

**AUDITOR'S REPORT TO THE TRUSTEES / BOARD OF GOVERNORS/
MANAGEMENT COMMITTEE**

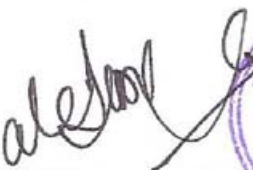
We have audited the annexed balance sheet of the M/s. Transparency International Pakistan as at June 30, 2006 and the related Receipt & Payment account together with the notes forming part thereof (here-in-after referred to as the financial statements for the year then ended.)

It is the responsibility of the trustees / board of governors / management committee to establish and maintain a system of internal control, prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of the Transparency International Pakistan as at 30-06-2006 and of its balances for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Date: October 05, 2006
Place: Karachi


(Ale Imran & Co.)
Chartered Accountants



INTERNAL CONTROL MEMO FOR MANAGEMETN LETTER
M/s TRANSPARENCY INTERNATIONAL

AUDIT PERIOD JULY 2005 - JUNE 2006

Indicators Rating

E = Essential

R = Recommended

A = Additional to strenghten organizational activities

S = up to standards

N = Needs Work

Rating	Indicator	Met	Needs Work	N / A
E	1. The organization follows accounting policies which conform to accepted standards	S		
E	2. The organization has system in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill internal Revenue Service Requirements	S		
R	3. The organization prepares timely financial statemets including the Balance sheet(or statement of finacial position) and Statement of Revenues and Expenses (or statement of financial activities) which are clearly sated and useful for the board and staff	N		
R	4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances	S		
E	5. The organization develops an annual comprehensive opeating budget which includes costs fol all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.	S		
R	6.The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.	S		
E	7. The organizations prepares cash flow projections	S		
R	8. The organization periodically forecasts year end revenues and expenses to assist in making sound mangagement decisions during the year	S		
E	9. The organization reconciles all cash accounts monthly	S		
E	10.The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.	S		
E	11. If the organization has billable contracts or other service income, procedures are established for the period billing follow-up and collection of all accounts and have documented that substantiates all billing.			Y
E	12. Governement contracts, purchase of service agreements and giant agreeme-nts are in writing and are reviewed by a staff member of the organization to monitor compliance with all stated conditions.	S		
E	13.Payroll is prepared following appropriate State and Federal regulations and organizational policy.	S		
E	14. Persons employed on a contract basis shall meet all Federal requiréments for this form of employment Disbursement records are kept so salaries payme-nt certificates can be issued at year end.	S		

ALE IMRAN & CO.
Chartered Accountants

Rating	Indicator	Met	Needs Work	N / A
E	15. Organizations that purchase and sell merchandise take periodic inventories to monitor the inventory control against theft to reconcile general ledger inventory information and to maintain an adequate inventory control.	S		
R	16. The organization has a written fiscal policy and procedures manual and follows it.	S		
E	17. The organization has documented a set of internal controls including the handling of cash and deposits approval over spending and disbursements.	S		
E	18. The Organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified rupee amount	S		
E	19. All expenses of the organization are approved by a designated person before payment is made.	S		
R	20. The organization has a written policy related to investment.	S		
R	21. Capital needs are reviewed at least annually and priorities established	S		
R	22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding			Y
R	23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses			Y
E	24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverage are in place.			Y
E	25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets	S		
E	26. The organization files (Required returns (STATEMENTS) in a timely basis within prescribed time lines.	S		
R	27. The organization reviews income annually to determine and report unrelated business income			Y
R	28. The organization has an annual, independent audit of their financial statements prepared by Chartered Accountants.	S		
	29. In addition to the audit, the Chartered Accountants prepare a management letter containing recommendations for improvements in the financial operations of the organization.	S		
R	30. The Board of Directors, or an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor or the organization	S		
R	31. The board of Directors or an appropriate committee, reviews and approves the audit report and the management letter and with staff input and support, institutes any necessary action.	S		



TRANSPARENCY INTERNATIONAL PAKISTAN

Balance Sheet

As on June 30, 2006

Capital & Liabilities		Property & Assets	
Particular	Rupees 2006	Particular	Rupees 2006
Balance as on June 30th, 2006	4,088,371	Fixed Assets	
		Computer / Printer	214,690
		Facsimile Photocopier	23,800
		Stabilizer / UPS	10,854
		Air Conditioner	14,175
		Furniture & Fixture	17,307
		Mobile Phone	-
		Multimedia Projector	111,650
		Movie Camera	-
			31,682
			339,953
		Receivable from USAID	594,188
		Cash & Bank Balances	
Payable Account TIS	700,265	Main- Cash	1,440
Payable Account SDC	-	ABL US\$ a/c # 0299-0	121,528
Payable Account USAID	27,500	ABL Pak Rs. A/c # 0496-4	20,924
Payable Account OWV	851,080	Prime Bank A/c 1087	1,389
Payable Account WEDC	3,284	Prime Bank A/c 15981	375,841
		Prime Bank US\$ A/c 15992	1,567,856
		Union Bank US\$ A/C 053	1,662,185
		Union Bank Rs A/C 001	8,371
		Standard Chartered Bank	1,518,490
			2,448,121
			4,263,809
			5,197,950
			5,670,580



TRUSTEE
SYED ADIL GILLANI
CHAIRMAN - TIP

TRUSTEE
KHURAM ABBAS
TREASURER - TIP

ALE IMRAN & CO.

Chartered Accountants

TRANSPARENCY INTERNATIONAL PAKISTAN

Receipts & Payments Accounts

For The Year Ended June 30, 2006

Donation

Profit A/C PCB

TIS

USAID

SDC

OWV

WEDC

Total Receipts

Payment

TIS

USAID

SDC

OWV

WEDC

Total Payments

Excess of Receipts over Payments

7)

Amount 2006	Amount 2005
-	15,919
4,478,420	1,392,417
2,393,257	-
2,565,198	3,660,598
1,498,461	1,024,067
45,284	-
10,980,620	6,093,001
3,497,849	975,995
2,334,333	-
3,291,996	2,463,384
1,234,228	748,323
45,284	-
10,403,690	4,187,702
576,930	1,905,299
10,980,620	6,093,001



SYED ADIL GILANI
CHAIRMAN - TIP



KHURRAM ABBAS
TREASURER - TIP

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30,2006**

1. STATUS AND ACTIVITIES

M/s Transparency International Pakistan (TI-P) a NGO registered as a Trust under the laws of Pakistan and having its offices at 5-C,2nd Floor, Khayaban-e-Ithad, VII, D.H.A. Karachi.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These Accounts have been prepared on the basis of the historical cost convention.

2.2 Fixed Assets

These are stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method at the rates prescribed in note # 3 of the accounts. Depreciation is charged for the whole year in the year of acquisition, where as no depreciation is charged in the year of disposal. Normal repairs and maintenance are charged off as they are incurred.

2.3 Foreign Currency Exchange Rate

Exchange rate of US\$ 1 = Rupees 60.15 as on 30.06.2006, for reporting of bank balance maintained in US\$ account.

3. Fixed Assets Schedule

Details Schedule attached

Details of Payments

4. TIS

5. US AID

6. Swiss Agency for Development and Cooperation (SDC)

7. One World Vision (OWV)