

# දසවැනි පාර්ලිමේන්තුව - පළමුවැනි සභාවාරය

එ.ජ. ඩොලර් මිලියන 2.5 ක විදේශ ණය පියවීමේ වංචනික ගනුදෙනුව

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2026 මැයි මස 08 වැනි සිකුරාදා

**පத்தාවතු පාරාලාමන්තරම් - මුතලාවතු කුද්දත්තොදර්**

**2.5 මිලියන් ඐ.අ. ධොලර් පෙරුමතියාන වෙළුනාද්දු කදන්  
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කෙලරව රවි කරුණානායක, පා.උ., අවර්කලිනාල්

2026 මෙ මාතම 08 ආම් තිකති වෙළුනිකිකිමමෙ

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## **Tenth Parliament - First Session**

### **Report of the Committee on Public Finance**

on

### **The Fraudulent Foreign Debt Repayment Transaction of US Dollars 2.5 Million**

Presented to Parliament

by

**Hon. Ravi Karunanayake**

**Member of the Committee**

Friday, the 08<sup>th</sup> May 2026

## **Members of the Committee**

Hon. (Dr.) Harsha de Silva, M.P., (Chair)  
Hon. Chathuranga Abeysinghe, M.P.,  
Hon. (Dr.)(Ms.) Kaushalya Ariyaratne, M.P.,  
Hon. Arkam Ilyas, M.P.,  
Hon. Nishantha Jayaweera, M.P.,  
Hon. Rauff Hakeem, Attorney at Law, M.P.,  
Hon. Ravi Karunanayake, M.P.,  
Hon. Harshana Rajakaruna, M.P.,  
Hon. Shanakiyan Rajaputhiran Rasamanickam, M.P.,  
Hon. Ajith Agalakada, M.P.,  
Hon. M.K.M. Aslam, M.P.,  
Hon. Nimal Palihena, M.P.,  
Hon. Chithral Fernando, Attorney at Law, M.P.,  
Hon. Wijesiri Basnayake, M.P.,  
Hon. Sunil Rajapaksha, M.P.,  
Hon. Thilina Samarakoon, M.P.,  
Hon. Champika Hettiarachchi, M.P.,  
Hon. (Ms.) Lakmali Hemachandra, Attorney at Law, M.P.,

## **Report of the Committee on Public Finance on the Fraudulent Foreign Debt Repayment Transaction of US Dollars 2.5 Million**

During a closed-door discussion at the Committee on Public Finance on 30 April 2026, the Ministry of Finance, Planning and Economic Development admitted that a fraudulent transaction had occurred, affecting ten payments amounting to approximately USD 2.5 million

### **Members in Attendance:**

Hon. (Dr.) Harsha de Silva, M.P., (Chair)  
Hon. Chathuranga Abeysinghe, M.P.,  
Hon. (Dr.) (Ms.) Kaushalya Ariyaratne, M.P.,  
Hon. Arkam Ilyas, M.P.,  
Hon. Rauff Hakeem, Attorney at Law, M.P.,  
Hon. Ravi Karunanayake, M.P.,  
Hon. Harshana Rajakaruna, M.P.,  
Hon. Shanakiyan Rajaputhiran Rasamanickam, M.P., (online)  
Hon. M.K.M. Aslam, M.P.,  
Hon. Nimal Palihena, M.P.,  
Hon. Chithral Fernando, Attorney at Law, M.P.,  
Hon. Wijesiri Basnayake, M.P.,  
Hon. Sunil Rajapaksha, M.P.,  
Hon. Thilina Samarakoon, M.P.,  
Hon. Champika Hettiarachchi, M.P.,  
Hon. (Ms.) Lakmali Hemachandra, Attorney at Law, M.P.,

### **Officials in Attendance:**

#### **Ministry of Finance, Planning and Economic Development**

Dr. Harshana Suriyapperuma, Secretary to the Treasury  
Mr. A.K. Senevirathne, Deputy Secretary to the Treasury  
Mr. S.S. Mudalige, Deputy Secretary to the Treasury

