

## Chairman's Message



It is my pleasure to forward the Annual Report of the Consumer Affairs Authority (CAA) for 2019 elaborating the performance of the Authority. CAA has made a progress in the year 2019 though it was an aggressive year for the country with the Easter Sunday attack.

Upon reviewing the performance of the CAA, following are some of the areas that has contributed to the main statutory objective of protecting the consumer in a competitive business environment

In the current technologically advanced era consumers face various issues such as, unfair and restrictive trade practices which may have a negative effect on the wellbeing of the consumer. The CAA has taken efforts to protect consumers within this environment by issuing new Directions as permitted by law. Action has also been taken in liaison with Sri Lanka Standards Institution and Sri Lanka Customs to make available quality goods in the country.

Further, CAA was represented at National Level Committees operating under the Ministry of Health, Ministry of Technology & Research, Ministry of Environment, Ministry of Power and Energy and National Council for Economic Development and has contributed immensely at policy level and in formulating legislations in protecting the consumer. CAA is also in the process of amending the Consumer Affairs Authority Act for more protection of consumers and traders.

In addition, the Authority has also been involved in conducting workshops and seminars aimed at educating both traders and consumers, thereby ensuring the empowerment of consumers as well as traders in the developing business environment of Sri Lanka.

In 2019, the Authority conducted 755 general public awareness programmes and 476 trader awareness programmes to educate the general public and traders. In addition, 307 School Awareness programmes were also conducted in order to educate the younger generation on Consumer Rights. In the meantime, 24,061 successful raids were conducted resulting in 22,475 Court cases being instituted against errant traders. The imposition of fines in these cases is in excess of Rs. 104.4 million.

The mandate of the Consumer Affairs Authority empowers the Authority to intervene into Consumer Complaints by aggrieved consumers, Protection of traders and manufacturers against anti-competitive practices in the promotion of healthy competition. Accordingly, 2464 consumer complaints have been received in the year 2019, 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. The Authority also intervenes in controlling /stabilizing the market prices of identified commodities.

It is my pleasure to state on the above achievements of the CAA and I take this opportunity to express my gratitude to the staff members of the Authority who were instrumental in achieving this success.

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  
Sathosa Secretariat Building  
No. 27, Vauxhall Street  
Colombo 02  
2021.09.02

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 2019 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



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

Chairman

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2019

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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 2019 are as follows:

1.	Dr. Lalith Nimal Senaweera	Chairman	
2.	Major General D M S Dissanayake (Rtd)	Chairman	(From 20.12.2019)
3.	Mr. A R B Nihmathdeen	Full Time Member	
4.	Mr. M A Anzil	Full Time Member	
5.	Mr. V Jayathilaka	Full Time Member	
6.	Ms. D C W Hapugoda	Treasury Representative	
7.	Mr. K D Chithrapala	Member	
8.	Mr. Ruban Wickramarachchi	Member	
9.	Mr. M D M Rizvi	Member	
10.	Mr. D W Johnthasa	Member	
11.	Dr. A L Fareed	Member	
12.	Mr. M T A Zain	Member	
13.	Dr. A.M. Mohamed Riyaz	Member	
14.	Mr. Chaminda Rohana Gamage	Member	
15.	Ms. Indika Ranathunga	Member	(Ministry representative)

### 1.3 Staff of the Authority

Dr. Lalith N Seneweera continued to serve as the Chairman till November 2019 & Major General D M Shantha Dissanayake (Rtd) was appointed as the chairman from 20.12.2019 and, Mr. M S M Fouzer continued as the Director General of the year.

#### Heads of the Divisions of the Authority

1. Ms. Deepthi Tissera M.PA [PIM-Sri J] – Attorney-at-Law Director - Legal & Enforcement	2. Mr. W. W. A. K. Bandara B.Sc (Valuation) Sp. Director – Consumer Affairs & Information From 01.10.2019
3. Ms. Samantha Karunaratne B.A (Econ) Sp (Hons), M. A. (Economics) Director - Competition Promotion From 01.10.2019	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. Rushdi Habeeb	- Chairman
Mr. R A N A Rajapaksha	- Member
Mr. K J C P Wickramaratne	- Member
Ms. Lekha Aryaratne (Attorney-at-Law)	- Secretary to the Council -2019.01.03-2019.03.10
Ms. Rangika Kondaragamage (Attorney-at-Law)	- Secretary to the Council-2019.08.01

## 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

As per the organization structure, the Authority consists of 6 divisions operating under 6 Directors and Internal Audit Division,

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 2019 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. 68 - Manufactures, Importers, Distributors and Traders to legibly print the required information in Sinhala, Tamil and English on all packs, containers or on the wrappers of all articles/goods specified in the schedule of the direction
- Direction No. 69 - Manufactures, Importers, Distributors and Traders of float operated values and spare parts must print the required information by the Direction 69 on each and every pack legibly and indelibly in all three languages
- Direction No. 70 - Manufactures and Traders of food wrappers (Lunch Sheets) that on each and every packet or bundle of such food wrappers, must print a label containing the required information by the Direction 70 in all three languages
- Direction No. 71 - All Manufactures, Importers, Distributors and Traders shall be legibly printed the required information on the wrappers of all articles/goods specified by Direction No: 71 in three language

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

- Order No. 54 - No producer, distributor or trader shall sell, expose or offer for sale or display for sale the three varieties of rice above the maximum retail prices given by the Order No 54
- Order No. 11 - Rescind order no. 10 Published in Gazette Extra Ordinary No: 1852/22 on 4<sup>th</sup> March 2014
- Order No. 55 - Remove the item “Coconut” in Order No: 48 published in Gazette Extraordinary No: 2048/30 dated 06<sup>th</sup> December 2017
- Order No. 56 - No producer, importer, distributor or trader shall sell expose or offer for sale display for sale the two categories of rice above the maximum retail prices given by the Order No: 56
- Order No. 57 - No manufacture, importer, packer, distributor or trader shall sell expose or offer for sale display for sale the three categories of cement above the maximum retail prices given by the Order No. 57.

