

NOTICE TO THE PUBLIC



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CENTRAL BANK OF SRI LANKA

AN UPDATE ON THE PROGRESS OF IMPLEMENTATION OF THE RECOMMENDATIONS OF THE PRESIDENTIAL COMMISSION OF INQUIRY TO INVESTIGATE, INQUIRE AND REPORT ON THE ISSUANCE OF TREASURY BONDS (COI) DURING THE PERIOD FROM 1 FEB 2015 TO 31 MARCH 2016

The Central Bank wishes to inform the public that numerous measures have been initiated and many have already been implemented to strengthen transparency and accountability in several areas of operations of the Central Bank in line with the recommendations of the COI.

In relation to the legal framework within which the Central Bank operates, measures are under way to strengthen several laws applicable to the Central Bank. Currently, amendments are being formulated with respect to the Monetary Law Act and the Registered Stocks and Securities Ordinance.

Operations relating to issuance of Government securities were strengthened by introducing a new auction system for Treasury bonds. A similar system is being formulated for Treasury bills as well. Pre-bid meetings are held regularly, the auction calendar is announced in advance and a policy of accepting no more than the total offered amount has been adopted. Internal controls in relation to the issuance process have been strengthened and the operational manual has been updated.

The fund management functions of the Employees' Provident Fund were strengthened by introducing a new robust Investment Policy Statement and

an Investment Guideline. An updated operational manual is now in place with enhanced internal controls to mitigate risks and improve transparency and accountability.

The legal function was strengthened with increased resources and the internal audit function has widened its coverage and depth in terms of related risk exposures. A Whistleblowing Policy for employees and Codes of Conduct for all employees and Monetary Board Members have been introduced.

In addition to the above, several internal disciplinary proceedings are underway and civil recovery action has been filed to recover unlawful gains made by a Primary Dealer at the expense of the Central Bank and the Employees' Provident Fund.

On a complaint made by the Central Bank in November 2016 to the Inspector General of Police, criminal action has been initiated by the law enforcement authorities.

The time line of the procurement process initiated for the six Forensic Audits which is nearing completion now, entailed the following:

Time line of key measures taken by the Central Bank	Date/Period
Receipt of the Report of the Presidential Commission of Inquiry to investigate, Inquire and Report on the Issuance of Treasury bonds during the period from 1st February 2015 to 31st March 2016 (COI) from Secretary to the President Consequently, recommendations relevant to the Central Bank and action to be taken to implement these recommendations were identified.	10.01.2018
The Monetary Board (MB) of the Central Bank of Sri Lanka decided to procure services of firms with a global practice and international experience to conduct forensic audits.	24.01.2018
Initial measures taken: 1. Scope of the forensic audits were largely identified in the following areas: a. Issuance of Treasury bonds by the Public Debt Department b. Investments by Employees' Provident Fund in Treasury bonds, listed and unlisted equities c. Examination on conduct of supervisory and regulatory role pertaining to selected Primary Dealers d. Operations of selected entities regulated and supervised by the Central Bank 2. Areas of investigation pertaining to the aforesaid broad areas were categorized and developed into 6 forensic audits. The Terms of References (ToRs) for the said 6 Forensic Audits were prepared in consultation with Hon. Attorney General. Several rounds of discussions and consultations with officials of the Attorney General's Department were held to finalize the scope of each TOR. 3. Assistance was obtained from Hon. Auditor General to determine the procedure to be followed for the procurements. It was advised by the Hon. Auditor General that Government Procurement Guidelines issued by the National Procurement Agency of Sri Lanka for selection of consultants should be followed. Accordingly, nationally accepted procedures were followed adhering with minimum time requirements specified therein. 4. In view of the extensive ToRs of the five forensic audits (FA1—5) focusing on operations of several departments of the Central Bank and the cost estimations for obtaining services of Audit Firms with a global practice and international experience in forensic auditing, it was decided to conduct the procurement through a Cabinet Appointed Consultants Procurement Committee (CPC).	From 25.01.2018 to 30.05.2018
The Monetary Board appointed a Tender Board and a Technical Evaluation Committee comprising of senior officers of CBSL for the procurement relating to the sixth forensic audit (FA6) which focuses on operations of selected entities regulated and supervised by the Central Bank.	23.05.2018
The procurement relating to FA1 – 5 was submitted to the Cabinet of Ministers for approval and the approval was received therefor.	30.05.2018
Receipt of a nomination from the Hon. Auditor General of an Observer to sit in the CPC.	07.06.2018
A CPC headed by a Deputy Secretary to the Treasury was appointed.	14.06.2018
Members of the CPC appointed by Director General of Public Finance Department of the Ministry of Finance.	14.06.2018
First meetings held • CPC -for FA 1-5 • CBSL TB - for FA 6	20.06.2018 02.07.2018
Published advertisements in local newspapers, international print media and websites of the Central Bank, Ministry of Finance, and Ministry of Foreign Affairs. Further a Press Notification was sent to Sri Lankan Diplomatic Missions abroad starting: • CPC -for FA 1-5 • CBSL TB - for FA 6	24.06.2018 15.07.2018
Invitations for Expression of Interest (EOIs) sent to respondents to the advertisements and given 30 days to respond . Deadline for submission of EOIs from respondents to the advertisements; • CPC -for FA 1-5 • CBSL TB - for FA 6	25.07.2018 16.08.2018
Finalize Shortlisting of firms which submitted EOIs • CPC -for FA 1-5 • CBSL TB - for FA 6	24.08.2018 24.08.2018
Non-Disclosure Agreements (NDAs) sent to all the shortlisted parties • CPC -for FA 1-5 • CBSL TB - for FA 6	30.08.2018 04.09.2018
Issue of Request for Proposals (RFPs) upon entering into NDAs • CPC -for FA 1-5 • CBSL TB - for FA 6	21.09.2018 12.10.2018
Conduct of Pre-proposal conferences for • CPC -for FA 1-5 • CBSL TB - for FA 6	09.10.2018 09.11.2018
Receipt of Proposals (Minimum period of six weeks given for submission of proposals). • CPC -for FA 1-5 • CBSL TB - for FA 6	02.11.2018 30.11.2018
Opening of financial proposals for FA 1-5	11.01.2019
Opening of financial proposals for FA 6	scheduled for 3rd week of Jan 2019

Steps to be followed in the future with respect to the Procurement process for forensic audits:

As per the Government Procurement Guidelines, financial bids will be opened upon giving notice of 10 days to bidders who have scored above the minimum technical score. Thereafter, having obtained the necessary approvals of the Cabinet of Ministers for the selected audit firms for FA1 – 5 and of the Monetary Board for FA6, and taking such other steps as laid down in the Government Procurement Guidelines, it is expected that the contracts to carry out the said forensic audits/investigations/examinations would be awarded in February 2019. The duration of these audits have been specified to be in a range of three to nine months, depending on the work involved in each TOR.

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