

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2017



INTEGRITY
ACTION

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MESSAGE FROM THE CHAIRS

Welcome to Integrity Action's 2017 annual report.

Integrity Action has now been operating for 14 years. We have never been more passionate about our core goal: driving up the performance of public services and projects whilst reducing corruption in some of the world's toughest environments, all through the promotion of integrity.

Ours is a unique approach to social accountability. Integrity Action uses mobile technology to boost the voices and views of citizens, and helps them to solve the problems they find. There is growing recognition from across the international development sector that our approach is exactly what is needed, right now.

Throughout 2017, across our project countries, the Fix-Rate™ of our work remains over 50%. This means that in some highly challenging environments, we are helping citizens to solve more than half of the problems that confront them in essential services and development projects. This ensures improved delivery of roads, infrastructure, education, healthcare, and humanitarian aid – to name a few.

Last year was also a time for consolidation. As we come towards the end of our current five-year strategy, we have restructured the organisation to ensure that we strengthen our unique added value to the sector. We focused on maximising value for money and on growing our relationships with partner organisations, both local and international, from our new offices in London.

2018 promises to be an even more exciting year, since we have secured new funding relationships with donors including the Hewlett Foundation and the Asian Development Bank. We are also delighted to continue our relationships with our long-standing supporters, the Swedish International Development Agency, SIDA, and Norway's aid agency, Norad.

We are deeply grateful to everyone with whom we have worked over the past year and thank them for sharing our passion and commitment to promote and uphold integrity.

John Cutts
Co-chair of the board

Kevin Radley
Co-chair of the board

TRUSTEES' REPORT

OVERVIEW

Integrity Action enables citizens to improve the delivery of essential services, infrastructure projects and humanitarian aid in some of the world's most challenging environments.

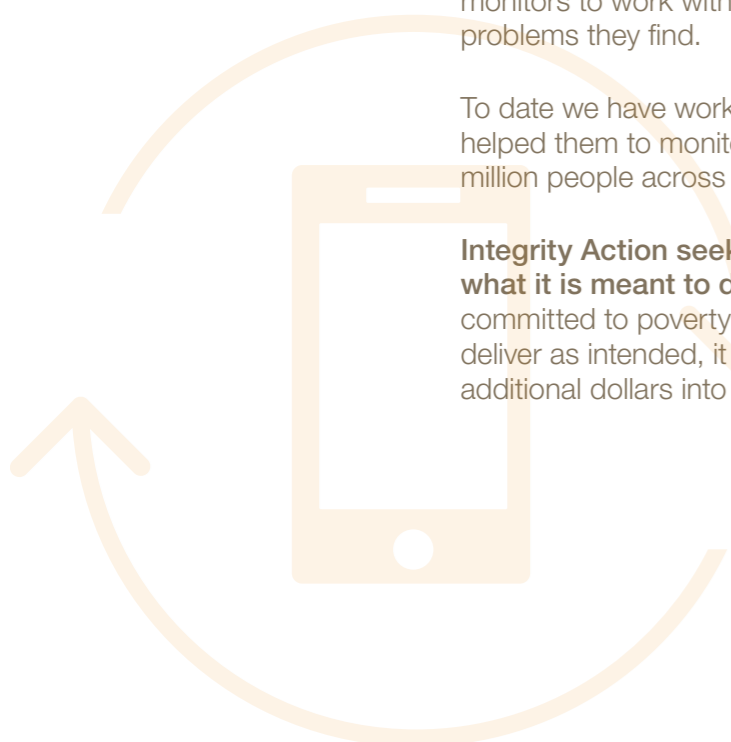
We do this through the promotion of integrity. We believe that, rather than top-down finger pointing, the bottom-up promotion of integrity creates an environment where corruption and mismanagement are simply not tolerated.

We work in places where the need for effective services and infrastructure is critical. Whether it is secondary school teaching in Afghanistan, water systems in DR Congo, or the reconstruction of homes after Nepal's 2015 earthquake, essential services and projects impact every aspect of citizens' lives. However, in the countries where we work, citizens frequently don't get what they need – or what is promised to them.

We address this challenge with our own unique mix of knowledge, tools and approaches. We help everyday citizens to monitor projects and services in their own community. We provide technology tools to help them post their findings openly and in real time. And we enable these citizen monitors to work with those responsible and constructively solve the problems they find.

To date we have worked with over 10,000 community members and helped them to monitor – and fix – hundreds of projects affecting around 5 million people across more than a dozen countries.

Integrity Action seeks to make sure that other people's money does what it is meant to do. If we can make the funds already allocated and committed to poverty alleviation – whether domestic or foreign – actually deliver as intended, it would be the equivalent of channelling billions of additional dollars into development.



BACKGROUND

Integrity Action was founded in 2003 by Fredrik Galtung and Jeremy Pope, who both played major roles in anti-corruption awareness raising, standard setting, and promoting integrity and transparency from the early 1990s.

Integrity Action was established out of the recognition that awareness raising and general advocacy had to move on to the determined reduction and control of corruption. It was clear in 2003 that the time had arrived for a broad-based global movement for integrity in civil society, business and government.