### ***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 97 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 2019 Authority has conducted 476 programmes for the business community.

Table - 1 : Trader Awareness programs conducted in 2019

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	19
	Matale	30
	Nuwara Eliya	26
Eastern Province	Ampara	23
	Batticaloa	10
	Trincomalee	04
North Central Province	Anuradhapura	04
	Polonnaruwa	03
Northern Province	Jaffna	08
	Kilinochchi	44
	Mannar	26
	Mullaitive	21
	Vavuniya	33
North western province	Kurunegala	10
	Puttalam	90
Sabaragamuwa Province	Kegalle	04
	Ratnapura	09
Southern Province	Galle	09
	Hambantota	07
	Matara	28
Uwa Province	Badulla	01
	Monaragala	28
Western Province	Colombo	09
	Gampaha	07
	Kalutara	23
Total		<b>476</b>

***b. Market raids and Investigations***

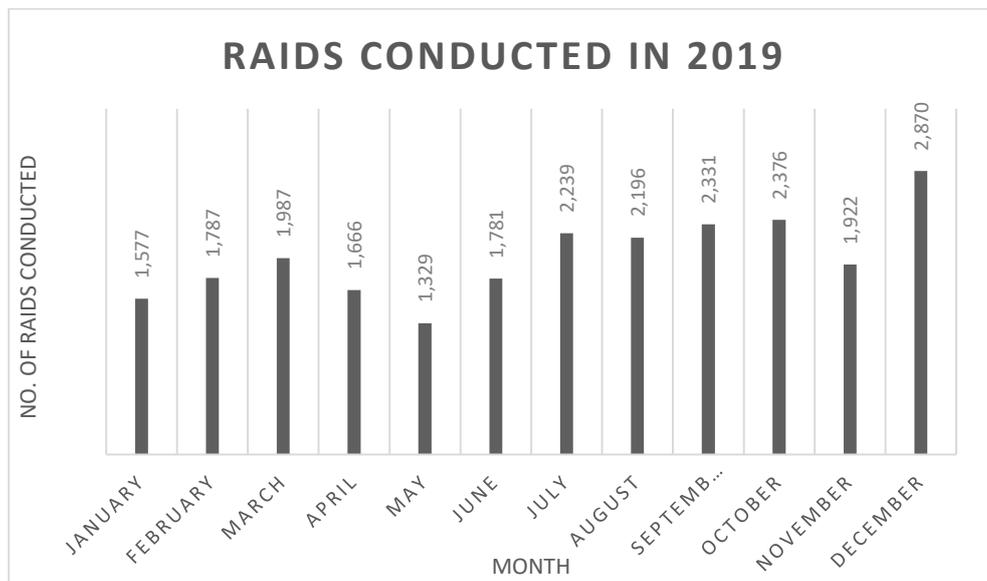
As per the provisions of the Consumer Affairs Authority Act, raids are being conducted for violating the labeling instructions, selling above the marked price, refusal to sell goods, deny the possession of goods, hoarding of goods, increase of retail or wholesale price of certain goods without prior 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

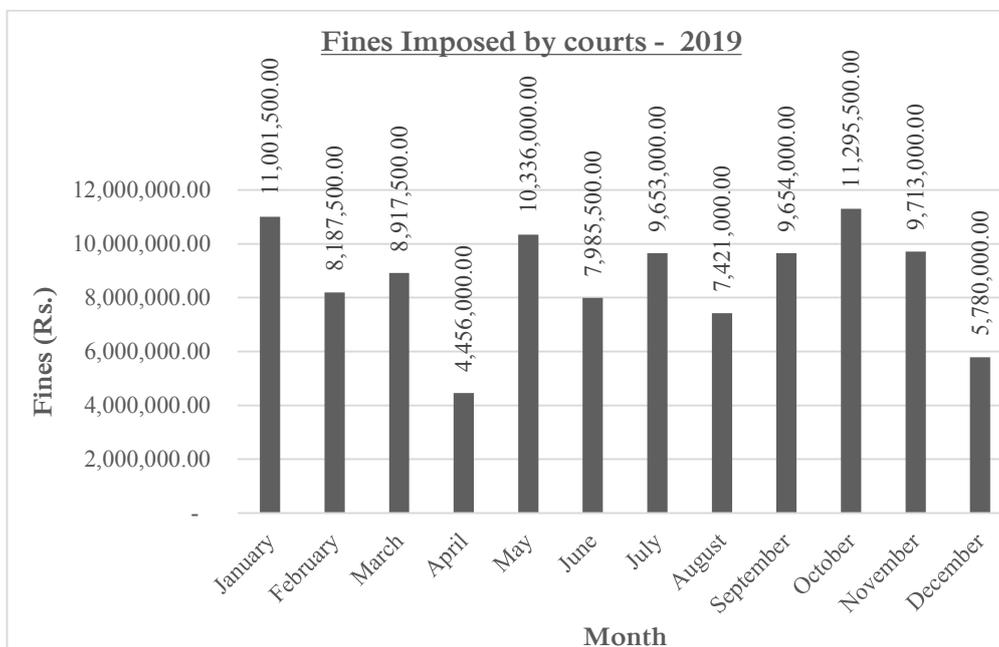
Activities carried out (Target)	Number of Raids	Number of Cases	Fine Imposed (Rs)
<b>Market raids and investigations</b>			
- Market Investigations on Section 10 (Violation of directions issued under Section 10)	9,481	9,021	45,831,400
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	260	219	1,093,700
- Market Investigations on Section 12 (Non-compliance with the standards)	691	574	3,258,000
- Market Investigations on Section 15	2	1	6,000
- Market Investigations on Section 16 (Denial of possession of any goods)	24	24	103,000
- Market Investigations on Section 17 (Hoarding of Goods)	2	-	-
- Market Investigations on Section 18 (Violation on MRP)	21	7	79,500
- Market Investigations on Section 20	2,246	1,929	8,134,800
- Market Investigations on Section 26 (Non displaying the price list)	6,544	6,094	18,970,100
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	12	13	26,000
- Market Investigations on Section 30 (Misleading or deceptive conduct)	2,454	2,416	15,110,000
- Market Investigations on Section 30 and 31 (Misleading and false representations)	1,277	1,167	6,964,000
Market Investigations on Section 31 (False representation)	1,047	1,010	4,824,000
<b>Total Raids and Fines</b>	<b>24,061</b>	<b>22,475</b>	<b>104,400,500</b>



