

State Measures for Strengthening Business Integrity

In line with a number of resolutions of the Conference of the States Parties to the United Nations Convention against Corruption (UNCAC), including, inter alia, resolutions 5/6, 6/5, 9/6 and 9/8, as well as the commitments made by States parties in the political declaration entitled “Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthen international cooperation”, adopted by the General Assembly at its special session against corruption held in 2021, the secretariat is seeking information on good practices, practical examples and lessons learned by States parties on the engagement of the private sector and the use of sanctions and incentives to strengthen business integrity in the last decade. The answers provided by States parties will be used to update the 2013 UNODC publication “A Resource Guide on State Measures for Strengthening Corporate Integrity” ([English](#) - [Spanish](#) - [Russian](#)) and to develop an e-learning tool that will further support States parties’ efforts to strengthen business integrity.

The Resource Guide provides a catalogue of measures that States parties can adopt to promote business integrity and the reporting of corruption involving the private sector. The Resource Guide features three chapters: i) The United Nations Convention against Corruption and the private sector, which describes the articles of the Convention that frame State interaction with the private sector; ii) Engaging the private sector, which outlines the business case for countering corruption with an emphasis on governance and other factors that can drive business integrity; and iii) Using sanctions and incentives, which describes the range of sanctions and incentives that have been developed to prevent and address corruption involving the private sector.

The secretariat invites States parties to disseminate this questionnaire among relevant stakeholders, with a view to identifying internal measures adopted by private sector organizations to prevent and counter corruption. Respondents may choose to answer the whole questionnaire or only sections that are applicable and relevant to a State party. The secretariat would especially welcome the provision of illustrative examples.

Respondents’ contact details will be kept confidential, but submissions will be made public unless a State party requests otherwise. The secretariat may contact a respondent to seek additional information.

To facilitate the process of providing information, the Government may wish to complete the [online questionnaire](#) (English only). Alternatively, the Government may wish to submit the questionnaire to the secretariat by email to florian.lair@un.org and sabrina.dandrea@un.org at its earliest convenience but no later than **31 October 2022**.

Questionnaire

Chapter 1 – The United Nations Convention against Corruption (UNCAC) and the private sector

Background: It is important that States' legislative and other measures contain sufficient detail to inform the private sector of their requirements and scope of application. In line with the principle of legal certainty, it is important to have clear provisions outlining prohibited conducts and consequences to the private sector.

1(a) Please describe (cite or summarize) good practices and/or examples of measures taken by your country to promote business integrity and/or reporting of corruption in the private sector in line with the United Nations Convention against Corruption.

In Sri Lanka the audits of listed companies and specified business enterprises, as defined by Sri Lanka Accounting and Auditing Standard Act No: 15 of 1994 can only be done by members of CA Sri Lanka holding a valid practicing certificate. Members of CA Sri Lanka are responsible to follow accounting and auditing standards in conducting their engagements including statutory audits. CA Sri Lanka has adopted SLAuS 250 – Consideration of Laws and Regulations in an Audit of Financial Statements and SLAuS 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Moreover, CA Sri Lanka members are required to comply with the Code Ethics (including Non Compliance with Laws and Regulations – NOCLAR) as a part of their mandatory compliance requirement. These standards and Code of Ethics encompasses required framework for business integrity and/or reporting of corruption.

CA Sri Lanka and the Securities & Exchange Commission of Sri Lanka has published the Code of Best practices for Corporate Governance which is considered as the only guide in Sri Lanka in respect of good governance in the corporate sector.

Further, it is now mandatory to appoint Compliance Officers in corporates, in terms of regulations issued by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka.

As per the Listing Rules of the Colombo Stock Exchange, it is required to appoint Independent Non Executive directors to the Board of Directors of listed entities. Moreover, Chairman of the audit committee should be an independent non executive director.

1(b) What challenges (if any) did you encounter in developing and/or enforcing such measures?

It took considerable period of time to educate members and train them on the new requirements.

