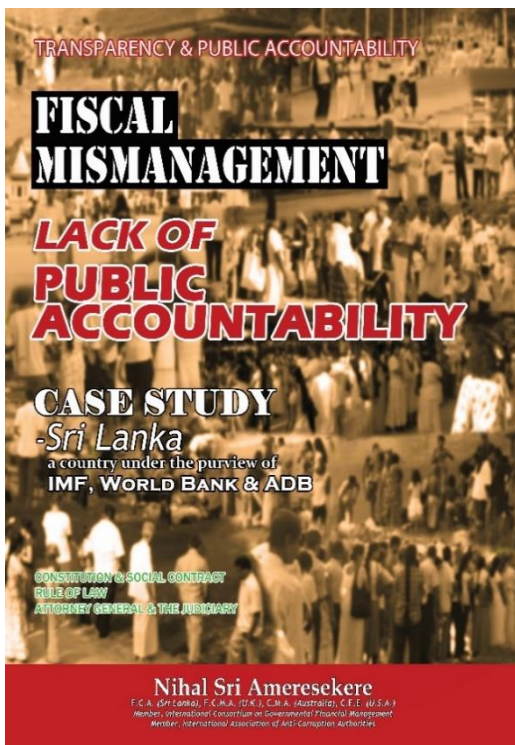


Synopsis of

FISCAL MISMANAGEMENT LACK OF PUBLIC ACCOUNTABILITY

Google Books : [Transparency & Public Accountability Fiscal Mismanagement & Lack of Public Accountability Case Study - Sri Lanka, a Country under the purview of IMF, World Bank, ADB'](#)

<http://www.consultants21.com/page-1-challenges-to-legislations.php>



Size - 8.25" X 11" - Pages 735

What is appallingly exposed in this Book, is that even though the fiscal management of Sri Lanka had been regularly reviewed by the International Monetary Fund, World Bank and ADB, nevertheless in actual fact, there had been *fiscal mismanagement* and *lack of public accountability*, and unashamedly the trusteeship of public resources and good governance had been *blatantly breached*.

In breach of the principles of the trusteeship of the resources of the people and the *social contract*, the Sri Lanka Parliament appallingly had enacted an '*all-encompassing*' Amnesty, *in the guise of an Tax Amnesty*, namely, Inland Revenue (Special Provisions) Act No. 10 of 2003, in a hasty secretive manner, practically effectively denying the right of

a citizen to exercise judicial power to challenge such legislation, and to have obtained a Special Determination thereon from the Supreme Court of Sri Lanka, in conformity with the Constitution of Sri Lanka.



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நிதி அமைச்சு
MINISTRY OF FINANCE

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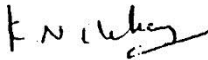
"CABINET MEMORANDUM

Inland Revenue (Special Provisions) Bill

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

5. The Attorney General has certified that the provisions of the Bill are not inconsistent with the Constitution and not subject to any prohibition or restriction imposed by the 13th Amendment to the Constitution, and may be enacted by Parliament.

I seek the approval of the Cabinet of Ministers to present the Bill in Parliament.


K.N. Choksy P.C., M.P.
Minister of Finance"

The Author for just cause had strongly castigated the appointment of K.N. Choksy P.C., as the Minister of Finance of Sri Lanka, text of which Letter is included in this Book

Violating international Conventions and the UN Security Council Resolution 1373 of 2001 pertaining to financing of terrorism and terrorist activities, this 'all-encompassing' Amnesty Law had granted pardons to several criminal acts, such as, financing terrorists, usage of firearms, money laundering, drug peddling, human smuggling, earning monies from offences of crime, craftily by including the Customs Ordinance also to be covered by this 'all-encompassing' Amnesty Law, by which Customs Ordinance the foregoing crimes at entry points to Sri Lanka are detected, and dealt with under the relevant Laws – viz:

United Nations

S/RES/1373 (2001)



Security Council

Distr.: General

28 September 2001

Resolution 1373 (2001)

Adopted by the Security Council at its 4385th meeting, on 28 September 2001

In such context, the Author had endeavoured to challenge in the Supreme Court of Sri Lanka the highest judiciary, the aforesaid Inland Revenue (Special Provisions) Act No. 10 of 2003 by filing a Petition in terms of the 'doctrine of impossibility' of challenging the Bill within the specified 7 days, and thereby had created and mobilized public debate and public opinion thereon. The Governor of Central Bank of Sri Lanka, A.S. Jayawardene had admitted that the financial impact of the above 'all-encompassing' Amnesty Law was not known– viz:



Central Bank of Sri Lanka
30, Janadhipathi Mawatha
Colombo 1, Sri Lanka.