Since then the organisation has championed the issue of integrity, and has found effective ways for people from many walks of life to put integrity into practice. Integrity Action has welcomed the challenge of working in tough governance environments, and has shown that even in the most "difficult" countries integrity can and does make a difference to people's lives.

Based on the impact of our work, we believe integrity offers one of the largest opportunities for improvements in sustainable and equitable development. Without integrity, attempts to meet the UN's 2030 Sustainable Development Goals and reduce poverty are seriously compromised.



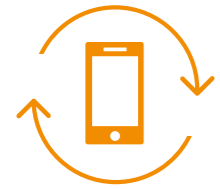
TRUSTEES' REPORT (CONTINUED)

HOW WE WORK

Integrity Action has a community driven, collaborative problem solving approach which improves the way services are delivered, especially to the poor and most marginalised in developing countries. Our approach involves:



MONITORING: we enable citizens to become monitors of services and development projects. They learn how to access information such as infrastructure contracts, and then check that whatever was promised is being delivered. Monitors are typically members of communities where the services and projects are active, giving them a genuine interest in their successful delivery. All monitors act on a voluntary basis.



TECHNOLOGY: monitors post their feedback, including any problems, on our easy-to-use and award winning website and app DevelopmentCheck. Their feedback is visible to anyone, unedited, and posted in real time, all of which makes DevelopmentCheck independent and trusted. To date, over \$850 million worth of development spending has been monitored through this tool, and it currently works in 12 languages.



SOLUTIONS: monitors don't just report problems; they are actively involved in finding solutions. Monitors convene meetings involving all relevant stakeholders and then work towards finding solutions that work for everyone. These fixes are also posted on DevelopmentCheck.

We have strong evidence to show our approach works. To measure our success we developed the **Fix-Rate™** – it gives the percentage of identified problems that have been fixed to the satisfaction of all stakeholders. In all of our project countries, the Fix-Rate™ in 2017 was over 50%.

In 2017 we secured an EU IPO trademark registration for the Fix-Rate. This is an important milestone for us as an organisation and another 'first' in our sector. In the coming year we will be exploring options for the licensing and wider use of the **Fix-Rate™** trademark.



VISION AND MISSION

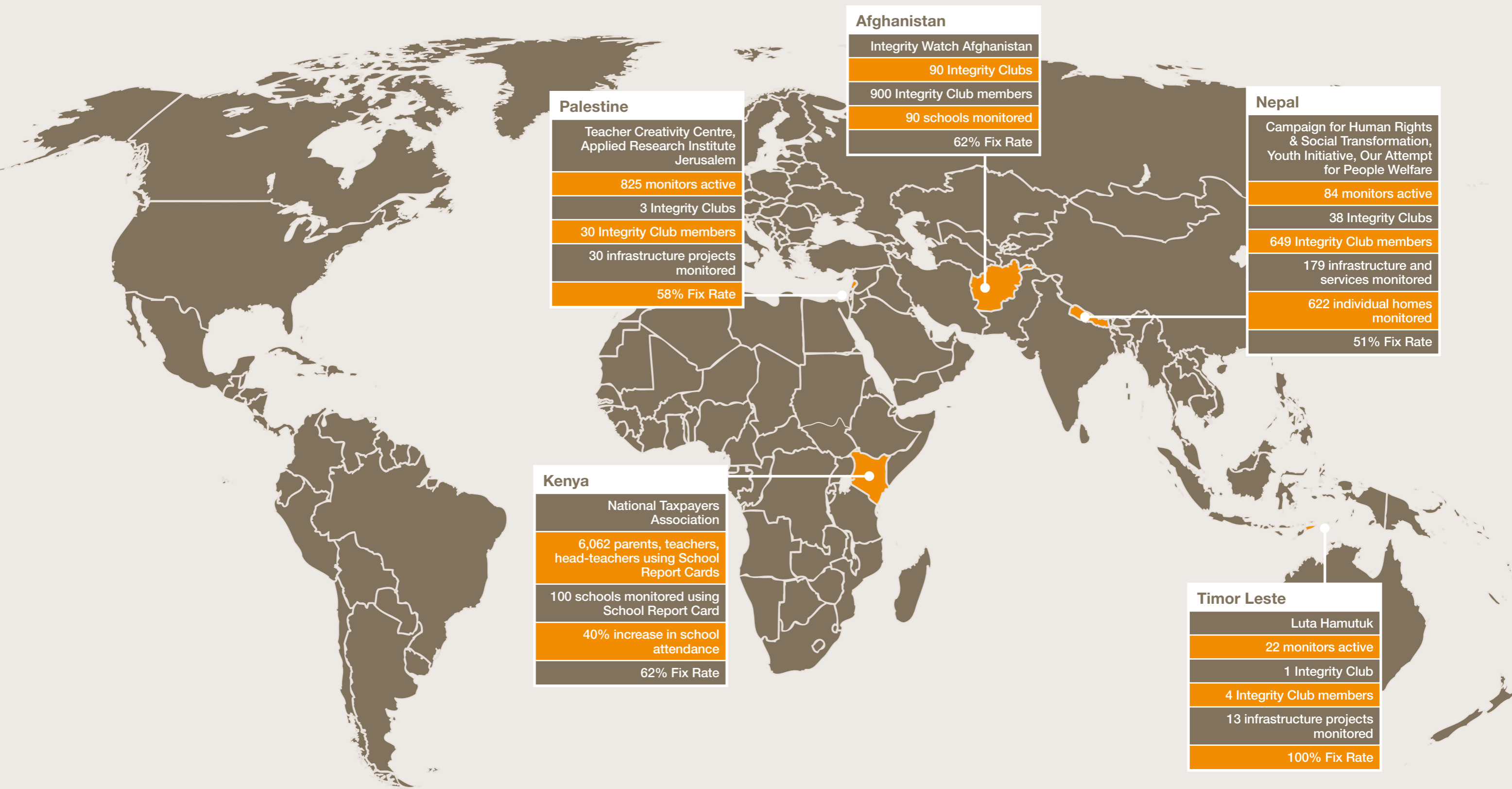
VISION: Integrity Action's vision is for a just and equitable world, where citizens are empowered and integrity is central to vibrant societies.

