



# **PROGRESS REPORT ON ANTI-CORRUPTION MEASURES**

**Implementation Progress  
as at End-December 2025**



**Sri Lanka Customs  
Excise Department of Sri Lanka  
Inland Revenue Department**

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## Sri Lanka Customs

Sri Lanka Customs has undertaken key anti-corruption measures in line with the International Monetary Fund (IMF) reform agenda, with a strong focus on digitization and automation. The following provides an overview of the progress achieved as of December 31, 2024, progress made during the first three quarters of 2025, and the activities scheduled for completion.

### 1. Risk Management Initiatives

#### A. Progress up to December 31, 2024

The Risk Management Directorate (RMD) of Sri Lanka Customs has undertaken a series of strategic initiatives to strengthen anti-corruption efforts and advance digitization and automation within the department. Among the most significant developments is the ongoing implementation of an Automated Risk Management System (ARMS), a transformative project aimed at modernizing risk management functions, enhancing transparency, and minimizing discretionary interventions that may lead to corrupt practices.

ARMS focuses on the development of a Data Analytics Platform and a Web Service. A competitive procurement process was launched in September 2024 for the development of ARMS following government procurement procedures, and Creative Web Technologies (Pvt) Ltd was selected as the most suitable vendor.

#### B. Progress in Quarter 1, 2025

##### i. Automated Risk Management System

Development of the Automated Risk Management System (ARMS) began following the contract signing on February 7, 2025, with the selected vendor. The ARMS has two components as follows:

##### a. Data Analytics Platform

The Data Analytics Platform aims to integrate all key databases utilized within Sri Lanka Customs into a unified system, thereby enabling:

- Advanced risk profiling and predictive analysis
- Real-time performance monitoring through dynamic dashboards
- Data-driven decision-making processes across customs operations

The scope document for the Data Analytics Platform was submitted by the selected developer and approved by the Technical Evaluation Committee. The development process is currently in progress.

#### b. Customs Document Notification System (CDNS)

The CDNS is a web service designed to enhance real-time communication between Sri Lanka Customs and its stakeholders, including importers, exporters, and licensed declarants.

Key features include:

- Transparent notification of customs clearance stages
- Early alerts for document discrepancies or risks identified
- Improved stakeholder trust through automated, auditable interactions

At this stage, the development of the CDNS is complete. User Acceptance Testing (UAT) is ongoing with internal users and external stakeholders, and testing with importers, exporters, and customs brokers is also in progress.

The CDNS incorporates a built-in payment gateway designed to collect a subscription fee from users. This model not only contributes to sustainability but also generates non-tax revenue for the government.

#### ii. Robust Risk Assessment

Approximately 15% of import containers are subject to intrusive examination by Customs. This percentage reflects the application of risk management principles to balance enforcement requirements with the need to facilitate legitimate trade. However, on average, another 20% of import containers are being referred to Other Government Agencies (OGAs) due to their regulatory requirements.

### C. Progress in Quarter 2, 2025

#### i. Automated Risk Management System

The development of an ARMS for Sri Lanka Customs can be observed as a transformative project aimed at modernizing risk management functions and improving transparency. By the end of the second quarter of this year, Sri Lanka Customs had made significant progress in developing the Data Analytics Platform and the CDNS.

##### a. Data Analytics Platform

The development of the Data Analytics Platform was still in progress by the end of June 2025. Meanwhile, the developer assured that an update to the User Interface (UI) of the Data Analytics Tool (DAT) would be provided by July 2025.

b. Customs Document Notification System (CDNS)

By the end of June 2025, User Acceptance Testing (UAT) was underway for the developed CDNS. A request to gazette the subscription fees of the CDNS and its payment gateway had been forwarded to the Ministry of Finance.

ii. Robust Risk Assessment

As part of the existing automated cargo clearance process, Sri Lanka Customs has consistently managed and monitored the percentage of containers referred to Customs examination yards. Based on selectivity data available at the end of June 2025, this percentage was maintained at 40.3% of the total number of containers processed.

It is important to note that a significant portion of these referrals, specifically 23.3% of the total containers was due to regulatory requirements enforced by Other Government Agencies (OGAs). These referrals are mandated to ensure compliance with various non-Customs regulations, standards, and protocols established by such agencies.

Consequently, the percentage of containers referred for intrusive examination directly by Customs is comparatively low. According to the data, only 17.0% of the total containers were selected for this type of detailed examination by Customs authorities. This reflects the efficiency and precision of the selectivity process employed by the Risk Management Directorate, ensuring that Customs examinations are targeted and limited to cases that genuinely require their attention.

**D. Progress in Quarter 3, 2025**

i. Automated Risk Management System

The ARMS development continued during the quarter, with progress recorded in both the Data Analytics Platform and the CDNS.

a. Data Analytics Platform

By the end of September 2025, development of the Data Analytics Platform was ongoing, with the developer reporting that approximately 70 percent of the Data Analytics Tool had been completed.

#### b. Customs Document Notification System (CDNS)

The Customs Document Notification System (CDNS) was successfully launched on August 15, 2025, demonstrating Sri Lanka Customs' commitment to automation and strong adherence to international best practices. At present, the CDNS has 101 registered evaluation users.