20 May 2003

Your Ref. PH/Cosec/M/8/2/2003

A. S. Jayawardena
The Governor

Mr. W. J. S. Karunaratne
Secretary to the President
The Presidential Secretariat
Colombo 1

Dear Sir,

I thank you for your letter No. PH/Cosec/M/8/2/2003 of 22 May, 2003 seeking information pertaining to the Inland Revenue (Special Provisions) Act by 3 June. Since the enactment of the above Act, we have commenced an estimation of its financial impact. This requires collecting detailed information from a large number of institutions and would therefore take some time.

We shall communicate with Her Excellency as soon as our study is completed.

Yours faithfully,

C.C. Secretary
Ministry of Finance
(encl. Letter from Secretary to the President)

P.O. BOX 960
Colombo

TEL: (941) 477477
(941) 477577

FAX: (941) 477677

E-mail: jayeward@sls.lk
asjayaward@cbsl.lk

Observing that the Author's Petition had contained many important detailed facts, the Supreme Court of Sri Lanka had held, that it lacks jurisdiction and was unable to deal with such challenge, since the Author had failed to challenge within 7 days of placing on the Order Paper of the Parliament, the Bill pertaining to the Inland Revenue (Special Provisions) Act No. 10 of 2003, as stipulated in the Constitution, and that therefore the Supreme Court was *functus* to make a Special Determination thereon.

Ironically, in August 2003 Asian Development Bank had engaged international Consultants, 'BearingPoint' to carry out two pertinent Assignments and Reports on which had been delivered on 16.4.2004 – viz:



ASSESSMENT FOR REVENUE
ADMINISTRATION REFORM IN SRI
LANKA
FINAL REPORT

FINAL REPORT

PREPARED FOR:

ASIAN DEVELOPMENT BANK

16 APRIL 2004



DESIGN AND IMPLEMENTATION PLAN
FOR A REVENUE AUTHORITY FOR
SRI LANKA

FINAL REPORT


PREPARED FOR:

THE REVENUE STEERING COMMITTEE

16 APRIL 2004

In the light of the public controversy created in society and among the people, persons had been reluctant to make Declarations to the Department of Inland Revenue, in terms of the aforesaid 'all-encompassing' Amnesty Law by the stipulated date of 30.6.2003, and therefore after the above Supreme Court pronouncement, the Government of Sri Lanka submitted another Bill to be enacted, as Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003, enabling such Declarations to be made between 1.7.2003 and 31.8.2003.

Finance Minister K.N. Choksy P.C., had been unable to afford the detail implications of the 'all-encompassing' Amnesty Law, and in such context President Chandrika Kumaratunga had queried the commercial borrowing of US \$ 100 Mn., and had submitted a Note to Cabinet to suspend the said Law - viz:


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 இலங்கை சனாதிபதி
 President of Sri Lanka

9th July 2003

Hon. K.N. Choksy P.C. MP
 Minister of Finance
 Ministry of Finance
 Colombo 1.

Dear Minister


Loan Agreement – City Bank N.A. Tokyo

I am in receipt of your letter of 3rd April 2003 replying my letter of 14th February 2003 after several reminders.

Subsequently I am informed, despite your evasiveness on the issue, that the Government would be losing revenue estimated at over Rs.100 billion through the provisions of the general indemnity and pardons legislation proposed by you and introduced by the Government as tax, customs and foreign exchange amnesty legislation.

Could you be kind enough to explain the rationale why Government finances require a further injection of US\$100 million from foreign commercial banks on commercial terms, when the Government claims the inflow of US\$4.5 billion in aid money and can afford to write off penalties dues and levies due of approximately US\$1 billion through amnesties.

