

## CHAIRMAN'S MESSAGE



It is my pleasure to present the Annual Report of the Consumer Affairs Authority (CAA) for 2018 outlining the performance of the Authority.

Upon reviewing the performance of CAA after 15 years of its establishment, it must be noted that the Authority has been able to achieve some extent of its statutory objectives of protecting the consumer in a competitive business environment.

In the current technologically advanced era, any educated consumer in an open economic business environment may face irregular trade policies such as, unfair trade practices, conditional business, curtailing the sale and unfair trading conditions etc. which negatively affect the wellbeing of the consumer. The CAA has taken great efforts to protect consumers within this critical environment by issuing new and special Directions as permitted by law. With the collaboration of the Sri Lanka Standards Institution, Sri Lanka Customs, Ministry of Health, Ministry of Telecommunication and Digital Infrastructure, CAA has embarked on many consumer friendly actions to protect and educate the consumers. In addition, the Authority has also been involved in launching workshops and seminars aimed at educating both traders and consumers, thereby ensuring the emergence of knowledgeable consumers as well as traders in the business environment of Sri Lanka.

In 2018, the Authority conducted 597 general public awareness programmes and 608 trader awareness programmes to educate the general public and traders. In addition, 247 School Awareness programmes were also conducted in order to educate the younger generation of Consumer Rights. In the meantime, 23,532 successful raids were conducted resulting in 22,571 Court cases being instituted against errant traders. The imposition of fines in these cases is in excess of Rs. 94 million.

The mandate of the Consumer Affairs Authority empowers the Authority to intervene into Consumer Complaints. Accordingly, 2092 complaints have been received in the year 2018, and inquiries were conducted and Orders were issued. Steps were taken to initiate legal action in court against the parties who had not complied with the Orders.

I take this opportunity to express my grateful thanks to the members of the Board of Directors and staff members of the Authority who were instrumental in achieving this success.

I also express my profound thanks to Hon Minister and the Secretary, Ministry of Industry and Commerce for their valuable advice, motivation and guidance.

Finally, let me also thank all consumers/complainants who have sent commendations appreciating the services provided by the Authority.

A handwritten signature in black ink, appearing to be 'Shantha Dissanayake', written in a cursive style.

**Major General Shantha Dissanayake (Retd.)**  
Chairman

# Consumer Affairs Authority

## **Vision**

A Well Protected Consumer within a Disciplined Business Culture

## **Mission**

To Safeguard Consumer Rights & Interests through Consumer Empowerment, Regulation of Trade and Promotion of Healthy Competition

## **Corporate Goals**

- 1) A delighted consumer through regulation of trade
- 2) Provide redress to Consumers affected by unfair trade practices
- 3) Consumer empowerment through education and awareness
- 4) Protection of traders and manufacturers against anti-competitive trade practices and promotion of healthy competition
- 5) Organizational development through capacity enhancement

## **Corporate Values**

- Trust  
Maintaining consistency of performance and ensuring dependability
- Honesty and Integrity  
Being sincere and be fair and righteousness in all activities
- Accountability  
Maintaining transparency and be accountable and responsible in whatever task that is performed
- Team Spirit  
All employees working together to achieve common goals improving mutual understanding, respecting and trusting each other with proper communication and flexibility
- Recognition  
Admire and appreciate outstanding performance of employees
- Commitment  
Dedication towards accomplishment of given tasks
- Responsiveness  
Willingness and readiness to provide services
- Creativity and Innovativeness  
Generating new ideas for continuous improvement in all aspects

1<sup>st</sup> & 2<sup>nd</sup> Floors  
CWE Secretariat Building  
No. 27, Vauxhall Street  
Colombo 02  
15.12.2020

Hon. State Minister of Cooperative Services, Marketing Development & Consumer Protection

Hon. State Minister,

In terms of the Section 14(2) of the Finance Act No 38 of 1971, I herewith submit the Annual Report for the Year 2018 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



**Chairman**

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2018

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## 1.1 Introduction

The Consumer Affairs Authority has been established by the Consumer Affairs Authority Act No 9 of 2003 by repealing the Consumer Protection Act No 01 of 1979 and the Fair Trading Commission Act No 1 of 1987 and the Control of Prices Act of 1950.

As per the preamble of the Act, the overall objective of the Consumer Affairs Authority is to provide for the better protection of consumers through the regulation of trade and the prices of goods and services and to protect traders and manufacturers against unfair trade practices and restrictive trade practices. Moreover, it is expected to promote competitive pricing wherever possible and ensure healthy competition among traders and manufacturers of goods and services.

## 1.2 Constitution of the Authority

In terms of the Provisions of the Act, the Authority consists of a Chairman and not less than ten other members appointed by the Minister from among persons possessing qualifications and experience as specified in the Act.

### Members of the Authority

The names of the Members who held office as at the end of 2018 are as follows:

1. Mr. Hasitha Tillekeratne	Chairman - resigned from - 09.06.2018
2. Dr. M M Hilmy	Full Time Member - resigned from – 26.06.2018
3. Mr. M A Anzil	Full Time Member
4. Mr. M Z Razeen	Full Time Member
5. Mr. A R B Nihmathdeen	Full Time Member
6. Ms. D C W Hapugoda	Treasury Representative
7. Mr. M T A Zain	Member - resigned from – 19.06.2018
8. Mr. Ruban Wickramarachchi	Member - resigned from – 22.06.2018
9. Mr. H B Dayaratne	Member - resigned from – 19.06.2018
10. Mr. Varuna Suren Alawwa	Member
11. Dr. A M M Riyas	Member - resigned from – 19.06.2018
12. Mr. Sinnathamby Nagiah	Member - resigned from – 19.06.2018
13. Mr. Abdulla Nazeer	Member
14. Mr. A H M U Aruna Bandara	Observer
15. Anura B Meddegoda PC	Chairman
16. Dr. A L Fareed	Member
17. Mr. M S M Aliyar	Member
18. Mr. D W Johnthasan	Member
19. Mr. M D M Rizvi	Member
20. Mr. M G A Muhaimin	Member
21. Mr. D Jeevanadan	Member
22. Mr. Chaminda Rohana Gamage	Member

### 1.3 Staff of the Authority

Mr. Rummy Marzook continued to serve as the Chairman during the year 2015 & Mr. Anura B Maddegoda PC continued from 09.07.2018 and Re-appoint Mr. Rummy Marzook from 28.11.2018 and Mr. D Jeevanadan (SLAS ) was appointed as Director General of the Authority from 01.01.2017 & Mr. M S M Fouzer continued from 14.09.2018.

#### Heads of the Divisions of the Authority

1. Ms. Deepthi Tissera M.PA [PIM-Sri J] – Attorney-at-Law Director - Legal & Enforcement	2. Ms. Chandrika Thilakaratna B.Sc Agri (Sp) M.Sc (Mgmt) Director – Consumer Affairs & Information Resigned – 2018.05.01
3. Ms. Samantha Karunaratne B.A (Econ) Sp (Hons), M. A. (Economics) Actg. Director - Competition Promotion	4. Mr. Sampath Angulugaha B. Com (Sp) Hons, MBA, MIM (SL),AIPM(SL), AUKAP, PG Dip in Pers & HRM, Dip in PM Director - Human Resources & Admin
5. Mr. W M Priyantha MPM, B.Com (Sp) Hons, AIPFM, DPFM Director – Finance	6. Ms. Niranjala Jeganathan ACA, MBA (J'pura) Director - Pricing & Management
7. Ms. Rasika Savithri Wijesekara B.Sc Accounting (Sp) Hon USJ, CBA,MAAT Internal Auditor	

### 1.4 CONSUMER AFFAIRS COUNCIL

This Council has been established consisting of three specialists with wide experience in the field of Commercial Law, Business Enterprise Management, Trade Practices and Consumer Affairs. It should attend and determine all requests referred to it by the Consumer Affairs Authority. In addition, it is responsible for investigating and deciding complaints relating to anti-competitive behaviors under Section 38, fixing of maximum retail price under Section 19 and charging undue prices under sections 19 and 20 of the Act.

