

Independent Auditor's Report
To the Members of Transparency International Nepal (TIN)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Transparency International Nepal (TIN), which comprises the Balance Sheet as at 31 Ashad 2076 (16 July 2019), the statement of income and expenditure, and statement of cash flow for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of TIN as at 31 Ashad 2076, and of its financial performance and its cash flows for the year then ended on the basis of accounting policies stated in the accompanying notes.

Basis of Opinion


We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). 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 are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in ICAN's Handbook of Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with applicable financial reporting framework, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 NSAs 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 decision of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

On the basis of our examination and according to explanations given to us, we would like to further report that:

To the best of our knowledge & belief and according to the explanation given and based on our audit, we are of view that the activities carried out are found to be within the objectives of TIN.

To the best of our information, belief and explanation given to us, we further report that TIN has complied generally with the provisions of Income Tax Act relating to withholding tax.



CA Parash Mani Aryal
P M & Associates
Chartered Accountants



Place: Kathmandu, Nepal

Date: 27 September 2019

Transparency International Nepal
Balance Sheet
As on 31 Ashad 2076 (16 July 2019)

Amount in NPR


Particulars	Schedule	Current Year	Previous Year
<u>Fund & Liabilities</u>			
Donor Fund-Restricted	8	9,596,453	7,564,504
Endowment Fund	6	12,500,000	11,000,000
Capital Reserve Fund		1,822,890	2,208,751
Accumulated Fund	7	2,888,233	3,820,477
Current Liabilities		896,712	156,545
Total Fund & Liabilities		27,704,288	24,750,276
<u>Assets</u>			
<u>Non- Current Assets</u>			
Property Plant and Equipment	5	1,829,512	2,217,579
Endowment Fund Investment	3	12,500,000	11,000,000
<u>Current Assets</u>			
Cash and Cash Equivalent	4	12,804,522	10,762,354
Prepaid/Advance and Receivable		570,254	770,342
Total Assets		27,704,288	24,750,276

Attached Accounting Policies and Notes to accounts are an integral part of this financial statement

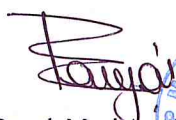
As per our report of even date



Kiran Thapa
Treasurer


Mukunda Bahadur Pradhan
Secretary General




Khem Raj Regmi
President


CA Parash Mani Aryal
P M & Associates
Chartered Aountants



Place: Kathmandu

Date: 27 September 2019

Transparency International Nepal
Statement of Income and Expenditure
For the period from 1 Shrawan 2075 to 31 Ashad 2076
(17 July 2018 to 16 July 2019)

Amount in NPR

Particulars	Schedule	Current Year	Previous Year
<u>Income</u>			
Revenue Recognition from Restricted Fund	8	29,157,544	27,943,391
Bank Interest		992,871	793,314
Exchange Gain/ (Loss)		-	(11,390)
Other Income		63,227	533,049
Total Income		30,213,642	29,258,364
<u>Expenditure</u>			
Human Resources and Activities	9	27,544,117	26,150,889
Administrative Expenses	10	2,101,769	1,934,926
Total Expenditure		29,645,885	28,085,815
Surplus/(Deficit) - Income over Expenditure		567,757	1,172,549
Balance of Accumulated Fund brought forward		3,820,476	2,647,928
Total		4,388,233	3,820,477
Fund transfer to Endowment Fund		1,500,000	-
Balance of Accumulated Fund carried forward		2,888,233	3,820,476

Khapa
Kiran Thapa
Treasurer



Budha

Mukunda Bahadur Pradhan
Secretary General

Khem Raj Regmi
Khem Raj Regmi
President

Parash Mani Aryal

CA Parash Mani Aryal
P M & Associates
Chartered Accountants



Place: Kathmandu
Date: 27 September 2019

Transparency International Nepal

Statement of Cash Flows

For the period from 1 Shrawan 2075 to 31 Ashad 2076


(17 July 2018 to 16 July 2019)