## 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 2019 is presented in Tables -3 &4

Table - 3 : Handling consumer complaints

	<b>Total</b>
Total Complaints received	2464
(a) By Mail	1619
(b) By Phone Calls	845
Raids( Head office/district office)	882
Referred to other institution	277
Complaints referred for inquiries	151
Discussion held on consumer complaints & discussion held prior to inquiries	1430
Settled after discussions	728

(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	281
Inquiries settled	105
Orders issued	23

(Including previous year complaints)

#### Court Cases

<b>Category</b>	<b>2019</b>
New cases filed by Compliance & Enforcement	19
Appearance in Court	364
Fines (receiving Court cases)	Rs. 100,000/-

## 4. Consumer Education and Empowerment

### a. Consumer Awareness Programs

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 programs, Consumer Rights Day is being celebrated with the participation of consumer groups and business community. Island - wide awareness programs 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	19	31	9
	Matale	30	17	2
	Nuwara Eliya	26	16	1
Eastern Province	Ampara	23	95	82
	Batticaloa	10	68	72
	Trincomalee	4	14	10
North Central Province	Anuradhapura	4	31	1
	Polonnaruwa	3	11	1
Northern Province	Jaffna	8	32	7
	Kilinochchi	44	25	4
	Mannar	26	18	6
	Mullaitive	21	16	5
	Vavuniya	33	29	70
North western province	Kurunegala	10	25	7
	Puttalam	90	50	21
Sabaragamuwa Province	Kegalle	4	16	3
	Ratnapura	9	10	2
Southern Province	Galle	9	32	6
	Hambantota	7	14	2
	Matara	28	53	8
Uwa Province	Badulla	1	33	9
	Monaragala	28	45	23
Western Province	Colombo	9	40	9
	Gampaha	7	15	4
	Kalutara	23	19	5
<b>Total</b>		<b>476</b>	<b>755</b>	<b>307</b>

**Awareness Programs conducted by Consumer Affairs Authority**



## 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	10
<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>	35 01 28 23
<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>	328 328
<u>Price surveillance on essential commodities</u>	
<ul style="list-style-type: none"> <li>• Report based on essential commodities Colombo &amp; suburbs</li> <li>• District wise data analyzing and reporting</li> </ul>	12 12
<u>Price monitoring on food commodities-No of reports</u>	
Reports on daily retail prices of Vegetables	121
Reports on retail prices on essential goods	121
Special price Reports	174
Research Study	01
Special Study	05
Identification of market structure	01 Annual report(2018) 01 Biannual Report(2019)

## 6. 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 Peliyagoda market. These are uploaded into the system daily. This enables the consumers to make a well informed decision on their purchases.

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

1. Food Safety management Systems Advisory Committee - SLSI
2. Management Systems Certification Committee - SLSI
3. Committee on the strengthening of the enforcement mechanism to ban and control the usage of polythene & plastic in SRL-Ministry of Mahaweli Development & Environment
4. Project Steering Committee on Environment sound management and disposal of polychlorinated Biphenyl (PCBs) Wastes and PCB contaminated/contained equipment in Sri Lanka-Ministry of Mahaweli Development & Environment

5. Committee on the introduction of additional regulations for further strengthening of the activities implemented in Sri Lanka on the phasing out of the usage of HCFC-Montreal Protocol- Ministry of Mahaweli Development & Environment
6. Committee on the implementation of principles of extended producer/trader and consumer responsibility for waste management in Sri Lanka- Ministry of Mahaweli Development & Environment
7. Technical Advisory Committee for the Management of Industrial Chemical (TACMIC) in Sri Lanka - Central Environment Authority
8. Committee on Basel, Rotterdam, Stockholm & Minamata Conventions-Ministry of Mahaweli Development & Environment
9. National Electro Technical Committee of Sri Lanka –SLSI
10. Stakeholder Committee on the formulation of the National Chemical Management Policy- Ministry Mahaweli Development & Environment
11. Working Group on the amendment of the SLS on Helmets-SLSI
12. Committee on the formulation of a national E.Waste management Policy based on the performance Audit Report submitted to the Public Accounts Committee-Ministry of Mahaweli Development & Environment
13. Committee on Chemical Accidents Prevention & Preparedness-Central Environment Authority
14. Technical Expert Committee for the implementation of the Basel Convention- Central Environment Authority
15. Committee on National Nutrition Policy-Ministry of Health, Nutrition & Indigenous Medicine
16. Cost of Living Committee Meeting-Ministry of Finance
17. Food Advisory Committee- Ministry of Health