MISSION: Integrity Action's mission is to empower citizens to act with and demand integrity, so they take an active part in building institutions that are open, responsive and accountable.

OBJECTIVES: To achieve our vision and mission we have defined four overarching strategic objectives to which we have aligned our programmes and our budgeting priorities:

1. Deliver **high-impact**, locally-driven, **scalable responses** to concrete integrity challenges through collaborative partnerships, local problem solving, capacity development and the mobilisation of a critical mass of integrity builders.
2. Conduct **action learning** by gathering empirical evidence, supporting policy research, peer exchanges and independent evaluation, sharing tools and knowledge widely through networks of civil society organisations, universities, training institutions and media partners.
3. **Engage with policy makers**, citizens and institutional leaders, accessing information and advocating for policies and practices, and setting new integrity standards, where needed.
4. Strengthen our partners and Integrity Action as vibrant organisations that are **fit for purpose and growth**.

2016/2017 ACTIVE IN FIVE COUNTRIES



HIGHLIGHTS AND ACHIEVEMENTS 2017

In 2017 Integrity Action continued to enable citizens to monitor projects and services, and solve problems they found, in Africa, Asia and the Middle East.

Our innovative tech tool, **DevelopmentCheck**, is the key platform that monitors use to post their findings and the sum of projects monitored continues to grow. By the end of 2017, more than 650 projects in 11 countries had been monitored with a combined value of over \$850 million. Citizens had also monitored 158 ongoing public services such as schools and health centres. To date, the Fix-Rate™ achieved across all this work during and before 2017 is 53%.

In 2017 we also began using our **Tipping Point strategy**, which is designed to help us maximise our impact and influence in any country where we work. The strategy states that monitoring should be focused within a specific district or county until we achieve sufficient coverage in the sector being monitored. For example, when monitoring schools, we would not move into a new district until we have established monitoring in 80% of the schools in the current district. The strategy is inspired by the founder of Booking.com, who used a similar strategy to efficiently take the company to scale.

ENSURING FASTER, BETTER RECONSTRUCTION AFTER NEPAL'S EARTHQUAKE

Some of Integrity Action's most significant achievements in 2017 were in Nepal, where – in collaboration with our partners – we helped communities monitor reconstruction projects and launched a new app to improve oversight of homes that were being rebuilt.

In 2015 Nepal was hit by a major earthquake and since then the reconstruction effort has been hampered by delays.

With the support of Pro Victimis, we ran a project that engaged community members in Sindhupalchowk district, one of the districts most affected by the earthquake. The community members monitored 34 reconstruction projects and identified problems including insufficient material or equipment, or insufficient funds to complete the project. To date the Fix-Rate™ for these projects is 51%.

In 2017 we also launched a new app to help citizens monitor the reconstruction of homes. Over two years after the earthquake only 7% of some 800,000 homes had been rebuilt – this led to families living in makeshift shelters and being vulnerable to exposure.

To address this, and with the support of Swiss Solidarity, we developed a pilot project and app called SindhupalCheck. The app is used by a team of monitors who, between them, regularly visit 800 individual houses and monitor the progress of construction. The houses all belong to vulnerable citizens – they include single parents, people with disabilities, and the elderly.

The pilot was run in collaboration with Helvetas and Solidar, two organisations that were providing assistance and funds to rebuild the 800 homes. The website gave them a real-time view of the progress of each individual home, as well as the satisfaction of the homeowners. Helvetas told us that SindhupalCheck *“helped us see problems we did not even know about”*.

After 5 months, and across the 800 homes, around 1100 problems had been identified and only 24 homes were problem-free. At this time half of the identified problems had been fixed, giving a Fix-Rate™ of 50%. We also heard from home owners about the impact of monitoring on the reconstruction; one said: *“I am confident it will happen soon as I can see that the work speeds up when community monitors are around.”*



“In one school we found a contractor was using low quality bricks and rods. We talked to the school management committee and contractors and they agreed to return the poor quality goods. I think we have been able to prevent school reconstruction which could again be affected by an earthquake.”