Amount in NPR


Particulars	Current Year	Previous Year
Cash from Operating Activities		
Surplus/ (Deficit)	567,757	1,172,549
Depreciation	2,206	4,637
(Increase)/Decrease in Accounts Receivable	200,088	194,027
(Decrease)/Increase in Accounts Payable	740,167	(268,602)
<i>Net Cash From Operating Activities</i>	1,510,219	1,102,611
Cash from Investing Activities		
(Increase)/Decrease in Fixed Assets	385,861	(1,075,802)
(Increase)/Decrease in term deposits	(1,500,000)	-
<i>Net Cash from Investing Activities</i>	(1,114,139)	(1,075,802)
Cash from financing activities		
Increase /(Decrease) in Donor restricted fund	2,031,950	(1,766,239)
Increase/ (Decrease) in Capital Reserve	(385,861)	(1,080,696)
<i>Net Cash from Financing Activities</i>	1,646,088	(685,543)
Net Increase/ (Decrease) in Cash and Cash Equivalents	2,042,167	(658,734)
Opening Cash and Cash Equivalents	10,762,353	11,421,089
Balance at the end of the year	12,804,521	10,762,353


Kiran Thapa
Treasurer




Mukunda Bahadur Pradhan
Secretary General


Khem Raj Regmi
President


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P M & Associates
Chartered Aountants



Place: Kathmandu

Date: 27 September 2019

Transparency International Nepal

Accounting Policies, and Notes to accounts on the Financial Statements

1. Background

- 1.1 Transparency International Nepal (TIN) was established in 1996 as a non-governmental and non-profit making organization. TIN is registered with the District Administration Office, Kathmandu under Societies Registration Act 1977 and affiliated with the Social Welfare Council. TIN is the national chapter of Transparency International having its secretariat in Berlin, Germany. TIN is recognized as a tax exempt organization by the Inland Revenue Department.
- 1.2 TIN's mission is to work towards corruption free Nepal. Its main objectives are to:
- combat corruption in all forms at national and international levels through advocacy, representation, networking, coalitions and awareness building;
 - discourage abuse of public post and authority for personal interest and
 - motivate movements, organizations, groups, communities for proactive role against corruption.
- 1.3 The General Body of TIN elects nine members of Executive Committee including President for a tenure of two years. Vice- President, Secretary General and Treasurer are nominated by the President out of the elected members.
- 1.4 TIN has an Operation Manual 2018 for the management of administration, finance and personnel affairs.

2. Significant Accounting Policies

2.1 *Presentation of financial statements.*

2.1.1 The financial statements are prepared under the historical cost convention on an accrual basis except as stated in the related notes. The Financial Statements are prepared on the assumption that the organization is a going concern.

2.1.2 Figures have been rounded off to the nearest NRs.

2.2 *Revenue Recognition*

2.2.1 Income from donors for projects is recognized on the basis of expenditure charged to the project during the year.

2.2.2 Income from interest on bank deposits is recognized net of tax on cash basis.

2.2.3 Other income from membership fee and miscellaneous income are recognized on cash basis.

2.2.4 The difference amount between the reconciled bank statement balance and the bank ledger has been recognized as exchange difference. The exchange difference amount has been recognized as gain/loss in the respective projects on the same basis.



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2.3 *Assets and Liabilities*

- 2.3.1 Property, plant and equipment are either acquired out of accumulated fund or capitalized upon transfer of ownership to TIN after project completion as per agreement with respective donor. The value of fixed assets is capitalized on the basis of acquisition cost less depreciation for the period already used in the various projects. The cost of acquisition is composed of suppliers' invoice price plus duties and other capital costs. Where the information relating to the cost of acquisition is not known, the value is determined on the basis of replacement cost. Depreciation is charged on written down value method: Office equipment and Furniture at 25% per annum, Vehicle at 20% per annum.
- 2.3.2 Provision is a liability of uncertain timing or amount. It is recognized when:
- a) There is present obligation (legal or constructive) as a result of past event;
 - b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - c) A reliable estimate can be made of the amount of the obligation.
- 2.3.3 The closing balance of foreign currency is translated using the closing rate and the exchange difference is taken to revenue.

