

## **Head 020 – Election Commission**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Head 020 – Election Commission for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 22 May 2024 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Commission was issued to the Chief Accounting Officer on 20 August 2024 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with 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 financial statements give a true and fair view of the financial position of the Election Commission as at 31 December 2023, and its financial performance and cash flows 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 described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 and the Accounting Officer for the Financial Statements**

The Chief Accounting Officer are 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Commission 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**

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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

#### Non-Financial Assets

##### Audit observations

The balance of the non-financial assets had been overstated as although the Machines and Equipment costing Rs.6,717,017 and Rs.1,380,261 respectively in the previous year and the year under review had been disposed, these assets had not identified and removed from the relevant non-financial asset accounts. Also, Machines and Equipment had been disposed even before the last year, those values had not been removed from the non-financial asset accounts.

##### Comments of the Chief Accounting Officer

The cost of disposed assets has not been removed from the non-financial accounts as the codes and values of disposed assets do not match the codes and values of the CIGAS data system. It will be updated immediately and action will be taken to notify audit.

Disposed assets such as Machinery and Equipment should be identified and the relevant value should be removed from the balance of non-financial assets and properly accounted.

## 2. Financial Review

### 2.1 Expenditure Management

##### Audit observations

Due to the non-preparation of expenditure estimates in accordance with Financial Regulation 50, the remaining amount from the net allocation of Rs.50,000,000 and Rs.5,000,000 for 02 capital

##### Comments of the Chief Accounting Officer

These savings are due to only essential Machinery and Equipment was upgraded according to National Budget Circular 02/2023. This provision was remained save

Attention should be paid to the circular 03/2022 and the expenditure estimates should be prepared in accordance with the

expenditure objects was due to although the office was to Financial Regulations Rs.38,740,095 and Rs.1,144,485 be opened before the completion 50 while preparing the respectively as 77 percent and 23 of the first phase of the new expenditure estimates percent. building of the Jaffna District Election Office and started the second phase, there was a delay in the opening and the delay in the selection of contractors for the construction of the second phase.

## 2.2 Incurring Liabilities and Commitments

Audit observations	Comments of the Chief Accounting Officer	Recommendation
According to Financial Regulation 94 (1), Although it should not be bound to any expenditure or commitments for any work or service or supply, if only have the financial provisions in annual estimates, the commission had reached for Rs.9,282,806 of commitments for 04 expenditure objects contradiction to that and as a result, the liabilities exceeding the balance provisions of those expenditure objects had been Rs.8,770,087.	Reaching to above liabilities was done for the smooth running of the office work compliance to F.R 94(2) and F.R 94(3).	Financial Regulations should be followed.

## 2.3 Non Compliance with Laws, Rules and Regulations

Cases of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Observations	Reference to the Non-Compliance Laws, Rules and Regulations	Comments of the Accounting Officer	Recommendation	
(i)	Public Administration Circular No.30/2016 dated 06 December 2016	The fuel test in respect of 47 vehicles of the commission had not been done as per provisions of the circulars.	The fuel combustion tests have been done in 04 vehicles of the head office and 12 district offices at present and the necessary activities to check the fuel combustion of the remaining vehicles are being carried out in these days.	It should be act as per provisions of the circulars.

- (ii) Paragraph 04 of Public Administration Circular No.13/2008 dated 28 June 2008 and Paragraph 02(c)(iv) of Budget Circular No.01/2023 dated 27 January 2023
- The 1238.5 liters of fuel had been given to 03 reserved vehicles in the year 2023 exceeding the fuel limit for reserved vehicles as per the circular.
- These vehicles are the vehicles assigned to the Chairman of the Commission, the Election Commissioner General and the Chief Internal Auditor. The Chairman and the Commissioner General representing the Election Commission as the heads of the institutions, the additional fuel had been provided as the invitations from all over the island was received and had to be attended for the events that should have to be necessarily attended such as lectures, workshops etc. and since the elections of local government had been announced in January 2023, additional fuel had been provided for the tasks also. Also, the vehicle reserved to the Chief Internal Auditor has been provided with additional fuel when the vehicle was driven to the district election offices for audit purposes with the officers of that division. Since there are several officers traveling in those cases, it has also been considered as a group transport.
- It should be act as per provisions of circulars.

### 3. Operation Review

#### 3.1 Procurement

The following observations are made.