#### Members of the Consumer Affairs Council

Mr. N M Shaheid	-	Chairman
Mr. D W Johnthasan	-	Member
Mr. M D M Rizvi	-	Member
Ms. Lekha Aryaratne (Attorney-at-Law) - Secretary to the Council		

## **2. Objectives of the Authority**

- a. To protect consumers against the marketing of goods or the provision of the services which are hazardous to life and property of consumers
- b. To protect consumers against unfair trade practices and guarantee that consumers interests shall be given due consideration.
- c. To ensure that wherever possible, consumers have adequate access to goods and services at competitive prices and
- d. To seek redress against unfair trade practices, restrictive trade practices or any other form of exploitation of consumers by traders.

## **3. Functions of the Authority**

- 1) Control or eliminate –
  - a. restrictive trade agreement among enterprises
  - b. arrangements with enterprises with regard to prices
  - c. abuse of a dominant position with regard to domestic trade or economic development within the market or in a substantial part of the market; or
  - d. any restraint of competition adversely affecting domestic or international trade or economic development
- 2) Investigate or inquire into anti-competitive practices and abuse of a dominant position
- 3) Maintain and promote effective competition between persons supplying goods or services
- 4) Promote and protect the right and interests of consumers, purchases and other users of goods and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- 5) To keep consumers informed about the quality, quantity, potency, purity, standards and price of goods and services made available for purchases.
- 6) Carry out investigations, inquiries in relation to any matter specified in this Act.

- 7) Promote competitive prices in markets where competition is less than effective.
- 8) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs.
- 9) Undertake public sector and private sector efficiency studies.
- 10) Promote consumer education with regard to good health, safety and security of consumers
- 11) Promote the exchange of information relating to market conditions and consumer affairs with other institutions
- 12) Promote, assist and encourage the establishment of consumer organizations
- 13) Charge such fees in respect of any services rendered by the Authority
- 14) Appoint any such committee or committees as may be necessary to facilitate the discharge of the functions of the Authority; and
- 15) Do all such other acts as may be necessary for attainment of the objects of the Authority and for effective discharge of the functions of such Authority

#### **4. Performance of the Consumer Affairs Authority**

As per the organization structure, the Authority consists of 6 divisions operating under 6 Directors and Internal Audit. They are;

- 1) Consumer Affairs & Information
- 2) Compliance & Enforcement
- 3) Pricing & Management
- 4) Competition Promotion
- 5) Finance
- 6) Human Resource and Administration
- 7) Internal Audit

The performance of the Consumer Affairs Authority during the year 2018 is presented as below;

**1. Protect Consumers against hazardous and substandard goods and services**

**a.** Directions issued under Section 10 and 12 of the Act

**Direction No. 65** – Skin Creams & Lotions shall conform to the permissible maximum limits for heavy metals when tested in accordance with ISO/TR 17276 as specified in SLS743.

**Direction No. 66** – Marking of required information on each & every bottle, pack or container of Skin Creams & Lotions legibly & indelibly made mandatory.

**Direction No. 67** – No trader, caterer supplier of processed food &/or any other persons shall engage in the business of catering or other similar or connected activity/activities unless they obtain a GMP certification (SLS 956)

**b.** Orders issued under Section 20(5) of the Act

**Order No. 50** – Remove the item Full Cream Milk Powder (Local & Imported) from Order No. 39

**Order No 51** - No manufacturer, trader, or distributor shall sell, expose or offer for sale or display for sale locally packaged/bottled drinking water above the MRP.

**Order No 52** – No trader, or supplier including a distributor, shall sell, expose, offer, or display for sale, or supply for sale white sugar (packeted & unpacketed) above the MRP.

**Order No. 53** – No importer shall sell, expose, offer, or display for sale, or supply for wholesale white sugar above the Importer's MRP

**c.** Monitoring of substandard imported goods

Action has been taken to liaise with the Sri Lanka Standards Institution and Sri Lanka Customs to avoid substandard goods entering at the point of entry in to the country. Monitored 132 such cases where SLSI recommended goods to be re-exported for non-compliance to standards under the import inspection scheme.

**d.** Represented in National Committees and contributed to introduce policies / legislation to protect consumers

The CAA represents National level committees operating under the Ministry of Health, Ministry of Technology and Research, Ministry of Environment, Ministry of Power and Energy, National Council for Economic Development and contributes to introduce policies and legislations to protect the consumers.

## 2. Protect Consumers against deceptive conduct and unfair trade practices

### a. Awareness Programs for the Business Community

Protecting, upgrading and empowering vulnerable groups by awareness with civil society outreach programs are more effective way to promote competition. This has been implemented through planned and designed trader awareness programme.

During 2018 Authority has conducted 608 programmes for the business community.

**Table – 1** - Trader Awareness programs conducted in 2018

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	14
	Matale	05
	Nuwara Eliya	08
Eastern Province	Ampara	29
	Batticaloa	-
	Trincomalee	11
North Central Province	Anuradhapura	06
	Polonnaruwa	14
Northern Province	Jaffna	01
	Kilinochchi	08
	Mannar	55
	Mullaitive	22
	Vavuniya	39
North western province	Kurunegala	117
	Puttalam	157
Sabaragamuwa Province	Kegalle	11
	Ratnapura	12
Southern Province	Galle	15
	Hambantota	08
	Matara	10
Uwa Province	Badulla	08
	Monaragala	05
Western Province	Colombo	22
	Gampaha	07
	Kalutara	24
<b>Total</b>		<b>608</b>

**b. Market raids and Investigations**

As per the provisions of the Consumer Affairs Authority Act, raids are being conducted for violating the labeling instructions, selling above the marked price, refusal to sell goods, deny the possession of goods, hoarding of goods, increase of retail or wholesale price of certain goods without prior written approval of the Authority, non-displaying of the price lists, non-issuing of receipts to purchasers, misleading or deceptive conduct and false representations done by the manufacturers/ traders. The erroneous traders are prosecuted in the respective magistrate courts and fines imposed based on the provisions granted in Section 60 of the Act.

**Table-2 - The Progress on Market Raids and Fines Imposed**

<b>Activities carried out (Target)</b>	<b>Number of Raids</b>	<b>Number of Cases</b>	<b>Fine Imposed (Rs)</b>
<b>Market raids and investigations</b>			
- Market Investigations on Section 10 (Violation of directions issued under Section 10)	10,172	9,281	41,542,300
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	607	645	2,090,250
- Market Investigations on Section 12 (Non-compliance with the standards)	177	157	726,000
- Market Investigations on Section 15	5	3	9,000
- Market Investigations on Section 16 (Denial of possession of any goods)	12	13	99,000
- Market Investigations on Section 17 (Hoarding of Goods)	-	-	-
- Market Investigations on Section 18 (Violation on MRP)	-	-	-
- Market Investigations on Section 20	1,827	2,095	8,027,500
- Market Investigations on Section 26 (Non displaying the price list)	5,471	5,481	16,561,300
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	10	14	99,500
- Market Investigations on Section 30 (Misleading or deceptive conduct)	2,558	2,490	13,443,400
- Market Investigations on Section 30 and 31 (Misleading and false representations)	1,643	1,387	7,033,200
Market Investigations on Section 31 (False representation)	1,050	1,005	5,140,500
<b>Total Raids and Fines</b>	<b>23,532</b>	<b>22,571</b>	<b>94,771,950</b>

