during the year	-	-	(1,779,890)	-	(1,779,890)
Funds transferred to statement of comprehensive income					
- against expenses incurred	(153,421,843)	-	-	-	(153,421,843)
- on completed projects	(906,487)	-	-	-	(906,487)
Balance as at 31 December 2022	58,367,162	42,161,338	2,610,525	-	103,139,025
Net surplus for the year	-	-	-	7,618,684	7,618,684
Balance before transfer to reserves	58,367,162	42,161,338	2,610,525	7,618,684	110,757,709
Net surplus for the year	-	7,618,684	-	(7,618,684)	-
Funds received during the year	198,371,703	-	-	-	198,371,703
Addition during the year	-	-	2,519,994	-	2,519,994
Amortisation made during the year	-	-	(2,215,074)	-	(2,215,074)
Funds transferred to statement of comprehensive income					
- against expenses incurred	(223,908,200)	-	-	-	(223,908,200)
- on completed projects	(4,001,501)	-	-	-	(4,001,501)
Balance as at 31 December 2023	28,829,164	49,780,022	2,915,445	-	81,524,631

The Notes on pages 8 to 27 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA

Statement of cash flows

(All amounts in Sri Lankan Rupees)

	Notes	Year ended 31 December	
		2023	2022
Cash flows from operating activities			
Net surplus / (deficit) before income tax		11,379,869	(2,294,609)
Adjustments for:			
Depreciation of property, plant and equipment	10.2	2,209,544	1,691,578
Depreciation of leased assets	11	4,382,631	4,382,631
Provision for gratuity	17	2,833,274	2,626,449
Amortization of capital grant	16	(2,215,074)	(1,779,890)
Interest on leases	7	885,376	1,114,216
Interest income	7	(11,533,682)	(6,280,014)
Income recognized against expenses incurred	15	(223,908,200)	(153,421,843)
Excess funds transferred from completed projects	15	(4,001,501)	(906,487)
Net cash used before working capital changes		(219,967,763)	(154,867,969)
Changes in working capital:			
Receivables		216,109	690,146
Payables		2,607,954	(1,007,621)
Cash used in operations		(217,143,700)	(155,185,444)
Payment of taxes	19	(2,943,819)	(1,147,738)
Payment of gratuity	17	(756,250)	(120,724)
Net cash used in operating activities		(220,843,769)	(156,453,906)
Cash flows from investing activities			
Purchase of property, plant and equipment	10.1	(2,520,004)	(3,706,334)
Addition to the capital grants	16	2,519,994	3,706,343
Investment on short term deposits		(10,207,323)	2,918,974
Interest income	7	11,533,682	6,280,014
Net cash generated from investing activities		1,326,349	9,198,997
Cash flows from financing activities			
Funds received during the year	15	198,371,703	164,800,644
Repayments of leases	11	(4,900,000)	(4,800,000)
Net cash generated from financing activities		193,471,703	160,000,644
Net (decrease) / increase in cash and cash equivalents		(26,045,717)	12,745,735
Cash and cash equivalents at the beginning of the year	14	77,577,686	64,831,951
Cash and cash equivalents at the end of the year	14	51,531,969	77,577,686

The Notes on pages 8 to 27 form an integral part of these financial statements.

Independent Auditor's Report on pages 1 - 3.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements

(In the notes all amounts are shown in Sri Lankan Rupees unless otherwise stated)

1 Reporting entity

1.1 Corporate information

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

Transparency International Sri Lanka is domiciled in the Democratic Republic of Sri Lanka. The registered office and the principal place of the Company is located at No. 366, Nawala Road, Nawala Rajagiriya.

1.2 Principal activities of the Company

Transparency International Sri Lanka (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 100 chapters worldwide.

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.

