

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Central Bank of Sri Lanka (the “Bank”), which comprise the statement of financial position as at 31 December 2024, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Section 13(1) of the Finance Act, No. 38 of 1971 and Section 101 of the Central Bank of Sri Lanka Act No.16 of 2023. My comments and observations which I consider should be report to Parliament appear in this report. To carry out this audit, I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

1.2 Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Audit Scope section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Governing Board and Those Charged with Governance for the Financial Statements

Governing Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as Governing Board determines 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, Governing Board is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain

proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Bank.

1.4 Audit Scope

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

As part of an audit in accordance with International Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Governing Board.
- Conclude on the appropriateness of Governing Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Bank, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Bank has complied with applicable written law, or other general or special directions issued by the governing body of the Bank;
- Whether the Bank has performed according to its powers, functions and duties; and
- Whether the resources of the Bank had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Cash Management

Audit Issue	Management Comment	Recommendation
According to the Press Release issued by the Bank on 20 April 2023, a shortage of a cash bundle worth Rs. 5 million (Rs 5,000 denomination) had been discovered in a Vault of the Central Bank during the currency operations on 11 April 2023. An internal probe into the matter was commenced immediately, and a complaint had also been lodged at the Fort Police Station. However, no any party had still been detected as being responsible for this Shortage of a Cash Bundle.	An internal investigation has been concluded, and most of the recommendations have been implemented. As per the internal investigation, CBSL was not in a position to identify a person responsible for the shortage. Further, two separate investigations are being conducted by CIABOC and CID.	The implementation of the remaining recommendations be expedited, and necessary action taken to identify and hold the responsible person(s) accountable.

1.6 IT General Controls

Audit Issue	Management Comment	Recommendation
(a) Outdated Information Security Policy (Version 5.0) The Central Bank of Sri Lanka is operating under Information Security Policy Version 5.0, which was last reviewed as far back as February 2022. The current policy does not adequately address several critical areas, including:	The updated Information Security Policy (Version 6) was presented to the Information Technology Oversight Committee on 1 October 2025 and will take effect upon approval by the Governing Board. During the period from 2022 to date, CBSL has strengthened its cyber security posture	The Information Security Policy be updated and approved without further delay, ensuring that all critical areas related to privileged access, user account management, and vendor risk are adequately

(i) procedures for monitoring privileged user accounts, (ii) guidelines for user account creation and deactivation, and (iii) management of vendor-related risks. The absence of these provisions increases the risk of unauthorized access, fraud, data breaches, compliance violations, and disruption of critical business processes. Moreover, without an updated policy framework, stakeholders may lack proper guidance and accountability, potentially compromising the confidentiality, integrity, and availability of financial data and business applications.

by recruiting a Chief Information Security Officer (CISO), preparing a Cyber security Governance Framework, implementing a Privilege Access Monitoring System, and initiating the procurement of a Security Incident Event Management System. In addition, recommendations from the SWIFT CSP advisory assessment conducted by TechCERT have been implemented, a simulated cyber incident response drill was carried out by TechCERT, a dedicated email address for reporting spam and phishing incidents has been established, and regular monitoring of perimeter security analysis tools has been commenced with prompt mitigation of identified security events.

addressed.

(b) Absence of a mechanism to prevent data leakage

It was observed that the Bank does not have a real-time monitoring mechanism to manage and protect sensitive information transmitted both internally and externally. In the absence of such a mechanism, the Bank is exposed to the risk of both intentional and unintentional data leakage, which could result in confidential information being transmitted to unauthorized parties. This weakness increases the risk of data breaches, regulatory non-compliance, reputational damage, and loss of stakeholder confidence, as sensitive business information and personal data may not be adequately safeguarded.

CBSL has initiated the implementation of Data Leakage Protection (DLP) measures by enabling information classification through Microsoft Purview for digital content and rights management at endpoints. Web and Application Control Policies have been established at firewalls to restrict content sharing via public platforms, while file transfer protocols are limited to authorized servers. Network segmentation and zoning are being implemented to limit internal data exposure and lateral movement. Additionally, supporting systems and infrastructure are being implemented, with the procurement of a SIEM solution with 24x7 SOC services underway to enhance continuous monitoring, threat detection, and analysis of DLP events.

