

## **Head 20- Election Commission**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Election Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Election Commission was issued to the Chief Accounting Officer on 23 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Election Commission was issued on 16 July 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Election Commission as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Chief Accounting Officer for the Financial Statements**

Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Commission exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 General'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 Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **1.5 Report on Other Legal Requirements**

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As required by Sub-section 6 (1)(d) of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendation made in my report on the financial statements furnished in the previous year regarding the observations contained in paragraph 1.6.3 (a) of this report had not been executed.

## **1.6 Comments on Financial Statements**

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### **1.6.1 Non-compliance of Financial Statements with Circular Provisions**

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Even though financial statements should have been furnished in terms of the State Accounts Circular No.271/2019 of 03 December 2019, instances of deviating from those requirements are given below.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The Object Codes 1003 and 1101 in the 2019 Financial Statements were not accurately compared with the Treasury Printouts.	Prior to the commencement of the settlement process, it should be ascertained that there are no discrepancies in the all account balances in the books of the Commission as compared to the account information in the final Treasury Printout 2019.	It is agreed with the observation.
(b) The Cash Flow Statement had not prepared in the correct format.	The Cash Flow Statement should be prepared in accordance with Format No. ACA-C of the State Accounts Circular No. 271/2019 dated 03 December 2019.	It is agreed with the observation.

### 1.6.2 Statement of Financial Performance

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
The other receivables for the year under review amounting to Rs.95,536,927 had understated by Rs.68,372,373 as against the amount of Rs.27,164,554 in the Statement of Financial Performance.	Financial statements should be prepared on the details in the finally certified Treasury Printouts.	It is agreed with the observation.

### 1.6.3 Statement of Financial Position

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) The cost of goods disposed by the District Office had not been included in the value of Office Equipment and Plant and Machinery of the year under review.	The cost of all items disposed during the year under review should be included in the final accounts.	It is agreed with the observation.
(b) There was a discrepancy between the value of the vehicles in the Non-Financial Assets Statement for the year under review, the balance of the vehicles owned by the entity and the balance of the Fixed Assets Register in that date.	The correct values of the vehicles should be mentioned.	It is agreed with the observation.
(c) The expenditure of Rs.985,613 incurred on behalf of land improvement under Object Code 20-1-1-2105 during the year under review had not been capitalized and included in the Non-Financial Assets Statement.	Expenditure incurred under the Object Code 2105 should be capitalized.	It is agreed with the observation.

- (d) Although an expenditure of Rs.33,208,354 incurred on the construction of the Jaffna District Office Building which was not completed during the year under review should be capitalized under work-in progress (61131), office buildings (6113109) in the Non-Financial Assets Statement, it had been capitalized under fixed assets, buildings and constructions. It should be mentioned under work-in progress 61131 in the Non-Financial Asset Statement. It is agreed with the observation.

#### 1.6.4 Lack of Maintain Documents and Books

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<b>Records of Losses</b>		
A Records of Losses had not been updated and maintained in accordance with Financial Regulation 110.	A Records of Losses should be updated and maintained in accordance with the Financial Regulations 110.	It is agreed with the observation.

#### 1.6.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with provisions in laws, rules and regulations observed during the course of audit test checks, are analyzed below.

Reference to Laws, Rules and Regulations	Observation	Recommendation	Comments of the Chief Accounting Officer
<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
(i) Financial Regulation 1647	A Board of Survey on vehicles and equipment owned by the Commission had not been conducted.	The survey should be conducted annually.	It is agreed with the observation. To be done from next year.

(ii)	Financial Regulation 139(8)	The sum of Rs.3,872,689 spent for the construction of Commissioner official residence in Batticaloa District in the year 2018 had not been entered in the Vote Ledger of the Department.	Expenditure incurred should be recorded in the prescribed documents and properly accounted. Expenditure should also be recorded in the Vote Ledger in instances where the expenditure was recorded as per the Treasury printouts of the year.	Payments were made in 2019 after the provisions were obtained in 2019.
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(b) Format No. ACA-C of the State Accounts Circular No. 271/2019 dated 03 December 2019.

