

## **Head 20 – Election Commission**

---

### **1. Financial Statement**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Election Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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. The Summary Report containing my comments and observations on the financial statements of the Commission was issued to the Chief Accounting Officer on 14 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Commission was issued to the Chief Accounting Officer on 05 August 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Election Commission as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

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

---

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. 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 opinion.

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

---

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Commission in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

### **1.4 Auditor's Responsibility on Audit of Financial Statements**

---

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'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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.

- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

-----

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented .

## 1.6 Comments on Financial Statements

-----

### 1.6.1 Statement of Financial Performance

-----

The following observations are made.

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
The cost of cleaning services and security services amounting to Rs. 1,465,847 had been accounted for under voter registration object.	Having to deploy a larger number of employees during election periods than usual for security and cleaning services and deploying of these	Expenditures should be accounted for under the accurate expenditure object.

employees on weekends and public holidays may incur additional costs than usual. Since these additional expenses are incurred due to the holding of the election, such a percentage has been borne under the election expenses object .

### 1.6.2 Statement of Financial Position

-----  
 The following deficiencies were revealed in accounting for the property, plant and equipment.

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>(a) The differences in between the closing balances of the previous year and the opening balances of the year under review for vehicles, land and buildings and machinery and office equipment were Rs.7,134,127, Rs.1,204,464,069 and Rs.25,712,259 respectively.</p>	<p>Actions have been taken for the future correction of the mismatch in between the opening balance of the Treasury printout and the opening balance of the financial statements of the current year.</p>	<p>The balances should be specified accurately.</p>
<p>(b) Lands and buildings which were removed from the register of fixed assets valued at Rs. 15,400,000 had been shown in the financial statements.</p>	<p>The Badulla Ratwatte Mawatha building and land and the official residence in the Tamankaduwa area which were handed over to the Commission have been returned to the District Secretary and although this has been removed from the register of fixed assets, it has</p>	<p>Assets should be properly accounted for.</p>

	not been removed from the accounted CIGAS programme. Therefore, actions will be taken to correct it in the next year.	
(c) Even though the value of 05 lands and buildings according to the register of fixed assets was Rs. 170,294,314, it had been accounted for as Rs. 132,127,314 .	Actions will be taken to correct in the next year.	Assets should be properly accounted for.
(d) An official residence of a District Assistant Elections Commissioner, an election office and the lands belonging to them which were handed over to the Commission in 2010 valued at Rs. 25,748,000 had not been stated in the financial statements.	As the activities are in progress to assess the Batticaloa office building and land, actions will be taken to correct the register of fixed assets and to correct the fixed asset value of the financial statements by the CIGAS programme accordingly.	-do-
(e) Nine lands which had not been legally acquired valued at Rs.1,142,185,612 had been stated in the financial statements.	Actions are being taken to resolve the deeds of lands alienated to the Commission by now.	Immediate actions should be taken to ensure the ownership of the lands owned by the Commission.
(f) There were discrepancies as Rs.3,883,977, Rs.4,953,979 and Rs.11,307,281 respectively in between the disposal schedule and the disposal costs included in financial statements for the years 2018, 2019 and 2020.	Actions will be taken to correct these changes after making reconciliations and making changes regarding inconsistencies and obtaining the schedules on accurate disposable goods to the Accounts Division.	The accurate values for disposal of assets should be stated in the financial statements.

### 1.6.3 Cash Flow Statement

-----

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) There was a difference of Rs. 92,705,545 in personal emoluments and operating expenses, construction of physical assets or purchases and acquiring other investments, non-imprest receipts, recovery of advances , deposit receipts and deposit payments due to failure to prepare the cash flow statement on the gross basis.	Except for the cross entries, only the amount made in cash has been taken into the cash flow statement.	It should be noted accurately.
(b) Subsidies and transfers amounting to Rs. 4,209,529 had not been stated in the cash flow statement during the year under review.	Expenditures incurred under the expenditure object 1506 on property loan interest has not been recorded under subsidies and transfers by a mistake.	It should be noted accurately.