2.4 *Fund*

- 2.4.1 Restricted Fund represents the balance of fund received from donors for utilization in the specified projects as per the agreement or understanding between various donors and TIN.
- 2.4.2 Endowment Fund represents the balance of fund with the objective of developing future sustainability with own source by utilizing resources which are not required for use in the foreseeable future. Endowment Fund is to be invested as per the decision of the Executive Committee. The income generated from Endowment Fund will be used for meeting the administrative costs and for carrying the other activities in TIN's own initiative.
- 2.4.3 Capital Reserve Fund- it includes the value of Fixed Assets the title of which is transfer to TIN after completion of the project. Depreciation cost of these fixed assets for the year is charged to this Fund.
- 2.4.4 Accumulated Fund represents the balance of free fund available at the disposal of the organization to be spent through operational account as per TIN Operational Manual and as per the decision of the Executive Committee.



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Notes to Accounts

3. Endowment Fund Investment

	Amount in NPR	
	Current Year	Previous Year
Interest bearing accounts with Commercial Bank		
9.60% Fixed Deposit - maturing on 2020.08.25	1,500,000	1,500,000
10.5% Fixed Deposit - maturing on 2019.09.17	6,000,000	6,000,000
9.5% Fixed Deposit - maturing on 2019.10.27	3,500,000	3,500,000
9.5% Fixed Deposit - maturing on 2020.03.18	1,500,000	0
Total	12,500,000	11,000,000

4. Cash and Cash Equivalents

As per TIN Operational Manual 2018, the movements of fund relating to the various projects were transacted through General Account and expenditure reimbursed by Designated account. Other banking transactions were carried through the General accounts. Balance with banks and in petty cash in the various accounts as on 31.03.2076 is as per below.

	Amount in NPR	
	Current Year	Previous Year
Designated accounts (Donor)	<u>10,255,037</u>	<u>6,855,854</u>
Non- interest bearing accounts	10,186,225	4,512,070
Interest bearing accounts	68,812	2,343,784
General accounts (TIN)	<u>2,549,485</u>	<u>3,906,500</u>
Non- interest bearing accounts	967,157	2,580,309
Petty Cash Balance	35,000	35,000
Interest bearing accounts	1,547,328	1,291,192
Total	12,804,522	10,762,354

Designated accounts represent the balances with bank in accounts which are in operation for specific projects under agreement with the various donors. General accounts represent the balances with bank in TIN account which are not earmarked for any specific purpose.

5. Property, Plant and Equipment

Detail of Property Plant and Equipment procured from Core fund, Completed Projects and Running Projects is as per below:

Procured from Core Fund	Amount in NPR			
	Furniture & Furnishing	Office Equipment	Vehicle	Total
Balance at Beginning of year	2,671	6,157	0	8,829
Addition/(Disposal) during the year	0	0	0	-
Total Assets	2,671	6,157	0	8,829
Depreciation during the year	668	1,539	0	2,207
Written Down Value at the end of year	2,004	4,618	0	6,622

Transferred from Completed Projects	Furniture & Furnishing	Office Equipment	Vehicle	Total
Balance at Beginging of year	99727	742,601	1,366,425	2,208,751
Addition during the year	13563	123,458	0	137,021
(Disposal) during the year	0	(6,349)	0	(6,349)
Total Assets	113,290	859,710	1,366,425	2,339,423
Depreciation during the year charge in Capital Reserve	28,322	214,927	273,285	516,535
Written Down Value at the end of year	84,967	644,782	1,093,140	1,822,890
Total Assets Capitalized to Year End				1,829,512

Procured from Running Projects- yet to be capitalized	Furniture & Furnishing	Office Equipment	Vehicle	Total
Balance at Beginging of year	191,145	1,040,660	3,800,000	5,031,805
Addition during the year	0	303,990	0	303,990
(Disposal)/ Transfer during the year	(13,563)	(123,458)	0	(137,021)
Total Assets	177,582	1,221,192	3,800,000	5,198,774
Depreciation during the year	44,395	305,298	760,000	1,109,693
Written Down Value at the end of year	133,186	915,894	3,040,000	4,089,080



Notes to Accounts

6. Endowment Fund

Endowment Fund		<i>Amount in NPR</i>
Particulars	Current Year	Last Year
Balance at the beginning of the year	11,000,000	11,000,000
Transfer from Accumulated fund	1,500,000	-
Total	12,500,000	11,000,000

