

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

REPORTS AND FINANCIAL STATEMENTS
31ST DECEMBER, 2012

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)
(Registration No.1649)

Report on the Financial Statements

We have audited the financial statements as set out on pages 3 to 15 comprising the balance sheet of The Malaysian Society For Transparency & Integrity and the notes to the financial statements as at 31st December, 2012 and the income and expenditure account, statement of changes in fund balances and statement of receipts and payments.

Executive Committee's Responsibility for the Financial Statements

The executive committee of the Society is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements 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 Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive committees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Generally Accepted Accounting Principles so as to give a true and fair view of the financial position of the Society as of 31st December, 2012 and of its financial performance and statement of receipts and payments for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the rules and regulations of the Society, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Society have been properly kept.

Other Matters

This report is made solely to the members of the Society, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**GOMEZ & CO.
AF 0611
CHARTERED ACCOUNTANTS**

**JEFFREY GERARD GOMEZ
1245/4/13(J)**

Kuala Lumpur
Date:

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

BALANCE SHEET - 31ST DECEMBER, 2012

	Note	2012 RM	2011 RM
PROPERTY, PLANT AND EQUIPMENT	3	50,944	40,505
CURRENT ASSETS			
Receivables, deposits and prepayment	4	2,266,705	1,256,868
Current tax asset		18,675	24,149
Fixed deposits	5	178,452	576,165
Cash and bank balances		589,222	289,522
		3,053,054	2,146,704
LESS: CURRENT LIABILITY			
Sundry payables and accruals	6	2,763,966	1,803,963
NET CURRENT ASSETS		289,088	342,741
		340,032	383,246
Financed by:-			
ACCUMULATED FUND		340,032	383,246

The annexed notes form an integral part of the financial statements.

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

INCOME AND EXPENDITURE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2012

	Note	2012 RM	2011 RM
INCOME			
Donations		5,090	-
Grant		120,000	127,000
Membership fee		39,050	23,300
Fixed deposit interest received		8,385	8,120
Sundry income		15,877	240
UNACD workshop and dinner income		1,442	-
Contribution from individuals		29,511	16,842
Management fee organising RPM 2011		-	6,330
		219,355	181,832
DIRECT COST			
2013 Anti-Corruption Day		(5,030)	-
OTHER INCOME			
Reimbursement of expenses for CRINIS & FGI project		339,823	351,534
Net surplus of funding for Business Integrity programme		192,337	82,987
Net surplus of TIM strategic planning		4,500	-
Gain on foreign exchange		-	897
		750,985	617,250
DEPRECIATION			
		(11,681)	(13,306)
STAFF COSTS (Appendix I)			
		(526,644)	(378,272)
OTHER OPERATING EXPENSES (Appendix I)			
		(255,874)	(214,684)
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR			
		(43,214)	10,988
TAXATION			
	7	-	(190)
NET (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR			
		<u>(43,214)</u>	<u>10,798</u>

The annexed notes form an integral part of the financial statements.

APPENDIX I

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

	2012	2011
	RM	RM
STAFF COSTS		
Personnel expenses		
- Bonus	22,047	12,730
- Salaries and allowances	450,911	319,068
- EPF	48,040	37,891
- SOCSO	3,872	3,336
- Medical expenses	245	145
- Staff refreshments	778	589
- meal allowances	751	4,513
	<u>526,644</u>	<u>378,272</u>
EXPENDITURE:		
Accounting fee	5,400	4,200
Advertisement	1,236	1,195
Audit fee	3,610	2,300
Annual General Meeting expenses	5,064	2,708
Bank charges	563	373
Consultancy fee	66,000	70,000
Courier and postage	872	843
Electricity and water	3,521	2,552
Meeting expenses	2,230	6,493
Insurance	8,229	4,398
Internet expenses	2,344	726
Newspapers and periodicals	1,270	698
Office rental	56,368	45,552
Office relocation expenses	11,630	-
Printing and stationery	7,167	7,987
Printing of newsletter	5,450	6,700
Tax fee	1,250	1,250
Sundry expenses	1,567	2,477
Service tax	597	423
Telecommunication	12,756	11,284
Travel - local and overseas	33,763	24,601
Upkeep of office	10,569	9,487
Upkeep of office equipment and maintenance	2,643	1,687
Upkeep of website	6,250	6,750
Website development cost	5,525	-
	<u>255,874</u>	<u>214,684</u>

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

STATEMENT OF CHANGES IN FUND
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2012

	ACCUMULATED FUND RM
AS AT 1ST JANUARY, 2011	372,448
NET SURPLUS FOR THE FINANCIAL YEAR	<u>10,798</u>
AS AT 31ST DECEMBER, 2011	<u><u>383,246</u></u>
AS AT 1ST JANUARY, 2012	383,246
NET DEFICIT FOR THE FINANCIAL YEAR	<u>(43,214)</u>
AS AT 31ST DECEMBER, 2012	<u><u>340,032</u></u>

The annexed notes form an integral part of the financial statements.