Yours sincerely


 Chandrika Bandaranaike Kumaratunga



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 இலங்கை சனநாயக சோசலிச குடியரசு
 Democratic Socialist Republic of Sri Lanka


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 இலங்கை சனாதிபதி
 President of Sri Lanka

NOTE TO THE CABINET
Repeal of the Inland Revenue
(Special Provisions) Act No. 10 of 2003

XXXXXXXXXXXXXXXXXXXX

In view of the above, I suggest that all action under this Act No. 10 of 2003 be suspended forthwith and approval of the Cabinet of Ministers be granted to move Parliament to repeal the said Act.



 Chandrika Bandaranaike Kumaratunga,
 PRESIDENT

July 10, 2003


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 Democratic Socialist Republic of Sri Lanka

The Author promptly within 7 days of such new Bill being placed on the Order Paper of Parliament of Sri Lanka had filed a Petition in terms of the Constitution challenging that the provisions in such Bill, as being re-enacted into Law, and that therefore the Author had a right to challenge the same.

President Chandrika Kumaratunga at the very same time had addressed the following Letter to Hon. Attorney General, K.C. Kamalabayson.


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 இலங்கை சனாதிபதி
 President of Sri Lanka

1st August 2003

K. C. Kamalabayson PC
 Attorney General
 Attorney General's Department
 Colombo 12.

Dear Attorney General,


"Inland Revenue (Special Provisions) (Amendment)
A Bill to Amend the Inland Revenue (Special Provisions) Act No. 10 of 2003"


I draw your kind attention to Article 77 (1) of the Constitution, whereby, you, as the Attorney General, is constitutionally bounden in duty to examine every Bill for any contravention of the Constitution and for any provisions, which cannot be validly passed, except by the special majority prescribed by the Constitution.

The aforesaid Amendment Bill to give further effect to the provisions, which were operative only up to 30.6.2003, of the said piece of legislation, for a further period has been placed on the Order Paper of Parliament on 25.7.2003. This Amendment Bill, I am advised, by reference adopts all the provisions of the aforesaid piece of legislation. In terms of the above constitutional mandate, I require you, as a matter of national and public interest, to forward to me, as a matter of urgent priority, your opinion on the constitutionality of all the said provisions, inasmuch as you forwarded me an unsolicited opinion, respecting a request that is said to have been made to you by the Government Printer.

I am constrained to remind you, the dicta of the unanimous determinations made with regard to Presidential powers by a Seven Member Bench of the Supreme Court in relation to the aborted 18th and 19th Amendments to the Constitution.

Yours sincerely


 Chandrika Bandaranaike Kumaratunga


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 இலங்கை சனநாயக சோசலிச குடியரசு
 Democratic Socialist Republic of Sri Lanka

Consequently, the inquiry into the Petition by the Author was held on 18.8.2003, and the Author's stance was that the aforesaid provisions *which had not been examined* by the Supreme Court of Sri Lanka contained in the aforesaid Act No. 10 of 2003 *had lapsed* on 30.6.2003, and in terms of the new Bill these very provisions are being *re-enacted* into Law for the period 1.7.2003 to 31.8.2003, and that accordingly, the Author had the constitutional right to obtain a Special Determination thereon by the Supreme Court.

Disregarding such argument, the Supreme Court Bench presided by Justice Ameer Ismail, comprising Justices P. Edusuriya and T.B. Weerasuriya determined that this was '*merely and only a change of date*' ! Nevertheless, the reality was that legal effect and lawfulness of the provisions in the first Act No. 10 of 2003 had ended, and that through this Bill the same provisions were being *re-enacted* into Law to be applicable to a new group of persons. Accordingly, the Parliament of Sri Lanka enacted this Bill into Law, as Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003.

During the very time that the Author unsuccessfully challenged the above second Bill, two other Bills had been placed on the Order Paper of Parliament to amend Debt Recovery (Special Provisions) Act No. 2 of 1990 and Recovery of Loans by Banks (Special Provisions) Act No. 4 of 1990, and the Author intervened to challenge these two Amending Bills in the Supreme Court by personally appearing, himself, and making substantial oral and written Submissions.

As a result the Author had succeeded in these two Bill challenges, with the Supreme Court, striking them down, and the Parliament of Sri Lanka was constitutionally prevented from enacting such Bills into Law.