Youth monitor, Nepal, 2017.



HIGHLIGHTS AND ACHIEVEMENTS 2017 (CONTINUED)

MONITORING CONSTRUCTION OF EARTHQUAKE RESILIENT SCHOOLS IN ARMENIA

In 2017 we began a new partnership with the Asian Development Bank, which focuses on the construction of earthquake resilient schools in Armenia. This pilot programme will enable community members to monitor 20 schools, which between them will educate over 10,000 students when completed. Monitoring will begin in early 2018.

The impact of the last major earthquake in Armenia underlines the importance of this programme. In 1988 a 6.8 magnitude earthquake struck Armenia, killing 45,000 people and making another 500,000 people homeless. Only 24% of the buildings in the 400 square kilometre epicentre remained intact.

As well as the potential of this programme to support quality education in Armenia and keep children safer, it also demonstrates a relatively new kind of partnership for Integrity Action – which we refer to as an open beneficiary partnership. This involves a donor, agency or finance institute working with Integrity Action to monitor a project or service which it itself is funding or implementing. This represents a high degree of trust in our approach and its positive impact on project and service delivery.

BOOSTING EDUCATION STANDARDS IN KENYA

In 2017 Integrity Action completed the multi-year Elimu Bora (Better Education) programme in partnership with the National Taxpayers Association in Kenya, which supported parents to monitor schools and drive up the quality of education provided. The programme reached 100 schools across three counties in Kenya, with a combined student population of 35,000.

Parents were monitoring a range of issues including attendance of teachers and students, access to clean drinking water and sanitation facilities, and the state of repair of the school buildings. Across the 100 schools, we saw an increase in attendance from 56% to 96% over a two-year period, while there was also an increase in children with access to clean drinking water, from 66% to 81%. We know that other factors may also have contributed to these changes, but 61 of the 100 schools stated that the positive changes they had seen were attributable to the monitoring process, and an external evaluation called the programme “highly effective” in securing improvements to school facilities and education services.

CASE STUDY – MNENGWA PRIMARY SCHOOL

Mnengwa Primary School is in Taita Taveta county, one of Kenya’s poorest counties – as well as one of the most underperforming counties for school exam results and pupil attendance.

The school was part of the Elimu Bora programme, in which parents monitored the quality of education services provided to their children.



Initial monitoring provided a selection of issues which the parents had identified as needing improvement. Parents then tracked these issues on an ongoing basis. While the immediate objective was to improve service specifics, such as school sanitation facilities and access to textbooks, the ultimate goal was for this to improve learning outcomes for the children.

At Mnengwa Primary, it looks like this has taken place. The school achieved one of its best ever performances in the National Examination and the Head Teacher said, “it is through the [monitoring] effort that the learners, teachers and the parents came together to post a mean score of 245 marks. A marked improvement from a paltry 185 marks.” He said monitoring was an important avenue for parents to learn, engage, assess, identify the gaps, recommend action and understand their role as stakeholders in education.

HIGHLIGHTS AND ACHIEVEMENTS 2017 (CONTINUED)

THOUSANDS OF STUDENTS FIX INTEGRITY PROBLEMS ACROSS THREE CONTINENTS

2017 marked the end of our three-year programme supported by Norway's aid agency, Norad, which featured integrity building work in Africa, Asia and the Middle East. 2017 also marked the beginning of a new four-year agreement with Norad. We are delighted to continue our relationship with them to advance integrity worldwide.

The recently-concluded programme was most notable for its success with Integrity Clubs in secondary schools. An Integrity Club typically features around 20 students working with teachers to both learn about integrity, and put their learning into practice through community monitoring. During the programme we and our partners set up Integrity Clubs at around 200 schools in five countries; the clubs comprised over 5000 students. These clubs went on to monitor 257 projects or services and achieved a 50% Fix-Rate™. This Fix-Rate™ is comparable to that achieved by adult monitors, demonstrating that age is not a barrier to collaborating with stakeholders and solving integrity problems.

Our new programme will scale-up Integrity Clubs in these five countries: Afghanistan, Nepal, Palestine, Kenya, and DR Congo. Over the four years we aim to enable over 10,000 students to practice monitoring which will, in turn, benefit their wider communities. Importantly, we will also seek to embed Integrity Clubs into schools so our achievements are sustainable.