Paragraph 3.1	The Final Treasury Printouts had not been included as attachments in the financial statements 2019.	The Final Treasury Printouts should be included in the financial statements as attachments.	It is agreed with the observation.
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(c) Internal Circulars

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 (i) Letter No. PRE/2019/06 dated 24 September 2019.

Paragraph 2.9.2

An attendance register had not been maintained for the Batticaloa District Procurement Committee.	According to paragraph 2.9.2, the attendance registers for the staff of the committees established in connection with the 2019 Presidential Election should be given to the Assistant District Election Commissioner after the election.	It is agreed with the observation. It will be rectified in future procurement activities.
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Paragraph 2.7.1	A procurement plan had not been prepared by the Batticaloa District Procurement Committee.	According to paragraph 2.7.1, a procurement plan should be prepared for all the procurements that would be made relating to the Presidential Election 2019.	It is agreed with the observation. It will be rectified in future procurement activities.
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**2. Financial Review**  
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**2.1 Management of Expenditure**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
The total amount of Rs.5,050,000 allocated to improve election management programs under Expenditure Code 20-1-1-2509 during the year under review had saved and a sum of Rs.2,264,212 had also saved in the Expenditure Code of staff training.	As per Financial Regulation 50, Realistic expenditure estimates should be prepared and a formal training plan should have existed.	There was no need for expenditure as such a project was not implemented with the knowledge of the Election Commission.

**3. Operating Review**  
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**3.1 Non-performance of Functions**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
15 activities scheduled to be carried out with a financial provision of Rs. 10,955,000 by the Commission during the year under review had not been implemented entirely.	Activities should be performed as planned.	These activities were also included in the Action Plan as they were included in the procurement plan 2019. The procurement plan was revised latterly according to priorities.

### 3.2 Delays in Execution of Projects

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) Although Construction works on the official quarters of Assistant Commissioner of Elections Batticaloa District was scheduled to be commence in 2018 and be completed in the same year, that work had not been completed also in year 2020.

Actions should be taken to complete the activities as planned.

The contract period was extended by 60 days due to rainy conditions in year 2018. The settlement was delayed due to construction of a wall around the building.

(b) Although a sum of Rs.1,952,500 had paid to the Ministry of Defence in 2017 to set up a computer system for investigating election complaints, its activities had not been completed until end of the year under review.

Action should be taken to complete the activities as soon as possible.

The entire amount was paid when the relevant works on the system was nearly to be completed as this is a government agency. The Ministry of Defence has been informed on 30.12.2019 to fix the errors in the relevant system.

### 3.3 Inactive Projects those Funds were Released

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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Even though a sum of Rs.325,000 were paid to the Ministry of Defence for the purpose of creating its mobile app when the development of the computer system for investigating election complaints, that task had not been completed.

The relevant task should be completed as soon as possible.

It has been informed that the system can be updated as there is no mechanism to return the money to the Commission.  
It was decided that this facility was not needed.



### 3.4 Projects commenced after a Delay

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#### Audit Observation

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The construction works had commenced 06 months after the due date according to the Memorandum of Understanding of the construction of a new building for the Jaffna District Election Office and an advance of Rs.12.42 million had been paid 3½ months before the commencement of construction works.

#### Recommendation

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It should be act in accordance with the agreement.

#### Comments of the Chief Accounting Officer

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The delay was due to the procurement process being carried out by the Building Department.

### 3.5 Other Observations

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#### Audit Observation

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The company had not nominated a responsible officer for 06 works carried out extraneous to the Annual Action Plan at a cost of Rs.2,285,000 during the year under review.

#### Recommendation

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A responsible officer should be appointed to supervision of all the works planed and performed.

#### Comments of the Chief Accounting Officer

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By mistake, the officer was not appointed.

### 3.6 Procurements

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The following observations are made.

#### Audit Observation

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(a) The Bid Opening Records had not been maintained properly for the purchase of padlocks worth Rs.1,619,085 and the documents were signed by only one member of the Bid Opening Committee.

#### Recommendation

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The bid opining activities should be recorded in a prescribed format according to the Section 6.3.6 of the Procurement Guidelines and those records should be signed by all members of the Bid Opining Committee.

#### Comments of the Chief Accounting Officer

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It is agreed with the observation. This is due to the tasks being performed in a short period of time. Steps will be taken to prevent such shortcomings in the future.