The Board of Directors who held office for the year ended 31 December 2023 are as follows:

Name	Date of appointment	Date of resignation
Mr. P. R. K. Hewamanna	08.02.2017	Not applicable
Mr. T. M. B. S. Thudugala	25.11.2020	Not applicable
Ms. B. H. Ibrahim	20.01.2021	Not applicable
Mr. A.F. Farouk	30.06.2021	Not applicable
Mr. S.M. Wanniarachchi	01.03.2023	Not applicable
Mr. L.M.J. Fernando	01.03.2023	Not applicable
Mr. S. C. C Elankovan	20.02.2015	21.02.2024
Prof. C. E. Guneratne	26.09.2018	15.01.2024
Ms. S. S. A. Saroor	08.02.2017	01.01.2023
Prof. P. Kailasapathy	27.11.2018	30.11.2023
Ms. J. Samuel	18.12.2020	23.06.2023



TRANSPARENCY INTERNATIONAL SRI LANKA**Notes to the financial statements (contd)****2 Basis of preparation****2.1 Basis of Preparation**

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) and Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements are presented in Sri Lanka Rupees and have been prepared on a historical cost basis.

These financial statements include the following components:

- Statement of comprehensive income providing the information on the financial performance of the Company for the year under review;
- Statement of financial position providing the information on the financial position of the Company as at the year-end;
- Statement of changes in funds depicting all changes in shareholders' funds during the year under review of the Company;
- Statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the Company to utilise those cash flows; and
- Notes to the financial statements comprising material accounting policies and other explanatory information which details of the Company's accounting policies, including changes during the year, are included in Note 3.

2.2 Responsibility for financial statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Statement of Recommended Practice (SoRP) for Non-Governmental Organisations (NGOs) and Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka.

2.3 Approval of financial statements

The financial statements for the year ended 31 December 2023 were authorised for issue by the Directors on 10 June 2024.

2.4 Materiality and aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements'.

2.5 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

2 Basis of preparation (contd)

2.6 Comparative information

The accounting policies have been consistently applied by the Company are unless otherwise stated is consistent with those used in the previous year.

2.7 Changes in accounting policies and disclosures

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.8 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency since the entity use LKR in majority of these transactions and it reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.9 Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included as follows:

Critical accounting estimates / judgments	Disclosure reference	
	Accounting policy	Note
Measurement of defined benefit obligations	3.4.2	Note 17

3 Accounting policies

3.1 General policies

3.1.1 Translation of foreign currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company'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 Statement of financial position 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 comprehensive income except for gains or losses relating to items adjusted through the accumulated fund which are reflected therein.



TRANSPARENCY INTERNATIONAL SRI LANKA**Notes to the financial statements (contd)****3 Accounting policies (contd)****3.1 General policies (contd)****3.1.2 Taxation****Current taxes**

Board of Directors of the Company is of the view that it does not come under the definition of a Non-Governmental Organisation's (NGOs) as being a limited by Guarantee Company. Accordingly the grants and donations received by the Company are not liable for income tax. Interest Income is taxed at 30%.

3.2 Accounting for the receipts and utilisation of funds**3.2.1 Funds****a) Unrestricted funds**

Unrestricted funds are those that are available for use by the Company at the discretion of the Board, in furtherance of the general objectives of the Company and which are not designated for any specific purpose.

Surplus funds are transferred to unrestricted funds in terms of the relevant donor agreements or with subsequent approval of the donor.

Contributions received from general public are recognised in the statement of comprehensive income 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 comprehensive income to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective fund accounts and included under Restricted Fund in the statement of financial position until such time as they are required.

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

Where approved grant expenditure exceeds the income received and there is a certainty that the balance will be received such amounts recognised through debtors in the statement of financial position.

c) Other

Investment income and other gains realised from funds available under each of the categories are allocated to the appropriate funds, unless the relevant agreement or minutes provide otherwise.

3.2.2 Capital grants and subsidies

Grants and subsidies related to assets are deferred in the statement of financial position and recognised as income over the life of depreciable asset by way of a reduced depreciation charge in the statement of comprehensive income over the useful life of the asset.



TRANSPARENCY INTERNATIONAL SRI LANKA**Notes to the financial statements (contd)****3 Accounting policies (contd)****3.3 Valuation of assets and their measurement basis****3.3.1 Receivables**

Advances, deposits and other receivables are stated at cost less impairment (if any). These amounts generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

3.3.2 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown under current liabilities.

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

3.3.3 Property, plant and equipment**a) Cost and valuation**

Property, plant and equipment is stated at cost excluding the cost of day to day servicing less accumulated depreciation and accumulated impairment in value. All items of property, plant and equipment are initially recorded at cost.