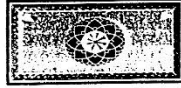
The Special Determinations striking down the above two Bills made by a 5-Judge Bench of the Supreme Court, presided by Chief Justice Sarath N. Silva, comprising, Justices P. Edusuriya, Hector S. Yapa, J.A.N. De Silva and T.B. Weerasuriya, who observed that provisions of this two Amending Bills, had been endeavoured to be enacted into law to be applicable a another group of persons, and thereby unanimously accepted Author's such stance that such provisions in fact are being *re-enacted* into Law, to be applicable to another group of persons.

Thus and thereby the above Special Determination on the Bill to enact the Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003, as a '*mere extension of date*' was proven to be wrong, and a sheer *mockery* ! In that, the aforesaid 5-Judge Bench had included Justices P. Edusuriya and T.B. Weerasuriya, who had held contrary thereto in the Author's above challenge to Bill pertaining to Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003 ! The aforesaid 5-Judge Bench including them had, *inter-alia*, held as follows:

“An amendment cannot be viewed in isolation. It certainly cannot derive a stamp of constitutionality from the Act that is in force The Court will strike down unconscionable law prescribing procedure other than the ordinary procedure”

By the above two Supreme Court Special Determinations, not only did the Supreme Court strike down the two Amending Bills, but went to the extent of strongly castigating the provisions contained in the principal enactments, namely, Debt Recovery (Special Provisions) Act No. 2 of 1990 and Recovery of Loans by Banks (Special Provisions) Act No. 4 of 1990, observing that – *‘The Court will strike down harsh, oppressive or unconscionable law prescribing procedure other than the ordinary procedure, and that the law certainly cannot strengthen, the strong, and weaken, the weak’*

As a result of the consequent public Opinion against the *‘all-encompassing’* Amnesty Law, President Chandrika Kumaratunga according to her rights under the Constitution of Sri Lanka, submitted the *‘all-encompassing’* Amnesty Laws, namely, Inland Revenue (Special Provisions) Act No. 10 of 2003 and Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003, for an Opinion thereon from the Supreme Court – viz:



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இலங்கை சனாதிபதி
President of Sri Lanka

8 March 2004

Hon. Sarath N. Silva
Chief Justice
Chief Justice's Chambers
Superior Courts Complex
Colombo 12

Your Lordship,

I am sending herewith a Reference under Article 129(1) of the Constitution with reference to the Inland Revenue (Special Provisions) Act No.10, 2003 as amended by Act No. 31 of 2003.

I shall be grateful if you would kindly place this before the Supreme Court for their decision.

Yours faithfully


Chandrika Bandaranaike Kumaratunga



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Democratic Socialist Republic of Sri Lanka

Thereupon, a 5-Member Bench of the Supreme Court, presided by Chief Justice Sarath N. Silva, comprising, Justices Shirani Bandaranayake, Hector S. Yapa, J.A.N. De Silva and Nihal Jayasinghe, severely castigating on constitutional and legal premises, both the aforesaid *‘all-encompassing’* Amnesty Laws, namely, Inland Revenue (Special Provisions) Act No. 10 and 31 of 2003, went on to pronounce them *‘as inimical to the rule of law violative of the ‘Universal Declaration of Human Rights and International Covenant on Civil & Political Rights’, and that it had defrauded public revenue, causing extensive loss to the State’*.

The above pronouncement by the 5 Judge Bench of the Supreme Court created a major controversy in the public domain, and at an early General Elections called in April 2004 by President Chandrika Kumaratunga, before the full period, the then United National Front Government lost the General Elections, the main cause being the aforesaid '*all-encompassing*' perverse Amnesty Law, which was subjected to widespread discussions and condemnation by the public.

'Extracts' from the Book

- The infamous "Tax" Amnesty was craftily introduced as a Law under the guise of the name – "Inland Revenue (Special Provisions) Act No. 10 of 2003". Therefore, in view of such name, it misled everyone to believe that this was an "Income Tax Amnesty" given under the Inland Revenue Act No. 38 of 2000. Like a "Wolf in Sheep's clothing" this purported "Tax" Amnesty law had a Schedule of several other Laws pertaining to matters other than Income Tax, including the following Laws:
 - The Customs Ordinance (Chapter 235).
 - The Exchange Control Act, (Chapter 423).
 - The Import and Export Control Act, No. 1 of 1969.
 - The Excise (Special Provisions) Act, No. 13 of 1989.
 - The Excise Ordinance (Chapter 52).