A comprehensive Data Leakage Protection (DLP) solution with a real-time monitoring mechanism be fully implemented and integrated to ensure effective detection and prevention of unauthorized data transmission.

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| <p>(c) Although the Bank has established a disaster recovery (DR) site for the AS400 – Pension, eHRNet, and LGS systems and system replication is in place, these systems have not been included in DR drills. The absence of periodic testing limits the assurance that the DR arrangements would function effectively in the event of a disruption, thereby posing a risk to the continuity and timely restoration of critical operations.</p> | <p>The Bank has a disaster recovery (DR) site in place for the AS400 – Pension, eHRNet and LGS systems and are replicated to DR site since 2013.</p> | <p>Periodic disaster recovery (DR) drills be conducted for the AS400 – Pension, eHRNet, and LGS systems to ensure the effectiveness of the DR arrangements and the continuity of critical operations during disruptions.</p> |
| <p>(d) Absence of user access reviews, system generated change logs and Privileged User Account Monitoring function for iGLAS, SimCorp, NRMS, RTGS, CIMM, CMS, CMS EDI, OEBS, AS400 - Pension, eHRNet, LSS, FLMS, LGS and OMO SYS systems</p> <p>The Bank has not implemented key IT general controls over critical systems including iGLAS, SimCorp, NRMS, RTGS, CIMM, CMS, CMS EDI, OEBS, AS400 – Pension, eHRNet, LSS, FLMS, LGS and OMO SYS. Specifically, (i) periodic user access reviews have not been carried out to ensure that access rights are granted strictly on a “need-to-know” and “need-to-do” basis, (ii) system-generated change logs are not maintained to track and evidence all modifications made within these systems, and (iii) privileged user account monitoring functions at application, database and operating system levels have not been established. The absence of these critical controls increases the risk of unauthorized access, undetected system changes, misuse of privileged rights, and potential data manipulation without accountability, thereby exposing the Bank to significant operational, financial and reputational risks.</p> | <p>Periodic user access reviews will be carried out by CBSL starting from Q1, 2026. The new recruits (already completed the selection process) will be assigned for this task in addition to their other duties.</p> <p>Despite the absence of system generated change logs, to mitigate the risk the Bank followed proper Change Request procedure using standardized manual forms with signatures for critical systems including iGLAS, SimCorp, NRMS, RTGS, CIMM, CMS, CMS EDI, OEBS, AS400 – Pension, eHRNet, LSS, FLMS, LGS and OMO SYS.</p> <p>Privileged Access Monitoring (PAM) system will be implemented during this quarter.</p> | <p>Periodic user access reviews, system-generated change logs, and privileged user account monitoring be fully implemented and regularly maintained to ensure effective control over system access, changes, and privileged activities.</p> |

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| <p>(e) Absence of Database and Operating System level audit logs for Lanka Secure System</p> <p>Database and operating system level audit logs have not been enabled in the Lanka Secure System. In the absence of such logs, management is unable to track and attribute activities performed by specific user accounts, increasing the risk of unauthorized or suspicious actions going undetected. Audit logs at both database and operating system levels are a critical detective control to monitor user activities and support accountability within the IT environment. It is therefore essential to enable and regularly review these logs to strengthen the control environment and ensure effective monitoring of system access and usage.</p> | <p>Feasibility of enabling these database and operating system level audit logs will be assessed when the new servers get delivered and set up in Q4, 2025.</p> | <p>Database and operating system level audit logs should be enabled and regularly reviewed to ensure effective monitoring and accountability of user activities.</p> |
| <p>(f) Availability of Generic User Accounts – OMO system and OEBS</p> <p>Active generic user accounts exist in the OMO system and OEBS systems. These accounts are not linked to specific employee numbers and are maintained under generic names, thereby lacking proper ownership and accountability. The availability of such accounts increases the risk of unauthorized or inappropriate transactions being executed without the ability to trace them to an identified user. This situation weakens accountability, impairs audit trails, and exposes the Bank to potential misuse of system access. It is therefore important that management promptly reviews and deactivates generic user accounts, ensuring all system access are assigned to identifiable individuals with appropriate authorization.</p> | <p>A new OMO System will be introduced in Q1, 2026 which will address this observation. User access review will be completed during the end of 2025.</p> | <p>All generic user accounts in the OMO system and OEBS systems be reviewed and deactivated, ensuring that system access is assigned only to identifiable individuals with appropriate authorization.</p> |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to profit of Rs. 274.8 billion and the corresponding loss in the preceding year amounted to Rs. 114.4 billion. Therefore an improvement amounting to Rs. 389.2 billion of the financial result was observed. The reason for the improvement is a day one loss of Rs. 766.4 billion relating to Domestic Debt Optimization (DDO) was charged against the income during 2023. Further, during 2024 higher interest income was recorded from foreign currency financial assets.