Where any item of property, plant and equipment subsequently revalued, the entire class of such asset is revalued. Revaluation is carried out with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values as at the statement of financial position date.

Subsequent to the initial recognition of an asset, property plant and equipment are carried at historical cost or, if revalued, at the revalued amounts less any subsequent depreciation. Additions subsequent to the last revaluation is carried at cost less any subsequent depreciation.

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

b) Depreciation

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



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

3 Accounting policies (contd)

3.3 Valuation of assets and their measurement basis (contd)

3.3.3 Property, plant and equipment (contd)

b) Depreciation (contd)

The economic useful lives of assets are estimated below for depreciation purpose:

	Estimated useful life	Rate of depreciation
Furniture and fittings	4 Years	25%
Office equipment	4 Years	25%
Computers	4 Years	25%
Motor vehicles	4 Years	25%

c) Donated asset

When 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 are not handed over to the beneficiary or returned to the original donor the cost of the assets are included in a memorandum inventory of plant and equipment identified as such in the financial statements. Depreciation is not provided on such assets.

3.3.4 Leases

The Company as a lessee

a) Recognition and measurement

Leases are recognised as right-of-use assets and corresponding liabilities as at the date at which the leased assets are available for use by the Company.

The right-of-use assets are presented separately in the statement of financial position.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

3 Accounting policies (contd)

3.3 Valuation of assets and their measurement basis (contd)

3.3.4 Leases (contd)

The Company as a lessee (contd)

a) Recognition and measurement (contd)

Each lease payment is allocated between the liability and interest cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is re-measured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for re-measurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are as follows:

- right of use for the Office Building 2-5 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

b) Lease activities

The Company in general leases properties such as office buildings which contains a wide range of different terms and conditions. Lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

c) Termination and extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (extension option) or not terminated (termination option). The assessment of whether the Company is reasonably certain to exercise an extension option, or not to exercise a termination option is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Company.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

3 Accounting policies (contd)

3.3 Valuation of assets and their measurement basis (contd)

3.3.4 Leases (contd)

The Company as a lessee (contd)

c) Termination and extension option (contd)

The management has applied judgment that:

- For the office building the extension option was not included as it is not reasonably certain that the Company will continue the lease beyond the 5 year period.
- For the office vehicles the extension option was not included as the alternative assets are easily available and there are no economic incentives to continue beyond the basic period of 5 years.

3.3.5 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.

3.4 Liability and provisions

3.4.1 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.4.2 Retirement Benefit Obligations

(a) Provisions

Provision are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and the reliable estimate can be made to the amount of the obligation. When the organisation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial activities net of any reimbursement.



TRANSPARENCY INTERNATIONAL SRI LANKA**Notes to the financial statements (contd)****3 Accounting policies (contd)****3.4 Liability and provisions (contd)****3.4.2 Retirement Benefit Obligations (contd)****(b) Defined benefit plan**

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the statement of financial position. The provision is calculated based on a projected unit credit method considering the future salary increment rates, discount rates and the expected staff turnover rate. The resulting difference between the brought forward provision at the beginning of the year and the carried forward provision at the end of the year is dealt within the statement of comprehensive income. However, as per the payment of the Gratuity Act No.12 of 1983, gratuity liability is not externally funded. This liability is grouped under non-current liabilities in the statement of financial position.

(c) Defined contribution plans

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

3.5 Income and expenditure**3.5.1 Income recognition****(a) Incoming resources**

Income realised from restricted funds is recognised in the statement of comprehensive income 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 comprehensive income. Unutilised funds are carried forward as such in the statement of financial position.

(b) Revenue generated from other activities

Interest earned is recognised on an accrual basis.

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

Other income is recognised on an accrual basis. All other income is recognised when the Company is legally entitled to the use of such funds and the amount can be quantified.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

3 Accounting policies (contd)

3.5 Income and expenditure (contd)

3.5.2 Expenditure recognition

- (a) Expenses in carrying out the projects and other activities of the Company are recognised in the statement of comprehensive income during the year in which they are incurred. Other expenses incurred in administering and running the Company and in restoring and maintaining the plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.
- (b) For the purpose of presentation, of the statement of comprehensive income, the Management is of the opinion that the function of expenses method, presents fairly the elements of the Company's performance, and hence such a presentation method is adopted.