RECOGNITION FOR INTEGRITY ACTION WITH TECH4GOOD AWARDS NOMINATION

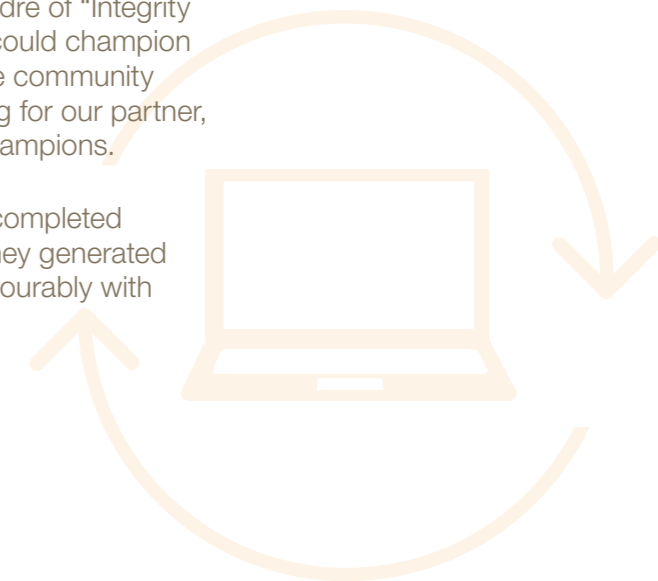
Integrity Action's open beneficiary feedback app, DevelopmentCheck, was nominated for a prestigious tech award in 2017. The Tech4Good awards recognise organisations and individuals who use digital technology to improve the lives of others, and our app was one of five finalists in the Tech4Good for Africa category, sponsored by Comic Relief. On the night we lost out to Praekelt.org, who entered their tool which connects expectant mothers in South Africa with essential services. However the nomination was great recognition for the impact that DevelopmentCheck has in helping citizens to demand improved public services and projects.



EMBEDDING INTEGRITY AMONG THE NEXT GENERATION OF LEADERS IN AFGHANISTAN

In 2016 and 2017 we took part in a programme run by our partner Integrity Watch Afghanistan, which aimed to generate a cadre of "Integrity Champions" – community members from 9 districts who could champion integrity-based behaviours in their community and practice community monitoring. Integrity Action provided training and mentoring for our partner, which in turn recruited and trained almost 500 Integrity Champions.

The first group of champions who took part have already completed their first round of monitoring projects and services, and they generated an impressive Fix-Rate™ of 74%, which compares very favourably with Fix-Rate™ in other programmes.



PRIORITIES FOR 2018

2018 will see a significant increase in the scale of our work, as we expand into countries including Tanzania, Armenia and DR Congo.

Alongside this, we are challenging ourselves to remain effective, efficient, and to maintain a strict focus on improving the lives of the people most in need.

Our particular areas of focus during 2018 will be:

- Designing and launching our new five-year strategy, which will aim to develop our business model and take our work to a much larger scale while maintaining quality.
- Integrating gender equality and social inclusion (GESI) across our operations, to ensure our work benefits the most marginalised in society. This is underpinned by our new GESI strategy, which was produced during 2017.
- Interrogating and refining our approach to ensure our results are sustainable, and that our model is easily replicable.
- Developing partnerships with a wider range of organisations – including, but not limited to, local partners, international agencies, development finance institutions, and governments – and ensuring we add value to each.



FINANCIAL REVIEW

RESERVES POLICY

Integrity Action’s reserves policy is reviewed on an annual basis as part of the overall risk management of the organisation. The reserves policy aims to ensure that reserves are sufficient to:

- Cover essential investment for the enabling environment required to deliver the strategy and ensure viability of our technological platforms;
- Safeguard the charity’s grass roots community commitments in the event of delays in receipt of income;
- Enable Integrity Action to complete the existing contracts within a planned and orderly reduction of activity should our sources of income cease.

The trustees maintain the view that reserves should not be set too high as this would tie up funds which could and should be spent on charitable activities.

The organisation aims to hold unrestricted reserves amounting to a minimum of three months’ and a maximum of six months’ expenditure. Based on our expenditure for the year ended 30 September 2017, this is equivalent to a range between £296,000 and £593,000.

FINANCIAL POSITION

The balance sheet shows total funds of £607,376 (2016: £958,422) and general funds or ‘free reserves’ of the charity at 30 September 2017 of £550,916 (2016: £617,431). This equates to 5.6 months of expenditure. This is in accordance with our reserves policy and the trustees consider that our reserves are adequate to meet core requirements and key programme activities over the coming period.

Also included in total funds is a restricted fund balance of £56,460 (2016: £340,991). This balance will be used in the next accounting period for specific programme related purposes. Further details of these restricted funds can be found in Note 9 to the accounts together with an analysis of movements in the year.

This financial year was one of consolidation. We closed our Israel office and underwent a restructuring which affected all staff. We are now well placed to develop our strategy for the next five years.

We are actively pursuing funding with both existing and potential funders and have already secured funding for the coming financial year from DFID (in partnership with Raleigh international) and the William and Flora Hewlett Foundation, in addition to the continuation of our existing grants. As a result the trustees and management consider that the charity remains a going concern.

RISK MANAGEMENT

The trustees review the charity’s risk register quarterly in order to manage the major risks to which the charity is exposed.

The review ensures that the trustees are aware of significant risks and are satisfied that control procedures are adequate to mitigate these risks.

The key risks identified for the coming financial year are as follows:

Risk	Mitigating measure
Lack of sustainability in our programmes means that communities do not benefit in the long term	Behaviour change research is being carried out to understand what motivates monitors to continue their work.
Loss of effectiveness and efficiency of our technological platform in light of the speed and cost of wider technological developments means that our methodology is no longer relevant and competitive	A technology specialist has been appointed on a part time basis to develop and implement our technology strategy. Funds needed for development and regular maintenance are earmarked within the budget.
Lack of diversification in funding sources	Diversification is embedded in the fundraising strategy and progress is reviewed by the executive team monthly. The Fundraising Committee reviews it on a quarterly basis. In 2018 we will develop a new strategy for 2018 -2023 and this will form a key element of that strategy.