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
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STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2012

	2012 RM	2011 RM
RECEIPTS		
Donations	5,090	-
Grant	150,000	127,000
UNACD workshop & dinner income	1,442	1,000
Membership fee	37,050	24,250
Fixed deposit interest received	8,385	10,990
Sundry income	15,877	240
Reimbursement from TI-S Berlin	-	6,330
Fund received		
- Business integrity programme	340,000	230,000
- Forestry Governance Integrity (FGI) Project	635,950	742,729
- CRINIS Project	-	2,310
- Private sector tools	7,363	-
- Fee received for Country Assessor Malaysia	2,652	23,220
- Others	29,511	-
Tax refunded	5,643	14,023
	<u>1,238,963</u>	<u>1,182,092</u>
LESS:		
PAYMENTS (Appendix II)	<u>(1,336,976)</u>	<u>(843,974)</u>
(DEFICIT)/SURPLUS OF RECEIPTS OVER PAYMENTS	(98,013)	338,118
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>865,687</u>	<u>527,569</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 8)	<u><u>767,674</u></u>	<u><u>865,687</u></u>

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
(Established under Societies Act, 1966)

**DETAILS OF PAYMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	2012 RM	2011 RM
Accounting fee	5,400	3,500
Advertisement	1,236	1,195
Advances	26,976	-
Annual General Meeting expenses	5,064	2,708
Audit fee	3,660	2,300
Bank charges	563	373
Bonus	22,047	12,730
Consultancy fee	66,000	70,000
Courier and postage	872	843
Deposits and prepayment	451,232	232,477
Electricity and water	3,521	2,552
EPF	48,040	37,891
Insurance	8,229	4,398
Internet expenses	2,344	726
Meal allowance	751	4,513
Medical expenses	245	145
Meeting expenses	2,230	6,493
Newspapers and periodicals	1,270	698
Office relocation expenses	11,630	-
Office rental	56,368	45,552
Printing and stationery	7,167	7,987
Printing of newsletter	5,450	6,700
Purchase of property, plant and equipment	22,120	4,831
Salaries and allowances	450,911	319,068
Service tax	597	423
SOCSO	3,872	3,336
Staff emergency medical loan	30,000	-
Staff refreshment	778	589
Sundry expenses	1,568	2,477
Sundry payables and accruals	19,750	10,574
Tax fee	1,250	1,250
Tax paid	169	4,862
Telecommunication	12,756	11,284
Travel - local and overseas	33,763	23,575
Upkeep of office	14,729	9,487
Upkeep of office equipment and maintenance	2,643	1,687
Upkeep of website	6,250	6,750
Website development	5,525	-
	<u>1,336,976</u>	<u>843,974</u>

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
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NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER, 2012

1. GENERAL INFORMATION

The principal activity of the Society is to promote transparency and integrity. There has been no significant change in this activity during the financial year.

The average number of employees during the financial year numbered 8 (2011 – 6).

The Society is a society registered with the Registrar of Societies.

The address of the registered office and principal place of business of the Society is as follows:-

No.23, Jalan Pantai 9/7
46000 Petaling Jaya
Selangor Darul Ehsan.

2. ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the Society have been prepared under the historical cost convention and comply with Generally Accepted Accounting Principles.

The financial statements are presented in Ringgit Malaysia (“RM”).

b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets over their estimated useful lives. The principal annual rates used are:

Office equipment	10%
Computer equipment	25%
Furniture and fittings	10%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

c) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection.

d) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

e) Grants

Grants are recognised where there is reasonable assurance that the Society will comply with the conditions attaching to them and the grants will be received.

Grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

f) Income Recognition

The Society's income consists of contributions from its members, donations and project funding from Transparency International, projects organiser and various donors. Income has been accounted for on accrual basis unless there exists significant uncertainty as to the measurability or recoverability.

g) Currency Translations

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates approximating those ruling at balance sheet date. All exchange differences are taken to the income statement.

The closing rate used in translating foreign monetary assets and liabilities is as follows:-

EUR1.00 : RM4.1118

h) Employee Benefits

i) Short term benefits

Wages, salaries, paid leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

Non-monetary benefits such as medical care and other staff related expenses are charged to the income statement as and when incurred.

ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the statement of comprehensive income in the financial year to which they relate.

i) Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

The impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

j) Operating leases

Lease rental under operating lease are recognised as an expense on straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessors is, if any, recognised as a reduction of rental expense over the lease term on a straight-line basis.

k) Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

l) Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. **PROPERTY, PLANT AND EQUIPMENT**

The details of property, plant and equipment are as follows:-

	Office equipment RM	Computer equipment RM	Furniture and fittings RM	Total RM
Cost				
As at 1 st January, 2012	29,413	68,239	39,694	137,346
Additions	13,148	7,732	1,240	22,120
As at 31 st December, 2012	42,561	75,971	40,934	159,466
Accumulated Depreciation				
As at 1 st January, 2012	21,088	62,567	13,186	96,841
Charge for the financial year	2,906	5,190	3,585	11,681
As at 31 st December, 2012	23,994	67,757	16,771	108,522
Net Book Value				
As at 31 st December, 2012	18,567	8,214	24,163	50,944
As at 31 st December, 2011	8,324	5,673	26,508	40,505
Depreciation charge				
Financial year ended 31 st December, 2011	2,139	7,197	3,970	13,306

