



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

**Implementation Progress  
as at End-March 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 31 December 2024, progress made during the first quarter 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. Activities to be Implemented in Quarter 2, 2025

Automated Risk Management System

a. Data Analytics Platform

Completion of the Data Analytics Platform development under the Automated Risk Management System, enabling advanced risk profiling, predictive analysis, and real-time monitoring.

b. Customs Document Notification System (CDNS)

A formal request to gazette the subscription fee structure and payment gateway mechanism has been initiated.

## 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. Activities to be Implemented in Quarter 2, 2025

## i. Drafting Standard Operating Procedures

The draft Standard Operating Procedure (SOP) is in its final stage and requires only minor revisions before completion.

## ii. Code of Ethics and Conduct

The Code of Ethics and Conduct will be finalized.

## iii. Attending Training Sessions/Workshops

Ongoing coordination with external agencies such as the Presidential Secretariat, UNDP, CIABOC, the World Bank, and other professional bodies focuses on enhancing training and awareness among Customs officers in areas such as ethical conduct, integrity, internal reporting procedures, and corruption risk assessments.

# 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. Activities to be Implemented in Quarter 2, 2025

### i. Paperless Processing

Sri Lanka Customs is taking a significant step in its modernization journey by introducing faceless and paperless processing of import declarations at the Long Room. A pilot phase, will be conducted in collaboration with a selected group of traders. This initiative is a key move towards aligning with international best practices in trade facilitation and anti-corruption. The pilot will feature several important components:

- Elimination of the physical submission of documents
- Use of digitally signed documents to ensure authenticity and legal validity
- Reduced face-to-face interactions between traders and Customs officers
- End-to-end traceability and improved transparency in the clearance process
- Deterrence of document tampering and unofficial interventions

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

The introduction of a CUSDEC Tracking System for real-time monitoring of the status of Customs declarations, along with the launch of a Vehicle Verification Portal to facilitate the verification of properly cleared vehicles, is currently underway. Upon successful completion of the pilot phase, full-scale implementation will proceed.

### iii. Customs Ordinance Amendment (Section 47)

An amendment to Section 47 of the Customs Ordinance has been proposed. Once enacted, it will support pre-arrival processing, enabling 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 Sri Lanka Excise Department 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 following Integrity Officer 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.

Mr. Tissa Kumara Rajapaksha – Deputy Commissioner of Excise (Law Enforcement)

##### 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. Activities to be Implemented in Quarter 2, 2025

### Awareness and Prevention Programs

The following awareness and prevention programs are to be conducted in the second quarter of 2025:

- Conducting a 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.
- Issuing a circular to inform all departmental staff

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

## 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 the 09.07.2024 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. Key Tasks and Activities to be Implemented in Quarter 2, 2025

- A training program on the Right to Information Act.
- An awareness program on the Excise Ordinance and the Companies Act.

### 3. Risk Management Unit (RMU)

The Risk Management Unit was formally established on 22.05.2024, 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 03.07.2024.
- Conducted a special inspection and an in-place audit at Manori Lanka Bottling Toddy Manufactory, Madampella on 03.09.2024.
- Conducted a special inspection and an in-place audit at Hingurana Distillery and Hingurana Bottling Manufactory, Thiththapaththara on 05.11.2024
- Conducted an inspection at Premasiri Wine Stores (FL04) Colombo, and found bottles with sticker-related violations on 18.11.2024.

##### 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 20.05.2024 to 27.08.2024. (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 23.01.2025.

### C. Key Tasks and Activities to be Implemented in Quarter 2, 2025

- Conduct capacity-building, awareness and training programs for Excise Officers
- Conduct awareness programs for stakeholders to ensure proper compliance with Excise Laws and Regulations
- Strengthening Internal Control & Improve Operational Efficiency
  - Establish active structural bodies/forums
  - Establish a disciplinary action committee to address fraud and evasion.
  - Establish and implement a technical advancement and support committee to ensure the quality in operations.
  - Establish and implement a robust internal control mechanism
  - Conduct regular follow-ups

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

The Financial Investigation Unit (FIU) was established on the 20.03.2025 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. Key Tasks and Activities to be Implemented in Quarter 2, 2025

- Organize AML/CFT training sessions.
- Develop a strategic plan to identify predicate offences and incorporate AML/CFT measures.
- Prepare for Phase 2 Mock Mutual Evaluation
- Develop a handbook for investigators and prosecutors on pursuing financial crimes and tax evasion, and on referring ML cases.
- Adopt a formal policy to facilitate joint and parallel financial investigations.
- Compile and maintain statistics relevant to investigations and prosecutions.
- Establish internal indicators and thresholds
- Sign of Memorandums of Understanding (MoUs) with relevant stakeholders.

### 5. Automation

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

- The EDSL has commenced 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. Key Tasks and Activities to be Implemented in Quarter 2, 2025

- Complete the deployment of the revised Security Features Management System to ensure 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.

## 6. Conclusion

The Excise Department of Sri Lanka (EDSL) has taken significant steps to strengthen integrity, transparency, and accountability within its operations. Dedicated units have been established and empowered to monitor activities, investigate irregularities, and enforce compliance with excise laws, while ensuring that their findings and reports are published on the Department's official website to promote public trust. These reforms, together with institutional restructuring, strategic partnerships, capacity-building initiatives, and adherence to international best practices, demonstrate the Department's strong and proactive commitment to curbing bribery and corruption. Going forward, continued monitoring, active staff engagement, and close collaboration with oversight bodies such as CIABOC will remain essential in sustaining and further enhancing these achievements in the years ahead.

## 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. Activities to be Implemented in Quarter 2, 2025

##### Reinforcement of Code of Conduct

- Conduct awareness sessions and staff briefings across all offices and divisions to reinforce the principles outlined in the Code of Conduct.
- Ensure all staff have a clear and consistent understanding of ethical standards and their responsibilities.

### 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. Activities to be Implemented in Quarter 2, 2025

- Expand the identification of high-risk cases to the Large Taxpayer Office (LTO), Upper Corporate Office (UCO), Medium Corporate Office (MCO),



and Regional Offices. Findings will be shared with the respective units for timely audit action.

- Develop and introduce a risk rating system for exporters eligible for refunds, aimed at enhancing transparency and reducing potential risks of corruption in refund processing.

### 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. Activities to be Implemented in Quarter 2, 2025

#### Strengthening Communication Channels

To improve accessibility, confidentiality, and transparency in handling complaints, the IAU will:

- Install a secure, lockable complaint box to facilitate confidential written submissions.
- Establish an official email address dedicated exclusively to IAU communications.
- Introduce a standardized Complaint Register to record, track, and monitor all complaints systematically.

These measures are designed to encourage whistleblowing and provide multiple reliable avenues for stakeholders to report concerns, while ensuring confidentiality and integrity. In addition, a complaint box will remain available on the Department premises for both staff and the public to report instances or suspicions of bribery and 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. Activities to be Implemented in Quarter 2, 2025

- Implement further upgrades to automation and digitalization systems to reduce manual processes, strengthen efficiency, and minimize corruption risks.
- Expand the use of technology to ensure more transparent and streamlined service delivery.