PAY POLICY FOR SENIOR STAFF

The President and Chief Executive Officer comprise the key management personnel of the charity and are in charge of directing and controlling, running and operating the charity on a day to day basis.

The total employee benefits of the key management personnel are included in Note 3 to the accounts.

The executive pay is reviewed by the Remuneration Committee on an annual basis. The review takes into account personal performance, market rates and the financial performance of the charity.

All trustees give of their time freely and no trustee received remuneration in the year for this role. Details of trustees’ expenses and related party transactions are disclosed in Notes 4 and 12 to the accounts respectively.

TRUSTEES' REPORT (CONTINUED)

PUBLIC BENEFIT

The trustees confirm that they have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The trustees further confirm that the activities of Integrity Action are carried out, in line with its objects, for the public benefit as described in this report.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Board of Trustees governs the organisation in line with its memorandum and articles of association, vision, aims and charitable objectives, as well as providing overall policy direction. The Board is responsible for compliance with all the legal and statutory requirements of a UK charity and of a registered company.

The organisation is run by the President and the CEO. The President is responsible for thought leadership and ensuring that Integrity Action remains at the forefront of developing creative and innovative approaches. The CEO has the responsibility for strategic and programmatic development and design, operations and finances. Both share the responsibility for fundraising.

The CEO manages the Executive Management Team that includes the Head of Finance and Corporate Services, the Head of Operations, the Head of Programme Development, and the Head of Technology.

The Board developed a new Governance Manual this year, which is published on the Integrity Action website. The Governance Manual stipulates the provisions for appointments to the Board of Trustees', their term limits, and nominations and appointments to the positions of Chair, and the various committees of the Board. These include:

- Openings on the Board of Trustees are published openly on relevant websites, including our own website;
- The manual stipulates the roles and person specifications for trustees', the Chair and Co-Chair of the Board, the Chair of the Audit Committee, the Nominations and Remuneration Committee, the Fundraising Committee, the Ethics Point Person and the Integrity Action Development Group;
- Terms of appointment to the board are 3 years, renewable for a further 2 terms up to a maximum of 9 years.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Each trustee has taken responsibility for monitoring the company's activities in specific operational areas and constant attention is paid to the skills mix of the trustees' to ensure that the board of trustees' has all the necessary skills required to contribute fully to the charity's development.

The Trustees (who are also directors of Integrity Action for the purposes of company law) are responsible for preparing the Trustees' Report and financial

statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the trustees confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Kevin Radley
Co-Chair of the Board
22nd January 2018

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRITY ACTION

OPINION

We have audited the financial statements of Integrity Action for the year ended 30 September 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2017 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 TRUSTEES FOR THE FINANCIAL STATEMENTS

As explained more fully in the trustees' responsibilities statement set out on page 20, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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, the trustees are responsible for assessing the charitable 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 the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

AUDIT REPORT (CONTINUED)

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report (which incorporates the Directors' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report (which incorporates the Strategic Report and the Directors' Report) has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the Directors' Report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Murtaza Jessa

(Senior Statutory Auditor)

For and on behalf of haysmacintyre, Statutory Auditors

10 Queen Street Place

London

EC4R 1AG

22 January 2018

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 30 SEPTEMBER 2017

	Note	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Income					
Investment income		761	-	761	1,546
Charitable activities					
Grants, donations and consultancies	1	626,587	206,702	833,289	1,192,065
Total income		627,348	206,702	834,050	1,193,611
Expenditure					
Raising funds		14,653	-	14,653	15,647
Charitable activities					
Community Integrity Building		835,483	334,960	1,170,443	1,300,183
Total expenditure	2	850,136	334,960	1,185,096	1,315,830
Net incoming/(outgoing) resources before transfers		(222,788)	(128,258)	(351,046)	(122,219)
Transfers between funds	9, 10	156,273	(156,273)	-	-
Net movement in funds		(66,515)	(284,531)	(351,046)	(122,219)
Fund balances at 1 October 2016		617,431	340,991	958,422	1,080,641
Fund balances at 30 September 2017		550,916	56,460	607,376	958,422

The Statement of Financial Activities includes all gains and losses in the year. All income and expenditure derives from continuing activities.