#### **Department of External Resources**

Mr. R.M.S.P.S. Bandara, Director General  
Mr. Wasantha Dharmasena, Additional Director General

#### **Public Debt Management Office**

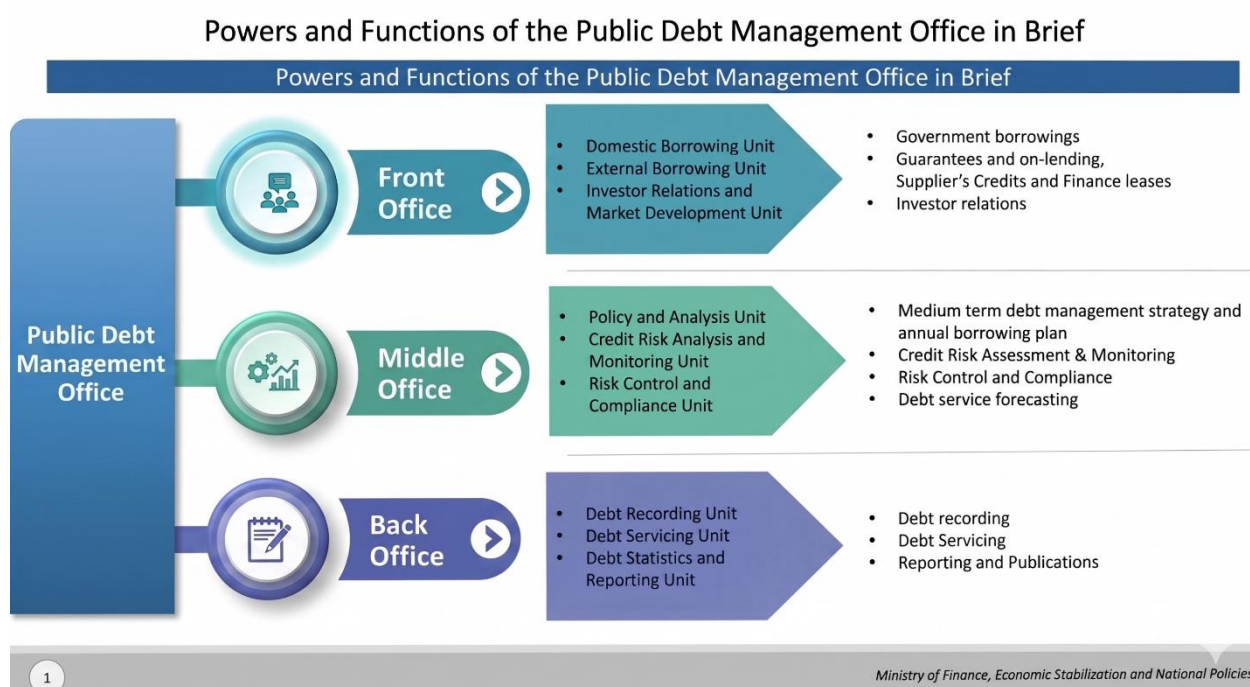
Mrs. Udeni Udugahapattuwa, Director General

#### **Central Bank of Sri Lanka**

Mrs. K.M.A.N. Daulagala, Senior Deputy Governor/Chief Executive Officer  
Mr. K.G.P. Sirikumara, Deputy Governor  
Mr. K.V.K. Alwis, Director, Payments and Settlements Department  
Mrs. D.S.L. Sirimanne, Chief Accountant  
Mr. N.D.Y.C. Weerasinghe, Superintendent of Currency

## Background

- Following the enactment of the Public Debt Management Act, No. 33 of 2024 (PDMA) in June 2024, the institutional transition of public debt management to the Public Debt Management Office (PDMO) has been ongoing since late-2024. This involved centralizing the responsibilities spread across Public Debt Department (PDD) of the Central Bank of Sri Lanka (CBSL), External Resources Department (ERD) of the Ministry of Finance, Planning and Economic Development (Ministry of Finance/ MoF), and the Public Enterprises Department (PED) of the MoF.
- Transition of functions from the CBSL's PDD to PDMO was completed by late-2025, leading to the closure of PDD in January 2026. While most functions of ERD have been transitioned to PDMO, ERD continues to be involved in negotiating and executing bilateral and multilateral borrowings alongside the PDMO.
- The PDMO is structured into the Front Office, Middle Office, and Back Office. The Back Office handles the debt servicing function.