<b>Audit observations</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>(a) Procurement of purchasing 02 Digital Copy Printer (DCP) Machines</b>		
(i) According to the approved procurement plan for the year 2023, although the procurement of 02 Digital Copy Printers (DCP) machines was planned to be completed by 30 June 2023, the procurement of the machines had been completed on 21 November 2023.	It is mention that, it was not possible to complete these procurement activities since they acted on the approval of the procurement committee for re-calling the prices without conducting the purchase activities in the first bidding.	It should be act to comply with the time limits of the approved procurement plan.
(ii) Quotations were called from 08 registered suppliers on 16 May 2023 for the purchase of 02 Digital Copy Printer (DCP) machines under shopping method and quotations had been received from 04 suppliers. As the specifications of the machine were not correctly identified at the time of planning the procurement, the prices had been again called from the previous suppliers. As the supplier submitted the minimum price as Rs.805,000 in the first quotations and the minimum price as Rs.1,035,000 in the second quotations, there had been a loss of Rs.230,000 due to not identifying the specifications of the machine properly in this procurement.	In the evaluation of the received quotations, since it was found that the prices received for a machine that can print only up to F4 paper size was less than 1/3 compared to the other 03 quotations presented, it had been given that kind of recommendations because there will be a great financial advantage by calling the price again and purchase if it is sufficient to printing only up to that requirement. Accordingly, in the second quotation, the price of a machine has been increased by Rs.100,000/- (without VAT). Nevertheless, it was the lowest price offered at that time. Accordingly, it has to be paid Rs.230,000 inclusive of VAT for 02 machines exceeding the first bid price.	The specifications of the machine should be identified correctly at the time of procurement planning.  ..

(b) **Procurement of purchasing an additional generator and fuel tank for Head Office**

- (i) The relevant supplier had offered a tax-free price of Rs.6,289,650 for the purchase and installation of the contracted generator in the year 2022. That value included also the cost of the Bulk Storage Fuel Tank and its installation of Rs.734,500. As the fuel tank was not installed during the installation of the generator on 14 January 2023, the tax-free price of the procurement was Rs.5,555,150. However, due to the subsequent change of the installation location of the machine, the Commission had to overpay Rs.455,650 as Rs.6,010,800 was paid without tax during the payment of final bill on 17 April 2023 to the relevant supplier.
- The orders have been placed taking the approval of the procurement committee to carry out the work from the said institution under the tax-free amount of Rs.6,289,650.00 based on the recommendations given by the evaluation committee after checking the relevant prices and specifications. In December 2022 after supplying and installing the electricity generator and submitting the invoices, a cheque of Rs.4,767,000.00 was written in December 2022 based on the existing savings in provision and issued to the relevant institution on 17.01.2023.
- Procurement Guideline should be followed.
- (ii) Although the invoice related to the installation of an additional fuel tank was submitted by the supplier again on 20 December 2022, the tank was installed on 15 August 2023 i.e. with a delay of 08 months.
- Although the invoice for the additional fuel tank was submitted, payment was not made until the fuel tank was installed. Payments for that have been made on 28.10.2023. The delay in installing the fuel tank did not affect the electricity supply during this period as there was no need to operate the generator as the electricity supply had returned to normal.
- The requirement should be properly pre-determined while purchasing the goods.

- (iii) Although the additional electricity generator and the additional fuel tank had been purchased for the need to continuously provide electricity to the data center of the Commission during the long power cut due to the fuel crisis in 2022, there was a need to utilize the electricity generator and the additional fuel tank even by December 2023 due to the delay in the procurement. These generators and fuel tanks were installed with the aim of providing continuous power supply to the data center due to the power cut and fuel shortage in 2022 and early 2023. The need of using it was not arisen since there was no such power cut after the relevant installation. Nevertheless, if such a situation arises again in the future, this generator should be used. Procurement activities should be completed within the prescribed period.
- (c) **Procurement of installation an electricity generator for the District Election Office Kegalle**
- (i) An electricity generator for the District Election Office Kegalle had been purchased on 30 December 2020 for Rs.1,720,000 and the machine was installed in the institution's premises on 05 January 2023 i.e. 02 years after the purchased of machine. It is mentioned that the installation of this generator was delayed due to practical problems and delays in the construction of the new building of the District Election Office Kegalle, which is beyond the control of the Commission. The requirement should be identified and the procurement activities should be completed within the specified period.
- (ii) The relevant supplier had offered a price of Rs.275,000 as installation fees at the time of purchasing the machine. Later, since the price offered was Rs.469,714 on 05 May 2022, it had to be overpaid a Rs.194,714. The above revised estimate was approved and the work was assigned considering the facts that, it had to be completed the installation of the generator after about 15 months due to factors beyond our control, the price of goods and services increased drastically due to the bad economic situation in the country during those days (around May 2022) and there is an urgent need to install this generator on the power was disconnected for a long time due to fuel shortage. As it was an essential work, the estimate has been approved. The procurement committee has given approval for the additional estimates considering the request made by the institution on the basis of the bad economic situation in the country and the rapid increase in commodity prices. Procurement activities should be completed within the prescribed period.