3.5.3 Financial income and expenses

Interest income / expenses is calculated by applying the effective interest rate to the gross carrying amount of a financial asset / liability except for financial assets that subsequently become credit-impaired.

3.5.4 Non operating income and expenses

Gains / (losses) arising from the activities outside the normal course of business are calculated and recorded at the fair value.

4 Incoming resources

	Year ended 31 December	
	2023	2022
Income recognised for projects carried out (Refer Note 15)	223,908,200	153,421,843
	223,908,200	153,421,843

5 Project expenses

	Year ended 31 December	
	2023	2022
Staff cost	43,272,956	37,949,267
Direct project cost	130,524,974	76,682,763
	173,797,930	114,632,030



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

5 Project expenses (contd)

Donor	Name of the project	Year ended 31 December 2023		
		Staff cost	Project Cost	Total
The Asia Foundation - TAF	Using technology to track the abuse of state property.	253,677	2,757,211	3,010,888
Transparency International e.V. Secretariat - STRONGG	Indo - Pacific partnership for strong, Transparent, Responsive and open Networks for Good Governance.	5,075,155	10,205,169	15,280,324
European Commission - EIDHR	Stronger Media through enhanced freedom of expression and Right to Information.	15,410,938	34,752,981	50,163,919
Transparency International e.V. Secretariat - SANCUS	Strengthening accountability networks among civil society: Regional Coordination of AP countries and in-country action.	5,923,352	8,942,905	14,866,257
High Commission of Canada CFLI	Strengthening Accountability Mechanisms across Sectors in Sri Lanka to Combat Corruption.	103,459	2,295,525	2,398,984
The International Republican Institute - IRI	Ensure the sustainability of a platform for regional anti - corruption collaboration	-	1,543,555	1,543,555
Foundation Open Society Policy Center - OSF (FOSI)	To support Grantee to tie-off work on promoting the Right to Information.	6,700,936	23,386,252	30,087,188
Friedrich Naumann Foundation - FNF	Integrity Icon Programme.	-	2,100,000	2,100,000
International foundation for electoral system (IFES)	Money in Politics/Political Finance Legislation Research in Sri Lanka	611,991	3,146,929	3,758,920
Common Wealth foundation	Citizen engagement with advocacy for open contracting in public health procurement in Sri Lanka	1,676,955	145,101	1,822,056
The Center For International Private Enterprise (CIPE)	Fostering Business Integrity In The Private Sector	4,200,584	3,110,896	7,311,480
British High Commission (BHC)	Enhancing electoral integrity of Local Government Authorities Election 2023 through prevention of misuse of public resources and voter education	1,239,983	19,405,156	20,645,139



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

5 Project expenses (contd)

Donor	Name of the project	Year ended 31 December 2023		
		Staff cost	Project Cost	Total
Westminster Foundation for Democracy (WFD)	Election Campaign Finance Monitoring	471,374	7,174,892	7,646,266
Freedom House	Advancing Inclusive Governance in Sri Lanka	-	1,869,585	1,869,585
Management Systems International MSI - IDEA	Improved knowledge and advocacy for essential anti-corruption reform in Sri Lanka	-	1,831,513	1,831,513
Internews Network	The Media and Civil Society Collaboration for Accountability.	40,102	316,250	356,352
Foundation Open Society Policy Center (Civil Society Initiative)- OSF CSI	To support the Grantee's efforts to conduct an in-depth diagnosis on anticorruption and governance reforms for economic recovery in Sri Lanka through collective civil society engagements.	1,564,450	6,206,420	7,770,870
DT Global - Sri Lanka Engagement (SLE)	Identifying barriers and opportunities to youth Civic Engagement.	-	697,934	697,934
Transparency International Sri Lanka - TISL		-	636,700	636,700
Total		43,272,956	130,524,974	173,797,930