## **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 No. of determinations issued

<b>Commodity</b>	<b>No of determinations</b>
Gas	Determination has been issued for 04 No of Gas Applications.
Cement	Determination has been issued for 16 No of Cement Applications.
Full Cream Milk Powder	Determination has been issued for 18 No of Full Cream Milk Powder Applications.
Nonfat Milk Powder	Determination has been issued for 01 No of Nonfat Milk Powder Applications.
Wheat Flour	Determination has been issued for 01 No of Wheat Flour Applications.
Canned fish	Determination has been issued for 01 No of Canned fish Applications.

No of Applications received

<b>Items</b>	<b>No of applications</b>
Cement	24
Full Cream Milk Powder	06
Infant Milk Powder	01
Nonfat Milk powder	01
Gas	03
Wheat Flour	01
Canned fish	01

No of Interim Order issued

<b>Items</b>	<b>No of Interim Orders</b>
Cement	13
Full Cream Milk Powder	02
Nonfat Milk powder	01
Wheat Flour	01
Canned fish	01

## 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	1	0
Assistant Directors			4	0
Deputy Directors / Assistant Directors Regional Affairs		12	6	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	27	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	0	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	3	0
Librarian		1	1	0
Costing Officer		15	2	0
Accounts Officer			6	0
Administration Officer II		5	3	0
Legal & Enf. Officer		6	6	0
Investigation Officers		450	373	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	51	43	1
<b>Primary Level (Skilled)</b>				
Driver	PL 3	28	26	1
<b>Primary Level (Un-Skilled)</b>				
Office Aide	PL 1	24	22	1
Office Aide (Contract Basis)		1	-	0
<b>Total -</b>		<b>667</b>	<b>540</b>	<b>2</b>

#### ***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 2019 is presented in Table-8 below.

Table - 8 : Staff Training & Development Programs held in 2019

#	Training Program	No. of Participants
01	Seminar on Efficiency Bar Examination (Tamil Medium) - 2018	100
02	Improving and Specializing Consumer Affairs, in Korea	02
03	Career Exploration, (AAP)	01
04	United Nations Conference on Trade and Development (UNCTAD), in Geneva	01
05	Public Finance Regulations, (Miloda)	02
06	Workshop on Transport Management, (SDFL)	01
07	Seminar on China – Sri Lanka Business Culture Exchanges in China	01
08	Termination of Employment(National Institute of Labour Studies)	01
09	Two Days Workshop on Salary Conversion, D&R Professional Development Centre (PVT) LTD	02
10	Two Days Workshop on Effective Presentation Skills, Sri Lanka Foundation Institute	04
11	Certificate Course on Cross Examination (Practical Training – 8 Week), Bar Association of Sri Lanka	02
12	Expenditure & Payment Procedure & Financial Regulation, PRAG Institute	05
13	Basic Statistics for Management and Researchers, Institute of Applied Statistics Sri Lanka	02
<b>Total</b>		<b>124</b>

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

**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**

At the Attorney General’s Department for the clearance of the Hon. Attorney General.

**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

<b>Activities</b>	<b>Progress</b>
Ensure redress against anti-competitive practices which operates against public interest	Pending-01
Recommend a ceiling price of goods and services	05
Investigations under excessive prices	02

## Statement Of Financial Position As At 31<sup>st</sup> December 2

	As at 31.12.2019 LKR 000'	As at 31.12.2018 LKR 000'
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	74,663	70,602
Trade and Other Receivables	35,667	31,280
Inventories / Stocks	2,710	2,122
Other Current Financial Assets	10,980	10,481
	<b>124,020</b>	<b>114,485</b>
Work In Progress (Development Phase)	1,376	138
<b>Non - Current Assets</b>		
Investment	306,380	275,777
Gratuity Fund Investment Account	54,234	31,530
Other Non Current Financial Assets (Staff Loan)	17,800	18,370
Lease Hold Building	775	800
Property, Plant and Equipment	82,688	87,671
	<b>461,877</b>	<b>414,149</b>
<b>Total Assets</b>	<b>587,273</b>	<b>528,772</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accrued Expenses	54,320	43,749
Payables & Other Liabilities	6,249	10,394
	<b>60,569</b>	<b>54,143</b>
<b>Non-Current liabilities</b>		
Provision for Gratuity	79,620	67,927
<b>Total liabilities</b>	<b>140,189</b>	<b>122,069</b>
<b>Total Net Assets</b>	<b>447,084</b>	<b>406,702</b>

**NET ASSETS / EQUITY**

	-	
Accumulated Fund	63,191	63,191
Deferred Income	14,241	35,017
Reserves	369,651	308,494
	<b>447,084</b>	<b>406,702</b>
<b>Total Net Assets / Equity</b>	<b>447,084</b>	<b>406,702</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  
Authority