## Observations

### Timeline of Discovery:

1. In mid-January 2026, the Ministry of Finance was alerted to suspicious cyber activity with regard to its foreign debt repayment process involving a bilateral creditor country – alluded to being India. Based on this, the MoF took measures,

including informing the Sri Lanka Computer Emergency Readiness Team (SLCERT) and the Cyber Security Division of the Sri Lanka Police.

2. In March 2026, following inquiries made by the MoF as well, Australian authorities reported of non-receipt of debt repayments due in the third quarter of 2025 to Export Finance Australia.<sup>1</sup> This discovery led to the filing of complaints with the Criminal Investigation Department (CID) of Police and the Financial Intelligence Unit (FIU) of the CBSL within stipulated time periods, in line with Financial Regulations (FR) and the Financial Transactions Reporting Act, No. 6 of 2006.
3. What is currently under investigation are 10 transactions made in the September 2025 to January 2026 period for an amount of around USD 2.5 million. The investigation involves multiple different jurisdictions, not just Sri Lanka and Australia.
4. On the Committee's questioning the Secretary to Treasury stated that necessary steps for internal inquiry under FR 104 have been taken, which eventually led to the temporary interdiction of four officials. Under FR 104, a preliminary report ought to have compiled within 7 days of the discovery of fraud and a final report compiled within three months of discovery. Similar questioning confirmed the filing of complaints with the FIU, in line with the Financial Transactions Reporting Act, No. 6 of 2006.
5. The Committee reiterated the role of Parliament through the Committee on Public Finance (CoPF) as the only oversight body with a specified mandate to examine public debt and debt service under Standing Order 121(2), making this matter of primary relevance to the Committee.

### **Institutional Processes:**

6. The September 2025 to January 2026 period coincided with the final phase of the transition of the debt management processes from the CBSL's Public Debt Department (PDD) to the Public Debt Management Office (PDMO), before the closure of PDD in January 2026. This was done to be in line with the Public Debt Management Act No. 33 of 2024 and the expectations of the Central Bank of Sri Lanka Act, No. 16 of 2023, to remove CBSL from fiscal functions.
7. CBSL officials stated that during the said period, two transactions with incomplete information were rejected for payment from their systems. The CBSL's Finance Department had flagged at least one transaction's information to the PDMO and PDD.
8. Prior to the PDMO's establishment, the External Resources Department (ERD) handled all functions related to the management of bilateral and multilateral debt. It received invoices from creditors for debt repayments, processed payment

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<sup>1</sup> Official signing of bilateral debt restructuring between Australia and Sri Lanka was on 27th October 2025 for about USD 39 million in debt outstanding; USD 20.4 million outstanding to Export Finance & Insurance Corporation of Australia and USD 18.7 million outstanding to ANZ Investment Bank Australia as of end-2025 according to PDMO Q4-2025 Debt Bulletin.

instructions through its back office and forwarded those to the CBSL's PDD. The PDD would confirm the payment instructions and forward it to the Finance Department of CBSL, which in turn would send confirmation for SWIFT transfers by the Payments Department of CBSL.