1(c) Please describe the steps you took to overcome such challenges (if any).

CA Sri Lanka conducts continuous training for members and have included the above measures into the syllabus

Guidance on 1(a) and 1(b): Measures could, for example, include policies and/or laws and regulations designed to achieve the following:

- Prevent bribery of national public officials, bribery of foreign public officials and officials of public international organizations, and bribery in the private sector
- Promote private sector transparency
- Promote cooperation between law enforcement agencies and private entities
- Promote cooperation between national authorities and private entities
- Prevent trading in influence
- Prevent conflicts of interest
- Prevent embezzlement of property in the private sector
- Promote the development of standards and procedures to safeguard the integrity of companies
- Ensure that companies have sufficient internal auditing and controls to assist in preventing and detecting acts of corruption
- Introduce or strengthen the liability of legal persons
- Promote public-private communication, cooperation and partnership (e.g., with business associations, networks, individual companies, small and medium-sized enterprises)

Chapter 2: Engaging the private sector

Background: Anti-corruption programmes, commonly referred to as compliance programmes, are a primary tool used by companies to advance ethical business practices. They provide a framework for articulating the values, policies and procedures used by a company to educate its employees and to prevent, detect and counter corruption in its business operations.

2(a) Please describe (cite or summarize) good practices and/or examples of measures taken by your country to promote integrity through anti-corruption programmes in the private sector.

While blue chip companies have stringent codes of conduct, medium-sized companies also have their own codes of conduct to carry out their operations.

The following statutes contain provisions to prevent corruption in private entities.

1. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995¹. This includes companies registered under the Securities and Exchange Commission Act No. 19 of 2021, as unit trusts; stock exchange and other companies stipulated in the schedule to section 5 of the said Act.
2. The Companies Act No. 07 of 2007²
3. Securities and Exchange Commission Act No. 19 of 2021³
4. Monetary Law Act No. 58 of 1949⁴
5. Banking Act No. 30 of 1988, as amended
6. Insurance Act No. 25 of 1962, as amended
7. Finance Companies Act No. 78 of 1988
8. Finance Leasing Act No. 56 of 2000
9. Prevention of Money Laundering Act No. 5 of 2006
10. Financial Transaction Reporting Act No. 6 of 2006

2(b) Please describe (cite or summarize) good practices and/or examples of measures you have used to encourage transparency, public reporting and/or public participation through your anti-corruption programmes (both for the public and private sectors).

The above legislations have measures pertaining to record-keeping, preparation of financial statements, as well as auditing and monitoring of the activities of the private sector. A summary of the respective legislations is set out below.

¹ http://www.commonlii.org/lk/legis/num_act/slaaasa15o1995425/index.html

² Sections 191 to 200 available at: [http://www.drc.gov.lk/app/comreg.nsf/200392d5acdb66c246256b76001be7d8/\\$FILE/Act%207%20of%202007%20\(English\).pdf](http://www.drc.gov.lk/app/comreg.nsf/200392d5acdb66c246256b76001be7d8/$FILE/Act%207%20of%202007%20(English).pdf)

³ <http://www.sec.gov.lk/wp-content/uploads/SEC-Act-Revised-Edition-2009.pdf>

⁴ http://www.cbsl.gov.lk/pics_n_docs/09_Ir_docs/acts/mla_7th_rev_latest.pdf

1. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 (A&A Act)

The A&A Act identifies parties responsible for:

- a. Setting of accounting and auditing standards
- b. Adopting and implementing accounting and auditing standards, and
- c. Monitoring the implementation of accounting and auditing standards

In terms of sections 2 and 3 of the A&A Act, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (statutorily established under Act No. 23 of 1959) is empowered to adopt “Sri Lanka Accounting Standards” and “Sri Lanka Auditing Standards”, to maintain high standards in the preparation and presentation of the accounts of business enterprises. In terms of section 6 of the said Act, a statutory duty is cast on business enterprises to audit accounts, with the object of presenting a true and fair view of the financial performance and financial conditions of such enterprises. The said accounting standards and auditing standards are gazetted and can be found at https://casrilanka.com/casl/index.php?option=com_content&view=article&id=1186&Itemid=338&lang=en.