  
Director General  
Consumer Affairs Authority

  
Chairman  
Consumer Affairs

## Statement Of Financial Performance For The Year Ended 31<sup>st</sup> December 2019

	As at 31.12.2019	As at 31.12.2018
	LKR 000'	LKR 000'
<b>Revenue</b>		
Recurrent Grant	502,975	489,982
Fine Income	39,094	32,910
Other Income	67,380	58,883
	<b>609,449</b>	<b>581,775</b>
<b>Expenses</b>		
Personal Emoluments	(385,263)	(376,770)
Travelling	(15,312)	(12,109)
Supplies and Consumable	(10,602)	(10,353)
Maintenance	(9,668)	(7,567)
Contractual Services	(67,884)	(53,516)
Depreciation	(32,123)	(27,466)
Other Operating Expenses	(44,152)	(31,099)
Finance Cost	(204)	(150)
	<b>(565,208)</b>	<b>(519,030)</b>
<b>Total Net surplus /(deficit) for the period</b>	<b>44,242</b>	<b>62,746</b>
<b>Other Comprehensive Income</b>		
Revaluation Gain	16,916	38,815
<b>Total comprehensive income for the year</b>	<b>61,157</b>	<b>101,561</b>

## Cash Flow Statement for the Year Ended 31<sup>st</sup> December 2019

	2019 LKR 000'	2018 LKR 000'
<b>Cash flows from Operating Activities</b>		
Surplus / (Deficit) from ordinary activities	44,242	62,746
<b>Adjustment for</b>		
Receipts of disposal assets	22	-
Depreciation	32,123	27,466
Gratuity Provision	13,602	20,603
Amortization	25	25
<b>Operating profit before working capital changes</b>	<b>90,014</b>	<b>110,840</b>
Increase in payables - Note I	6,427	2,172
Increase in other current assets - Note II	(5,474)	(3,634)
Gratuity Payment	(1,909)	(2,106)
Decrease/ Increase in Work In Progress	(1,239)	(154)
<b>Net cash flows from operating activities</b>	<b>87,819</b>	<b>107,118</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Plant and Equipments	(10,246)	(9,506)
Investment in Gratuity Fund	(22,704)	(10,898)
Increase in Investments	(30,602)	(45,257)
Decrease in - Long Term Loan(Staff Loan)	570	(5,507)
<b>Net cash flows from investing activities</b>	<b>(62,982)</b>	<b>(71,168)</b>
<b>Cash flows from Financing Activities</b>		
Treasury Grant - Capital	11,348	9,801
Depreciation	(32,124)	(27,466)
Deferred Income	(20,776)	(17,665)

Net cash flows from financing activities	(20,776)	(17,665)
Net Increase / (Decrease) in cash and cash equivalents	4,061	18,285
Cash and cash equivalents at beginning of period	70,602	52,317
Cash and cash equivalents at end of period	74,663	70,602

### Statement of Changes in Equity As At 31/12/2019

LKR'000

Description	Attributable to owners of the entity			
	Contributed Capital	Accumulated Surpluses/ Deficits	Revaluation Surplus	Total net Assets/ Equity
<b>Balance as at 01/01/2019</b>	35,017	329,727	38,815	403,559
Re Estimated Profit (2018)		3,143		3,143
<b>Restated Balance</b>	35,017	332,870	38,815	406,702
<b>Changes in Net Asset/ Equity 2019</b>				
Contribution - Treasury (capital)	11,348			11,348
Differed income Amortization	(32,123)			-32,123
Surplus/ Deficit for the year		44,242		44,242
			16,916	16,916
<b>Balance as at 31/12/2019</b>	14,242	377,112	55,731	447,084



## NOTES TO THE ACCOUNTS

### **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 2019 is 538.

#### **1.4 Significant share holding / 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 and fees charged for awareness for traders

#### **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 General Treasury or and Board of CAA. Accordingly, fine income is treated as an income and all the related expenses to the fine have shown at the statement of financial performance.
- 2.3.2** There are instances where CAA receives money as fines income but cannot recognized at the time due to the differences between the case numbers and related information given by the relevant raiding officers of CAA and the case numbers and information given by the relevant Courts with their remittances. They are generally transferred to Suspense – Fines Income account with the purpose of verification whether they are actually disserved to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the next year end then 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 31st 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 (PPE) 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 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** Work In Progress

This represents the amounts of Office Partitioning which is as follows.

	<b>Estimated total cost (Rs.)</b>	<b>Completed/certified as @ 31.12.2019 (Rs.)</b>	<b>Payment made</b>	<b>Balance to be paid</b>
Office Partition - Anuradhapura	1,376,300.00	755,846.74	-	1,376,300.00
<b>Total</b>	<b><u>1,376,300.00</u></b>	<b><u>755,846.74</u></b>		<b><u>1,376,300.00</u></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.

### **3.5 Cash & Cash Equivalent**

Cash & Cash Equivalent are defined as Cash in Hand, Cash in Bank and short term Investment. For the purpose of Cash Flow Statement, Cash & Cash equivalent consist of cash in hand and deposits in Banks.

### **3.6 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 of the Group 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 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 31st December 2019 is Rs.79, 619,868.86. 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.

	2019
Discount interest rate	10.23%
Salary increment rate	10.00%
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 31/12/2019 and balance to be invested.

Provision for gratuity employees' service over 5 years as at 31.12.2019		66,809,002
Investment made as at 01.01.2019	54,234,062	
Provision made for the year 2019 (To be invested before 28/02/2020)	12,574,940	
<b>Total Investment</b>		<b>66,809,002</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.

4.3.1 There are 42 court cases against Consumer Affairs Authority as at 31.12.2019 and these cases categories as per the Court of appeared, which are as follows.

Court	No of Cases
Supreme Court	04
Court of Appeal	25
High Court	06
District Court	05
Labour Tribunals	01
Arbitration	01
<b>Total</b>	<b>42</b>

Most of these court cases filed against decision given by the CAA on behalf of consumers. There 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.