The CDNS is equipped with an in-built payment gateway intended to collect a subscription fee from users. This approach supports the sustainability of the system while also generating non-tax revenue for the government. A formal request seeking gazette approval for the proposed subscription fee structure and payment gateway mechanism has been submitted to the Ministry of Finance.

Currently, data available through the CDNS reflects a one-day lag, and real-time data access is therefore not available. The ICT Directorate is in the process of procuring a new database system for Sri Lanka Customs, and upon completion of its implementation, this limitation is expected to be addressed.

#### ii. Robust Risk Assessment

Based on selectivity data available at the end of September 2025, 39.6 percent of the total number of containers processed were referred to Customs examination yards. As in previous quarters, a substantial share of referrals was attributable to regulatory requirements enforced by OGAs, accounting for 22.4 percent of total containers.

Accordingly, direct intrusive examinations by Customs remained limited, with only 17.2 percent of total containers selected for detailed examination. These outcomes indicate the continued effectiveness of the selectivity framework applied by the Risk Management Directorate.

### E. Progress in Quarter 4, 2025

#### i. Automated Risk Management System

The development of the Automated Risk Management System for Sri Lanka Customs represents a transformative initiative intended to modernize risk management functions and enhance transparency. By the end of the fourth quarter of the year 2025, Sri Lanka Customs had made substantial progress

in developing the Data Analytics Platform (DAT) and the Customs Document Notification System (CDNS).

a. Data Analytics Platform

By the end of December 2025, the development of the Data Analytics Platform was ongoing, with the developer reporting that approximately 75% percent of the data analytics tool had been completed.

b. Customs Document Notification System (CDNS)

The Customs Document Notification System (CDNS) which was successfully launched on 15<sup>th</sup> August 2025, has been functioning at evaluation capacity, and at the end of December 2025, CDNS had 733 registered evaluation users.

Following the official launch of the Customs Document Notification System, Sri Lanka Customs has received valuable feedback from initial evaluation users. Based on this feedback, several enhancements were planned to further improve the system. Discussions with the developer were initiated in coordination with the Logistics Directorate to implement these improvements. Following the said discussions, the developer submitted Change Requests with respect to the planned enhancements. These requests were submitted to the Risk Management Committee and they were under review of the committee.

Furthermore, data available through the Customs Document Notification System currently reflects a one-day delay, and real-time data access is therefore not available at present. The ICT Directorate is in the process of procuring a new database system for Sri Lanka Customs, and upon completion of its implementation, this limitation is expected to be addressed.

ii. Robust Risk Assessment

As part of the existing automated cargo clearance process, Sri Lanka Customs has been consistently managing and monitoring the percentage of containers referred to Customs Examination yards. Based on the selectivity data available at the end of September 2025, this percentage has been maintained at 41% of the total number of containers processed.

It is important to note that a significant portion of these referrals, specifically 24% of the total containers, is due to regulatory requirements enforced by Other Government Agencies (OGAs). These are instances where the examination is mandated to ensure compliance with various non-Customs regulations, standards, or protocols established by such agencies.

As a result, the percentage of containers referred for intrusive examination by Customs itself is comparatively low. According to the data, only 17% of the total containers are selected for this type of detailed examination directly by Customs authorities. This reflects the efficiency and precision of the selectivity process employed by the Risk Management Directorate, ensuring that Customs examinations are targeted and limited to specific cases requiring their attention.

## F. Activities to be Implemented in Quarter 1, 2026

### Automated Risk Management System

#### a. Data Analytics Platform

The developer, Creative Web Technologies Pvt Ltd will develop and deliver a total of sixteen (16) dashboards, which will subsequently be deployed to the production server environment. Upon deployment, these dashboards will be made available for User Acceptance Testing (UAT).

#### b. Customs Document Notification System (CDNS)

Change requests submitted by the developer will be taken up for review and evaluation by the Committee, with a view to assessing their relevance, feasibility, and alignment with the operational requirements of the Risk Management Directorate prior to further action.

## 2. Internal Affairs Unit (IAU)

### A. Progress up to December 31, 2024

#### i. Establishment of Internal Affairs Unit

In line with the recommendations of the International Monetary Fund (IMF) and as part of ongoing efforts to enhance integrity, transparency, and

internal oversight within Sri Lanka Customs, the Internal Affairs Unit was formally established. The ceremonial opening of the Unit was held on August 8, 2024, and was officiated by the Deputy Minister of Finance.

ii. Issuance of a DOPL (1647)

A Departmental Order and Procedure Letter (DOPL) was issued by the Director General of Customs on February 2, 2024, regarding the establishment of the Internal Affairs Unit within Sri Lanka Customs. The DOPL includes provisions on the establishment of the Unit, its background, objectives, responsibilities, legal and operational scope, composition, operational procedures, reporting mechanisms, and the appointment of the IAU Committee.

iii. Allocation of Staff

The Internal Affairs Unit was allocated 1 permanent Senior Deputy Director of Customs, 5 other officers, and 2 supporting staff members.

iv. Allocation of Office Space and Infrastructure Improvement

A well-maintained office with adequate space for operational activities has been established on the ground floor of the Sri Lanka Customs Headquarters, providing easy access to all relevant parties.