- No "Taxes" are charged under any of the above Laws. In fact, the above Laws prohibit certain Offences to enforce the Rule of Law and to ensure the proper conduct of society. Some of the Offences under the above Laws would include the following, including criminal Offences punishable under the Penal Code:
 - smuggling, including smuggling of restricted / prohibited items, such as drugs and narcotics, firearms and security sensitive equipments.
 - violations of the provisions of the Intellectual Property Act enacted to protect consumer interests, inter-alia, preventing unlawful/spurious products and/or imitations in the market
 - distilling of illicit brew of liquor such as Kasippu, etc and bootlegging,
 - dealing in narcotics, cannabis, opium and cultivating of ganja
 - import and/or export of items prohibited in the national or public interest
 - Exchange Control violations detrimental to the national economy
 - Money laundering in connection with narcotics, drug peddling, human trafficking and terrorism banned under international conventions / treaties entered into by Sri Lanka.

- In fact, under the Customs Ordinance, several other Laws are enforced by the Custom Department. Some of these Laws enforced by the Customs, include the following:
 - Explosives Act
 - Firearms Ordinance
 - Obscene Publications Ordinance
 - Poison, Opium and Dangerous Drugs Ordinance
 - Food Control Act
 - Intellectual Property Act
 - Tea Control Act / Rubber Control Act
 - Antiquities Ordinance
 - Fauna & Flora Protection Ordinance
 - Fisheries & Aquatic Resources Act.

- Therefore, those who have committed Offences, including smuggling of drugs, firearms, counterfeit currency, funding terrorism / terrorist activities, distilling kassippu, etc., have been given a complete immunity, indemnity and pardon under the guise of an “Income Tax Amnesty”.
- In addition to the above Laws that do not relate to “Income Tax” at all, the following Laws which relate to indirect taxes collected from the consumer public have also been Scheduled to the infamous Tax Amnesty Law, i.e. the Inland Revenue (Special Provisions) Act No. 10 of 2003 to grant immunity and indemnity from investigation and prosecution and to grant pardon.
 - The Turnover Tax Act, No.69 of 1981.
 - The National Security Levy Act, No. 52 of 1991.
 - The Goods and Services Tax Act, No. 34 of 1996.
 - The Stamp Duty Act, No. 43 of 1982.
 - The Finance Act, No. 11 of 1963.
 - The Save the National Contribution Act, No. 5 of 1996.

Thereafter, the new People’s Alliance Government, as it assumed Office, immediately as its first Bill, presented to the Parliament of Sri Lanka, Inland Revenue (Regulation of Amnesty) Bill. By such Bill the Amnesty was restricted only to a Tax Amnesty and all other Amnesties in the ‘all-encompassing’ Amnesty Laws, which were so castigated were to be repealed. The said Bill was submitted to the Supreme Court, and upon a Special Determination thereon by the Supreme Court, the Parliament of Sri Lanka enacted the said Bill into Law, as Inland Revenue (Regulation of Amnesty) Act No. 10 of 2004 – viz:



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MINISTRY OF FINANCE

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June 9, 2004

CABINET MEMORANDUM

Repeal of Inland Revenue (Special Provisions) Act No. 10 of 2003 and Inland Revenue (Special Provisions) (Amendment) Act No. 31 of 2003 and introduction of amendment to the Inland Revenue (Special Provisions) Act No. 7 of 2002

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However, since it was discovered that the Officials of the Inland Revenue Department were tardy in giving effect to the provisions of the aforesaid new Inland Revenue (Regulation of Amnesty) Act No. 10 of 2004, the Author filed a Writ Application in the Court of Appeal of Sri Lanka, to have the provisions of the new Inland Revenue (Regulation of Amnesty) Act No. 10 of 2004 enforced.