2.2 Trend Analysis

(a) Trend Analysis of major Income and Expenditure items

Analysis of major income items and major expenditure items of the Bank during the year under review, as compared with the preceding year are shown below.

	2024	2023	Variance [Favorable/(Adverse)]	
	Rs. Bn.	Rs. Bn.	Rs. Bn.	percentage
Income from Foreign Currency Financial Assets	110.5	86.2	24.3	28.2
Interest Income	45.9	18.0	27.9	155
Gain/(Loss) from Unrealized Price Revaluations	36.2	29.2	7	24
Gain/(Loss) from Realized Price Changes	28.4	39.0	(10.6)	(27.2)
Expenses on Foreign Currency Financial Liabilities	83.1	142.6	(59.5)	(41.7)
Interest Expense	81.4	142.5	(61.1)	(42.9)
Net Foreign Exchange Revaluation Gain/ (Loss)	41.4	140.1	(98.7)	(70.4)
Total Net Income from Local Currency Financial Assets	227.4	(186.4)	413.8	222
Other Income	1.5	1.6	(0.1)	(6.2)
Other Expense	0.4	3.5	(3.1)	(88.6)
Operating Expenses	22.5	9.8	12.7	129.6
Tax	-	-	-	-
Profit/(Loss) for the year	274.8	(114.4)	389.2	340.2

- (b) The distributable Loss for the year under review as determined in terms of Section 95 of the Central Bank of Sri Lanka Act was Rs.50.63 billion as compared with the distributable loss of Rs. 313.74 billion in the preceding year. Due to the no profit available for distribution in 2024, no transfers are made to the

reserves, no recovery of government obligations of Rs.15.82 billion and no transfer to the Consolidated Fund.

(c) Trend Analysis of Balance Sheet items of the Bank

- (i) According to the Bank's annual financial statements, the holding of treasury bills decreased from Rs. 208 billion (book value) as at the end of 2023 to zero by the end of 2024. However, the Bank's holding of treasury bonds decreased from Rs. 1,836 billion (book value) as at the end of 2023 to Rs. 1,748.8 billion (book value) as at the end of 2024. As part of the Domestic Debt Optimization (DDO) initiative, on 21 September 2023 the Bank restructured its provisional advances to the Government of Sri Lanka and treasury bills previously purchased from the Government amounting to Rs. 345 billion and Rs. 2,368 billion respectively by converting them into new treasury bonds and bills with a step-down coupon interest profile. Under this arrangement, the treasury bills acquired by the Bank under the DDO had maturity dates ranging from February 2024 to September 2024, while the treasury bonds issued carried step coupon rates of 12.4 percent until end of 2024, 7.5 percent until end of 2026, and 5.0 percent from 2027 until maturity. The restructuring resulted in a "day-one" loss of Rs. 766.4 billion in year 2023, as the transaction price differed from the fair value of the new instruments.
- (ii) According to the annual financial statements of the Bank, the value of foreign assets of the Bank had increased by Rs.294.8 billion or 17.3 per cent to Rs. 1,998.4 billion at the end of year 2024 from Rs. 1,703.6 billion at the end of year 2023. According to the Weekly Economic Indicators published by the Bank, the net foreign assets of the Bank had started to record a negative balance of Rs. 83.9 billion in August 2021. This negative balance had increased to Rs. 1,613.9 billion at the end of December 2022. However, it had decreased to Rs.837.3 billion at the end of December 2023 and this negative balance had increased to Rs. 222 billion at the end of December 2024. This further increased to Rs.441.4 billion in July 2025.