**SPECIAL RAIDS CONDUCTED BY CONSUMER AFFAIRS AUTHORITY**



An expired stock of Olive Oil with Fraudulent Labeling  
(8,800 Bottles worth Rs. 100 Lacks)

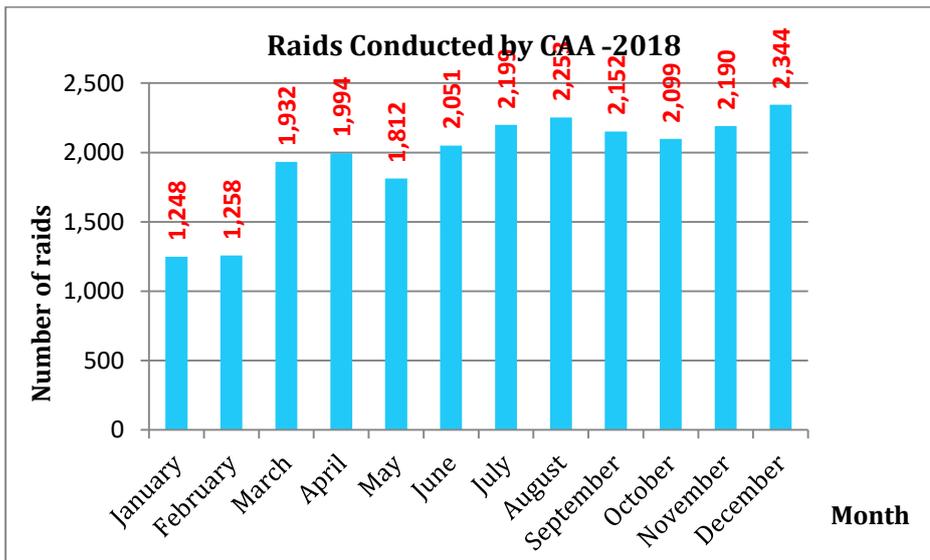


A stock of rice not suitable for human consumption

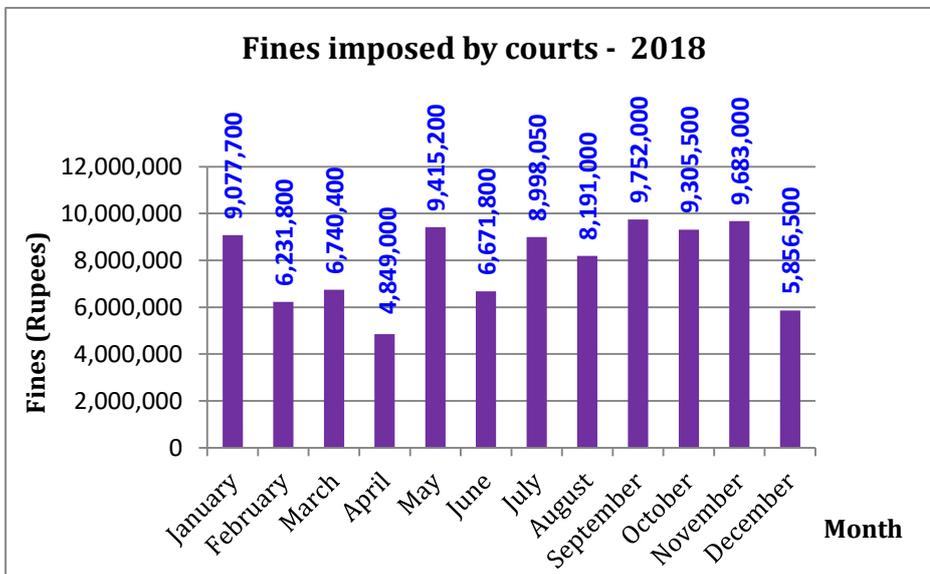


Expired stock of dates worth 6 lacks

**Raids Conducted by Consumer Affairs Authority**



**Fines Imposed by Consumer Affairs Authority**



### 3. Provide redress to Consumers affected by unfair trade practices

#### a. Handling of Consumer Complaints

Consumer Affairs Authority intervenes in to consumer complaints based on the provisions granted in sections 13 and 32 of the Act. The Authority can inquire in to complaints regarding sale of goods and to the supply of services which does not conform to the warranty or guarantee given by implication or otherwise, by the manufacturer or trader.

The progress of handling consumer complaints during 2018 is presented in **Tables -3 &4**

	<b>Total</b>
Total Complaints received	2092
(a) By Mail	1714
(b) By Phone Calls	378
Raids( Head office/district office)	67
Referred to other institution	323
Complaints referred for inquiries	407
Discussion held on consumer complaints & discussion held prior to inquiries	1460
Discussions concluded (closed files)	482

(including previous year complaints)

**Table – 4 - Inquiries conducted in to Consumer Complaints:**

<b>Inquiries conducted in terms of public complaints</b>	
Number of inquiries held	492
Continuation of inquiries from previous year/month	407
Inquiries settled	79
Orders issued	123

(Including previous year complaints)

#### Court Cases

<b>Category</b>	<b>2018</b>
New cases filed by Compliance & Enforcement	77
Appearance in Court	438
Fines (receiving Court cases)	Rs. 47,000/-

#### 4. Consumer Education and Empowerment

##### a. Consumer Awareness Programmes

The Consumer Affairs Authority use electronic and print media, seminars and workshops, exhibitions etc to educate the public on their consumer rights and responsibilities, current consumer law, good consumer values and good business practices etc. In addition to above programmes, Consumer Rights Day is being celebrated with the participation of consumer groups and business community. Island-wide awareness programmes were conducted on consumer rights and rules and regulations of the Act.

**Table –5 - Awareness Programs conducted by the CAA**

Province	District	Trader Awareness	General Public	School Awareness
Central Province	Kandy	14	42	03
	Matale	05	09	02
	Nuwara Eliya	08	13	03
Eastern Province	Ampara	29	56	38
	Batticaloa	00	27	08
	Trincomalee	11	53	11
North Central Province	Anuradhapura	06	11	00
	Polonnaruwa	14	18	05
Northern Province	Jaffna	01	53	02
	Kilinochchi	08	12	03
	Mannar	55	37	11
	Mullaitive	22	17	10
	Vavuniya	39	21	15
North western province	Kurunegala	117	40	13
	Puttalam	157	26	22
Sabaragamuwa Province	Kegalle	11	15	08
	Ratnapura	12	23	09
Southern Province	Galle	15	16	03
	Hambantota	08	17	04
	Matara	10	13	14
Uwa Province	Badulla	08	10	15
	Monaragala	05	15	09
Western Province	Colombo	22	22	25
	Gampaha	07	15	05
	Kalutara	24	16	09
<b>Total</b>		<b>608</b>	<b>597</b>	<b>247</b>

**Table – 6 - Establishment of Consumer Organizations**

Province	District	School Consumer Circle established	Consumer Organization established
Central Province	Kandy	-	-
	Matale	-	-
	Nuwara Eliya	-	-
Eastern Province	Ampara	-	-
	Batticaloa	05	-
	Trincomalee	04	02
North Central Province	Anuradhapura	-	
	Polonnaruwa	-	
Northern Province	Jaffna	-	01
	Kilinochchi	02	-
	Mannar	06	-
	Mullaitive	08	-
	Vavuniya	06	01
North western province	Kurunegala	-	-
	Puttalam	-	-
Sabaragamuwa Province	Kegalle	-	-
	Ratnapura	03	-
Southern Province	Galle	-	-
	Hambantota	-	-
	Matara	-	-
Uwa Province	Badulla	-	-
	Monaragala	-	-
Western Province	Colombo	03	-
	Gampaha	-	-
	Kalutara	-	-
<b>Total</b>		<b>33</b>	<b>04</b>