BALANCE SHEET

AS AT 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	6	1,697	-
Current assets			
Debtors and accrued income	7	89,775	133,320
Cash at bank and in hand		583,553	1,045,227
Total current assets		673,328	1,178,547
Liabilities			
Creditors: Amounts falling due within one year	8	67,649	220,125
Net current assets		605,679	958,422
Net assets		607,376	958,422
The funds of the charity			
Unrestricted		550,916	617,431
Restricted		56,460	340,991
Total funds	9,10	607,376	958,422

Approved by the trustees and signed on their behalf by:



Kevin Radley
Co-chair of the board
22 January 2018

STATEMENT OF CASHFLOWS

YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities	14	(459,314)	(308,360)
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,360)	-
Change in cash and cash equivalents in the year		(461,674)	(308,360)
Cash and cash equivalents at 1 October		1,045,227	1,353,587
Cash and cash equivalents at 30 September		583,553	1,045,227

PRINCIPLE ACCOUNTING POLICIES

YEAR ENDED 30 SEPTEMBER 2017

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Integrity Action meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

PREPARATION OF ACCOUNTS ON A GOING CONCERN BASIS

The Trustees consider there are no material uncertainties about the charity's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives Trustees confidence the charity remains a going concern for the foreseeable future.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the charity's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

INCOME AND EXPENDITURE

Income from charitable activities is recognised when the charity is legally entitled to the income, receipt is probable and the amount can be measured reliably.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Investment income is recognised on a receivable basis once the amounts can be measured reliably.

Expenditure is recognised when there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Non-grant-making expenditure is recognised on an accrual basis as goods and services are delivered and performed.

Grants payable are recognised as expenditure when a binding commitment has been entered into.

TANGIBLE FIXED ASSETS

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged at the following annual rates in order to write assets off over their estimated useful lives:

- Computer equipment 50% per annum based on cost
- Fixtures and fittings 50% per annum based on cost

PRINCIPLE ACCOUNTING POLICIES (CONTINUED)

YEAR ENDED 30 SEPTEMBER 2017

RESTRICTED FUNDS

Income received for purposes specified by the donor are shown as restricted income in the Statement of Financial Activities. Expenditure for the purposes specified is applied to the relevant fund and any unexpended amount at the balance sheet date is carried forward within restricted funds.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

EMPLOYEE TERMINATION BENEFITS

Termination benefits are accounted for on an accrual basis and in line with FRS 102.

PENSION SCHEME

Integrity Action operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are held independently from those of the charity in an independently administered fund. Pension costs charged in the financial statements represent the contributions payable during the year.

OPERATING LEASES

Rental charges are charged on a straight line basis over the life of the lease.

DEBTORS

Short term debtors are measured at transaction price, less any impairment.

CREDITORS AND PROVISIONS

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

CASH AT BANK AND IN HAND

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

TAXATION

Integrity Action is a registered charity and, as such, is exempt from taxation on its income to the extent it is applied to its charitable purposes.

FINANCIAL INSTRUMENTS

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2017

1 Grants, donations and consultancies

	2017 £	2016 £
Unrestricted		
Swedish International Development Cooperation Agency (SIDA)	622,137	560,300
Consultancies and donations	4,450	8,220
Total unrestricted	626,587	568,520
Restricted		
Norwegian Agency for Development Cooperation (Norad)	42,802	319,566
Asian Development Bank	43,591	-
Swiss Solidarity	49,784	-
Comic Relief	37,929	57,727
British Academy	21,125	-
University of Zambia	6,696	-
Pro Victimis	1,784	30,035
Global Fund	2,547	38,717
Global Giving	444	18,758
Siemens Integrity Initiative	-	67,298
Department for International Development (DFID)	-	47,108
European Union (EU)	-	22,490
United Nations Development Programme (UNDP)	-	21,846
Total restricted	206,702	623,545
Total grants, donations and consultancies	833,289	1,192,065

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 30 SEPTEMBER 2017

2 Expenditure

	Note	Community Integrity Building £	Raising funds £	2017 Total £	2016 Total £
Staff costs	3	684,796	10,486	695,282	584,984
Travel and events		91,848	-	91,848	72,004
Technical assistance		148,058	4,167	152,225	139,842
Office costs		27,542	-	27,542	10,098
IT		5,806	-	5,806	5,944
Publications		3,535	-	3,535	13,287
Governance costs		16,470	-	16,470	15,240
Rent and rates		58,527	-	58,527	40,296
Other costs		49,705	-	49,705	73,316
Grants to partners		84,156	-	84,156	360,819
Total expenditure		1,170,443	14,653	1,185,096	1,315,830

Net income is stated after charging:

	2017 £	2016 £
Fees payable to charity's auditors for audit of the financial statements for the current year	14,220	15,240
Fees payable to charity's auditors for other accountancy services	4,429	9,781

3 Staff costs

	2017 £	2016 £
Wages and salaries	597,572	518,988
Employer's National Insurance costs	60,168	47,384
Employer's contribution to defined contribution pension schemes	27,742	18,612
Redundancy costs	9,800	-
	695,282	584,984

Wages and salaries increased in the year due to an organisational restructuring and overlap of some roles.

The average headcount in 2017 was 14 (2016: 15).

Redundancy payments agreed in the year came to £39,506 (2016: £nil). Of this £29,706 was funded in previous years through an insurance scheme as required under Israeli law, and £9,800 was funded in the current year. These costs were paid in October 2017 but accrued in financial year 2017.

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2017 £	2016 £
£100,000 - £109,999	1	1
£90,000 - £99,999	-	-
£80,000 - £89,999	-	-
£70,000 - £79,999	2	-
£60,000 - £69,999	-	2

The above higher paid employees received employer pension contributions of £13,358 (2016: £15,445).