4. RECEIVABLES, DEPOSITS AND PREPAYMENT	2012 RM	2011 RM
Receivables		
Business Integrity Programme	288,024	82,987
CRINIS Project	201,288	159,064
Forestry Governance Integrity (FGI) Project	1,636,049	928,924
Grant receivable	30,000	60,000
TIM strategic Planning	21,500	8,600
Reimbursable expenses	26,976	-
Staff emergency medical loan	30,000	-
	<u>2,233,837</u>	<u>1,239,575</u>
Deposits	26,368	16,393
Prepayment	6,500	900
	<u>2,266,705</u>	<u>1,256,868</u>

5. **FIXED DEPOSITS**

The fixed deposits are placed with licensed banks and have a maturity period of less than one year.

6. SUNDRY PAYABLES AND ACCRUALS	2012 RM	2011 RM
Sundry Payables		
Advances received for:		
- CRINIS Project	214,962	212,310
- Forestry Governance Integrity (FGI) Project	1,904,163	1,268,213
- EU Project	12,934	12,934
- Project TI-S Berlin	23,575	23,575
- Business Integrity Programme	570,000	230,000
- TI AusAid Grand	23,220	23,220
Membership fee received in advance	-	2,000
Grant for development operation manual	4,735	24,485
Grant for private sector tools	7,363	-
	<u>2,760,952</u>	<u>1,796,737</u>
Accruals		
Audit fee	2,350	2,300
Socso	664	664
Others	-	4,262
	<u>3,014</u>	<u>7,226</u>
	<u>2,763,966</u>	<u>1,803,963</u>

7.	TAXATION	2012 RM	2011 RM
	Current tax expense	<u>-</u>	<u>190</u>

The numerical reconciliations between income tax expense and the product of accounting result multiplied by the applicable tax rate are as follow:-

(Loss)/Profit before taxation	<u>(43,214)</u>	<u>10,988</u>
Taxation at applicable rate of 20% (2011 - 20%)	(8,643)	2,198
Tax effect of non-deductible expenses	2,022	2,586
Utilisation of deferred tax asset not recognised previously	-	(4,594)
Deferred tax asset not recognised	<u>6,621</u>	<u>-</u>
	<u>-</u>	<u>190</u>

As at 31st December, 2012, the Society has not recognised deferred tax assets arising from the following temporary differences as it is not probable that future taxable profit will be available against which the assets can be utilised.

	2012 RM	2011 RM
Deductible temporary differences on:		
- unused tax losses	41,530	8,425
- unabsorbed capital allowances	<u>18,189</u>	<u>-</u>
	59,719	8,425
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	<u>(35,743)</u>	<u>(17,554)</u>
	<u>23,976</u>	<u>(9,129)</u>

8.	CASH AND CASH EQUIVALENTS	2012 RM	2011 RM
	Cash and cash equivalents consist of:		
	Fixed deposits	178,452	576,165
	Cash and bank balances	<u>589,222</u>	<u>289,522</u>
		<u>767,674</u>	<u>865,687</u>

9. **COMPARATIVE FIGURES**

The following comparative figures have been restated for fairer presentation:-

	As restated RM	As previously reported RM
Income and Expenditure Account		
Upkeep of office	9,487	4,078
Upkeep of equipment and maintenance	1,687	13,846
Upkeep of website	<u>6,750</u>	<u>-</u>
Statement of receipts and payments		
Upkeep of office	9,487	4,078
Upkeep of equipment and maintenance	1,687	13,846
Upkeep of website	<u>6,750</u>	<u>-</u>

THE MALAYSIAN SOCIETY FOR TRANSPARENCY & INTEGRITY
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**STATEMENT BY MEMBERS OF THE
EXECUTIVE COMMITTEE**

We, DATUK PAUL LOW SENG KUAN and JOSIE FERNANDEZ, being two of the members of the Executive Committee of The Malaysian Society For Transparency & Integrity, state that, in the opinion of the Executive Committee, the financial statements set out on pages 3 to 15 are drawn up so as to give a true and fair view of the state of affairs of the Society as at 31st December, 2012 and of the income and expenditure account and receipts and payments of the Society for the financial year then ended in accordance with Generally Accepted Accounting Principles.

On behalf of the members of the Executive Committee



DATUK PAUL LOW SENG KUAN
President



JOSIE FERNANDEZ
Secretary General

Kuala Lumpur
Date: 8/4/2013

STATEMENT BY TREASURER

I, BRIAN FONG WAI KHEONG, the person primarily responsible for the financial management of The Malaysian Society For Transparency & Integrity, do solemnly and sincerely declare that the financial statements set out on pages 3 to 15, are in my opinion, correct.



BRIAN FONG WAI KHEONG

Date: 8/4/2013