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 நிதி, திட்டமிடல் அமைச்சு
MINISTRY OF FINANCE AND PLANNING

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1st July, 2005

Commissioner General
 Dept of Inland Revenue

Dear Sri,

ENFORCEMENT OF INLAND REVENUE (REGULATION OF AMNESTY) ACT No: 10 of 2004

Chairman, Public Enterprise Reform Commission has written to Her Excellence the President (a copy which has been submitted to me) informing that you have not responded to his letter dated 10.6.2005 regarding the enforcement of Inland Revenue (Regulation of Amnesty) Act No:10 of 2004. He has further stated that you have not responded to 3 letters of Controller of Exchange as well.

Please clarify the position.

Yours faithfully,

P B Jayasundera
Secretary to the Treasury

Cc: Secretary to the President
 Controller of Exchange
 Chairman - PERC



Then Hon. Attorney General, K.C. Kamalabayson P.C., having agreed on behalf of the State and the relevant Government functionaries, had prepared a Settlement Agreement to have such Writs issued of consent. However thereafter, the Inland Revenue Department Officials and the succeeding Attorney Generals not showing interest therein and dragging their feet on the matter, the Author out of disgust, had withdrawn such Writ Application before the Court of Appeal. It is well disclosed that this is antithetic to the policy of good governance.

Whilst the foregoing actions had been taken by the Author, in a separate Chapter in this Book, the Author has set out in great detail, that endeavours had made to prevent such pillage and plunder of public resources and such laws being enacted which were inimical to the wellbeing of the people, including the violation thereof by the Members of Parliament of Sri Lanka and Ministers in charge of relevant subjects of governance.

Not only them, even representations made by the Author to the United Nations, International Monetary Fund, World Bank, and Transparency International, which was committed to such causes, and other non-governmental agencies, intriguingly had received complete indifference and silence, thereby disclosing the realities of international indifference to such foregoing grave and serious *mockery* of the rule of law and the *travesty* of justice !

Furthermore, in a separate Chapter in this voluminous Book, the Author discloses that exporters do not repatriate all export earnings back to Sri Lanka. During the period the Author was the Chairman of the Public Enterprises Reform Commission, with the concurrence of President Chandrika Kumaratunga, the Author had caused the Controller of Exchange to conduct a 'Voluntary Survey' from exporters to disclose, as to whether and to what extent they had remitted back to Sri Lanka their export earnings.

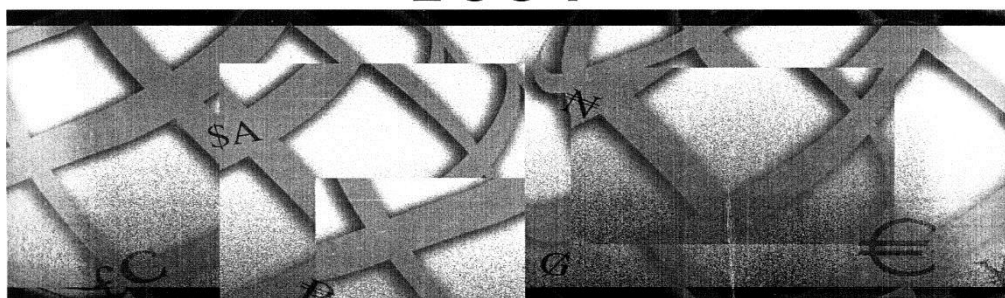


50% of the exporters responding to such 'Voluntary Survey' had disclosed that out of the exports during that specific quarter ended 30.9.2004, 19% of the export earnings had not been repatriated back to Sri Lanka by the end of next quarter ended 31.12.2004, and out of that 10% had admitted that they had indeed expended the 10% of their export earnings on various matters overseas.