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

6 Administrative expenses

	Year ended 31 December	
	2023	2022
Salaries	31,012,212	28,125,908
Office rent	1,533,820	1,039,085
Security	1,613,414	1,657,114
Telephone / internet charges	809,611	696,761
Insurance	138,967	138,086
Electricity	1,198,928	599,518
Janitorial charges	1,771,525	1,448,004
Office maintenance	358,977	849,266
IT maintenance	1,321,452	826,920
Travelling	743,397	455,752
Staff welfare	1,528,082	885,652
Printing and stationery	720,629	551,900
Secretarial fees	226,482	89,914
Water rates	93,421	57,609
Equipment maintenance	288,443	160,112
Postage, stamps and courier charges	40,073	7,961
Board meeting expenses	17,957	4,500
Vehicle maintenance	24,109	1,640
Accounting package maintenance	222,810	168,300
Legal expenses	294,751	29,219
Stamp duty	10,725	9,275
Audit fees - external audit	1,519,850	1,674,040
Audit fees - internal audit	447,615	406,923
Rates	-	96,650
Tax consultancy	136,205	115,330
Depreciation (Note 10)	2,209,544	1,691,579
Bank charges	349,857	212,481
Depreciation buildings (right-of-use asset)	4,382,631	4,382,631
Retirement benefit obligations cost (Note 17)	2,833,274	2,626,449
	55,848,761	49,008,579

7 Net financial income

	Year ended 31 December	
	2023	2022
Interest income	11,533,682	6,280,014
Interest expenses on lease liabilities (Note 11)	(885,376)	(1,114,216)
	10,648,306	5,165,798

8 Other gains and losses - net

	Year ended 31 December	
	2023	2022
Excess funds from completed projects (Note 15)	4,001,501	906,487
Amortisation of capital grant (Note 16)	2,215,074	1,779,890
Sundry income	253,479	71,982
	6,470,054	2,758,359



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

9 Income tax expenses

Current income tax

	Year ended 31 December	
	2023	2022
Current income tax charge (Note 19)	3,460,105	1,748,973
Income tax expense reported in the statement of comprehensive income	3,460,105	1,748,973

As per the Inland Revenue act No. 24 of 2017, Company is liable for Income tax at 30% on taxable income. (Company was liable for Income tax at 24% for the first 6 months and 30% for the second 6 months on taxable income in the prior year). Taxable income of the Company solely consists of interest earned on bank balances and fixed deposits.

10 Property, plant and equipment

10.1 Gross carrying amounts

	Balance as at 1 January 2023	Additions	Disposals	Balance as at 31 December 2023
Furniture & Fittings	2,021,877	999,588	-	3,021,465
Motor Vehicles	441,750	-	-	441,750
Office Equipment	2,498,630	611,931	-	3,110,561
Computer Equipment	4,386,340	908,485	-	5,294,825
Total gross carrying amount	9,348,597	2,520,004	-	11,868,601

10.2 Depreciation

	Balance as at 1 January 2023	Charge for the period	Transferred for disposed assets	Balance as at 31 December 2023
Furniture & Fittings	1,812,726	448,684	-	2,261,410
Motor Vehicles	199,250	121,250	-	320,500
Office Equipment	1,989,679	458,430	-	2,448,109
Computer Equipment	2,741,632	1,181,180	-	3,922,812
Total depreciation	6,743,287	2,209,544	-	8,952,831

10.3 Net book values

	As at 31 December	
	2023	2022
Total carrying value of property, plant and equipment	2,915,770	2,605,310



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

11 Right-of-use asset

Building

(i) Right-of-use asset

Cost

Balance at the beginning of year

Balance at the end of year

Accumulated depreciation and impairment losses

Balance at the beginning of year

Depreciation for the year

Balance at the end of year

Carrying value at the end of year

(ii) Lease liabilities

Non current

Current

Balance at the beginning of year

Lease repayments

Interest expense (Note 7)

Balance at the end of year

(iii) Amounts relating to leases recognised in the statement of income

Depreciation charge for the right-of-use assets by class of assets

Building

Total depreciation charge

Interest expense on lease liabilities

Total interest expenses related to leases

	As at 31 December	
	2023	2022
Balance at the beginning of year	21,913,157	21,913,157
Balance at the end of year	21,913,157	21,913,157
Balance at the beginning of year	6,026,118	1,643,487
Depreciation for the year	4,382,631	4,382,631
Balance at the end of year	10,408,749	6,026,118
Carrying value at the end of year	11,504,408	15,887,039
Non current	8,430,751	12,940,933
Current	4,510,182	4,014,624
	12,940,933	16,955,557
Balance at the beginning of year	16,955,557	20,641,341
Lease repayments	(4,900,000)	(4,800,000)
Interest expense (Note 7)	885,376	1,114,216
Balance at the end of year	12,940,933	16,955,557
Building	4,382,631	4,382,631
Total depreciation charge	4,382,631	4,382,631
Interest expense on lease liabilities	885,376	1,114,216
Total interest expenses related to leases	885,376	1,114,216