## B. Progress in Quarter 1, 2025

i. Allocation of Permanent Staff

The IAU comprises 9 members and is headed by a Senior Deputy Director of Customs.

ii. Drafting Code of Ethics & Conduct

The draft Code of Ethics and Conduct was submitted to the Attorney General's Department via the Legal Affairs Directorate and is currently under legal review.

iii. Conduct Awareness Programs for Officers

Awareness sessions for targeted officers were conducted by allocating time slots within existing training programs.

#### iv. Action Plan

The action plan for the fiscal year 2024-2025 has been prepared and finalized. Proposed actions are currently being implemented.

### C. Progress in Quarter 2, 2025

#### i. Drafting Standard Operating Procedures

The draft Standard Operating Procedure (SOP) has been prepared and sent to the Policy Planning and Research Division for review and any necessary revisions before implementation.

#### ii. Attending Training Sessions/ Workshops

Training modules have already been incorporated into the induction programs for new recruits, Appraisers, Preventive Officers, Customs House Agents, and workshops. These modules will be updated and further developed as necessary.

#### iii. Corruption Risk Assessment (CRA)

Initiated the development of a Corruption Risk Assessment (CRA) for the Department with the assistance of UNDP.

### D. Progress in Quarter 3, 2025

#### i. Code of Ethics and Conduct

With the assistance and coordination of UNDP, a special workshop/seminar was conducted for Internal Affairs Unit (IAU) officials in August 2025 by Dr. Bernd, a tax and customs expert, focusing on the preparation of the Corruption Risk Assessment (CRA) and the drafting of the Code of Ethics and Conduct. Accordingly, the previously drafted Code of Ethics and Conduct was reviewed and updated. The requirement to consult the Attorney General's Department prior to finalization was formally conveyed to the Attorney General's Department.

#### ii. Drafting Standard Operating Procedures

In parallel with the introduction of the electronic platform for the registration of complaints, and in line with the relevant guidelines issued by CIABOC, action was taken to amend and upgrade the draft Standard

Operating Procedures (SOPs) to align them with modern operational practices.

### iii. Development of Corruption Risk Assessment

With the assistance and coordination of UNDP, a specialized workshop was conducted for IAU officials by Dr. Bernd, to support the development of the Corruption Risk Assessment (CRA). Based on the information gathered during these sessions, Dr. Bernd prepared and submitted a CRA for Sri Lanka Customs.

In addition to the UNDP-supported CRA, information relating to potential corruption risks was collected from all Directorates of Sri Lanka Customs. Using these inputs, a consolidated CRA for Sri Lanka Customs has been drafted and is currently under discussion among the relevant officials.

## E. Progress in Quarter 4, 2025

### i. Finalization of Code of Ethics and Conduct

17 concerns cited in the observation provided by the Attorney General's Department were carefully considered by the staff of IAU and action was taken to finalize the Code of Ethics and Conduct of Sri Lanka Customs. A Proof reading was also done and arrangements had already been made with the printer for the printing of the booklet.

### ii. Finalization of Corruption Risk Assessment of Sri Lanka Customs

Information/data gathered from all the directorate of the Sri Lanka Customs pertaining to corruption risks as per the format provided were carefully studied and analyzed. The contents of report prepared pertaining to the corruption risks of Sri Lanka Customs by Dr Bernd, Tax and Customs expert was also considered and action was taken to finalize the preparation of Corruption Risk Assessment of Sri Lanka Customs. Action was also taken to forward the document, the Corruption Risk Assessment to the Presidents Secretariat and to the technical subcommittee of integrity at World Customs Organization.

### iii. Finalization of Standard Operating Procedure

The Operational guidelines for handling IAU Monitor, the digital platform, were incorporated into the standard operating procedure. Since it is expected to expand the staff of the IAU and to review the scope of IAU,

action was being taken to revised certain areas of SOP and it is yet to be finalized.

#### iv. Implementation of IAU Monitor and QR Code

IAU monitor was implemented and registration of complaints in the IAU monitor was commenced. Action was taken to publish the QR code which enables the public to lodge complaints in the Customs' website. In addition to that action was taken to print QR Code on sticker papers in order to display the same at venues of Customs where the public is interacted.

### F. Activities to be Implemented in Quarter 1, 2026

#### i. Publish the Code of Ethics and Conduct

The Code of Ethics and Conduct is expected to be published on 26<sup>th</sup> January 2026 in all three languages on the International Customs Day.

#### ii. Finalize and Publish the Standard Operating Procedure

The finalization and publication of the Standard Operating Procedure (SOP). This will ensure clear guidelines, enhance transparency, and promote consistency in operations, thereby strengthening accountability and efficiency within the Unit.

#### iii. Conduct series of awareness programs on Anti-corruption and Integrity

Internal Affairs Unit intends to conduct a series of awareness programs on Anti-Corruption and Integrity for officers/employees of Sri Lanka Customs. This program will be organized and coordinated by the Internal Affairs Unit with the collaboration Human Resource Development Directorate of Sri Lanka Customs.

#### iv. Implementation of QR Code for Complaints

The QR code enabling the public to lodge complaints will be published on the official website of Sri Lanka Customs.