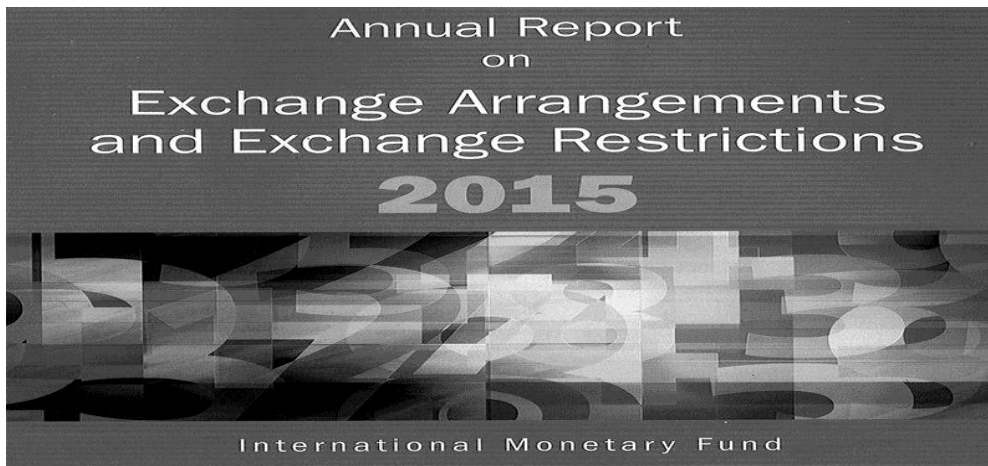
	US\$	%
Repatriated to Sri Lanka	958,640,082	81.07%
Used Abroad for Foreign Expenditure	121,111,158	10.24%
Used Abroad for Foreign Loan Repayments	4,302,571	0.36%
Retained in Commercial Banks Abroad	878,392	0.07%
Value of Short Shipments	8,620,554	0.73%
Defaults by Foreign Buyers	1,439,411	0.12%
Export Proceeds due from Foreign Buyers	87,531,779	7.40%
Total	1,182,523,947	100.00%

IMF Article VIII status countries of which Sri Lanka is one, have repatriation requirements for export proceeds to be remitted back to the respective countries. However, Sri Lanka due some fraudulent secretive strategy, from 1993 had removed the power of the Controller of Exchange to monitor the repatriation of export proceeds back to Sri Lanka.

Annual Report on Exchange Arrangements and Exchange Restrictions 2004



International Monetary Fund



Over the 22 years to 2015 even at a 10% foreign exchange leakage US \$ 20,000 Mn., had not been repatriated back to Sri Lanka, causing a colossal loss to Sri Lanka's foreign exchange reserves. However, consequent to Author's persistent representations, from 2016 the Exchange Controller's powers to monitor export proceeds had been restored, and such export proceeds leakage had been curtailed.

Even countries with large foreign exchange reserves, such as India and China, which are Article VIII Status countries enforce repatriation requirements of export proceeds, and such is monitored and very forcefully in those countries. India in addition enforces foreign exchange 'surrender requirement' to convert to Indian Currency. However, though Sri Lanka being, a comparatively a very poor country in terms of foreign exchange reserves, even borrows in foreign exchange from India and China, making a *mockery* of non-monitoring export proceeds by Sri Lanka since 1993 !

Another interesting Chapter in this voluminous Book is the colossal VAT fraud perpetrated, on which the Auditor General of Sri Lanka had submitted a Special Report to Parliament of Sri Lanka, severely castigating the fiscal management by the Treasury. As far back as 2003 the Auditor General had raised queries in relation to this colossal VAT fraud, but the Inland Revenue Department or the Treasury had not provided required replies, which had precipitated the submission of the above Special Report to Parliament of Sri Lanka by the Auditor General – viz:



ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ
සංවර්ධන වැරදි විමර්ශන කමිටුව
(සේවක සංවර්ධන)

වැරදි විමර්ශන කමිටුවේ අංක : 02

இலங்கை சனநாயக சோசலிசக் குடியரசினது
ஆளுவது பாராளுமன்றத்தின்
(இரண்டாவது அமர்வு)

பாராளுமன்றத் தொடர் இல : 02

PARLIAMENTARY SERIES No : 02

OF THE SIXTH PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA
(SECOND SESSION)

(ඉංග්‍රීසි මුද්‍රණය/ஆங்கிலப் பதிப்பு / English Print)

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ
ආණ්ඩුක්‍රම ව්‍යවස්ථාවේ 154 (6) ව්‍යවස්ථාව ප්‍රකාර

රාජ්‍ය බදු ආදායම් කළමනාකරණය ආශ්‍රිත විශේෂ
ව්‍යාපෘති විගණනය පිළිබඳව
විගණකාධිපතිවරයාගේ වාර්තාව