3. Observations on operational matters

3.1 Operational Matters

Audit Issue	Management Comment	Recommendation
(a) Regulation and supervision of Companies that are registered to engage in finance leasing business - The Central Bank of Sri Lanka (CBSL) had agreed in 2020 to issue specific directions on the minimum requirements of operational manuals, minimum standards on disclosure of information about leasing products, credit appraisal criteria and valuation, general conditions, penal charges, rescheduling the facility, termination and early settlement charges, and recovery of possession relating to the leasing business. The Department of Supervision of Non-Bank Financial Institutions has drafted a direction covering the aforementioned aspects. However, CBSL has decided not	Following the establishment of the Financial Consumer Relations Department, the Financial Consumer Protection Regulation No. 01 of 2023 was issued to enhance the consumer protection framework. The regulations cover disclosure requirements for financial products and services, debt recovery practices, complaint-handling mechanisms, and	The specific directions on operational manuals, disclosure requirements, credit appraisal, valuation, general conditions, and recovery procedures for finance leasing companies be finalized and

to issue such directions, and expected to incorporate proposed directions to the Finance Leasing Act, No. 56 of 2000 except for penal charges and early settlement charges. Accordingly, it was observed that, even after a lapse of five years, the directions had neither been issued nor incorporated through amendments to the Finance Leasing Act, No. 56 of 2000.

other good practices to ensure fair and transparent engagement with financial services. Additionally, aspects outlined in the proposed Direction on Finance Leasing Operations are to be considered, where necessary, in the draft amendments to the Finance Leasing Act, No. 56 of 2000.

incorporated into the Finance Leasing Act, No. 56 of 2000, to strengthen regulatory oversight and consumer protection.

(b) Amendments made to the Finance Leasing Act No. 56 of 2000 (FLA) -

As per the responses given to the Reports of the Auditor General for the year 2020, it was stated that Department established a technical and steering committee for drafting of the amendment of Finance Leasing Act and submitted for stakeholder observations. Proposals were received from The Finance Houses Association (FHA) and Leasing Association of Sri Lanka (LASL) and CBSL will examine provisions and will do the amendments, if necessary.

Further, as per the Press Release dated 05 May 2024 published by the Department of Supervision of Non-bank Financial Institutions, having recognized the need for strengthening the protection of finance leasing customers and updating the finance leasing act to be in line with industry developments, Central Bank of Sri Lanka had initiated the amending the FLA. To have a wider stakeholder consultation, the CBSL invited general public to submit observations/suggestions/ comments on the draft amendments on or before 31 May 2024. However, enactments of those amendments had not been taken place up to 31 August 2025.

At present, the Department is prioritizing the amendments to Finance Business Act, No.42 of 2011 (FBA), which is one of the requirements under Memorandum of Economic and Financial Policies of International Monetary Fund programme. The amendments to FBA are expected to be finalized by the end of the first quarter of 2026. CBSL is taking all possible steps to expedite the work and finalize the amendments to FLA within the first half of 2026.

The amendments to the Finance Leasing Act, No. 56 of 2000, be expedited and enacted promptly to ensure timely alignment with industry developments and enhanced protection of finance leasing customers.

(c) Achievement of Inflation Target by the Bank -

According to the Section 26 (1) of the Central Bank of Sri Lanka Act No. 16 of 2023, the Minister and the Bank shall sign a monetary policy agreement with regard to setting out the inflation target to be achieved by the Bank. The Minister of Finance and Governor of the Bank had entered into a monetary policy framework agreement on 03 October 2023 (as published in the Extraordinary Gazette No. 2352/20 dated 05.10.2023) and accordingly, the Bank shall aim to maintain quarterly headline inflation rate at

As inflation remained more than 2 percentage points below the 5 per cent target for consecutive quarters, the Monetary Policy Board submitted reports to Parliament through the Minister of Finance in accordance with Section 26(5) of the Central Bank of Sri Lanka Act, No. 16 of 2023.

Compliance with the agreed inflation target is continuously monitored, and timely corrective measures be implemented and reported to Parliament to ensure adherence to the

the target of 5 per cent under the agreed monetary policy framework agreement. Further, for the purpose of Section 26(5) of the above Act, the margin is + (-) 2 percentage points. Accordingly, simple average of the year-on-year percentage changes in the monthly Colombo Consumer Price Index (CCPI) for the three months of the corresponding quarter published by the Department of Census and Statistics for the last four quarters of 2024 and the first two quarters of 2025 are, 4.4 per cent, 1.37 per cent, 0.8 per cent, -1.53 per cent -3.60 per cent, and -1.10 per cent respectively.