In terms of sections 5 of the A&A Act, the standards stated above are only applicable to “Specified Business Enterprises” (SBEs). These enterprises are identified based on criteria stipulated in the schedule of the Act and currently consist of 1,680 enterprises. Apart from private entities which fall within the respective statutes governing them or have been identified by the Act based on their respective industry, such as banks, finance, insurance, leasing and quoted public entities, other economically significant entities too have to comply with the standards under the A&A Act. The minimum threshold applicable at present to identify such entities can be found at: <http://slaasmb.gov.lk/regulations/>

Two Committees, i.e. (i) the Accounting Standards Committee; and (ii) the Auditing Standards Committee, established under sections 8 and 9 of the A&A Act, are required to make recommendations relating to the adoption of accounting and auditing standards.

For monitoring compliance of the Sri Lanka Accounting Standards and Sri Lanka Auditing Standards, a Board is established in accordance with section 11 of the Act, referred to as the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). This Board is established as a body corporate with perpetual succession and a common seal with statutory power to sue and to be sued in its corporate name. Under section 22 of the A&A Act, the Board has the power to appoint its own staff to carry out its mandate, and specific offences are set out in the Act for non-compliance with the provisions of the Act. The mandate of the Board is limited to the SBEs, as set out in the schedule. Currently, there are 1,680 business enterprises that fall within the ambit of the Board. Significant cases of non-compliances detected by SLAASMB, where the entities have agreed to correct their financial statements, can be found at: <http://slaasmb.gov.lk/significant-cases-detected/>.

Since 1 January 2012, Sri Lanka’s Accounting Standards are on par with the International Financial Reporting Standards (IFRSs). When the International Accounting Standards Board (IASB) issues IFRSs or Interpretations, the Accounting Standards Committee in Sri Lanka reviews the Standards and related technical materials and recommends them to the Council of CA Sri Lanka for adoption as the Sri Lanka Accounting Standards (Section 8, read together with Section 2).

A similar process is followed in setting and adopting auditing standards, as stipulated in section 9, read together with section 3. When the International Federation of Accountants (IFAC) issues International Standards on Auditing (ISAs) or other pronouncements through the International Auditing and Assurance Standards Board (IAASB), the Auditing Standards Committee in Sri Lanka reviews the Standards and related technical materials and recommends them to the Council of CA Sri Lanka for adoption as the Sri Lanka Auditing Standards.

The Council of CA Sri Lanka adopts such recommendations made by the Accounting and Auditing Standards Committees in Sri Lanka. CA Sri Lanka is responsible for the education of relevant parties and the implementation of standards.

There are two separate accounting standards for the small and medium-sized entities (Sri Lanka Accounting Standards for Small and Medium Sized Entities) and for the smaller sized entities (Sri Lanka Accounting Standard for Smaller Entities): https://casrilanka.com/casl/index.php?option=com_content&view=article&id=235&Itemid=339&lang=en

These three levels of standards guide almost all private entities of the country in the preparation of financial statements.

Applicable measures and penalties for non-compliance with the A&A Act are stated in sections 6, 7 and 27. As per section 27(2), the court may sentence the offender to a fine of Rs. 500,000, to imprisonment for a term not exceeding five years, or both.

The Sri Lanka Accounting and Auditing Standards Act is currently in the process of being amended.

2. The Companies Act No. 07 of 2007⁵

Sections 150 to 153 of the Companies Act set out the obligations of all companies formed under the Companies Act to prepare financial statements. The Act also mandates the appointment of an auditor (sections 154, 158, 159 and 160). Audit-related provisions are set out in the sections 164 to 165 of the Act. Sections 166 to 169 set out the provisions related to the registration of financial statements. Section 120 of the Act regulates the company records which should be kept and available for public inspection by all companies formed under the Companies Act.