**Awareness Programs conducted by Consumer Affairs Authority**



Conducting an Exhibition at Colombo Public Library



Conducting an Awareness Programs for School Children



Conducting Trader Awareness Programs



Conducting an Exhibitions for consumers

**5. Protection of traders and manufacturers against anti-competitive practices and promotion of healthy competition.**

Activity	Total
<u>Investigation into complaints from trade</u> Intervention on complaints made to the CAA in respect of anti-competitive and unfair trade practices <ul style="list-style-type: none"> <li>• Complaints received from previous period</li> <li>• Complaints received during the period</li> <li>• Complaints transferred to the Council</li> <li>• Complaints disposed during the period</li> <li>• Complaints under progress</li> </ul>	09 25 03 21 09
<u>Maintaining level playing field for fostering competitions</u> Implementation of government policy on five products are identified currently under the Gazette notification No 1505/15 of 11/07/2007 <ul style="list-style-type: none"> <li>• No of Applications Received</li> <li>• No of Applications Processed</li> </ul>	273 273
<u>Price surveillance on essential commodities</u> <ul style="list-style-type: none"> <li>• Section 18/20 report based on Colombo &amp; suburbs</li> <li>• District wise data analyzing and reporting</li> </ul>	11 12
<u>Price monitoring on food commodities</u> Reports on daily retail prices of Vegetables Reports on retail prices on essential goods Special price Reports	160 160 200
Special Study	03
Identification of market structure	Annual reports on 39 products 1 issued (2017)
Awareness of Traders	10
1977 Interactive Mobile Service	Five days for first four months and three days for rest per week basis (5*60*3)+15

### **Interactive Mobile Service (1977)**

Retail price information to citizens through interactive mobile response (Short code 1977)  
During the year Authority continued to provide the service through its short code telephone number 1977 and interactive mobile service retail markets (Colombo Pettah, Dematagoda, Borella, Nugegoda and Wellawatta) retail prices are collected on daily basis for vegetable, fruits and food commodities. Fish price are collected from Paliyagoda market. These are uploaded into the system daily. This enables the consumers to make a well informed decision on their purchases.

### **Establish and maintain effective relationships with other regulatory Authorities and stake holder organizations.**

#### **01) Ministry of Mahaweli Development & Environment**

##### **A) Ministry Committees for Environmental Protection.**

- National Steering Committee (Basel / Rotterdam / Stockholm conventions / Minamata convention)
- National Co-ordinating Committee
- National Green Procurement Policy & Guide Lines
- National E-waste Management Policy Committee
- Globally Harmonized system review Committee (HS Code)
- Inter-Agency Experts Working Group (IAEWG) – SWITCH ASIA Program
- Project on Sustainable Consumption and production

##### **B) Central Environmental Authority**

- National Implementation Plan Review Committee for sound management & Chemicals.
- TACMIC – Technical Advisory Committee for Management of Industrial Chemicals.

#### **02) Ministry of Telecommunication & Digital Infrastructure**

Member of the Steering Committee (PSC) for GIC 1919

#### **03) Sri Lanka Customs**

Engage with Custom Single Window System.

#### **04) Traders Associations and Chambers of Industries**

Maintain cordial relationship in order to assist the industries in ensuring competition.

**05) Ministry of Health**

- 01. Member of the Food Advisory Committee  
**National Medicines Regulatory Authority (NMRA)**
- 02. Member Borderline Products Evaluation Committee  
**National Medicine Regulatory Authority**
- 03. Cosmetic Evaluation Sub-Committee  
**National Medicine Regulatory Authority**

**06) Sri Lanka Accreditation Board**

Policy Advisory Committee

**07) Sri Lanka Standards Institution**

Sectorial Committee on Food products  
ISO-Copolco Committee  
National Electro Technical

**08) Sustainable Energy Authority**

Advisory Committee Meeting

**09) National Cleaner Production Centre**

Steering Committee

**10) Registrar of Pesticides, Department of Agriculture**

Industrial Pesticide Sub Committee

**11) Export Development Board**

National Export Strategy

**12) National Building Research Organization**

Product Certification Advisory Committee

**13) Ministry of Finance**

Cost of Living Committee Meeting

**Ensure Reasonable Pricing**

**a. Price Regulation of specified goods**

The Consumer Affairs Authority intervenes into the market prices of identified commodities based on the powers vested in sections 18, 19 and 20 of the Act. Actions taken by the CAA to stabilize/ fix the prices of selected commodities is presented in **Table - 7** below.

**Table – 7 - Action taken by the Consumer Affairs Authority to stabilize/ fix the prices of specified items**

<b>Commodity</b>	<b>Action taken</b>
Gas	Determination has been issued for 06 No of Gas applications.
Cement	Determination has been issued for 31 No of Cement applications.
Full Cream Milk Powder	Determination has been issued for 12 No of Full Cream Milk Powder applications.
Wheat Flour	Determination has been issued for 01 No of Wheat Flour applications.
Chicken Meat	Determination has been issued for 01 No of Chicken Meat applications.

**Interim Orders**

<b>Items</b>	<b>No of applications</b>
Cement	15
Full Crema Milk Powder	05
Infant Milk Powder	01
Gas	07
Wheat Flour	01
Chicken Meat	02

**b. Capacity Enhancement of the Organization**

**a. Staff Development**

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programs held in 2018 is presented in **Table-8** below.

**Table – 8 - Staff Training & Development Programs held in 2018**

#	Title of the Course	No. of Participants
01	Induction Training program for Investigation Officers	213
02	Seminar on free trade agreement: what does it mean for trade and investments?	01
03	Seminar on mechanisms in settlement of labour disputes	01
04	Procurement Procedure	01
05	Workshop on “Reading an understanding financial statements”	01
06	Workshop on “Reading an understanding financial statements”	01
07	Seminar series on Sri Lanka Accounting Standards – 2018	01
08	Seminar on New Tax law	01
09	Workshop on “Establishment Code and Financial Regulation”	01
10	Workshop on “Establishment Code and Financial Regulation”	01
11	Seminar on Salary Management	01
12	Seminar on Salary Management	01
13	AAT Conference – 2018	01
14	Internal Audit Training Program for Government Corporations	01
15	Seminar on Key Amendments to VAT, NBT,ESC and Finance Bill	01
16	Seminar on Key Amendments to VAT, NBT,ESC and Finance Bill	01
17	Workshop on “Stores Management and Purchasing procedures”	01
18	Workshop on “Stores Management and Purchasing procedures”	01
19	Workshop on IT Procurement Management	01
20	Workshop on IT Procurement Management	01
<b>Total</b>		<b>232</b>

**b. Strengthening the Staff position of the Authority**

**CADRE DETAILS**

Designation	Salary Code	Approved Cadre	Existing Cadre	
			Permanent	Temporary /Contract
<b>Senior Manager</b>				
Director General	HM 2-1	1	1	0
Directors/Secretary to the Council	HM 1-1	7	5	0
<b>Manager</b>				
Internal Auditor	MM 1-1	1	1	0
Deputy Directors		12	2	0
Assistant Directors			4	0
Deputy Directors / Assistant Directors Regional Affairs		12	7	0
Deputy/ Assistant Director (Corporates Communication)		1	0	0
<b>Junior Manager</b>				
Audit Officer	JM 1-1	2	2	0
System Administrator		1	0	0
Senior Investigation Officer		27	24	0
Senior Statistical Officer		1	0	0
Senior Market Research Analyst		1	0	0
Senior Accounts Officer		2	1	0
Confidential Secretary (Chairman)		1	1	0
Confidential Secretary (DG)		1	0	0
Senior Admin/ HR Officer		1	1	0
Senior Legal & Enforcement Officer		2	1	0
Senior Costing Officer		1	1	0
<b>Enforcement/Operational/Extension</b>				
Data Coordinator	MA 5-2	1	0	0
Statistician Officer		1	1	0
Market Research Analyst		1	1	0
Documentation Officer II		6	4	0
Librarian		1	1	0
Costing Officer		15	2	0
Accounts Officer			9	0
Administration Officer II		5	3	0
Legal & Enf. Officer		6	5	0
Investigation Officers		450	406	0
Media Officer (Contract Basis)		1	-	0