### 3.2 Management Weaknesses

The following observations are made.

Audit observations	Comments of the Chief Accounting Officer	Recommendation
(a) The term of office of local government bodies ended on 19 March 2023 and the relevant nomination notice was displayed on 04 January 2023. The 03 gazettes related to polling dates and their cancellations had been issued. Although the Election Commission was unable to hold the election on the scheduled date, Rs.655,096,226 had been spent as election expenses and Rs.15,933,472 remained as accrued expenses as of 30 September 2023. The 15 percent of the election expenditure is for overtime and holiday pay, 23 percent for purchase of stationery, 07 percent for fuel, 31 percent for printing, 07 percent for entertainment, 04 percent for police department expenses and 13 percent for other expenses had also been spent.	The term of office of the local government bodies ended on 19 March 2023 and the relevant nomination notice was announced on 04 January 2023 and the local government polling was commenced. The purpose of the Election Commission is to conduct the polls as scheduled and complete the election of members before 19 March 2023. Accordingly, arrangements were made for polling and where the expenses mentioned in the poll had to be borne.	Since the failure to fulfill the financial and other requirements to hold an election is a waste of public finances, actions should be taken to prevent such future incidents.
(b) Rs.12,556,695 had been spent on construction and repair and the amount paid for vehicle repair was Rs.5,669,850. Out of this, Rs.2,312,644 had been paid for the servicing and repairs of 69 vehicles owned by other institutions that do not belong to the commission.	As the purpose of the Election Commission was to conduct the local government elections as scheduled, the expenses mentioned in the inquiry had to be incurred for construction and repairs. As the vehicles of the Commission were not sufficient for polling activities, vehicles owned by other organizations had to be procured and those vehicles had to be serviced and repaired.	Undertaking a technical inspection while procuring vehicles from government agencies. Developing a cost recovery system for vehicle repairs.

- (c) Computers, Photocopy Machines, Laptops and Printers were acquired on rental basis and Rs.5,289,855 had been paid for them. Although the machines had been returned to the relevant institutions due to the non-holding of elections, this expense had become an idle expense.
- The procurement activities necessary to carry out the basic organizational activities related to conducting the polls were commenced as per the gazette notifications and circulars issued according to the policy decisions taken by the Election Commission for conducting local government polls and the computer machines, photocopy machines, printers and laptop computers necessary for the district election offices including the head office were procured on rental basis. In order to facilitate the large duties that had to be performed in a short period of time, the offices had to get machines and equipment on a rental basis due to the lack of facilities enough to meet the needs. This expenditure had to be incurred as these works were carried out on the basis of the announcement of polling on 09.03.2023.
- Requirements should be met through the government entities.
- (d) According to the letter of receipt of information No.F/18/2023 dated 14 September 2023, the expenses on stationery for this election as at 31 July 2023 was Rs.162,911,483. Out of which, Rs.29,009,706 was spent on Toner, Ink and Drum and, Rs.92,472,972 was spent on envelopes. This expense had been idle due to the non-reusability of these envelopes.
- It will be made necessary arrangements to use the relevant envelopes again in local government elections.
- Public financials should be deployed economically and effectively.
- (e) The Colombo District and Colombo Municipal Election Offices had called for vehicles from organizations for election duties from time to time and the commission did not have a prior plan regarding the number of vehicles required for election
- It will be informed the officers as such deficiencies do not occur in the future. Necessary actions will be taken to prepare a plan for vehicle requirements in the upcoming polls.
- A prior plan regarding the number of vehicles required for election activities should be prepared and act accordingly.

activities. Furthermore, a vehicle requirement plan prepared by the Colombo Municipal and Colombo District Election Offices for basic organizational activities was not submitted to the audit.