Applicable measures and penalties for non-compliance with the Companies Act are stated in the Part XXI of the Act and offenders shall be liable on conviction to a fine not exceeding one million rupees or to imprisonment for a term not exceeding five years, or to both such fine and imprisonment.

3. The Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021⁶

The Securities and Exchange Commission Act ensures that the Sri Lankan regulatory environment is effective, and that securities law is tailored to meet the needs of the market and international best practices.

The Colombo Stock Exchange (CSE) Listing Rules (Amendments up to February 2022)⁷ provide additional compliance and disclosure requirements for all listed companies when preparing financial statements. Listed companies are bound by a Code of Best Practice on Corporate Governance: <https://www.cse.lk/#/home/listingRules>.

The Listing Rules and the Code of Best Practice on Corporate Governance require listed entities to establish independent Audit Committees (Corporate Governance Section D.3), a Related Party Transactions Review Committee (Listing Rules Section 9.2) and a Remuneration Committee (Corporate Governance Section B.1). The regulatory requirements of maintaining an independent audit function, in compliance with the Code of Best Practice on Corporate Governance, are enforced through several

⁵ Sections 191 to 200 available at:

[http://www.drc.gov.lk/app/comreg.nsf/200392d5acdb66c246256b76001be7d8/\\$FILE/Act%207%20of%202007%20\(English\).pdf](http://www.drc.gov.lk/app/comreg.nsf/200392d5acdb66c246256b76001be7d8/$FILE/Act%207%20of%202007%20(English).pdf)

⁶ <https://www.sec.gov.lk/wp-content/uploads/2021/09/PL-012514-E-Securities.pdf>

⁷ <https://www.cse.lk/pages/listing-rules/listing-rules.component.html>

enactments, i.e. under the Banking Act, Finance Business Act, Insurance Industry Act, Microfinance Act and Securities and Exchange Commission Act.

Applicable measures and penalties for non-compliance with the Securities and Exchange Commission Act are stated in the sections 33A and 51. Offenders shall be liable on conviction after summary trial by a Magistrate to a term of imprisonment of either description for a period not exceeding five years or to a fine not less than fifty thousand rupees and not exceeding ten million rupees, or to both such imprisonment and fine.

The Sri Lanka Accounting and Auditing Standards Act and the Securities and Exchange Commission Act are currently in the process of being amended.

4. Monetary Law Act No. 58 of 19498

The Financial Intelligence Unit of the Central Bank of Sri Lanka⁹ has issued directions on Know Your Customer rules and Customer Due Diligence, to be followed by specific sector institutions and associated professionals. The chambers of commerce, industry associations as well as professional institutes and associations have issued codes of ethics and conduct binding on their membership.

Regulatory bodies like the Central Bank of Sri Lanka, Securities Exchange Commission and Insurance Regulatory Commission have set up specific in-house departments to conduct supervision and on-site reviews of supervised entities coming within their scope on a regular on-going basis.

The current framework relating to the monitoring and implementation of regulatory requirements can be further strengthened by improving the relevant legislations and by capacity-building within the relevant organizations. The Sri Lanka Accounting and Auditing Standards Act and the Securities and Exchange Commission Act are currently in the process of being amended.

There are several requirements for a company to disclose conflicts of interests, for example, section 162 of the Companies Act, which requires an auditor to declare the interest, and section 192 which requires a director to declare interests. The Auditing and Accounting standards have specific provisions for identification and disclosure of related parties.

In order to promote the use of good commercial practices among businesses and to develop contractual relations of businesses, CA Sri Lanka and several associations of corporate bodies, such as the Chamber of Commerce, conduct annual competitions on corporate reporting and corporate best practices.

Further, in Sri Lanka, there are no provisions to incorporate ‘dummy’ companies (off the shelf companies) and only natural persons can be directors.