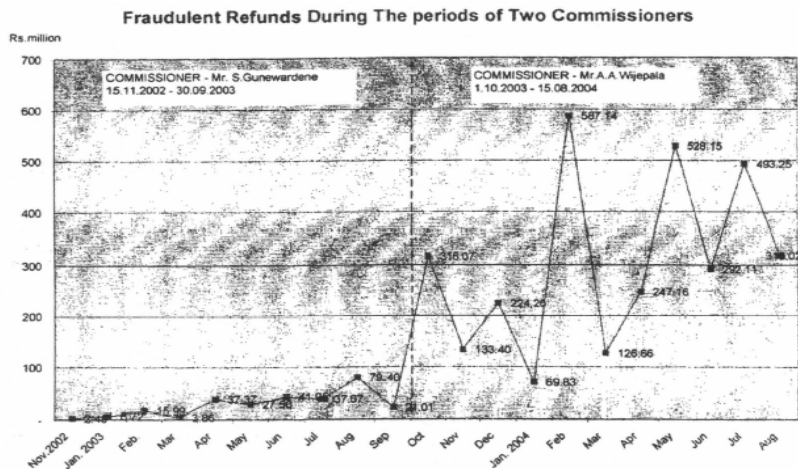
இலங்கை சனநாயக சோசலிசக் குடியரசு அரசியல் யாப்பின் 154(6) ஆம்
உறுப்புரையின் பிரகாரம்

அரசாங்க வரி வருமானத்தின் முகாமத்துமும் மீதான விசேட செயற்திட்டக்
கணக்காய்வு கணக்காய்வாளர் தலைமை அறிபதியின் அறிக்கை

REPORT OF THE AUDITOR GENERAL ON
SPECIAL PROJECT AUDIT ON THE MANAGEMENT OF
GOVERNMENT TAX REVENUE

IN TERMS OF ARTICLE 154(6) OF THE CONSTITUTION OF THE
DEMOCRATIC SOCIALIST REPUBLIC OF
SRI LANKA

In the meanwhile, as Chairman, Public Enterprises Reform Commission, the Author in June 2004 had promptly acted upon coming to know the foregoing, and with the concurrence of President Chandrika Kumaratunga, had made inquiries from the Commissioner General of Inland Revenue in regard to this colossal VAT fraud. He had accepted the existence of such colossal VAT fraud, and had intimated that if he attempts to take steps in such regard that he fears for his life.



Since he was reluctant to refer this colossal fraud to the Criminal Investigation Department of the Sri Lanka Police, the Author volunteered to handle the same *via* the Presidential Investigation Unit, and have the matter investigated by the Criminal Investigation Department, which to the Commissioner General of Inland Revenue had been reluctant to consent to.

However, in the meanwhile, the Commissioner General of Inland Revenue, with the concurrence of then Secretary to the Treasury, P.B. Jayasundera, had appointed an Internal Departmental Inquiry Committee, to inquire into this colossal VAT fraud, thereby providing time and opportunity for the relevant records, documents and data pertaining to this colossal VAT fraud to be misplaced or destroyed. This was well disclosed in the subsequent High Court criminal Cases, which were subsequently instituted by the State on this colossal VAT fraud.

Another *unique* disclosure in this Book is the challenge by the Author of the Appropriation Bill of 2008, before the Supreme Court. He had appeared in person, making exhaustive Oral and Written Submissions, and had succeeded in exposing the truth. The Supreme Court being convinced of the Author's such disclosures were shocked that the full extent of large borrowings of the Government of Sri Lanka had not been disclosed in the Appropriation Bill to be passed by the Parliament of Sri Lanka, and had directed that the same be disclosed in terms of the Constitution, by way of a new Schedule to the Appropriation Bill, thereby disclosing to the Parliament of Sri Lanka the full extent of borrowings by the Government.

In the consequent Supreme Court Special Determination by the Supreme Court Bench presided by Chief Justice Sarath N. Silva, comprising Justices R.A.N.G. Amaratunga and P.A. Ratnayake, the fiscal mismanagement by the Treasury had been strongly castigated, including that, the Treasury had maintained a secret amount of money, as for 'Development Activities', and had expended the same for items *far removed* from 'Development Activities', and that this had been done without the specific approval of the Parliament of Sri Lanka, and that the Treasury had thus maintained a '*Budget of its own*', which was castigated as having violated the trusteeship by the Treasury of the management of public funds.