### 3. Digitization and Automation

#### A. Progress in Quarter 1, 2025

##### Establishment of the Digitalization Cluster

As part of a major structural reform, Sri Lanka Customs has formally established a dedicated Digitalization Cluster to lead its digital transformation agenda. This specialized unit is tasked with driving the modernization of Customs operations through technology, with core responsibilities including:

- Leading the implementation of automation and fully electronic processing of Customs procedures
- Facilitating seamless integration with risk management systems to enhance decision-making
- Coordinating with external stakeholders to enable broader data exchange and system interoperability
- Tracking performance indicators and ensuring compliance with digital governance standards

The Digitalization Cluster serves as a central force in embedding efficiency, transparency, and integrity across Customs processes, paving the way for a smarter and more responsive trade environment.

#### B. Progress in Quarter 2, 2025

##### i. CUSDEC Tracking System & Vehicle Verification Portal

The introduction of a CUSDEC Tracking System for real-time monitoring of Customs declaration status has been completed. Additionally, a Vehicle Verification Portal has been launched to facilitate the verification of properly cleared vehicles.

#### C. Progress in Quarter 3, 2025

##### i. Paperless Document Processing – Pilot Phase 1

Paperless Pilot Phase 1 commenced on August 25, 2025, with the participation of three AEO companies and one declarant. The pilot introduces digitally signed documents to eliminate physical submissions, ensuring both authenticity and legal validity.

Key benefits observed:

- Reduced face-to-face interactions between traders and Customs officers.
- Enhanced transparency in the clearance process with end-to-end traceability.
- Improved deterrence of document tampering and unofficial interventions.

## ii. Digitalization of Export Procedure (Boat Note/ CDN) - Partially Completed

Trade request: Stakeholders requested the digitalization of specific tasks to facilitate the implementation of the new Simplified Value Added Tax (SVAT) policy introduced by the Government.

Key developments:

- The Cargo Dispatch Note (CDN) e-document was modified.
- A new operational process at CFS Warehouses was developed; however, implementation has not yet commenced.
- The existing e-Release Order message sent to terminals was enhanced, and the receipt of loading confirmations from terminals was enabled. The ASYCUDA-side development has been completed, while implementation remains subject to the completion of required terminal-side system developments and further consultations with terminal operators.

Expected advantages (achieved and intended outcomes):

- Full alignment of export processing with SVAT policy requirements.
- Improved coordination and data exchange between Customs, terminals, and CFS Warehouses.
- Reduced manual interventions, enhancing accuracy and efficiency.
- Faster processing of export consignments, reducing costs and delays for traders.
- Enhanced transparency and strengthened risk management through automated release functions.

## D. Progress in Quarter 4, 2025

### i. Paperless Document Processing – Pilot Phase 2

Paperless Pilot Phase 2 commenced on 1<sup>st</sup> November, 2025, with the participation of 11 AEO Companies and 7 Declarant Companies. The pilot introduces digitally signed documents to eliminate physical submissions, ensuring both authenticity and legal validity.

Key benefits observed:

- Reduced face-to face interactions between traders and Customs Officers.
- Enhanced transparency in clearance process with end-to-end traceability.

A few barriers were identified during implementation; however, these have been addressed through several awareness sessions.

### ii. Digitalization of Export Procedure (CDN)

Further Enhancements to the Cargo Dispatch Note (CDN).

Implementation of additional enhancements to the CDN based on the operational requirements of exporters and other stakeholders.

## E. Activities to be Implemented in Quarter 1, 2026

### i. Paperless Document Processing – Full Rollout (All AEO Companies)

Building on the outcomes of pilot phase2, paperless document processing will be extended to all AEO companies and their associated declarant companies. This phase will operationalize paperless processing at scale, incorporating lessons learned during the pilot phase.

### ii. Digitalization of Export Procedure (Boat Note / CDN)

Enhanced the existing e-Release order message to terminals and enabled the receipt of loading confirmations from terminals. Further enhancement of the existing e-Release order functionality and electronic message exchange with terminals.

Implementation is subject to the completion of required system developments of terminal side and further consultations with terminals.

iii. Introduction of API to get VAT Credit Vouchers electronically.

Development of web service has been completed at ASYCUDA Side. Implementation is pending until the completion of corresponding developments on the Inland Revenue Department (IRD) Side.

iv. Section 47 of Customs Ordinance Amendment (Section 47)

An amendment to Section 47 of the Customs Ordinance has been proposed. Once enacted, this will enable Pre-Arrival Processing and fully electronic clearance procedures via the ASYHUB platform, further streamlining import processing and enhancing efficiency.

## Excise Department of Sri Lanka

### 1. Collaboration with the Commission to Investigate Allegations of Bribery or Corruption (CIABOC)

The Excise Department of Sri Lanka has undertaken a series of coordinated initiatives in collaboration with the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) to prevent, detect, and respond to corruption risks within the institution.

#### A. Progress in Quarter 1, 2025

##### i. Appointment of Integrity Officers

The Integrity Officer, Mr. Tissa Kumara Rajapaksha, Deputy Commissioner of Excise (Law Enforcement), was officially appointed in 2025. Their role is to monitor and promote ethical practices within the Department, support the execution of anti-corruption initiatives, and act as liaison personnel with CIABOC on integrity-related matters.