Since 2012, Sri Lanka follows international accounting standards to maintain integrity in business enterprises. Additionally, publicly listed enterprises are required to follow their own codes of best practices on corporate governance.

Applicable measures and penalties for non-compliance with the Monetary Law Act are stated in Sections 122(2), (2A) and (3).

Section 122 (2)

(a) On conviction after summary trial before a Magistrate to imprisonment of either description for a term not exceeding six months or to a fine not exceeding five hundred thousand rupees, or to both such imprisonment and such fine; or

⁸ http://www.cbsl.gov.lk/pics_n_docs/09_lr_docs/acts/mla_7th_rev_latest.pdf

⁹ Rules and Directions of the Financial Intelligence Unit: http://fiusrilanka.gov.lk/rules_directions.html

(b) on conviction before a District Court to imprisonment of either description for a term not exceeding three years or to a fine not exceeding one million rupees, or to both such imprisonment and such fine.

Section 122 (2A)

Every person who is guilty of an offence by reason of the contravention of subsection (1) or subsection (2) of section 58A shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding five hundred thousand rupees or to imprisonment of either description for a term not exceeding two years or to both such fine and imprisonment. A Magistrate may, on conviction of any person for an offence under subsection (1) or subsection (2) of section 58A, make order that any coin in respect of which the offence was committed or any metal or other article derived therefrom be forfeited to the State.

Section 122 (3)

Every person who is guilty of an offence for which no punishment is prescribed by subsection (2) or subsection (2A) shall be liable on conviction after summary trial before a Magistrate to a fine not exceeding one hundred thousand rupees or to imprisonment of either description for a term not exceeding one month, or to both such fine and such imprisonment.

5. Miscellaneous

Additional codes of corporate governance have been adopted for licensed banks (Banking Act, Direction Nos. 11 and 12 of 2007 on Corporate Governance for Licensed Banks) and finance companies (Finance Companies (Corporate Governance) Direction No. 3 of 2008 for Licensed Finance Companies).

Instances where non-compliance with the accounting standards by SBEs have been identified as significant issues and have led to the correction of financial statements by the relevant entities can be found at: <http://slaasmb.gov.lk/significant-cases-detected/>.

Private entities found guilty of corruption can be blacklisted from public tenders.

With regard to activities of former public officials, see information provided under article 8 paragraph 5.

No special whistle-blowing mechanism is in place for the private sector and alleged cases of corruption can be reported to CIABOC using the general reporting line (see information provided under article 13).

2(c) What was the impact of the measures described above (2a and 2b)?

Measures pertaining to record-keeping, preparation of financial statements, accounting and auditing in the private sector are prescribed in the Sri Lanka Accounting and Auditing Standards Act (A&A Act), Companies Act (CA), Securities and Exchange Commission Act, Monetary Law Act, Banking Act, Insurance Act and Finance Companies Act.

The A&A Act is applicable to “specified business enterprises” (section 5 and the schedule of A&A Act), that currently comprises of around 2,000 enterprises, including private companies and banks. Business enterprises are required to get their financial statements audited (section 6 A&A Act) and non-compliance is punishable (sections 6-7, 27 A&A Act). The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has developed Accounting and Auditing Standards in accordance with A&A Act sections 2-3 and to comply with international standards. The Accounting and Auditing Standards Monitoring Board monitors compliance with the A&A Act and the Standards. The Accounting Standards Committee and the Auditing Standards Committee make recommendations relating to the Standards (sections 8- 9 A&A Act).

According to the CA, all companies formed under the CA are obliged to keep correct accounting records (section 148), prepare financial statements (sections 150-153) and appoint an auditor (sections 154-160). Company records should be kept and available for public inspection (section 120). Applicable measures and penalties for non-compliance are stated in Part XXI.

According to the A&A Act, audits of specified business enterprises must be carried out by CA Sri Lanka members. In line with the CA, audits of other entities can be carried out by auditors registered with the Company Registrar.