7. Accumulated fund

	<i>Amount in NPR</i>	
Particulars	Current Year	Total Accumulated
Income		
Balance at the beginning of the year		3,820,476
Membership Fee	55,000	
Bank Interest	992,871	
Miscellaneous	8,227	
Project Overhead	1,459,527	
Exchange difference	-	
Total Income (A)	2,515,625	6,336,101
Expenditure		
Expenditure (TIN Own)	802,219	
TIN Contribution to IPERR	1,145,649	
Capital Reserve	-	
Transfer to Endowment Fund	1,500,000	
Total Expenditure (B)	3,447,868	(3,447,868)
Net Accumulated Fund (A-B)		2,888,233

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8. Restricted Fund

The movement of funds for the various donor funded Projects and the balance of fund is as per below

Particulars	BNIN	SCWP	Climate Finance	OC4H	ALAC Outreach	IPERR	Total of Project
Sources of Fund							
Opening Balance of fund	275,439	11,682	581,410	-	2,031,376	4,664,596	7,564,504
Fund Received During the period/TIN Contribution	(272,401)	-	639,922	1,607,981	1,059,994	28,157,021	31,192,517
Interest Income	-	-	-	-	-	-	-
Exchange Gain/(Loss)	-	-	-	-	-	-	-
Fund Refunded/ Adjustment	(3,023)	-	-	-	-	-	(3,023)
Capital Reserve	-	-	-	-	-	-	-
Income from OH Charge	-	-	-	-	-	-	-
Fund Available for the Period	15	11,682	1,221,332	1,607,981	3,091,370	32,821,617	38,753,998
Utilization of fund							
Personnel Expenses			332,807	613,483	570,609	3,369,367	4,886,266
Activity Costs		10,201	721,898	1,286,282	2,478,369	16,324,776	20,821,526
Project Administration/OH Charge	15	1,481	90,038	407,803	97,149	2,853,267	3,449,753
Total Expenditure	15	11,682	1,144,743	2,307,568	3,146,127	22,547,410	29,157,544
Balance of Fund as on 16 July 2019	0	-	76,589	(699,587)	(54,757)	10,274,208	9,596,453
Represented by:							
Cash	-	-	-	-	-	-	-
Bank/ Deposits	-	14,305	53,387	177	943	10,186,225	10,255,037
Account Receivable- Inter Project	-	-	-	-	-	-	-
Accounts receivable/Advances- Other	-	-	-	-	59,895	468,879	528,774
Account Payable- Inter Project/ TIN	-	(12,824)	23,202	(649,764)	(58,991)	(319,507)	(1,017,884)
Accounts Payable Other	-	(1,481)	-	(50,000)	(56,604)	(61,389)	(169,474)
Balance Fixed Assets	-	-	-	-	-	-	-
Total Balance of Fund	-	-	76,589	(699,587)	(54,757)	10,274,208	9,596,453

Expenditure charged under project administration expenses includes overhead support provided by various projects which has been booked as income of TI Nepal. The detail of overhead support from respective project is as per below:

Project Title	Amount in NPR
IPERR	1,379,908
OC4H	79,619
Total	1,459,527



9. Project HR and Activities Expenditure:

The direct cost of the activities of the various projects as per respective agreement with the concerned donors:

(Figures in Rupees)

Particulars	SCWP	CFG	OC4H	ALAC Outreach	BNIN	IPERR	TIN	Total
Salary and allowances (Central)	-	332,807	613,483	570,609	-	9,765,865	36,923	11,319,687
Affiliated Organization - HR cost contribution	-	-	-	1,066,000	-	-	-	1,066,000
Consulatants cost	-	53,742	48,047	159,800	-	514,950	68,400	844,939
Research & Consultancy	-	-	-	-	-	-	-	-
Workshop and Seminar	-	329,649	30,773	295,705	-	1,871,895	318,857	2,846,879
Award & Prizes	-	-	-	-	-	-	-	-
Meeting Refreshments	-	-	18,960	82,810	-	517,793	38,751	658,314
Transport and conveyance	-	3,400	9,859	11,891	-	793,594	44,384	863,128
Travel and daily expenses	-	147,376	461,957	129,835	-	1,718,657	63,381	2,521,206
Training Cost	-	-	-	-	-	-	-	-
Monitoring and Evaluation	-	70,000	-	95,740	-	360,000	21,300	547,040
Office Equipment	-	-	307,940	-	-	-	-	307,940
Furniture	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-
Awareness and Publicity	-	106,276	269,935	48,595	-	2,093,312	91,775	2,609,893
Printing and publication	-	10,000	136,989	5,000	-	845,571	5,650	1,003,210
Contribution and Support	-	-	-	-	-	-	1,145,649	1,145,649
Bank charges	-	-	-	160	-	3,281	-	3,441
Rent	-	-	-	330,000	-	603,588	-	933,588
Utility	-	-	-	145,815	-	289,205	-	435,020
Communication cost	-	-	-	-	-	300	-	300
Office materials	-	-	622	100,119	-	130,763	-	231,504
Resource Center	10,201	-	-	-	-	-	1,255	11,456
Registration and Taxes	-	-	-	-	-	-	-	-
Repair & Maintenance	-	-	1,200	-	-	99,717	-	100,917
Insurance expenses	-	1,455	-	6,899	-	85,652	-	94,006
Total	10,201	1,054,705	1,899,765	3,048,978	-	19,694,143	1,836,325	27,544,117