##### ii. Implementation of Awareness and Prevention Programs

In an effort to strengthen institutional integrity and cultivate a culture of accountability, the Department conducted the following anti-bribery and anti-corruption training programs during 2024 and the first quarter of 2025.

- Conducting awareness programs regarding the RTI Act for departmental employees
- Raising awareness among the Excise Commissioners of Excise Stations and Excise Superintendents
- Instructions on the new Anti-Bribery and Corruption Act and its legal provisions, as well as guidance on conducting preliminary investigations and preparing charge sheets, were included in the induction training program designed for newly recruited Excise Inspectors.
- Instructions on the new Anti-Bribery and Corruption Act and its legal provisions were included into the induction training program designed for newly recruited Excise Guards.

### iii. Participation in CIABOC Workshops

Representatives from the Department actively participated in several strategic workshops organized by CIABOC in the first quarter of 2025, which focused on national and institutional integrity mechanisms.

- Workshop to draft the National Anti-Corruption Plan - to contribute towards Sri Lanka's national-level integrity framework
- Workshop on the Training of Trainers (ToT) model- to equip selected departmental officers to train others internally
- Workshop on inter-agency information exchange - to foster collaboration and transparency between government institutions
- Workshop on establishing internal integrity mechanisms - to guide departments in developing tailored internal controls and checks.

## B. Progress in Quarter 2, 2025

### Awareness and Prevention Programs

The following program was conducted in the second quarter of 2025:

- Training program at the Excise Training College for Excise Superintendents regarding the new Anti-Bribery and Corruption Act and its legal provisions, as well as conducting preliminary investigations and preparing charge sheets.

## C. Progress in Quarter 3, 2025

### Awareness and Prevention Activities

The following awareness and prevention activities were undertaken during the third quarter of 2025:

- Instructions on the new Anti-Bribery and Corruption Act and its legal provisions were included in the induction training program designed for newly promoted Excise Inspectors.
- An internal circular was issued to inform all departmental staff. A separate anti-corruption guideline was not issued, as the organization has already implemented a comprehensive Code of Conduct that adequately addresses and encompasses all anti-corruption principles and requirements.

## D. Progress in Quarter 4, 2025

### Awareness and Prevention Programs

The following awareness and prevention activities conducted during the fourth quarter of 2025:

- Include instructions on the new Anti-Bribery and Corruption Act and its legal provisions in the induction training program designed for newly recruited Excise Inspectors.

The purpose of these activities is to enhance awareness, highlight potential risks, and encourage adherence to ethical standards among staff across all levels.

## E. Activities to be Implemented in Quarter 1, 2026

The following awareness and prevention activities will be conducted during the first quarter of 2026:

- Include instructions on the new Anti-Bribery and Corruption Act and its legal provisions in the induction training program designed for newly promoted Excise Assistant Commissioners.

## 2. Internal Affairs Unit (IAU)

The Excise Department, upon the recommendation of the IMF and direction of the Ministry of Finance took steps to establish the Internal Affairs Unit on July 09, 2024 to further the fight against corruption, address the governance weaknesses, strengthen the integrity and effectiveness of the Excise Department, uphold the rule of law, and foster economic stability by identifying systemic bottlenecks and loopholes.

The following Integrity Officers were officially appointed for the IAU unit.

- Additional Commissioner General of Excise (Revenue policies and administration)
- Chief Accountant
- Chief Internal Officer
- Deputy Commissioner of Excise (Revenue)
- Deputy Commissioner of Excise (Law Enforcement)
- Legal Officer
- Administrative Officer (Administrative Division)

#### A. Progress up to December 31, 2024

- Displaying the names of the members of the IAU along with their official contact details on the official website, including official address and email, mobile and direct phone numbers.
- Displaying the contact details of the IAU unit near the office entrance
- Establishment of a separate operational site for IAU members.
- Introduction of a Complaint Box
- Re-drafting, publishing and handing over of the Code of Ethics for the Excise Officers, which outlines acceptable behavior and ethical obligations, reinforces accountability and integrity, and serves as a standard reference for disciplinary procedures; increasing officer's awareness of integrity through comprehensive awareness and training programs; and conducting a series of lectures and awareness sessions for Excise Officers with resource persons from CIABOC.

#### B. Progress in Quarter 1, 2025

- Issuing an internal circular to inform officers about the IAU and its role

#### C. Progress in Quarter 2, 2025

- A training program on the Right to Information Act.
- The IAU database was updated to include complaint particulars
- Held a quarterly meeting of IAU members
- Drafted and finalized the Action Plan of the IAU

#### D. Progress in Quarter 3, 2025

- Conducted a workshop on court duties, and personality and attitude building, with a focus on anti-corruption, on July 22, 2025 for Excise Corporals and Guards.

#### E. Progress in Quarter 4, 2025

- Conducted a training program on the Right to Information Act in October, with the participation of Mr. Jagath Liyanarachchi from the RTI Commission as the keynote speaker.

- Prepared the Corruption Risk Assessment Report.
- Prepared the Citizen Charter.