### 3.3 Planning

The following observations are made.

Audit observations	Comments of the Chief Accounting Officer	Recommendation
(a) According to Section 03 of Public Finance Circular No.02/2020 dated 28 August 2020, although the action plan of the year under review should be approved by the Chief Accounting Officer before 15 December of the previous year, the action plan of the Commission for year 2023 was approved on 07 February 2023. Thereafter the plan was revised four times and the approval of the Chief Accounting Officer had not been obtained for the revised plans.	Due to some divisions did not provide information on the scheduled dates in the preparation of the 2023 action plan and since the preliminary work of announcing the local government poll had already started, practical problems arose to approve it before the scheduled date. Also, It is further informed that the progress of the revised plan related to the quarter has been forwarded to the Department of National Budget and the Department of National Planning of the Ministry of Finance with the signature of the Election Commissioner General, and therefore that the proper authority has been received.	Action plan and relevant amendments should be approved at due dates.
(b) The 09 tasks that were planned to be performed by the Legal division in the action plan 2023 could not be performed due to the non-holding of the local government election, and the Information and Communication Technology division did not perform 04 tasks. Furthermore, the Administrative division had revised the plan from time to time by including the tasks that had been done during the year without correctly identifying the	The 06 tasks out of the 09 tasks planned to be performed by the Legal division could not be completed due to the non-conducting of local government polls, and 03 tasks could not be implemented due to various financial and physical problems arising outside the administration of the Commission and it was decided to include in the action plan of the year 2024. 04 tasks of Information and Communication	The planned tasks in the action plan should be correctly identified and the planned tasks should be carried out.

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|     | tasks to be implemented during the year.  | Technology Division are to be done in the year 2024.   |   |
| (c) | Key Performance Indicators (KPI) had not been identified for each activity in the Action Plan related to the National Electoral Division.   | The Key Performance Indicator (KPI) for each activity is included in the Annual Action Plan as it is identified in the Participation Strategic Plan.   | Key Performance Indicators (KPI) for each activity should be identified in the Action Plan. |
| (d) | Preparation of the action plan without proper analysis had led to large variations in the number of activities in subsequent revisions. Again those activities had been transferred to other divisions and certain tasks had been included in the 2024 Action Plan. | All the divisions have been informed about this, and actions have been taken to minimize the said problems in the preparation of the action plan of the year 2024. Due to various financial and physical problems that arose in the year 2023, it was not possible to implement the activities related to the divisions, and the activities that could not be carried out according to the Participation Strategic Plan 2022-2025 were included in the 2024 Action Plan. | Action plan should be prepared with proper inspection.                                      |

### 3.4 Assets Management

#### Audit observations

The 05 vehicles belonging to the commission were driven lower time in the year under review and in many cases they were parked in the premises of the institution. In October 2022, 05 tires were changed in one of the vehicles and after changing the tires, the vehicle had driven only 19 kilometers until 31 December 2023.

#### Comments of the Chief Accounting Officer

As stated therein, one vehicle had changed 05 tires in the month of October 2022 and the vehicle had driven only 19 km until 31.12.2023. This vehicle was sent to the agency for repairs in August 2018 and due to lack of spare parts for repairs, the vehicle was return to the office after about three months and parked. Later, due to the regulations issued by the government suspending the purchase of new vehicles to the government entities, the old vehicles were re-repaired. Accordingly, several repairs were made to this vehicle and these repairs were carried out from time

Economical and effective decision should be made regarding vehicle utilization and maintenance.

to time based on the available funds. After repairs, it was used for normal duties, and a tire burst on the way to a duty. By that time, the mechanical engineer has recommended that the remaining tire is unfit for driving as more than five years have passed since the tires had been used and the vehicle had not been driven. Accordingly, five new tires have been used on the vehicle. It is informed that this vehicle will be used for duty work from the year 2024.

#### **4. Human Resources Management**

##### **Audit observations**

There were 08 senior level vacancies, 07 tertiary level vacancies, 46 secondary level vacancies and 32 primary level vacancies of the commission in the year under review and these vacancies had not been filled by the commission even as of the date of the report.

##### **Comments of the Chief Recommendation Accounting Officer**

The relevant institutions have been informed to provide officers for the vacancies and are working to fill the vacancies immediately.

Arrangements should be made to fill the vacancies.