<b>Management Assistant (Tech)</b>				
Book Keeper	MA 2-2	1	0	0
Cameraman (Contract Basis)		1	-	0
<b>Management Assistant (Non-Tech)</b>				
Management Assistant	MA 1-2	50	46	1
Management Assistant (Shroff)		1	1	0
<b>Primary Level (Skilled)</b>				
Driver	PL 3	28	26	1
<b>Primary Level (Un-Skilled)</b>				
Office Aide	PL 1	24	22	0
Office Aide (Contract Basis)		1	-	0
<b>Total -</b>		<b>667</b>	<b>578</b>	<b>2</b>

**c. Staff Motivation and Welfare**

During the year, several steps such as medical Insurance Scheme, Cultural and Religious Programs, Staff Development Programs, Employee Recognition were continued in order to provide a pleasant and conducive working environment for the staff.

**C. Amendments to the CAA Act**

Consultations held at Legal Draftsman's Department and final draft received from the Legal Draftsman's Department.

**CONSUMER AFFAIRS COUNCIL**

The Consumer Affairs Council administratively functions under the Consumer Affairs Authority and is conferred with powers by the Act to hear and determine references made to it by the Authority, mainly in the area of anti-competitive practices. In terms of the provisions of the Act, cases on excessive pricing, market imperfections and market manipulations are also being referred to the Council for investigation. Where necessary the council is empowered to recommend ceiling on prices at which goods shall be sold or services shall be provided.

**Complaints/ References**

Activities	No. of complaints	
	Received	Decided/settled or reports submitted by the Council (including previous year)
Ensure redress against anti-competitive practices which operates against public interest	04	-
Recommend a ceiling price of goods and services	08	Recommendation - 04
Investigations under excessive prices	03	Recommendation - 01

**CONSUMER AFFAIRS AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018**

	As at 31.12.2018 LKR 000'	As at 31.12.2017 LKR 000'
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	70,602	52,317
Trade and Other Receivables	31,280	31,972
Inventories / Stocks	2,122	1,062
Other Current Financial Assets	10,481	7,215
	<b>114,485</b>	<b>92,565</b>
Work In Progress (Development Phase)	275	121
<b>Non - Current Assets</b>		
Investment	275,777	230,520
Gratuity Fund Investment Account	31,530	20,633
Other Non Current Financial Assets (Staff Loan)	18,370	12,864
Lease Hold Building	800	825
Property, Plant and Equipment	87,830	67,351
	<b>414,308</b>	<b>332,193</b>
<b>Total Assets</b>	<b>529,068</b>	<b>424,879</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accrued Expenses	46,904	39,716
Payables & Other Liabilities	10,679	12,255
	<b>57,583</b>	<b>51,971</b>
<b>Non-Current liabilities</b>		
Provision for Gratuity	67,927	49,430
<b>Total liabilities</b>	<b>125,509</b>	<b>101,401</b>
<b>Total Net Assets</b>	<b>403,559</b>	<b>323,478</b>

**NET ASSETS / EQUITY**

	-	
Accumulated Fund	63,191	63,191
Deferred Income	35,017	53,354
Reserves	305,351	206,933
	<b>403,559</b>	<b>323,478</b>
<b>Total Net Assets / Equity</b>	<b>403,559</b>	<b>323,478</b>

The Accounting policies and Notes on pages form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.

  
Director Finance  
Consumer Affairs Authority

  
Director General  
Consumer Affairs Authority

  
Chairman  
Consumer Affairs Authority

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
31ST DECEMBER 2018**

	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
	<b>LKR 000'</b>	<b>LKR 000'</b>
<b>Revenue</b>		
Recurrent Grant	489,982	380,652
Fine Income	32,910	32,758
Other Income	58,599	58,356
	<b>581,491</b>	<b>471,767</b>
<b>Expenses</b>		
Personal Emoluments	(373,509)	(247,527)
Travelling	(13,433)	(11,406)
Supplies and Consumable	(10,582)	(11,420)
Maintenance	(8,734)	(7,092)
Contractual Services	(54,012)	(53,648)
Depreciation	(27,466)	(33,608)
Other Operating Expenses	(34,003)	(43,896)
Finance Cost	(150)	(57)
Total Expenses	<b>(521,889)</b>	<b>(408,654)</b>
<b>Total Net surplus /(deficit) for the period</b>	<b>59,602</b>	<b>63,113</b>
<b>Other Comprehensive Income</b>		
Revaluation Gain	38,815	
<b>Total comprehensive income for the year</b>	<b>98,417</b>	<b>63,113</b>

**CONSUMER AFFAIRS AUTHORITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>LKR 000'</b>	<b>LKR 000'</b>
<b>Cash flows from Operating Activities</b>		
Surplus / (Deficit) from ordinary activities	<b>59,602</b>	<b>63,113</b>
<b>Adjustment for</b>		
Depreciation	27,466	33,608
Gratuity Provision	20,603	6,570
Amortization	25	25
<b>Operating profit before working capital changes</b>	<b>107,696</b>	<b>103,316</b>
Increase in payables - Note I	5,612	5,399
Increase in other current assets - Note II	(3,634)	(15,309)
Gratuity Payment	(2,106)	(2,720)
Decrease in Intangible Assets ( Work In Progress)	(154)	
<b>Net cash flows from operating activities</b>	<b>107,414</b>	<b>90,686</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Plant and Equipments	(9,802)	(14,835)
Investment in Gratuity Fund	(10,898)	(1,896)
Increase in Investments	(45,257)	(12,025)
Decrease in - Long term Loan(Staff Loan)	(5,507)	(6,530)
<b>Net cash flows from investing activities</b>	<b>(71,464)</b>	<b>(35,286)</b>
<b>Cash flows from Financing Activities</b>		
Treasury Grant - Capital	9,801	15,171
Depreciation	(27,466)	(33,608)
Deferred Income	(17,665)	(18,437)
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>18,285</b>	<b>36,963</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>52,317</b>	<b>15,354</b>
<b>Cash and cash equivalents at end of period</b>	<b>70,602</b>	<b>52,317</b>
<b><u>Notes to the Cash Flow Statement</u></b>	-	

	<b>2018</b> <b>LKR 000'</b>	<b>2017</b> <b>LKR 000'</b>
<b>Note I</b>		
<b><u>PAYABLES</u></b>		
Accrued Expenses	7,188	(4,656)
Payable Expenses	(1,576)	10,055
<b>Increase in Payable</b>	<b>5,612</b>	<b>5,399</b>
<b>Note II</b>		
<b><u>OTHER CURRENT ASSETS</u></b>		
Inventories/Stocks	(1,061)	(31)
Staff Debtors (Other Current Financial Assets)	(3,266)	(1,693)
Trade & Other Receivable	693	(13,585)
	-	
<b>Increase in Other Current Assets</b>	<b>(3,634)</b>	<b>(15,309)</b>



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2018

LKR'000

Description	Attributable to owners of the entity			
	Contributed Capital	Accumulated Surpluses/ Deficits	Revaluation Surplus	Total net Assets/ Equity
<b>Balance as at 01/01/2018</b>	<b>53,354</b>	<b>282,135</b>	-	<b>335,489</b>
Re Estimated Profit (2014/2015)		(12,011)		<b>(12,011)</b>
<b>Restated Balance</b>	<b>53,354</b>	<b>270,124</b>		<b>323,478</b>
<b>Changes in Net Asset/ Equity 2018</b>				
Contribution - Treasury (capital)	9,801			<b>9,801</b>
Differed income Amortization	(28,137)			<b>(28,137)</b>
Surplus/ Deficit for the year		59,602		<b>59,602</b>
Revaluation of Vehicles and other			38,815	<b>38,815</b>
<b>Balance as at 31/12/2018</b>	<b>35,018</b>	<b>329,726</b>	<b>38,815</b>	<b>403,559</b>



## NOTES TO THE ACCOUNTS

### **1. Corporate Information**

**1.1** Consumer Affairs Authority (CAA) was established under the Consumer Affairs Authority Act No. 09 of 2003 by repealing the Consumer Protection Act No.1 of 1979, the Fair Trading Commission Act No.1 of 1987 and the Control of Prices Act (Chapter 173).