#### F. Key Tasks and Activities to be Implemented in Quarter 1, 2026

- Conduct an awareness program on the Excise Ordinance and the Companies Act in November, with resource persons from the Department of the Registrar of Companies.
- Conducted a training program on the Right to Information Act, with the participation of Investigation Officer, Mr. Silamegha Welipathage from the CIABOC as the keynote speaker.
- UNDP Visit to check the Anti-Corruption Progress of the Department.

### 3. Risk Management Unit (RMU)

The Risk Management Unit was formally established on May 22, 2024, comprising nine members, with the primary objective of overseeing, managing, and enhancing the performance of Excise revenue. The Unit is tasked with identifying potential risks, implementing effective risk mitigation strategies, monitoring compliance, and promoting best practices to ensure the efficient collection and administration of excise duties.

#### A. Progress up to December 31, 2024

- i. Conduct regular inspections/audits at licensed premises to prevent or minimize revenue leakages.
  - Conducted a special inspection and an in-place audit at Finland Bottling Manufactory, Dankotuwa on July 03, 2024.
  - Conducted a special inspection and an in-place audit at Manori Lanka Bottling Toddy Manufactory, Madampella on September 03, 2024.
  - Conducted a special inspection and an in-place audit at Hingurana Distillery and Hingurana Bottling Manufactory, Thiththapaththara on November 05, 2024
  - Conducted an inspection at Premasiri Wine Stores (FL04) Colombo, and found bottles with sticker-related violations on November 18, 2024.
- ii. Strengthening Law Enforcement
  - Regular and random inspections of licensed premises at least once a month.

- Daily stock analysis (bottles, labels and other raw materials) and follow-ups.
- Frequent, in-depth inspections and monitoring of licensed premises by Superintendents of Excise and Assistant Commissioners of Excise.
- Implementation and successful completion of 100-day special crime detection season from May 20, 2024 to August 27, 2024. (First Phase)
- Scheduled – second phase of special detection season

### iii. Establishing efficient digitalized system to gather data on revenue collection

- Regular sticker system inspections.
- Proposed – AI-based CCTV monitoring system for liquor bottling manufactories

## B. Progress in Quarter 1, 2025

Conduct regular inspections/audits at licensed premises to prevent or minimize revenue leakages.

Conducted an inspection and found bottles without security stickers and illegally affixed stickers. The licensed premises was sealed on January 23, 2025.

## C. Progress in Quarter 2, 2025

- Conducted capacity-building, awareness and training programs for Excise Officers
- Strengthening Internal Control & Improve Operational Efficiency
  - Established active structural bodies/forums
  - Conducted regular follow-ups

## D. Progress in Quarter 3, 2025

- Conducted awareness programs for stakeholders in September to ensure proper compliance with Excise laws and regulations.

## E. Progress in Quarter 4, 2025

- Conducted awareness programs for stakeholders in October to ensure proper compliance with Excise laws and regulations.

## F. Key Tasks and Activities to be Implemented in Quarter 1, 2026

- Strengthen internal control and improve operational efficiency through the following measures:
  - Establish a disciplinary action committee to address fraud and evasion.
  - Establish and implement a technical advancement and support committee to ensure quality in operations.
  - Establish and implement a robust internal control mechanism.

## 4. Financial Investigation Unit of Excise Department (FIU)

The Financial Investigation Unit (FIU) was established on March 20, 2025, as the national focal point for combating financial crimes. In alignment with this mandate, a dedicated working committee has been created within the Excise Department to coordinate with the FIU and other relevant stakeholders. This Unit is tasked with carrying out necessary compliance functions, facilitating information sharing, and ensuring that departmental operations remain aligned with national financial integrity objectives.

The following officers were appointed to the FIU.

- Commissioner of Excise (Admin & HR)
- Chief Accountant
- Chief Internal Auditor
- Deputy Commissioner of Excise (Revenue)
- Deputy Commissioner of Excise (Legal)
- Deputy Commissioner of Excise (Law Enforcement)
- Accountant
- Legal Officer Excise
- Two Inspectors

## A. Progress in Quarter 1, 2025

- The action plan was prepared.
- Identified the target groups for AML/CFT training sessions.
- Identified the relevant stakeholders to sign Memorandums of Understanding (MoUs)

## B. Progress in Quarter 2, 2025

- Organized AML/CFT training sessions.

- Developed a strategic plan to identify predicate offences and incorporate AML/CFT measures.
- Developed a handbook for investigators and prosecutors on pursuing financial crimes and tax evasion, and on referring ML cases.
- Compiled and maintained statistics relevant to investigations and prosecutions.

#### C. Progress in Quarter 3, 2025

- Implementation of a formal policy to facilitate joint and parallel financial investigations was initiated.
- Compilation and maintenance of statistics relevant to investigations and prosecutions were ongoing.
- The process of signing Memorandums of Understanding (MoUs) with relevant stakeholders was initiated.
- Preparations for the Phase 2 Mock Mutual Evaluation were initiated.

#### D. Progress in Quarter 4, 2025

- Established internal indicators and thresholds.
- Signed MoU to facilitate joint investigations and parallel financial investigations
- Signed of Memorandums of Understanding (MoU) with FIU of Central Bank and Sri Lanka Customs. Additionally, requested the consent from Police Department and Inland Revenue Department.