The total employee benefits of the key management personnel of the charity were £211,207 (2016: £201,354).

Key management personnel include the President and the CEO.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 30 SEPTEMBER 2017

4 Trustees remuneration

No trustees were reimbursed any expenses in 2017 (2016: £nil).
No trustee received remuneration in respect of their role as trustee of the charity.

Fredrik Galtung was a trustee until 20 September 2017. He did not receive remuneration for this role.

In financial year 2017 he received remuneration (including pension) for his role as President of £115,338 (2016 - £110,250).

5 Taxation

Integrity Action is a registered charity. The charitable company is not subject to corporation tax on income derived from its charitable activities as it falls within the various exemptions available to charities.

6 Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 October 2016	14,839	61,729	76,568
Additions in the year	-	2,360	2,360
Disposals in the year	(14,839)	(61,729)	(76,568)
At 30 September 2017	-	2,360	2,360
Depreciation			
At 1 October 2016	14,839	61,729	76,568
Charge for year	-	663	663
Disposals in the year	(14,839)	(61,729)	(76,568)
At 30 September 2017	-	663	663
Net book value			
At 30 September 2017	-	1,697	1,697
At 30 September 2016	-	-	-

The company has a floating charge over its assets in favour of the bank in order to operate its credit card facility. At 30 September 2017, the facility was for £32,000 (2016 - £32,000).

7 Debtors

	2017 £	2016 £
Debtors and accrued income	69,692	98,016
Prepayments	20,083	35,304
	89,775	133,320

8 Creditors: amounts falling due within one year

	2017 £	2016 £
Expense creditors	9,781	133,277
Taxation and social services benefits	2,676	16,482
Accruals	55,192	70,366
	67,649	220,125

9 Fund movements

	At 1 October 2016 £	Income £	Expenditure £	Transfers £	At 30 September 2017 £
Unrestricted funds	617,431	627,348	(850,136)	156,273	550,916
Restricted funds					
Community Integrity Building	340,991	206,702	(334,960)	(156,273)	56,460
Total funds	958,422	834,050	(1,185,096)	-	607,376

Community Integrity Building identifies innovative ways of strengthening community engagement to promote integrity improvements in the delivery of health, education, water, sanitation and social protection services.

A transfer was made to unrestricted funds in respect of income received for the reimbursement of core costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 30 SEPTEMBER 2017

10 Analysis of net assets over funds

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Tangible fixed assets	1,697	-	1,697	-
Net current assets	549,219	56,460	605,679	958,422
	550,916	56,460	607,376	958,422

11 Commitments under operating leases

	Land and buildings	
	2017 £	2016 £
Operating leases expiring:		
Within one year	38,079	21,162
Between two and five years	16,188	-
	54,267	21,162

12 Related party transactions

In both 2017 and 2016 there were no related party transactions.

13 Comparative Statement of Financial Activities 2016

	Note	Unrestricted funds £	Restricted funds £	2016 Total funds £
Income				
Investment income		1,546	-	1,546
Charitable activities				
Grants, donations and consultancies	1	568,520	623,545	1,192,065
Total income		570,066	623,545	1,193,611
Expenditure				
Raising funds		15,647	-	15,647
Charitable activities				
Community Integrity Building		643,450	656,733	1,300,183
Total expenditure	2	659,097	656,733	1,315,830
Net incoming/(outgoing) resources before transfers		(89,031)	(33,188)	(122,219)
Transfers between funds	9, 10	46,196	(46,196)	-
Net movement in funds		(42,835)	(79,384)	(122,219)
Fund balances at 1 October 2015		660,266	420,375	1,080,641
Fund balances at 30 September 2016	9,10	617,431	340,991	958,422

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 30 SEPTEMBER 2017

14 Reconciliation of net income to cash inflow from operating activities

	2017 £	2016 £
Net movements in funds	(351,046)	(122,219)
Depreciation	663	-
Decrease in debtors	43,545	7,483
Decrease in creditors	(152,476)	(193,624)
Net cash used in operating activities	(459,314)	(308,360)

REFERENCE AND ADMINISTRATIVE DETAILS

TRUSTEES

Alan Barlow
John Cutts
Fredrik Galtung
(resigned 20 September 2017)
Nilima Gulrajani
Gordon Johnson
(resigned 20 September 2017)
Arun Nanda
Kevin Radley
Siobhan Turner
Sunil Vaswani
Philip Welply

AUDIT COMMITTEE

Fredrik Galtung
(resigned 20 September 2017)
Kevin Radley
Siobhan Turner

FUNDRAISING COMMITTEE

Alan Barlow
Sunil Vaswani

REMUNERATION COMMITTEE

Nilima Gulrajani
Siobhan Turner
Philip Welply

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CHIEF EXECUTIVE OFFICER

Jasmina Haynes
Jasmina.Haynes@integrityaction.org

PRESIDENT

Fredrik Galtung
Fredrik.Galtung@integrityaction.org

Company registration number: 4884328 (England and Wales)

Charity registration number: 1120927

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