Expenses relating to short-term leases amounting to Rs.1,533,820 (2022 - Rs.1,039,085) has been recognised in Profit or Loss.



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

12 Notes and other receivables

(a) Deposits, advances and prepayments

	As at 31 December	
	2023	2022
Advance given to project staff	1,470,732	1,554,449
Deposits and prepayments	4,595,347	4,727,739
	6,066,079	6,282,188

(b) Other receivables

	As at 31 December	
	2023	2022
Receivable from Mr. T R U Priyankara (i)		
Balance at the beginning of year	5,845,338	5,845,338
Additions during the year	-	-
Balance at the end of year	5,845,338	5,845,338
Less: provision for impairment	(5,845,338)	(5,845,338)
	-	-
Total notes and other receivables	6,066,079	6,282,188

(i) This amount is a discovered fraud, which is under due legal process.

13 Financial investments

	As at 31 December	
	2023	2022
Fixed deposits	36,241,476	26,034,153
	36,241,476	26,034,153

14 Cash and cash equivalents

	As at 31 December	
	2023	2022
14.1 Favorable cash and cash equivalents balance		
Balance at bank	53,582,832	85,401,423
Cash in hand	900,492	185,000
	54,483,324	85,586,423
14.2 Unfavorable cash and cash equivalent balances		
Bank overdraft	2,951,355	8,008,737
	51,531,969	77,577,686



Notes to the Financial Statements (contd)

15 Restricted funds

	As at 31 December	
	2023	2022
Balance at the beginning of the year	58,367,162	47,894,848
Funds received during the year	198,371,703	164,800,644
Funds transferred to statement of comprehensive income against expenses incurred	(223,908,200)	(153,421,843)
Excess funds transferred to statement of comprehensive income on completed projects	(4,001,501)	(906,487)
Balance at the end of the year	28,829,164	58,367,162

Movements in restricted funds

Name of Donor Organisations	Budget for the period	Balance as at 01.01.2023		Cash Received / paid during the year	Income Recognised		Balance as at 31.12.2023	Of which	
		Accrued	Deferred		Restricted	Unrestricted		Accrued	Deferred
		A			B			C	
Diakonia Country Office - Sri Lanka	-	-	483,484	-	-	-	483,484	-	483,484
The Asia Foundation - TAF	3,169,275	-	919,425	2,243,301	3,162,575	151	-	-	-
Transparency International e.v. Secretariat - STRONGG	24,426,924	-	6,068,222	8,647,260	23,478,156	-	(8,762,674)	(8,762,674)	-
European Commission - EIDHR	78,083,691	-	38,044,645	36,273,376	64,594,330	-	9,723,691	-	9,723,691
Friedrich Naumann Foundation (IISL) - FNF	2,730,000	-	-	2,100,000	2,100,000	-	-	-	-
Transparency International e.v. Secretariat - SANCUS	24,368,162	-	4,836,051	14,336,207	23,815,171	-	(4,642,913)	(4,642,913)	-
High Commission of Canada - CFLI	2,487,639	-	1,496,842	1,065,596	2,487,639	74,799	-	-	-
The International Republican Institute - IRI	6,293,700	(1,071,360)	-	6,541,466	1,543,555	3,926,551	-	-	-
Foundation Open Society Policy Center - OSF (FOSI)	38,923,213	-	485,423	39,858,775	40,344,198	-	-	-	-

Notes to the Financial Statements (contd)

