

PROPOSALS FOR BUDGET 2026

Research Publications and Resources



Conduct forensic audit on the EPF once in 3 years

Abstract – This proposal highlights the need to conduct a forensic audit on the EPF once every three years to increase transparency and improve accountability.

Overview – The bond scam in 2015 led to the forensic audits conducted in 2019, which revealed that the EPF had been subjected to corruption by officers of the Central Bank and exploited by the management structures within the Central Bank to benefit vested interests and elite groups in the country at the expense of Sri Lankan workers. The published forensic audits have examined the EPF's investments in the bond market from 2002 to February 2015 and investments in the share market from 1997 to 2017. The findings indicated that the EPF recorded losses of LKR 9,826* million in the bond market from 2002 to 2015 and losses amounting to LKR 9,856** million in the stock market from 1998 to 2017. It should be highlighted that these audits did not cover the losses made due to the bond scam.

The findings shed light on longstanding mismanagement within EPF. Despite identifying individuals responsible for this mismanagement in forensic audits, significant action has yet to be taken. Therefore, conducting forensic audits on EPF every three years is crucial to enhance transparency and ensure accountability of the Monetary Board of CBSL, which oversees management of the EPF.

Government actions and further requirements – The government must conduct timely forensic audits to improve transparency and accountability. Additionally, the Bill presented by MP M.A. Sumanthiran provides a framework for the CBSL to disclose information about EPF investments:

1. **Every year:** A statement of receipts and payments, of income and expenditure, and of assets and liabilities.
2. **Every month:** A statement of investments and divestments.
3. **Every month:** A report showing the cumulative yield and the preceding 12-month yield of its securities portfolio.

It is important that the government takes action to pass this Bill to improve transparency and accountability.

Supporting reading/reference material

- Forensic audit report by BDO India, "Final Report | RFP 1 | Forensic Audit | Investigation on Issuance of Treasury Bonds During the Period 1 January 2002 to 28 February 2015 by The Public Debt Department," pp. 29-30, Table 7 Summary of Losses
- Forensic audit report by KPMG, "Project Diamond – Final Report: The Monetary Board of Central Bank of Sri Lanka" pp. 58-59, Table 27 List of Loss Making and PCOI-named companies