As inflation remained below the 5 per cent target by more than 2 percentage points for two consecutive quarters, breaches of the inflation target were observed from the third quarter of 2024 onwards.

Reports covering Q2–Q3 2024, Q3–Q4 2024, and Q4 - 2024, Q1 - 2025 were submitted to the Minister, presented to Parliament, and are publicly available on the Central Bank website. These reports outlined the reasons for the inflation breach, proposed remedial actions, and the estimated timeframe to achieve the target. A follow-up report for Q1–Q2 2025 was submitted to the Minister, approved by the Cabinet, and is pending submission to Parliament, while updates on the published reports were provided to the Committee on Public Finance in January and June 2025. Since inflation remained below target in Q3 2025 (0.8 per cent), a report for Q2–Q3 2025 will be submitted to Parliament in due course.

monetary policy framework.

- (d) **Progress on Action against persons carrying on Finance Business or accepting deposits without authority** - In terms of the Section 42 of the Finance Business Act, No.42 of 2011 (FBA), for the purpose of ascertaining whether any person has carried on or is carrying on finance business or has accepted or is accepting deposits from the public in contravention of the provisions of Section 2 of the FBA, the Director of the Department of Supervision of Non-Bank Financial Institutions of the Bank or any officer of the Bank authorized on that behalf by the Director may conduct an investigation and for that purpose may do actions as stated in the FBA. According to the information made available, the progress on conducting investigations on complaints received during the years 2024 and up to 30 June 2025 are as follows.

Investigations conducted by the relevant department under the Finance Business Act (FBA) face significant delays due to difficulties in obtaining information from the parties under investigation, their customers, and other related entities, as well as the need to coordinate with law enforcement authorities. These delays impede timely completion of investigations as required under FBA provisions. To address these challenges and expedite investigation procedures under Section 42 of the FBA, the department has

Investigation procedures under Section 42 of the Finance Business Act be expedited and necessary resources allocated to reduce the backlog of pending investigations and ensure timely completion.

Descriptions	2024	2025 (up to 30.06.2025)	proposed several amendments, which are planned to be submitted to the Governing Board in October 2025 prior to issuing the related Consultation Paper.
Total number of complaints received	166	133	
Number of complaints relating to unauthorized finance business/Deposit taking	15	08	
Number of investigations initiated on complaints received on unauthorized finance business/Deposit taking	15	08	
Number of Investigations completed (This includes investigations which have been initiated since 2020)	10	09	
Total number of pending investigations (This includes determined investigations since 2020)	123	121	

According to the above table, it was observed that considerable numbers of investigations are pending as at 30 June 2025.

- (e) **The progress of complaints and grievances handled by the Financial Consumer Relations Department –**
- The Financial Consumer Relations Department (FCRD) was established under the provisions of Section 33 of the Monetary Law Act, No. 58 of 1949, as amended. The FCRD serves as the single point of contact for receiving and disseminating all external complaints lodged by financial consumers against entities regulated by the Central Bank of Sri Lanka (CBSL), including Licensed Commercial Banks, Licensed Specialized Banks, Licensed Finance Companies, Specialized Leasing Companies, Authorized Primary Dealers, Participants of Payment and Settlement Systems (other than financial institutions), and certain non-bank payment service providers such as Global Payments Asia-Pacific Lanka (Private) Limited, Dialog Axiata PLC, and Mobitel (Pvt) Ltd. The FCRD is
- Due to the volume of complaints, their complexity, time taken by the financial institutions to provide responses, information and documents and the need for affording reasonable hearing to concerned parties, it is necessary to take adequate time to conclude complaints. However, in order to improve the efficiency of handling complaints, the Bank has planned to apply technology driven solutions.
- The complaint handling process be expedited and technology-driven solutions be implemented to increase the timely resolution of addressable complaints by the Financial Consumer Relations Department.

tasked with supervising standards of market conduct, reviewing financial consumer protection policies in line with local and international developments and best practices, taking proactive and reactive measures against malpractices and misconduct, and identifying and monitoring emerging vulnerabilities in financial consumer protection matters.

The progress of complaints and grievances handled by the Financial Consumer Relations Department for the period from January 2024 to June 2025 is summarized below.