15 Restricted funds (contd)

Name of Donor Organisations	Budget for the period	Balance as at 01.01.2023		Cash Received / Paid during the year	Income Recognised		Balance as at 31.12.2023		
		Accrued	Deferred		Restricted	Unrestricted	Accrued	Deferred	
		A			C		D = A + B - C		
International foundation for electoral system (IFES)	5,215,963	-	1,070,394	3,578,214	4,806,292	-	(157,684)	(157,684)	-
Common Wealth foundation	10,694,041	-	6,669,443	-	2,432,776	-	4,236,667	-	4,236,667
The Center For International Private Enterprise (CIPE)	22,150,778	(635,407)	-	17,365,838	10,515,053	-	6,215,378	-	6,215,378
British High Commission (BHC)	27,697,640	-	-	22,202,432	22,202,432	-	-	-	-
Westminster Foundation for Democracy (WFD)	10,137,920	-	-	8,096,000	8,096,000	-	-	-	-
Freedom House	2,000,000	-	-	1,500,000	1,873,900	-	(373,900)	(373,900)	-
Inter News	2,000,000	-	-	8,157,200	617,792	-	7,539,408	-	7,539,408
The Asia Foundation - TAF NEW	-	-	-	2,000,000	-	-	2,000,000	-	2,000,000
Foundation Open Society Policy Center (Civil Society Initiative)- OSF CSI	15,750,000	-	-	16,044,564	9,308,884	-	6,735,680	-	6,735,680
DT Global - Sri Lanka Engagement (SLE)	697,934	-	-	-	697,934	-	(697,934)	(697,934)	-
Management Systems International MSI - IDEA	1,831,513	-	-	8,361,474	1,831,513	-	6,529,961	-	6,529,961
Total for ongoing project	278,658,393	(1,706,767)	60,073,929	198,371,703	223,908,200	4,001,501	28,829,164	(14,635,105)	43,464,269

TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

16 Capital grants

	As at 31 December	
	2023	2022
Balance at the beginning of year	2,610,525	684,072
Addition during the year	2,519,994	3,706,343
Amortisation during the year (Note 8)	(2,215,074)	(1,779,890)
Balance at the end of year	2,915,445	2,610,525

17 Retirement benefit obligations

	As at 31 December	
	2023	2022
Balance at the beginning of year	5,601,528	3,602,426
Current service cost	2,217,830	1,890,435
Interest cost	615,444	736,014
Actuarial loss / (gain)	301,080	(506,623)
Payment made during the year	(756,250)	(120,724)
Balance at the end of year	7,979,632	5,601,528

Amounts recognised in the statement of comprehensive income are as follows:

Current service cost	2,217,830	1,890,435
Interest cost	615,444	736,014
Actuarial loss / (gain)	301,080	(506,623)

18 Accruals and other payables

	As at 31 December	
	2023	2022
Employees Provident Fund (EPF)	948,280	1,000
Employees Trust Fund (ETF)	142,242	150
Advanced Personal Income Tax (APIT)	432,683	9,330
Rent	117,375	-
Audit fees	1,846,967	1,558,562
Salary control account	29,005	-
Tax consultant	136,205	-
Unidentified deposits	49,765	-
Others	459,920	4,273
Utilities	121,956	103,129
Total	4,284,398	1,676,444



TRANSPARENCY INTERNATIONAL SRI LANKA

Notes to the financial statements (contd)

19 Income tax payable

	As at 31 December	
	2023	2022
Taxable income	11,533,682	6,280,014
	11,533,682	6,280,014
Tax liability (Note 9)	3,460,105	1,748,973
Balance at beginning of year	1,013,822	412,587
Self assessment tax payments	(2,375,512)	(1,147,738)
WHT (Final payment)	(568,307)	-
Balance at the end of year	1,530,108	1,013,822

20 Capital commitments

There are no significant capital commitments as at 31 December 2023.

21 Reimbursable expenses

The Company does not have significant contingent liabilities as at 31 December 2023.

22 Events after the reporting period

No events have occurred after the reporting date which would require adjustments to, or disclosure in the financial statements.

22 Related party disclosures

22.1 Transactions with key management personnel of the Company

The key management personnel are the members of the senior management 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 the Company. No member of the Board of Directors receives any salary or other compensation.

Key management personnel compensation

	Year ended 31 December	
	2023	2022
Short - term employee benefits	15,829,689	12,783,996
Retirement benefit obligations	1,843,928	1,188,433
	17,673,617	13,972,429