- 4.3.2** 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 none 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 discussion 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.

- I. 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.
- II. Arbitration Case proceed on 24.02.2020 to 04.03.2020 in Colombo ACPL Arbitration Centre.

## **5. Income**

### **Revenue Recognition**

Revenue is recognition 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 9.83%.

### **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)

## 6. Prior year adjustments

Prior year adjustments amount Rs. 671,434.65 consists as follows.

Cancellation of unrepresented cheques	3,100.00
Under provision of accrued accounts	(1,034,572.92)
Over provision of accrued accounts	<u>1,702,917.57</u>
	<u>671,434.65</u>

**Chairman,**  
**Consumer Affairs Authority**

**Report of the Auditor General regarding the Financial Statements of the Consumer Affairs Authority for the year ended by 31 December 2019, in terms of Section 12 of the National Audit Act No. 19 of 2018**

**1. *Financial Statements***

**1.1 Unquantified audit opinion**

The Statement of Financial Position as at 31 December 2019 of the Consumer Affairs Authority, the comprehensive income statement for the year ended by said date, statement of changes in rights, the cash flow statement for the year ended by said date, notes to the financial statements and, the summarized financial statements consist of the significant accounting policies for the year ended by 31 December 2019 were audited under my direction in pursuance of the provisions in Section No. 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 and the Finance Act No. 38 of 1971. My report in terms of the Regulation No. 154(6) in the constitution will be presented at the Parliament in due course.

My opinion is that the financial position of the Consumer Affairs Authority as at 31 December 2019 and, its financial performance and the cash flow as at the year ended by said date reflect a true and fair position in terms of Sri Lanka Accounting Standards.

The audit was conducted by me in compliance to the Sri Lanka Auditing Standards (SLAS). My responsibility in relation to the financial statements has further been described in the in the Section of Auditor's responsibility. My belief is that the audit evidences obtained by me to provide a base for my opinion are adequate and appropriate.

**1.2 Responsibilities of management and those charged with governance for the financial statements.**

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has not realistic alternative but to do so.

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

In terms of Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditures, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

#### 1.4 Auditor's responsibility for the audit of financial statements

As a whole the financial statements, my intension is to issue the auditor's report including my opinion with a fair confirmation which is free from quantified misstatements occurred due to the frauds and errors. Although the fair assurance is a higher level assurance, it won't always be a confirmation of disclosing of the quantified misstatements when auditing in terms of Sri Lanka Auditing Standards. The quantified misstatement could be occurred due to the frauds and errors effect singly or collectively and, it is expected that an effect could be occurred to the economic decisions taken by the users based on these financial statements.

The audit was conducted by me in terms of Sri Lanka Auditing Standards with professional judgment and professional apprehensive. Further,

- The basis for my opinion is to obtain sufficient and appropriate audit evidences to avoid the risks occurred due to the frauds or errors in identifying the risks of quantified wrongful statements that could be occurred in the financial statements due to the frauds and errors and, planning the appropriate audit procedures suitably to the situation when valuating. The effect of a fraud is more powerful than the effect of quantified wrongful statements and, fraud could be occurred due to collusion, forgery, avoiding deliberately or avoiding the internal controls.
- Although a knowledge about the internal control of the Authority to plan the appropriate audit procedures suitably to the situation was obtained, it is not intended to declare an opinion about the productivity of the internal control.
- The advisability of the accounting policies used, fairness of the accounting estimates and, related disclosures made by the management were evaluated.
- The relevancy of using the basis regarding the continuance existence of the institution for the accounting, based on the audit evidences obtained in relation to whether a quantified uncertainty about the continuance existence of the Authority due to the incidents or circumstances, was decided. In case I determine that there is a sufficient uncertainty, my audit report's attention should be drawn towards the disclosures made in the financial statements with regard to that and, in case said disclosures are insufficient, my opinion should be audited. However, the continuance existence could be ended based on the future incidents or circumstances.
- Evaluated that the transactions and incidents based for the structure and contents in the financial statements including the disclosures are containing appropriately and fairly.
- As a whole in presenting the financial statements, the transactions and incidents based for the structure and contents in the financial statements have been included appropriately and fairly.

The controlling parties were made aware of with regard to the significant audit findings, key internal control weaknesses and other matters identified within my audit.

## **2. Report on other legal & regulatory requirements**

Special provisions in relation to the following requirements contain in the National Audit Act No. 19 of 2018.

- According to the requirements contained in Section 12(a) of the National Audit Act No. 19 of 2018, all information and clarifications needed for the audit were obtained by me and, the proper financial reports had been maintained by the Authority, according to my investigation.
- According to the requirement contained in Section 6(1) (d) (III) of the National Audit Act No. 19 of 2018, the Financial Statements submitted by the institution suit with the previous year.
- According to the requirement contained in Section 6(i) (d) (iv) of the National Audit Act No. 19 of 2018, the recommendations issued by me in the previous year contain in the financial statements presented.

Based on the measures followed & the evidences obtained and, within the limitations to the quantitative facts, nothing were focused on my attention to express the following statements.

- According to the requirement contained in Section 12(d) of the National Audit Act No. 19 of 2018, there was a relationship excluding normal business situation directly or by another way relating to any agreement in connection with any member of the Authority.
- According to the requirement contained in Section 12(f) of the National Audit Act No. 19 of 2018, the institutions had been acted without complying to any related written law or the general or special directives issued by the Authority's management.
- Non-compliance to the powers, tasks and functions of the Board, according to the requirement contained in Section 12(g) of the National Audit Act No. 19 of 2018.
- According to the requirement contained in Section 12 (h) of the National Audit Act No. 19 of 2018, the Authority's resources had not been procured and used economically, efficiently and effectively within the relevant time periods complying with the relevant rules and regulations.