2024 and up to June 2025					
Year	No of compl aints receiv ed	Addres sable compla ints	Concl uded compl aints	Not concl uded	Conclu ded compla ints as a % of addres sable compla ints
01.01.2024-31.12.2024	3,374	2,909	1,991	918	68
01.01.2025-30.06.2025	2,363	2,017	509	1,508	25
	5,737	4,926	2,500	2,426	51

Out of a total of 4,926 addressable complaints received during the period under review, 2,426 complaints (49 percent) remained unresolved as at 30 June 2025.

3.2 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
In terms of the Section 59 of the FBA, there shall be a fund called Enhancing Public Awareness on Financial Matters Fund. Further, all	CBSL is continuously engaged in conducting awareness programs. These awareness programs are conducted at national and regional levels through	The balance of the 'Enhancing Public Awareness on Financial Matters Fund' be

finances received under the FBA shall be credited to the Fund and the money lying to the credit of such Fund may be utilized for the purposes and in a manner as may be determined by the Governing Board of the Bank from time to time. The balance lying to the credit of the above Fund as at 31 December 2024 was Rs. 2,795,599 and it had not been utilized during the year 2022, 2023, 2024 and till June 2025.	TV/radio programs, social media and workshops, utilizing the funds of the Central Bank. However, the balance lying in this fund will be utilized to organize comprehensive public awareness campaigns in future.	utilized promptly for customer awareness programs, subject to approval by the Governing Board, to ensure effective use of the Fund.
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3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
(a) The Central Bank of Sri Lanka (CBSL) does not have a dedicated Procurement Management Division to oversee and coordinate procurement activities. Section 2.3 of the New National Procurement Guidelines, 2024, mandates that all government institutions must establish a dedicated division or unit responsible for coordinating and monitoring procurement activities. The absence of such a division at CBSL indicates non-compliance with the requirements of the 2024 guidelines and may hinder the effective management and supervision of procurement activities.	CBSL has taken several steps in consultation with the National Procurement Commission to ensure compliance with provisions of the National Procurement Guidelines. CBSL is in the process of establishing a dedicated PMD by 31.12.2025.	Necessary actions should be taken to establish a dedicated Procurement Management Division to ensure compliance with the New National Procurement Guidelines, 2024, and effective coordination of procurement activities.
(b) The procurements of CBSL for the year 2025 were not planned in accordance with Section 4.1 of the New National Procurement Guidelines, 2024, and the relevant procurement plans had not been prepared and approved.	CBSL conducted procurements in a decentralized way through several departments of the bank. Hence, there is no centralized department or single procurement plan with time schedule. However, in line with the	Necessary actions be taken to plan procurement activities in accordance with Section 4.1 of the New National Procurement Guidelines, 2024.

requirement in Procurement Guidelines - 2024, CBSL is in the process of establishing Centralized Procurement Department and actions will be taken to prepare Procurement Plan for the CBSL.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
(a) Although 779 Key Performance Indicators (KPIs) from departmental action plans had been established, only 609 KPIs (78 percent) were achieved. It was observed that certain KPIs, linked to strategic objectives, had not been achieved within the planned period. The non-achievement of KPIs may be considered indicative of delays in implementation or resource constraints. Such deficiencies could have affected the overall effectiveness of the Action Plan and the attainment of strategic goals.	In 2024, CBSL considered 779 KPIs across all departmental action plans (DAPs), of which 10 were excluded due to specific circumstances. While certain KPIs were not fully achieved, CBSL successfully completed all mission-critical activities except the inflation targets. Non-achievement of KPIs was primarily due to external factors beyond CBSL's control and urgent requirements that redirected resources from planned activities. The Policy Review and Monitoring Department (PRMD) tracks progress, identifies causes of delays, reports them to management, and ensures that delayed actions are monitored in subsequent quarterly reviews until completion.	Actions be taken to address the non-achievement of KPIs by allocating adequate resources and mitigating external constraints to ensure timely completion of departmental action plans and strategic objectives.
(b) The following observations were made regarding the progress of the implementation of the departmental action plans for the year 2024. The non-achievement of several planned activities and Key Performance Indicators (KPIs) has resulted in potential		

consequences, including hindering operational efficiency, limiting the effectiveness of internal controls, delaying technological enhancements, and constraining the achievement of strategic objectives and expected improvements across various departments.