As per the Public Enterprises Circular No. PED/58/02 dated 15<sup>th</sup> September 2011, Consumer Affairs Authority is categorized under “A” of sub-category “A” in Regulatory Agencies.

### **1.2 Principal Activities and Nature of Operation**

The Principal Activity of the Authority is to protect the Consumers and the regulations of trade.

**1.3** The number of employees of the Authority at the end of the year 2018 is 580.

### **1.4 Significant shareholding / Equity**

Consumer Affairs Authority is mainly granted by the Treasury. Net balance of the Fund, that is formed by 1/3 of the fine income which is a direct income to the Authority, is also represented in the equity of Authority.

### **1.5 Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received. When the grant relates to an expense item, it is recognized as income for the year. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the CAA receives grants of non- monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. Government grants related to assets and non-monetary grants at fair value have been presented in the balance sheet as differed income.

## **2. General Accounting Policies**

**2.1** The financial statements of Consumer Affairs Authority (CAA) have been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS) issued by the Public Sector Accounting Standards Committee of The Institute of Chartered Accountants of Sri Lanka.

**2.2** The Financial statements have been prepared on historical cost basis and prospective recognition for change in accounting estimates.

### **2.3 Fine Income**

**2.3.1** Income earnings from the fines were earlier excluded from the statement of financial performance since those were not utilized for the general activities of the Authority. From year 2011 onward CAA utilizes this income with approval from the Board of CAA and General Treasury. Therefore, fines income is treated as an income and all the related expenses and incomes to the fines have shown at the statement of financial performance.

**2.3.2** There are some instances where CAA receives money as fines income but cannot recognized at the same time due to the differences between the case numbers given by the relevant raiding officers of CAA & the numbers (information) given by the relevant Courts with their remittances. They are normally transferring to Suspense – Fines Income account with the purpose of verification whether they are actually disserve to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the next year end then if there any unrecognized balance, they are credited to the Consumer Protection Fund of the Authority.

**2.3.3** According to the past experience, it is observed that almost all of unidentified fine income reflected the fine receivable.

### **2.4 Financial Year**

Financial Year of the Authority is the calendar year which ends on 31<sup>st</sup> December.

## **3. Assets Bases and of their valuation**

### **3.1 Property, Plant and Equipment**

**3.1.1.** CAA chooses cost model as its accounting policy and prospective recognition for accounting estimates. (SLPSAS 7)

**3.1.2** Property, Plant and Equipment are stated at cost, net of accumulated depreciation which includes the replacing components parts of the Property, Plant and Equipment. When significant part of the Property Plant and Equipment are to be replaced the CAA derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation .Repair and Maintenance costs are recognized in the Statement of Financial Performance as expenses incurred.

Any revaluation surplus is recognized in the Accumulated in Equity in the Asset Revaluation Reserves.

**3.1.3** The cost of Property Plant & Equipment is the cost of purchases or construction with any expenses incurred in bringing the assets to working condition for its intended use.

**3.1.4** Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the life time of the assets has been treated as Capital Expenditure.

**3.1.5** The Authority adopted the revaluation model for its Zero valued Assets for the year 2018. The committee appointed to revaluation the zero valued assets, has taken the below mentioned decisions.

1. Vehicles have been revalued to their market value at the end of the year by a professional value.
2. Office Partitions to be written off to the Income Statement in the year 2019, as Authority is operated in the rented building and the Partitions will not have considerable financial value at the time of the office building is changed or removed.
3. Identified zero valued assets in sub schedule VII-I, Which have no any usable value and usable condition.
4. Identified zero valued Assets are revalued based on fair value.

The cost and accumulated depreciation accounts are restated proportionately with revaluation. All other items of property, plant and equipment are accounted for under the cost model.

### 3.1.6 Work in progress

This represents the amounts spent for the software development & implementation which is as follows.

	<b>Estimated total cost (Rs.)</b>	<b>Completed work (Rs.) (WIP)</b>	<b>Balance to be Certified as @ 31.12.2018 (Rs.)</b>
Payroll Package	550,000.00	275,000.00	275,000.00
<b>Total</b>	<b>550,000.00</b>	<b>275,000.00</b>	<b>275,000.00</b>

### 3.2 Depreciation

All the assets acquired are depreciated by the Authority commencing from the month the asset is available for use.

**3.2.1** Depreciation has been provided on a consistent basis so as to write off the cost of Property Plant and Equipment over their estimated lives as follow.

Office Furniture & Fittings	10%
Office Equipment	10%
Computer Equipment	20%
Computer Software & Web Designing (Intangible Assets)	20%
Motor Vehicle	20%
Office Partitions	20%
Non Consumables	10%

**3.2.2** Consumer Affairs Authority uses the straight line method in computing depreciation.

**3.2.3** No depreciation is made for Library Books.

**3.2.4** Value of depreciation relating to the year is transferred to the Differed Income Account.

### 3.3 Building Premises – Kurunegala

Payment of Rs. 1 Million for the building premises which has been assigned by District Secretary of Kurunegala to Kurunegala District Office of CAA is amortized over 40 years.

### 3.4 Debtors & Receivables

Debtors & Receivables are stated at the amount that they are estimated to realize.

### 3.6 Cash & Cash Equivalent

Cash & Cash Equivalent are defined as Cash in Hand, Cash in Bank and short term Investment.

**3.6.1** For the purpose of Cash Flow Statement, Cash & Cash equivalent consist of cash in hand and deposits in Banks.

**3.7 Fixed deposits**

Fixed Deposits of the CAA are classified under investment. Since CAA has past experience that Fixed Deposits are not withdrawn within period and it is assumed that majority of Fixed Deposits will remain at least 3 years. Fixed Deposits are measured initially at cost.

**4. Liabilities & Provisions**

**4.1 Payables**

Payables are stated at their costs.

**4.2 Retirement Benefit Obligation**

The CAA has two Defined Benefits Pension Plans, both of which require contribution to be made.

**4.2.1 Defined Benefit Plan- Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Since 2018, the gratuity liability was calculated using formula method for all existing employees as required by LKAS 19 – ‘Employee Benefits’. Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, for entities operating in Sri Lanka, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates (Year ended Treasury Bond rate) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on a formula basis using a number of assumptions.

The Provision for Retirement benefit obligation for all employees as at 31<sup>st</sup> December 2018 is **Rs. 67,926,740.35**. Key assumptions used in determining the defined retirement benefit obligations are as follows. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

	<b>2018</b>
Discount interest rate	11.88%
Salary increment rate	12.00%
Staff turnover rate	7.00%
Retirement age	60 Years

CAA has obtained the approval to invest gratuity provision separately. Investment for gratuity has been calculated for the employees whose service period is over five years. Below mentioned is the summary of gratuity investment as at 31/12/2018 and balance to be invested.