9. With the establishment of PDMO, the ERD's back-office functions were taken over by PDMO's back office. But ERD continued to receive most of the payment invoices from creditors, which it would forward to the PDMO's back office for processing. The committee was informed by PDMO that its back-office debt service function adopted the same processes and software systems used by CBSL PDD for the payment information confirmation process and sent the confirmed instructions to CBSL's Finance Department. Until December 2025, CBSL PDD appears to have worked alongside PDMO to support the adoption of these processes.
10. The debt service payment process is being carried out through a fully digitized process with no physical documentation and signatures, with delegation of authority to the relevant officials within the Ministry of Finance. Within this process it appears that the PDMO Back-Office Director in charge of the debt service function has the power to authorize all foreign debt service payments from the consolidated fund.
11. The Treasury Operations Department (TOD), which is functionally responsible for cash flows from the consolidated fund, is copied on the debt service payment confirmation. But it is not required to confirm and provide final authorization of the payment.
12. Varied Departments of the Ministry of Finance have different IT systems and service providers related to their specific functions, beyond the common systems such as ITMIS.
13. The Committee questioned whether the delegation of authority from the Secretary to the Treasury to the necessary officials is done annually to enable the digital payments processes described above to be in line with FR 135 on the Delegation of Functions for Financial Control. The Secretary to the Treasury committed to submitting the necessary details in this regard to the Committee.
14. The Committee was critical of several aspects of the institutional processes involved:
  - a. Reiterated the repeated call from CoPF, going back to the initial approval of the PDM Act in May 2024, that the PDMO should ensure recruitment of officials with necessary expertise for effective centralization of debt management functions.
  - b. The ability of a Director in the Back Office of PDMO to provide final payment approval for large debt repayments without verification from either more senior officials or from officials from another Department.

- c. There was a lack of consistency amongst the institutions and officials involved on the confirmation of payment and balances of foreign debt. It appears that ERD continues to play a significant role in this function, despite the PDMA mandating the debt servicing and reporting function being fully moved to the PDMO.
- d. CBSL officials cannot absolve themselves of any responsibility for the issue. Until January 2026, the CBSL PDD was involved in supporting the PDMO's functions and as the foreign reserves manager of the country ought to be vigilant of how the Treasury's Foreign Currency Accounts held with the CBSL are utilized.

### **Concerns on Public Financial Management:**

15. The Committee raised the question on whether this fraudulent transaction has put Sri Lanka in technical default to Australia due to non-payment of scheduled debt payments. The Secretary to the Treasury stated that he does not believe Sri Lanka to be in default to Australia as a result of this issue due to exhibiting willingness, ability, and making a payment on time (even though it was not received by the creditor). Input from international advisors who supported the debt restructuring process has been taken in this regard.
16. The Committee inquired as to what measures have been taken to ensure that a similar issue does not recur. The Secretary to the Treasury stated that measures have been taken to strengthen the debt service payment process, especially the verification and authorization aspects, with CBSL support.
17. The Committee made note of the fact that the Financial Regulations have not been consolidated and comprehensively updated since 1992. As a result, they are inadequate amidst the modern financial processes of the state and the new legislative instruments enacted in recent years. The Secretary to the Treasury stated that the updated financial regulations are being compiled and expected to be finalized in a matter of months.

### **Recommendations:**

1. The Ministry of Finance shall submit a comprehensive report with a detailed timeline of events and actions taken so far, how and why the fraudulent transaction occurred, institutional issues identified, including the staff and technological capacity of institutions involved in debt management, and measures taken to prevent a recurrence within four weeks, before the end of May 2026.
2. The Ministry of Finance shall submit documents confirming the delegation of authority of financial control that underlie the existing payments processes for all foreign debt repayments, alongside its comprehensive report.
3. The Ministry of Finance shall ensure that the debt management functions have been fully transitioned to the PDMO as stated in the PDMA.

4. The Ministry of Finance shall consider cybersecurity as a fiscal risk, taking comprehensive action to prevent the recurrence of payment issues and data breaches that have become a regular occurrence across public institutions in recent years.
5. The updated Financial Regulations being compiled to be in line with the Public Financial Management Act and the Public Debt Management Act shall be finalized and put to Parliamentary review as soon as possible.