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| <p>(i) The planned action of introducing a tracking system for processed serviceable currency bundles, undertaken with the objective of strengthening internal controls to mitigate operational risks faced by the Currency Redemption and Distribution (CRD) unit, had not been completed during the year under review, which may have limited the effectiveness of internal controls and the ability to monitor and manage operational risks.</p> | <p>CBSL has successfully implemented a tracking system for all serviceable currency bundles using a barcode mechanism, which significantly enhances the accuracy and efficiency of bundle identification and monitoring. At present, this system is managed through an Excel-based platform, serving as a centralized record that captures bundle details, barcode data, and movement history. Recognizing the potential for greater operational efficiency and reduced manual workload, the bank is now exploring the automation of this barcode tracking process with internal technical assistance.</p> | <p>The barcode tracking system for processed serviceable currency bundles be fully automated with necessary technical support to strengthen internal controls and enhance monitoring of operational risks.</p> |
| <p>(ii) The planned activities of (i) achieving the Performance-Based Components (PBCs) of the Financial Sector Safety Net Project (FSSNP) while enhancing public awareness on the functions of the Department, with the Key Performance Indicator (KPI) of measuring and enhancing public awareness on financial sector safety net measures, and (ii) enhancing the effectiveness of supervision through technological advancements by developing a</p> | <p>The Financial Sector Safety Net Strengthening Project (FSSNP), effective from 3 April 2024, includes a PBC to measure and enhance public awareness of deposit insurance. The Public Awareness Survey Firm is conducting the field survey in line with the revised WB timeline of December 2025. The delay in initiating the survey occurred due to the extended review process and the need to ensure data accuracy. Meanwhile, the procurement of the</p> | <p>Necessary measures should be taken to expedite the completion of the planned activities under the FSSNP and the full implementation of the DWDCS to ensure timely achievement of intended objectives.</p> |

Depositor Wise Data Collection System (DWDCS) under a Unique Identification Number (UIN), with the KPI of implementing the DWDCS as a preliminary step towards introducing a SupTech solution to the supervisory process, had not been completed during the year under review. Consequently, improvements in public awareness and technological advancement in supervision may have been limited.	Public Awareness Strategy Consultant, re-advertised on 30 September 2025, is in progress. Both activities are prerequisites for implementing public awareness campaigns to fulfill the PBC. Test runs of the Depositor Wise Data Collection System (DWDCS) were completed for all 32 Licensed Finance Companies by end-Q2 2024 and subsequently extended to Licensed Banks. Some banks faced technical issues in data submission, which CBSL is addressing in coordination with them. In parallel, CBSL has initiated the engagement of an IT consultant under the FSSNP to conduct a gap analysis of the SLDIS IT infrastructure and recommend improvements to the DWDCS or the establishment of a new comprehensive Management Information System.	
(iii) The planned activity of establishing and updating a common and easily accessible e-platform for all stakeholders, undertaken with the objective of establishing uniformity in the content used for financial literacy programmes by various stakeholders, had not been completed during the year under review, which may have limited the effectiveness of financial literacy initiatives.	The planned activity was to be conducted with the funding from JICA, and they have communicated the inability to support for the e-platform development project. The relevant department will explore viable pathways to advance this initiative to ensure the Platform's development can proceed, potentially with modified timelines.	Necessary actions be taken to establish and update a common e-platform for all stakeholders to ensure uniformity and effectiveness of financial literacy programmes.
(iv) The planned activity of extending the Web-Based Treasury Bond Issuance System to facilitate the primary issuance of Step-Down Multiple Fixed Coupon T-Bonds,	In 2024 with the enactment of the Public Debt Management Act, the establishment of a Debt Management Office came into effect. Therefore, the debt	Actions be taken to expedite the extension of the Web-Based Treasury Bond Issuance System or implement a new fully

starting with the completion of requirements analysis, undertaken with the objective of providing enhanced services to stakeholders in an efficient and robust computing environment, had not been completed, which may have delayed technological enhancements in treasury operations.

management operations were in a transition period from CBSL to Public Debt Management Office (PDMO).

For the interim period it was decided to use the present Auction System as it is by PDMO and for PDMO to procure a new fully fledged Auction System with required features, soon thereafter.

featured Auction System to ensure timely technological enhancements in treasury operations.

In view of the above, major changes, that require significant development effort and extensive testing, were not undertaken.