### 1.6.4 Failure to Maintain Documents and Books

-----

The Commission had not maintained some of the following documents and it was observed in audit test checks that the certain documents were not maintained in an updated manner.

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
(a) The register of damages had not been updated in terms of Financial Regulation 110.	Steps have been taken to update the register of damages in a proper manner. .	Actions should be taken in accordance with Financial Regulations.
(b) The register of vehicles was not kept up to date as per the Financial Regulation 1647 (e) .	Steps have been taken to update the fixed asset register properly	Actions should be taken in accordance with Financial Regulations

## 2. Financial Review

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

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

<b>Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
<b>Reference to Laws, Rules and Regulations</b> -----	<b>Non - compliance</b> -----	
(a) Paragraphs 5.2 and 5.3 of Chapter xix of the Establishments Code of Democratic Socialist Republic of Sri Lanka	The economic rentals of Rs. 2,000 and Rs. 1,500 had been charged from the Chairman, a member and two officers of the Commission for rent each per month in contrary to the provisions.	This building is an old office building and renovated and provided for the accommodation for officers. Because there is no suitable facility to use as an official residence, actions have been taken to charge economic rent according to a decision taken by the then Commissioner of Elections.
		The Establishments Code should be followed in charging rent.

**(b) Decisions of Cabinet of Ministers**

-----  
Decision of the Cabinet of Ministers No. 403 /16 /1261 / 702 / 037-1 dated 5 July 2016

(i) A measure of 1,456 liters of diesel and 1,628 liters of petrol amounting to Rs. 374,460 had been provided exceeding the approved limit for 08 months in the year under review to the Chairman of the Commission.

As the fuel provided monthly for the official vehicle is not sufficient in cases where to travel far away from the District for various official purposes related to election activities, additional fuel requirements have been thus provided.

Payment of allowances should be made as per the decision of the Cabinet of Ministers.

(ii) A special telephone allowance amounted to Rs. 60,000 had been paid to the Chairman and other members of the Commission in addition to the approved allowance for 03 months of the year under review.

Since it had to incur communication costs for residential phones, mobile phones beyond the limit set out in the circular above, when communicating with political parties and other stakeholders for official purposes during the election period, these special telephone allowances have been paid to the members including the Chairman of the Commission with the approval of the Commission to suit that period.

-do-

<p>(iii) A special election duty allowance of Rs. 42,000 had been paid to the Chairman and members of the Commission in addition to the approved allowance for 03 months of the year under review .</p>	<p>Those payments have been made for working hard to hold an election and count the votes and announce the results because it was fair and just to pay the allowance to the other election staff for polling booth activities and for the declaration of results and the for the combined allowances paid for that day without considering the distance to the members including the Chairman of the Commission.</p>	<p>Payment of allowances should be made as per the Decision of the Cabinet of Ministers.</p>
---	--	--

**2.2 Reconciliation Statement on Advances to Public Officers' Accounts**

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>A debt balance of Rs. 164,811 was in receivable from an employee who was interdicted during the year under review.</p>	<p>Reminder letters have been sent to the employee and actions will be taken to recover the loan from the guarantors in future.</p>	<p>Actions should be taken to recover the debts.</p>

## 2.3 Improper Transactions

---

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The property damage compensation amounting to Rs. 5,200,000 paid by the Metro Colombo Urban Development Project for a property owned by the Commission had been obtained by the Chairman of the Commission, one member and two officers.</p>	<p>This payment which has been made to the Chairman of the Commission and two other officers including one member has not been happened through the official bank account of the Commission informing the Election Commission. It is kindly informed that it is appropriate to clarify the matter with the institution which made the relevant payments.</p>	<p>Appropriate action should be taken to rectify.</p>
<p>(b) Even though a transport allowance of Rs. 50,000 is entitled to the Members of the Commission if the distance from their place of residence to the office of the Commission is more than 350 km in accordance with the Decisions of Cabinet of Ministers and the Resolution of Parliament approved from 05 July 2016, a transport allowance of Rs. 2,400,000 had been paid for a member of the Commission who has been paying economic rent and living in an official residence of the Commission for a period of 04 years.</p>	<p>Transport allowances have been paid to this member of the Commission in accordance with the Decisions of Cabinet of Ministers and the Resolution of Parliament issued from 05 July 2016. These allowances are applicable only for the arrival to Rajagiriya Elections Commission from his permanent residence in Jaffna and to return to home.</p>	<p>It should act in accordance with the Decisions of Cabinet of Ministers and the Resolution of Parliament.</p>