#### E. Key Tasks and Activities to be Implemented in Quarter 1, 2026

- Preparation to Phase 2 Mock Mutual Evaluation

### 5. Automation

#### A. Progress up to December 31, 2024

- The EDSL has initiated the implementation of the Revenue Administration System for the Excise Department (RASED), a comprehensive digital platform designed to modernize and automate all core excise-related processes. This system involves a complete business process re-engineering (BPR) of the department's functions.

- The procurement process has begun; bids have been invited, and the Technical Evaluation Committee (TEC) is currently evaluating the submitted proposals.
- RASED enables end-to-end digital management of excise operations, thereby significantly reducing manual intervention and opportunities for corruption.
- EDSL is actively collaborating with relevant authorities to integrate its operations with the Trade National Single Window System (TNSWS).
- This initiative will enable seamless coordination of excise processes related to imports and exports.
- It will also facilitate real-time information exchange between EDSL and other government and private sector entities, thereby streamlining procedures, improving compliance, and enhancing revenue tracking.

#### B. Progress in Quarter 1, 2025

- To safeguard government revenue and strengthen product authentication, EDSL has initiated the implementation of new security features on excisable goods.
- As a measure to strengthen border-level controls and protect revenue collection, EDSL has initiated integration with the Sri Lanka Customs ASYCUDA system. This integration allows EDSL to verify import data in real time, prevent under-reporting, and detect illegal imports. It also supports the accurate collection of excise duties and contributes directly to increased government revenue.

#### C. Progress in Quarter 2, 2025

- All arrangements were made to award the bid to the selected bidder of RASED, as the agreement had already been received.

#### D. Progress in Quarter 3, 2025

- Completed the deployment of the revised Security Features Management System, ensuring tighter control over excise sticker production, distribution, and verification. These upgraded features are designed to improve traceability, reduce counterfeiting, and ensure the integrity of the taxation process.

#### E. Progress in Quarter 4, 2025

- Signed the Memorandum of Understanding (MoU) with the selected bidder for the RASED project.
- Proceeded with the installation of the Security Features Management System, along with further development and continuous supervision of the system. RASED project commenced its AS-IS phase and conducted its second steering committee meeting on 25.03.2026 at the Ministry of Finance.
- MSP company of India who is the provider and stakeholder of the sticker management system has sought CERT approval for the sticker verification mobile application.

#### F. Key Tasks and Activities to be Implemented in Quarter 1, 2026

- Continuation of the RASED project
- Strengthening the Sticker Management System to Improve Reliability and Reduce Frequent Failures

### 6. Conclusion

During the reporting period (fourth quarter, up to December 2025), the Sri Lanka Excise Department made significant progress in strengthening institutional integrity, governance frameworks, risk management, and operational efficiency through coordinated initiatives with CIABOC, the strengthening and continued operationalization of dedicated internal units, enhanced law enforcement activities, and the progressive adoption of automation and digital systems.

The appointment of Integrity Officers earlier in the year, the continued implementation of structured awareness and training programs, and the operational strengthening of the Internal Affairs Unit, Risk Management Unit, and Financial Investigation Unit, together with advancements in automation initiatives such as RASED and the completed deployment of enhanced security features, reflect the Department's firm commitment to transparency, accountability, and revenue protection.

While certain initiatives remain under implementation due to policy, resource, and capacity constraints, the necessary institutional and operational groundwork has been laid to ensure their timely completion. The Department remains committed to sustaining these reforms, further strengthening internal controls, and fostering a culture of ethical conduct and good governance in alignment with national priorities and international best practices.

## Inland Revenue Department

### 1. Code of Conduct

#### A. Progress up to December 31, 2024

A formal Code of Conduct was developed and adopted, which:

- Defines acceptable behavior and ethical obligations of all employees.
- Reinforces accountability and promotes integrity.
- Provides a standard reference for disciplinary procedures.

#### B. Progress in Quarter 1, 2025

The Code of Conduct was formally implemented. All staff were briefed on its provisions through internal communications, ensuring clarity and a uniform understanding across the Department.

#### C. Progress in Quarter 2, 2025

##### Successful Reinforcement of Code of Conduct

- Awareness sessions and staff briefings were conducted across all offices and divisions, reinforcing the principles outlined in the Code of Conduct.

#### D. Progress in Quarter 3, 2025

- Awareness sessions and staff briefings were conducted across non-IRD offices and divisions, reinforcing the principles outlined in the Code of Conduct.

#### E. Progress in Quarter 4, 2025

##### Successfully conducted an awareness programs of Code of Conduct

- Conducted awareness sessions for newly recruited Assistant Commissioners.

## 2. Risk Management Unit

### A. Progress up to December 31, 2024

The existing Risk Management Unit was upgraded to enhance its capacity in identifying and mitigating corruption-related risks.

### B. Progress in Quarter 1, 2025

- Identified high-risk cases in the Large Taxpayer Office (LTO) for audits.
- Shared detailed case information with the LTO to strengthen audit processes.