In order to promote the use of good commercial practices, CA Sri Lanka, the Chamber of Commerce and other associations conduct annual competitions on corporate reporting and corporate best practices. Codes of corporate governance have been adopted for licensed banks and finance companies.

No special whistle-blowing protection mechanism exists for the private sector.

2(d) What challenges (if any) did you encounter in implementing the measures above (2a and 2b)?

Institution-building and capacity-building: There is a need for technical assistance for the relevant institutions, as a form of financial and non-financial support to strengthening the implementation of governance and monitoring-related activities in Sri Lanka, and for capacity building of such institutions.

Guidance on 2(a) and 2(b): Measures and good practices could, for example, include those designed to:

- Raise awareness of business integrity
- Encourage the private sector to establish anti-corruption policies, procedures and/or programmes
- Promote training and education on anti-corruption in the private sector
- Provide trainings or guidance, or develop model anti-corruption programmes or policies for companies to use and adapt
- Provide appropriate reporting channels
- Encourage public reporting of efforts to prevent and counter corruption in the private sector

Chapter 3: Using sanctions and incentives

Background: While effective sanctions for corruption offences are required under the United Nations Convention against Corruption, the Convention also recognizes the essential role of incentives that encourage and reward corporate self-reporting and preventive efforts.

Part A - Sanctions

3(a) Please describe (cite or summarize) good practices and/or examples of sanctions used to strengthen business integrity and/or reduce corruption in the private sector in your country.

Corruption within private sector is not an offence in Sri Lanka.

However, various professional bodies takes disciplinary measures against their members for violations of their Code of Ethics.

3(b) What were the main challenges (if any) your country faced in enforcing these sanctions?

N/A

3(c) What steps did you take to overcome those challenges (if any)?

N/A

Guidance on 3(a): Sanctions could, for example, include any of the following:

- Monetary sanctions for legal persons (companies) liable for the participation in an offence of corruption
- Incarceration or other criminal sanction of natural persons (individuals) who have committed an offence of corruption acting on behalf of a company
- Confiscation of proceeds of corruption for both companies and individuals who acted on their behalf
- Contract remedies and other means to communicate and enforce anti-corruption contractual provisions
- Suspension and/or debarment of contractual partners from government processes
- Denial of government benefits (fiscal or otherwise)
- Liability for damages and compensation of victims of corruption
- Reputational damages to hold wrongdoers publicly accountable
- Any other type of sanctions not listed above

Part B - Incentives

3(d) Please describe (cite or summarize) good practices and/or examples of incentives used to strengthen business integrity and/or reduce corruption in the private sector in your country.

There are no incentives to reduce corruption in the private sector

3(e) What is the main impact of such incentives?

There are no incentives to reduce corruption in the private sector

Guidance on 3(d): Incentives could, for example, include any of the following:

- Penalty mitigation – encourages self-reporting of offences, credits companies' preventive efforts
- Procurement preference – rewards good practice through procurement preference
- Preferential access to benefits – rewards good practice with preferential access to government benefits and/or services
- Reputational benefits – encourages good practice through public recognition
- Whistle-blower protection and awards – encourages reporting of potential violations by individuals
- Any other types of incentives not listed above

Part C - Additional measures

3(f) Please describe (cite or summarize) good practices and/or examples of any other additional measures used to strengthen business integrity and/or reduce corruption in the private sector in your country.

Guidance on 3(f): Additional measures could, for example, include any of the following:

- Integrity pacts – written agreements between government agencies and companies to strengthen integrity in public procurement, usually overseen by an independent monitor
- Collective action – collaborative initiatives that bring companies and other relevant stakeholders together to prevent and counter corruption and raise standards of business integrity
- Public sector reform – civil service and/or regulatory reforms that reduce the opportunities for corruption
- Public education – activities that raise public awareness of corruption and its harmful effects

Additional information

Is there any other information that you wish to share which has not been addressed by the previous questions?

Develop a whilst blower protection law/program