Provision for gratuity employees' service over 5 years as at 31.12.2018		55,011,540.32
Investment made as at 01.01.2018	34,675,447.31	
Provision Available for Investment for 2018 (Invested for 2018 at 28/02/2019)	20,336,093.01	
<b>Total Investment</b>		<b>55,011,540.32</b>

#### 4.2.2 Defined Contribution Plans / Employee Provident Fund & Employee Trust Fund

All employees are eligible for EPF & ETF contribution in line with respective statutes and regulation. Contribution to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement.

The Authority contributes 15% and 3% of gross emoluments of employee to Employee Provident Fund and Employees Trust Fund respectively.

#### 4.3 Contingent Liabilities.

There are 47 court cases against Consumer Affairs Authority as at 31.12.2018 and these cases categories as per the Court of appeared, which are as follows.

Court	No of Cases
Supreme Court	08
Court of Appeal	25
High Court	07
District Court	05
Labour Tribunals	01
Arbitration	01
Total	47

Most of these court cases have been filed against decision given by the CAA on behalf of consumers. There are some cases against the published gazettes or a section of the gazettes by CAA. However, quantify the value of contingences is not done, since most of aggrieved parties are expecting reverse the Authority decision, amend or cancel the published gazettes.

**4.3.1** SICPA, the proposed company to implement a technology based consumer protection project – secure tracking & tracing system for certain identifying products in order to ensure consumer safety, has filed an application for arbitration of the dispute which has arisen as a result of the non implementation of the system by CAA as per the agreement.

#### **Reason for non-implementation**

Subsequent to the issuance of the Direction (Direction No 49 on 24/02/2014) Manufacture of the specified products have made known of the CAA of their concerns of the direction and several discussions have also been made. Since the discussion held failed, Sri Lanka bottled water association, Beverage Association and cosmetic manufactures have filed an application in the court of appeal (CAA/Writ/281/2014) on 14/08/2014 against non-operation of the direction and case is still in progress in the court of appeal.

SICPA has sought LKR 2.716Bn or any other such sum determined by the tribunal or alternatively LKR 3.887Bn any other such sum determined by the tribunal and interest on the damages claimed and all cost of the arbitration.

CAA has been requested to make as a payment of USD 230,000 as share of provisional advance on the cost of arbitration.

## **5. Income**

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that will flow to the CAA and the revenue can be reliably measured.

#### **Interest Income**

Interest income for fixed deposits is calculated and recorded using nominal interest rate (NIR). Average interest rate of the fixed deposits is 10.5%.

#### **Government Grants**

Government Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relates to an expense item (recurrent grant) it is recognize as income over the period. When the grants relates to an assets item (capital grant) it is recognize as Deferred Income and released income in equal amounts over the expected life of the related asset.

Where the CAA receives the Non monetary grants, the asset and grant are recorded gross at nominal amounts and released to the Income Statement over the expected life of the asset. (IAS 20)

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Consumer Affairs Authority for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

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**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Consumer Affairs Authority for the year ended 31 December 2018 comprising the statement of financial position as at 31<sup>st</sup> December 2018 and the statement of comprehensive income statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 to be read in conjunction with provisions of the National Audit Act No. 19 of 2018 . My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31<sup>st</sup> December 2018 and of its financial performance and its cash flows for the year then ended.

**1.2 Basis for Qualified Opinion**

- (a) The profit received after the revaluation of property, plant and equipment of the authority in 2018 was Rs. 38,915,343 and since it was stated as cash flow under operational activities and investment activities in 2018 and operational activities were over valued of that amount while investment activities were less valued of that amount.
- (b) Even though an amount of Rs. 7,507,875 had been paid in 2019 as employee bonus for the year under review that amount was not reserved in financial statements.
- (c) The Authority had made a request from the Sri Lanka Institute of Development Administration (SLIDA) to get conducted the Efficiency Bar Examination of the authority, but there was no proper agreement between the two parties in this regard. However, an amount of Rs. 2,150,000 was accounted as accrual expenditure in the year under review. Consequently, current liabilities, trainings and expenditure on seminars had been over valued.

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 Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, it is the responsibility of the management to assess the Authority's ability to continue as a going concern and it is also the responsibility of the management to prepare the accounts on the going concern basis and to disclose the matters related to going concern, unless it either intends to liquidate the fund or to cease the operational activities when there is no other alternative.

Those charged with governance are responsible for overseeing the authority's financial reporting process.

As per sub section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 of the fund.

### **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 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 scepticism 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 authority's internal control.
- Conclude on the appropriateness of the use of going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate that transactions and events which were based for the structure and content of the financial statements including disclosures were included in financial statements in appropriate and fair manner.
- Evaluate the overall presentation, 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **2. Report on Other Legal and Regulatory Requirements**

National Audit Act, No. 19 of 2018 includes specific provisions in respect of the following requirements.

- Except for the effects from the matters described under the basis for the qualified opinion in my report, I have obtained all the information and explanations for the purpose of audit and as per revelations from my examination, proper financial records have been maintained by the Fund as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented are consistent with that of the preceding year as per the requirement of Section 6(1) (d) (III) of the National Audit Act, No. 19 of 2018.
- Any observation made by me on the financial statements in the preceding year had been included in financial statements presented in the year under review except for the observations under paragraph 1.2.2 (a), (b), (c) of this report as per the requirement of Section 6(1) (d) (IV) of the National Audit Act, No. 19 of 2018,

Based on the procedures which had been adopted and the evidence obtained which limited to matters that are material, nothing has come into my consideration to express following statements.

- As per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018, whether any member of the governing body of the Trust Fund has any direct or indirect interest in any contract entered into by the Trust Fund beyond the normal course of business.
- Except for the below mentioned observation, whether Trust Fund has not complied with any applicable written law or other general or special directions issued by the governing body of the Trust Fund as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.

<u>Reference to law/ direction</u>	<u>Description</u>
Consumer Affairs Authority Act No. 09 of 2003	
(a) Section No. 8(h)	To undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs is one of the tasks of the Authority and only one study had undertaken in the year under review. The said study report had been referred to the Director Board of the Authority on 25 <sup>th</sup> September 2018 and the authority had not sufficiently made aware the general public on its content.
(b) Section No. 39(2)	Even though the Minister In Charge should appoint three members for Consumer Affairs Council, only two members had been appointed by 31 <sup>st</sup> of 2018. Further, although investigations on the matters which are referred to the council under section 19 should be completed within 02 months and referred to the Director General, Investigation reports on 04 investigations submitted in 2017 had not been completed by 31 <sup>st</sup> of March 2019 and its delayed time was 03 months to 1 ½ years.
(c) Sections No. 61(1) and 61(2)	The Authority has the power to submit a sample of a good to an approved analyst for purpose of examining it, in case there are reasons to believe that it is non-compliant with prescribed standards and specifications. Even though the analyst

shall submit his report to the authority within one month the reports on 08 samples out of 46 samples that had been referred to the approved analysts in the year under review spending an amount of it had not been produced Rs. 563,407 had not been received even by the auditing date 31<sup>st</sup> of January 2019 and reports of 03 samples were not received during the due period of time.

(d) Section 61(1)(b)

Even though a directive could be issued to the manufacturer or trader to refrain from selling or exposing for sale a good concerned for a period less than six weeks after obtaining its samples, the authority had not issued such directives on 16 goods out of 46 goods which samples were obtained in the year under review and on-compliant with the standards and unfavourable.

Section 13

The Consumer Affairs Authority may inquire into complaints. The authority received 2092 consumer complaints during the year under review and a database was unavailable to clarify the number of complaints solved or unsolved. 13 complaints received to the authority in 2016, 2017 and 2018 had not been solved by the date of auditing.