## **3. Other audit observations**

- (a) Affairs on amending the Consumer Affairs Authority Act No. 09 of 2003 had been initiated in the year 2004 and, such affairs of amending the act had not been finalized within the year under review even 16 years had been lapsed. Therefore, affairs of the Authority couldn't carry on to point of present.
- (b) The targeted number of raids contained in the Action Plan 2019 was 29,000 and it had been amended monthly for each district and reduced upto 26,405. The number of raids carried out in 2017 was 27,216 and, it had been reduced by 357 and 454 in 2018 and 2019 respectively. Although 213 Investigating Officers had been newly recruited for the Authority, a less raid target had been given comparing to the year 2017.
- (c) Although a plan containing the number of awareness programmes covering each district for the year under review had not been prepared, 1,538 awareness programmes had been conducted by the Authority within the year under review. Most of them had been conducted in the districts of C and D group where the population and shops is less, comparing the districts of A and B group where the population and shops are more.

- (d) One hundred twelve (112) complaints out of 1476 referred to the Legal Division from year 2015 to 2019 had been referred for legal action due to non-compliance. Further, one complaint was due to be referred for legal action relating to the non-compliance and, 65 complaints had not been solved based on not receiving of information from the relevant parties. Accordingly, 492 complaints had to be further investigated and, only 136 complaints were relating to the year 2019. Investigating of three hundred fifty six (356) complaints received relating to the period of year 2015 to 2018 had to be further investigated.
- (e) The Investigating Board had been decided to issue directives to the Respondent due to not arriving into a settlement at the investigations carried out relating to 202 complaints, out of the complaints received from year 2015 to 2019 referred to the Legal Division of the Authority. Accordingly, directives had been issued for 127 complaints out of said 202 and sent those directives to the related parties. However, directives issued relating to 20 complaints had not been informed to the relevant parties and, directives relating to 55 complaints had not been issued by the Investigating Board even as at the date of audit.
- (f) In terms of Section 13(4) of the Consumer Affairs Authority Act No. 09 of 2003, after investigating a complaint received by the Authority, the Authority shall issue directives to the manufacturer or seller of goods in writing as per the occasion to pay compensation to the aggrieved party or to accommodate certain goods or to refund the money paid for such goods or service. However, the Respondents had been ordered to pay a compensation amounting to Rs. 717,993 to the complainants of 08 files relating to the years 2017, 2018 and 2019. Those directives had not been submitted to the relevant parties even as at the date of audit and, the directives issued for 06 files had not been submitted to the relevant parties due to non-availability of signatures of the Investigating Board.
- (g) After referring the complaints received by the Authority for investigation, a long period consumes to investigate such complaints and a period exceeding 06 months had been consumed for two rounds of discussions or investigations. Although the investigations had been carried out consuming a long period by the complainant, respondent and officers of the Authority, the directives issued at the investigations had been limited only for the files due to not signing those directives by the Investigating Board and not informing the relevant parties. Therefore, the Authority had been failed to act in terms of Section 13(5) and 13(6) of the Consumer Affairs Authority Act No. 09 of 2003.
- (h) In terms of Section 8(h) of the Consumer Affairs Authority Act No. 09 of 2003, it has mentioned that undertaking studies, publishing reports and providing information to the public relating to the market conditions and consumer affairs is one of the tasks assigned to the Authority. Accordingly, 5 reports relating to the market studies conducted by the Authority had been issued within the year under review. At the market study conducted by the Authority relating to the oils unsuitable to consume, adequate steps had not been taken by the Authority to draw attention about the matters identified relating to the consumer protection and health conditions and, provide said information to the public.
- (i) Reports containing the issues and, the proposals submitted to solve said issues identified at the studies conducted relating to the cement block stones and steel cables had only been presented to the ministry and, steps had not been taken to provide said information to the public or to make aware of the institutions by which must take steps in relation to that.

**W.P.C. Wickramarathna**  
Auditor General

**Chairman’s comments on the Report of the Auditor General regarding the Financial Statements of the Consumer Affairs Authority for the year ended by 31 December 2019, in terms of Section 12 of the National Audit Act No. 19 of 2018**

**1. Financial statements**

Attention was drawn towards the unquantified audit opinion prepared by the Auditor General in relation to the financial statements of the Consumer Affairs Authority for the year 2019 and, attention also was drawn towards the matters relating to the management responsibility for the financial statements and, the Auditor General’s responsibility for the audit.

**2. Report on other legal and regulatory requirements**

I also studied the auditor’s observations on other legal regulatory requirements and, steps will be taken to make good the inefficiencies (if any) in relation to that.