- (b) The letter of acceptance submitted during the procurement activities related to the construction of a new garage in the premises of the Commission had not been prepared properly and the contract agreements that were prepared in 05 occasions had not been formally drafted. A formal contract agreement should be written and signed for work contracts exceeding Rs.250,000 in Sri Lanka as per paragraph 8.9.1 of the Procurement Guideline. It is agreed with the observation.
- (c) The Administrative Cost was 2 per cent of the Direct Contract Cost in the cost estimate prepared for the construction of the official quarters of the Assistant Election Commissioner in Batticaloa District. Administrative costs should be less than 1 percent of the total construction cost according to paragraph 4.3.1 and 4.3.2 of the Procurement Guideline. The letter of allocation of provisions from the Head Office for the year 2019 is attached.
- (d) The extra works amounting to Rs.763,807 in construction of official quarters of Assistant Elections Commissioner in Batticaloa District had been carried out without the prior approval of the Head of the Department. The Head of the Department /Project Director could be approved these variation orders if the average value of the variations (due to doing the extra works orders and size changes) would be in Emergency Contingent Provision as per paragraph 8.13.4 of the Procurement Guideline. Permission was requested from the Head Office for additional works and by mistake that letter was not filed in the office file.
- (e) The conditions regarding actions to be taken on the contract delays of construction of new building for Election Office in Jaffna District had not been included. The terms and conditions on recovery of liquidated damages should be included in the contract agreement in accordance with the provisions of the Procurement Guideline. It is agreed with the observation. Action will be taken to amend the agreement.

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| (f) According to the contract agreement and the contract awarding letter, there was a contradiction and practicality problem regarding the date of completion of those works of the construction of a new building for the Elections Office in Jaffna District. | Contract awarding should be done in accordance with the contract agreement. | There are deficiencies in the contract agreement and action will be taken to rectify them and amend the agreement. |
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### 3.7 Assets Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) 04 vehicles were parked in the premise of the institute without use and 29 monitors and 33 servers in working conditions had been stored in the Head Office without being used as per the Annual Board of Survey 2018.	Action should be taken regarding the idle and underutilized assets according to Public Finance Circulars No.353(5) dated 03 January 2003, No.438 dated 13 November 2009, No.353 dated 30 September 1997, and according to the Financial Regulation 771.	Action will be taken to dispose these vehicles immediately.
(b) Disposal activities of a motorcycle identified for disposal in 2017 had not been carried out until 2020.	Disposal activities should be carried out in accordance with paragraph 12 of Public Finance Circular No. 02/2015 dated 10 July 2015.	Action will be taken immediately to dispose.

### 3.8 Uneconomic Transections

#### Audit Observation

#### Recommendation

#### Comments of the Chief Accounting Officer

A sum of Rs.94,185 had been spent to recall canceled bids due to the publication of incomplete bids regarding the construction of a new building for the Jaffna District Election Office.

Bid documents should be prepared correctly.

It is agreed with the observation.

### 3.9 Management Weakness

The following observations are made.

#### Audit Observation

#### Recommendation

#### Comments of the Chief Accounting Officer

(a) Action had not been taken to take over the ownership of 09 vehicles those lease period had completed during the year under review.

Action should be taken to take over the ownership of vehicles those lease period had completed.

It is agreed with the observation.

(b) The soil had eroded to rain due to fill the soil without laying foundation around official quarters of the Assistant Election Commissioner in Batticaloa District.

The land should be arranged properly and fill with soil to prevent the filled soil from erosion.

Laying of foundations was delayed due to lack of funds and steps have been taken to perform this task now.

(c) Any information regarding food poisoning to the staff as reported through the media had not included in the report of the welfare committee of the Colombo District /Urban Elections Office relating to the Presidential Election 2019.

All incidents should be reported in committee reports.

Steps have been taken to obtain a revised report from the Chief Returning Officer in charge of the Welfare Committee.

**4. Human Resource Management**

**Audit Observation**

**Recommendation**

**Comments of the Chief  
Accounting Officer**

The Human Resource Development Plan had not been prepared by the Commission as per Public Administration Circular No. 02/2018.

Human Resource Development Plan should be prepared in accordance with Public Administration Circular No. 02/2018.

Answers had not been furnished.