### 3. Operating Review

-----

#### 3.1 Procurements

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
<p>(a) Actions had not been taken in accordance with Paragraph 5.3.2 of the Procurement Guidelines in purchasing hand sanitizer liquid cans cost at Rs. 597,618 .</p>	<p>Because of the risk of the Covid 19 epidemic spreads islandwide by May 2020, the day-to-day operations of both government and private institutions have been stopped. Meanwhile, the preliminary work related to the Parliamentary Elections 2020 had to be continued, the sanitizer liquid had to be purchased quickly. Therein, the purchase was made by a company that had offered the lowest bids so as not to occur a disadvantage to the government.</p>	<p>Arrangements should be made in accordance with the provisions of the Procurement Guidelines.</p>
<p>(b) In purchase of hand sanitizers valued at Rs. 89,319,056 an expert on the subject had not been appointed to the Technical Evaluation Committee in terms of</p>	<p>The Technical Evaluation Committee appointed to procure the hand sanitizer had consisted of officers who have adequate knowledge of the procurement procedure. The</p>	<p>Arrangements should be made in accordance with the provisions of the Procurement Guidelines.</p>

Paragraph 2.8.1 (b) of the Procurement Guidelines

specifications for this purchase have been obtained from the Ministry of Health to the Election Commission by e-mail because there are no technical experts

### 3.2 Assets Management

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) A motorcycle cost at Rs. 144,900 has remained unused since 2019 .	It has been noted that to take actions for bidding and sale of this motorcycle at next year's Board of Survey.	Assets should be used with maximum productivity.
(b) A building had been constructed on land not owned by the Commission with an expenditure of Rs. 1,771,701 .	Transferring of the land owned by the Commission in the Heen Ela premises adjacent to the Head Office is being done.	Actions should be taken to ensure the legal ownership of the lands belonging to the Commission.

### 3.3 Losses and Damages

-----

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Actions had not been taken in terms of Financial Regulations even by the end of the year under review in respect of the total loss of Rs 122,900 remaining from 2018 and 2019 .	As no provisions has been made for this, arrangements will be made to write off from the books after the provision has been made.	Actions should be taken in terms of Financial Regulations ..

### 3.4 Uneconomic Transactions

-----

#### 4. Achieving of the Sustainable Development Goals

-----

**Audit Observation**  
-----

The Commission had not identified the Sustainable Development Goals.

**Comments of the Chief Accounting Officer**  
-----

Although the Election Commission is not directly involved in the Sustainable Development Goals as per the relevant circular, in preparing budget estimates for comprised functions, provisions are made in an indirect way. It is kindly inform that indirectly contribute to the achievement of the Sustainable Development Goals by utilizing those provisions.

**Recommendation**  
-----

Actions should be taken to identify the Sustainable Development Goals.

#### 5. Human Resources Management

-----

**Audit Observation**  
-----

Officers had been recruited for 06 executive level posts on acting / perform duties basis for a period of 2 to 6 years and three officers had been recruited exceeding the approved number.

**Comments of the Chief Accounting Officer**  
-----

Officers have been appointed to act / perform duties according to the qualifications for 06 executive level posts approved to the Commission. Steps will be taken in future to recruit officers for those posts on a full time basis.

**Recommendation**  
-----

Officers should be attached to the essential posts on full-time basis.