**3. Other audit observations**

- (a) Observations of the Department of Legal Draftsman had been given for the final draft referred by them on 19.08.2019. The Authority was informed that the relevant amendments shall be submitted to the new cabinet through a cabinet memorandum by the Department of Attorney General and, the Department of Legal Draftsman and, approval shall be re-obtained before to take future steps about the amendments. A cabinet memorandum for this was prepared and, the Hon. Minister has informed the Authority to review the proposed amendments by appointing a committee for that.
- (b) The area to be covered by the Investigating Officers is too large and, the duties of raids is just one subject field. The key duties such as raiding & investigations, making aware of the consumers and trade community, investigating consumer complaints, conducting market surveys, court affairs relating to the raids should be done by these Investigating Officers. In addition to above, preparing documents relating to the above duties and updating the data system are also done by themselves in certain districts. As these Investigating Officers have been attached based on the official requirement, the raiding targets can’t be determined according to the number of Investigating Officers attached. Authority determines the raiding target based on the number of Investigating Officers attached just for the duties of raiding and investigations, according the requirement arises for each period. Therefore, the above awareness data reflects that the other duties stated above have been entrusted to the new officers recruited to the institution. Following table indicates the number consumer awareness programs had been increased in the years 2018 and 2019, comparing to the year 2017.

Year	Making aware of the public	Making aware of the school children	Making aware of the trade community	Total
2017	255	105	214	574
2018	597	248	607	1452
2019	755	307	476	1538

Further, the raiding targets had to be amended because of working in April and May became weakened due to the Post Easter attack carried out in 2019. As a whole, this also had been a reason to compute a less raiding target in 2019, comparing to the years 2017 and 2018.

- (c) The newly recruited Investigating Officers had been attached to districts of C and D group because of at least the minimum number of officers was not available in those districts as prescribed.

The newly recruited Investigating Officers don't possess experiences about market investigation and raidings. Therefore, they had been engaged to work with those officers who possess experiences, to conduct the awareness programmes with the objective of obtaining services more effectively, studying about the rules of the Consumer Affairs Authority in the relevant districts, until they acquire experiences about the duties of raiding and investigations.

Accordingly, the awareness programmes conducted in the group C and D districts are higher, comparing to the districts of A and B group.

- (d) There was a delay in investigating 356 complaints received from year 2015 to 2018 and the reasons are as follows.

Formal investigations about the complaints received by the institution are conducted by an Investigating Board which consists of the Chairman and the Board of Directors. The Chairman and the Board of Directors were changed / newly appointed from time to time at several occasions or sometimes the Board of Directors was not appointed for a long period. Therefore, the formal investigations had to be postponed or canceled from time to time and, to conduct only on the future dates given.

- (e) The Authority decided to issue directives against 185 complaints received from the year 2015 to 31st December 2019 out of which the relevant directives had been issued for 140 complaints and referred to the relevant parties. Formal investigations relating to another 30 files have already been initiated and, only 14 files that had not been referred to the parties are available by now.

- (f) Although the respondents were ordered to pay a compensation amounting to Rs. 717,993 after checking a sample of 08 files out of the 14 files for which the directives had not been issued to the parties as at 31.12.2019, those directives couldn't be submitted to the relevant parties because they had been referred to two fulltime members to obtain their signatures but vacated the Investigating Board. Based on the reason of non-availability of their signatures, the new management of the Authority has drawn its attention about the future steps to be taken with regard to that. Two other directives have also been submitted to the Board of Directors for approval.

- (g) The Authority was in a difficult situation to act in terms of Section 13(5) and 13(6) of the Consumer Affairs Act based on the matter of consuming a long period to investigate the consumer complaints received by the Authority, finalize them or to issue directives due to the sudden changes made in the top management of the Authority. Following matters could be mentioned as reasons to consume a long period for the investigations.

- After nominating candidates for the Presidential Election scheduled to be held on 08th January 2015, instructions to stop temporarily the formal investigations had been received from the Authority.
- The position of Chairman in the institution had been held by 03 Chairmen at 03 occasions in the year 2015.
- Instructions to cancel temporarily the formal investigations had been received from the Authority due to the General Election scheduled to be held on 17.08.2015.
- Although dates to conduct the formal investigations relating to 11 complaints in the year 2017 had been fixed, those investigations had been cancelled on the instructions given by the Authority.
- One hundred eighty one (181) formal investigations scheduled to be conducted in the year 2018 had been cancelled due to non-availability of the Board of Directors.
- The position of Chairman had been changed at two occasions in 2019 and, works of 07 formal investigations due to be conducted within that period had also been cancelled on the instructions received from the Authority.

The Authority was compelled to cancel or postpone the formal investigations from time to time or to conduct the investigations only on the future dates given due to the reasons such as; the Chairman of the institution was changed from time to time at several occasions / receiving of new appointments, the Board of Directors was not appointed for a long period although the Chairman had been appointed etc...

- (h) In terms of Section 8(h) of the Consumer Affairs Authority Act No. 09 of 2003, it had been mentioned that undertaking of studies relating to the market conditions and consumer affairs, publishing reports and providing information to the public is one of the tasks assigned to the Authority. Accordingly, five reports relating to the market studies had been issued by the Authority within the year under review. At the market study carried out relating to the oils suitable to consume, it was revealed that used oil removed from the large scale food preparing hotels and restaurants and, impure oils are refined, re-packed and sold as new products by misleading the public, the consumable oils are packed in the chemicals / lubricants / fuel / tar containers without cleaning them, the raw materials used to manufacturer oils were in law quality and had been spoiled, selling of oils by mixing the low standard and profitable oils such a palm oils and, implementation of the provisions contained in the Gazette No. 1987/51 dated 07th October 2016 were in an inactive level. The Authority identified that the above-mentioned matters are threats to the consumer protection and health condition so that necessary steps were taken to make aware of the public with regard to that.
- (i) At the studies carried out relating to the cement block stones and steel cables, a report containing the issues and proposals to solve them were submitted to the ministry on request and, steps were taken to make aware of the public with regard to certain matters revealed at the studies aforesaid.



**Major General Shantha Disanayake (Rtd.)**

**Chairman**