ALAC Outreach (Regional Support)

(Figures in Rupees)

Name of Affiliated Organization	Opening Balance	Advance	Total Advance	Expenditure	Balance Advance
Bhrastachar Birudda Aviyan Bharatpur	75425	265,118	340,543	340,762	-219
Pardarshi Nepal Siddarthanagar	76317	289,000	365,317	335,632	29,685
Sushasanka Lagi Nagarik Samaj, Pokhara	68935	293,090	362,025	362,025	0
Sushasan Abhiyan Gulmi	72615	290,500	363,115	357,928	5,187
Social Initiative for Good Conduct, Dhangadi	69300	281,500	350,800	367,185	-16,385
Nagarik Sarokar Sangh, Surkhet	77835	287,606	365,441	340,418	25,023
Total	440,427	1,706,814	2,147,241	2,103,950	43,291

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10. Project Administration Expenditure

(Figures in Rupees)

Particulars	SCWP	CFG	OC4H	ALAC Outreach	BNIN	IPERR (Kathmandu)	TIN	Total
Meeting & Refreshments	0	4227	0	400	0	57025	0	61652
Rent	0	61000	178278	18000	0	626056	0	883334
Office materials	0	2966	8695	7530	0	159546	7215	185952
Repair & Maintenance	0	450	6190	4100	0	268123	13051	291914
Registration and Taxes	0	0	0	0	0	49750	32173	81923
Resource Center	0	0	0	0	0	0	0	0
Transport and conveyance	0	500	0	0	0	0	0	500
Printing and publication	0	0	0	0	0	0	0	0
Insurance expenses	0	0	5596.75	0	0	39096	34414	79106.75
Communication cost	0	19321	51497	18808	0	101010	200	190836
Utility	0	1574	27927	8311	0	111511	6385	155708
Miscellaneous expenses	0	0	0	0	15	742	899.89	1656.89
Consultants cost	0	0	0	0	0	0	0	0
Workshop and Seminar	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	2206	2206
Audit fee	1481	0	50000	40000	0	60500	14999	166980
Total	1481	90038	328183.75	97149	15	1473359	111542.89	2101768.64

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10. Current Liabilities

Current Liabilities includes amount of Rs 712,239 allocated for gratuity fund. The fund is created by charging expenses at the rate of 8.33% of basic salary of each staff. Amount equivalent of the allocated fund is deposited in separate bank account which would be paid at the time of retirement of staff.

11. The profile of the various projects undertaken by TI Nepal during the year:

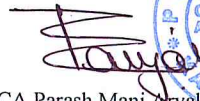
<u>Project Acronym</u>	<u>Donor</u>	<u>Project title</u>	<u>Project Duration</u>	<u>Currency</u>	<u>Budget</u>	<u>Status</u>
IPERR	European Union Delegation to Nepal	Integrity in Post Earthquake Reconstruction and Rehabilitation	13 May 2016- 12 April 2021	Euro	1,052,632	Ongoing
OC4H	TI UK	Open Contracting for Health Initiative	December 2018- March 2021	Pound	152,044	Ongoing
ALAC Outreach	TI - Secretariat	Regional Programme	10 August 2016- 31 August 2019	Euro	64,330	Ongoing
CFG	TI - Secretariat	Climate Governance Integrity	March 2017- March 2019	Euro	37,923	Completed


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Place: Kathmandu
Date: 27 September 2019