- As per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018, whether the Trust Fund has not performed according to its powers, functions and duties.
- As per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018, whether the resources of the Trust Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

The authority entered into an agreement with the Sri Lanka Institute of Personal Management on 02nd December 2016 with the objective of ensuring whether the human resource of the authority has been utilized successfully. An advance of Rs. 219,000 was paid to that institute on 20th April 2017 and even though the task should be completed within 03 months of the payment of advance, it had not been completed by 3<sup>rd</sup> July 2019.

3. **Other Audit Observations**

- (a). The speed dial number 1977 was activated in 2013 spending a sum of Rs. 9,188,369 to lodge complaints immediately to the Consumer Affairs Authority and to get information on wholesale and retail prices for the customers and traders. Although this speed dial service was to be active for 24 hours, it was not actively operated during the year under review.
- (b). Amending the Consumer Affairs Act No. 09 of 2003 was started in 2004, even if 15 years have been passed by the year under review amendments have not been completed.
- (c). Compared to the previous year although the number of investigation officers was increased by 193, percentage of achieving targets in the year under review had been reduced by 6%. In addition, raids in 10 districts were reduced in the year under review and in comparison to the previous year it was in the range of 9%-26%. This downfall was seen in 06 districts among these 10 districts.
- (d). Even though number of population and markets in Colombo, Kalutara, Matara, Ratnapura and Anuradhapura districts are greater than other districts, raid targets assigned to the district offices were less than 1010 that is 16% in the year under review compared to the previous year.
- (e). 280 applications from exporters and distributors were received in the year under review in order to obtain maximum price certificates and the authority had examined stores of only 89 applicants. That is 32% of the received applications.
- (f). A Director General for the Authority had been appointed on 14<sup>th</sup> September 2018 by the chairman based on the letter of concurrence of the Minister of Trade and Commerce dated 14<sup>th</sup> September 2018 sent in terms of the section No. 52(1) despite the conditions specified in the recruitment procedure for the post of Director General approved by the Department of Management Services on 08<sup>th</sup> August 2012.
- (g). The Authority had recruited 214 Investigation Officers in the year under review and qualifications of 38 of them had not been confirmed even as at 31<sup>st</sup> of October which is the date of auditing and they had been attached to district offices exceeding the number of vacancies in the district offices.

- (h). When attaching 406 Investigation Officers for each district office, attachments had been made occurring surplus of 60 officers in 08 districts and 104 shortage of students in 16 districts. Further, a proper mechanism had not been implemented to discharge official duties of 98 Investigation Officers who were attached to Divisional Secretariats.

**W.P.C.Wickramarathna**

Auditor General

**The Chairman's Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Consumer Affairs Authority for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018**

1.2 (a) The error occurred by adding the Authority's revaluation profit in 2018 to operating activities and subtracting that amount from investment activities in the cash flow statement has been corrected in the 2019 Comparative Cash Flow Statement.

(b) Approval for the payment of employees' bonus must be obtained from the Treasury, and that approval had not been received by the Consumer Affairs Authority until the date of submission of the 2018 Financial Statements for auditing. The approval was received by the Consumer Affairs Authority on 2019/08/23. Accordingly, reservations could not be made as the 2018 financial statements did not consist sufficient information for this reservation. However, the error due to not making allocations for bonus for the year 2018 was corrected and presented in the Comparative Financial Statements of 2019.

(c) The Authority had not discussed with the Sri Lanka Institute of Development Administration (SLIDA) for conducting employee Efficiency Bar Examinations and had not organized them to be held in the year 2018. The required expenditure was estimated as Rs. 2,150, 000 and the Finance Division was advised to allocate that amount as accrued expenditure on the responsibility of the said institution may carry out this process. However SLIDA had informed later that it could not conduct such an Efficiency Bar Examination, this situation has arisen since the Finance Division was not informed before making statements on accounts. However, the relevant reservation has been corrected from the 2019 accounts.

The liability for the audit set out in paragraphs 1.2, 1.3, 1.4 and paragraph 2 of the report focused on other legal and regulatory requirements.

## **2. Reference to laws / directions**

(a) Section No. 8(h)

For public awareness, the Authority has already taken measures to make the report available to the public by publishing its summary and recommendations on the Authority's website and face book and further preparation of leaflets and sending them at the district level branches having obtained approval of the Board of Directors.

(b) Section No. (2) 39

I wish to state that all members are currently appointed to the Council of the Consumer Affairs Authority. Out of the six requests made by the council for investigations, two reports, namely, investigations on the maximum retail price for rice and the maximum retail price for exercise books have already been completed and arrangements have been made to complete the remaining reports as early as possible.

(c) Section No. (1) 61 and (2) 61

The Authority has made efforts to the best to inspect the samples and obtain the relevant reports within the required time frame. Accordingly, 38 out of 46 samples could be obtained within the relevant time frame. However, in some instances reports cannot be obtained from external laboratories since samples have been heaped up due to the increase of requests for laboratory tests. As this is a matter outside the control of the Authority, a plan has been prepared and submitted to the Treasury to establish a laboratory attached to the Authority as an appropriate step. It can be mentioned that it is possible to do away with such a lapse.

(d) Section No. (1) 61 and (2)

In terms of Section (1) 61, relevant officers were informed in detail of the procedure for issuing orders related to the complaints relevant to the sale or disclosure of goods for a period of 6 weeks after receipt of samples of such goods. As a result, I would like to inform you that there will be no chance that such orders will not be issued at any time in future. Further, I have informed the senior officers that they should take the responsibility of making sure whether right measures have been taken in respect of such samples monthly with much attention and take necessary measures accordingly.

(e) Section No. 13

All matters related to the preparation of a systematic programme are being finalized this year enabling to identify the details of the complaints received by the Consumer Affairs Authority in the format in which you have requested and measures are being taken to set up a state of art data base.

- As per the requirement of the Section 12(h) of the National Audit Act No. 19 of 2018, except the following observation, resources of the Authority had not been procured and utilized thriftily, efficiently and effectively

After the then management of the Authority decided to conduct a human resource audit, the relevant advance amount of Rs. 219,000/- had been paid. Thereafter, the management decided to suspend the human resource audit again. Accordingly, it was decided to obtain an interim report in accordance with the amount finally paid.

### **3. Other Audit Observations**

- a) (1977 hotline is always active during the office hours with the support of the employees enabling the consumers to lodge their complaints and all the telephone calls received after the office hours are automatically recorded and at present the officers of the relevant division examine them in the following morning and answer them regularly.

- b) I would like to point out that all the relevant amendments to the Consumer Affairs Authority Act No. 9/2003 have been duly studied by the Legal Draftsman's Department and it has already been submitted to the Attorney General's Department for necessary action.
- c) (d) The main reason for this lack of targeted raids is that the Authority hopes to connect such raids to the relevant district in stating the raid targets and such targeted raids should be more successful, value-added and social welfare enhancing raids as such raids take more time. The authority looks into the fact that the goals are with high quality, not the number of goals. Accordingly, as more time is required, there may be a relative decrease in the number of raid targets statistically. Further, it has been decided to identify the districts with surplus officers and transfer them to the districts and other divisions more effectively and the relevant works have already commenced.
- e) During the year under review, 280 applications were received from 53 institutions to certify the maximum price of importers and distributors and the authority has already taken measures to inspect the stores and issue certificates of maximum price required for them.
- f) This Director General has now been removed. An Additional Secretary to the Ministry was appointed on 14.02.2020 as the Director General of the Authority on acting basis.
- g) Action has been taken to confirm the qualifications of 38 officers who were unable to get their qualifications confirmed and the relevant officers have been instructed to obtain the confirmations of the remaining three officers immediately or take necessary legal action in this regard.
- h) 200 new Investigation Officers were recruited and attached to district offices for training. However, as the noted in the audit, there is an excess and a shortage, and I am still correcting those conditions. I further state that this situation will be monitored and rectified immediately.

Major General Shantha Dissanayake (Rtd)

**Chairman**