### C. Progress in Quarter 2, 2025

- The identification of high-risk cases was successfully expanded to the Large Taxpayer Office (LTO), Upper Corporate Office (UCO), Medium Corporate Office (MCO), and Regional Offices. A total of 63 high-risk cases were identified within the LTO and 376 cases in non-LTO offices. The relevant findings were shared with the respective units to support timely and targeted audit actions.
- A risk rating system for eligible exporters seeking refunds was developed and introduced, enhancing transparency and reducing potential risks of corruption in the refund process.

### D. Progress in Quarter 3, 2025

- Identified 63 risk-based audit cases for the Large Taxpayer Office (LTO) and 176 risk-based audit cases for non-LTO units, and shared them with the respective LTO and other relevant units for further action.

### E. Progress in Quarter 4, 2025

- A total of 62 risk-based audit cases were identified for the Large Taxpayer Office (LTO), along with 157 cases for non-LTO units. All identified cases were subsequently shared with the respective LTOs and other relevant units to support appropriate audit actions.

### F. Activities to be implemented in Quarter 1, 2026

- Identify at least 16 high-risk audit cases for the Large Taxpayer Office (LTO) and 33 risk-based audit cases for non-LTO offices.

- Revision of the risk rating system for eligible exporters seeking refunds, based on 2025 calendar year data, with the aim of enhancing transparency and minimizing potential corruption risks in the refund process.

### 3. Internal Affairs Unit (IAU)

#### A. Progress up to December 31, 2024

A committee was appointed to initiate the establishment of the Internal Affairs Unit (IAU), aligning with international best practices in institutional governance.

#### B. Progress in Quarter 1, 2025

##### i. Establishment of the IAU

The IAU was formally established in January 2025.

##### ii. Appointment of Key Personnel

- Head of the IAU – Provides overall leadership and strategic direction.
- Integrity Officer – Ensures compliance with ethical standards and promotes integrity.
- Other Members – Representatives from key divisions to ensure cross-functional collaboration.

##### iii. Awareness and Prevention Programs

In 2024, the IRD conducted eight training programs:

- Five full-day sessions on anti-bribery and corruption prevention strategies.
- Three targeted refresher sessions for staff.

##### iv. Participation in CIABOC Workshops:

IRD representatives actively contributed to workshops on:

- Drafting the National Anti-Corruption Plan.
- Developing a Training of Trainers (ToT) model.
- Enhancing inter-agency information exchange.
- Establishing internal integrity mechanisms within government bodies.

### C. Progress in Quarter 2, 2025

#### Strengthening Complaint Handling

To enhance accessibility, confidentiality, and transparency in complaint handling, the IAU successfully implemented the following measures:

- A secure, lockable complaint box was installed to enable confidential written submissions.
- An official email address dedicated solely to IAU communications was established.
- A standardized Complaint Register was introduced to systematically record, track, and monitor all complaints.

These initiatives have strengthened whistleblowing mechanisms by providing multiple reliable and confidential reporting channels. Additionally, the complaint box remains available on Department premises for use by both staff and the public to report suspected cases of bribery and corruption.

### D. Progress in Quarter 3, 2025

- Twenty-four (24) cases referred to the Internal Affairs Unit were investigated, and three (03) cases identified by the Internal Affairs Advisory Committee were forwarded to CIABOC for further action.
- The Corruption Risk Assessment Plan and the corresponding Action Plan were discussed with the Commissioner General of Inland Revenue (CGIR) in collaboration with UNDP.
- Three awareness programs on "The Role of the IAU and Anti-Corruption Measures" were conducted for Regional Offices.

### E. Progress in Quarter 4, 2025

- A total of ten (10) cases were received during the reporting period, all of which were referred to the Internal Affairs Advisory Committee. Of these, two (02) cases have been finalized, while additional information has been requested from relevant parties to facilitate the completion of the remaining cases.
- A Corruption Risk Assessment (CRA) Plan was developed in collaboration with UNDP. Based on the findings of the CRA, recommendations were issued to selected units, and updates on the actions taken to implement these recommendations have been requested from those units.

- Three awareness programs conducted for Regional Offices, focusing on the role of the Internal Affairs Unit (IAU) and measures to prevent and address corruption.

#### 4. Automation and Digitalization

##### A. Progress up to December 31, 2024

The IRD continued to strengthen automation processes first introduced in 2016, including the mandatory e-filing system for individuals, ensuring efficiency and reducing opportunities for corruption.

##### B. Progress in Quarter 1, 2025

Steps were taken to improve existing digital systems to ensure efficiency, reduce delays, and minimize corruption risks.

##### C. Progress in Quarter 2, 2025

###### Advancing Automation and Digitalization

- Further upgrades to automation and digitalization systems were successfully implemented, reducing manual processes, enhancing operational efficiency, and minimizing corruption risks.
- The use of technology was expanded, resulting in more transparent, efficient, and streamlined service delivery.

##### D. Progress in Quarter 3, 2025

- Completed full automation of the VAT registration process, replacing all manual application and certificate issuance steps.
- Mandatory e-filing for VAT returns was implemented with effect from July 01, 2025.

##### E. Progress in Quarter 4, 2025

- Introduced a Web API-based VAT invoicing system to minimize the issuance of forged invoices and enable real-time transmission of VAT schedule details to the Inland Revenue Department (IRD).