



# **Consumer Affairs Authority**

**Annual Report**

**2010**

## Chairman's Message



It is a pleasure for me to issue this message for the Annual Report 2010 of the Consumer Affairs Authority. CAA has implemented several programs during the year with the view of protecting consumers and promoting healthy competition in the market. The programs were focused towards our vision, "A well protected consumer within a disciplined business culture".

During the year 2010 special attention was paid in strengthening the district units located in district secretariat offices. The CAA has recruited a set of new investigation officers with the approval of the Department of Management Services. Steps were taken to provide the required resources for district offices. Action plan was introduced to all district units with targets and a performance evaluation session was conducted regularly to assess the performance of individuals and the team. By introducing this program the CAA could achieve a remarkable progress especially with regard to market investigations and raids.

The theme of the Consumer Rights day as declared by the Consumers International was ***Our Money Our Rights***. Action was taken to publish a newspaper tabloid incorporating articles on the theme, Consumer Rights and Responsibilities, Services provided by the CAA in order to protect the Rights of the Consumers, main achievements of the CAA and how the public can obtain the services of the CAA. CAA could disseminate information to a large number of consumers scattered all over the country.

A market information system was setup using the services of few investigation officers who are specialized in this field. This information is currently utilized by the CAA, Line Ministry and the Food Security and Cost of living committee in order to take decisions with regard to essential commodities.

During 2010, Staff insurance scheme was initiated with Medical Insurance Policy and workman compensation from National Insurance Trust Fund.

I would like to thank the Board of Directors and the staff for their untiring support without which the CAA could not achieve success.

I extend my gratitude to the Minister of Cooperatives and Internal Trade Honorable Johnston Fernando for his visionary leadership extended throughout our endeavors. I thank Mr. Sunil S. Sirisena, Secretary to the Ministry for his valuable guidance and assistance extended towards the success of the Consumer Affairs Authority.

A handwritten signature in black ink, appearing to read 'Rumana Marzook', written over a horizontal line.

Rumana Marzook  
**Chairman**  
Consumer Affairs Authority

## **Our Vision**

A Well Protected Consumer within a Disciplined  
Business Culture

## **Our Mission**

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

## **Our 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

# **Our 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

2<sup>nd</sup> Floor

CWE Secretariat Building

No. 27, Vauxhall Street

Colombo 02

09.12.2011

The Hon. Minister of Co-operatives and Internal Trade

Sir,

In terms of the Section 14(2) of the Finance Act No 38 of 1971 I herewith submit the Annual Report for the Year 2010 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Romy Marzook', written over a faint horizontal line.

Romy Marzook

**Chairman**

Consumer Affairs Authority

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2010

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## CHAPTER 1

### ABOUT US

#### 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 1 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 manufactures 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 -2010

The Board of Directors whose names were given below continued their services up to May 2010.

Mr. Romy Marzook	- Chairman
Mr.Hemalal Talgaswatta	- Full Time Member
Mrs.Shirani Weragoda	- Full Time Member
Mr.J.A.Yasaratne	- Full Time Member
Mr.T.M.Sangadasa	



Mrs.Rajes Nonis  
Prof.M.W.Wickramarachchi  
Mr.C.U.J.K.K. Kulatilake  
Mr.S.A.K.Dissanayake  
Mr.P.A.Piyadasa  
Mr.Manjula Makumbura  
Dr.Jayantha Balawardane  
Mr.D.H.B.Edirisinghe  
Mrs.G.D.M.Kusumalatha  
Dr.L.P.A.Karunathilake  
Dr.(Mrs) Ajantha Perera  
Mr.S.Merrick Gunaratne  
Mr.Siripala Amarasinghe  
Dr.Arjuna De Silva  
Mr.S. Kithsirimewan Lankatilleke

The new Board of Directors was appointed on 31.05.2010. Mr. Rummy Marzook, Chairman was reappointed for the 2<sup>nd</sup> consecutive term on 12.10.2010.

Mr. Rummy Marzook	– Chairman
Mr. Milton Amarasinghe	– Full Time Member
Mr. Sunil Jayaweera	– Full Time Member
Major General P Chandrawansa	– Full Time Member
Rev. Rekawa Jinarathana Thero	
Ms. Chandra Ekanayake	- Treasury Representative
Mr. P Mayadunne	– Ministry Representative - resigned during 2010
Mr. Sugath Mohan Frank De Silva	
Mr. Dushan Soza	
Mr. Vinod G Dhansingani	
Mr. Hanif Yusoof	
Mr. J M Jayathilaka Jayasundara	

Mr. Varuna Alawwa  
Mr. Anura Fernando  
Mr. Anil Kumara Senadeera  
Mr. J V K Jayasuriya – resigned during 2010  
Mr. Basil Vanlanganburg  
Mr. W A C Hemakumara  
Mr. R B Thennakoon  
Major Y H P N Y Senadhipathi  
Mr. M B M Ibrahim  
Mr. H M L H Bandara Herath  
Mr. Madawa Sanjeewa Wattegama  
Dr. Jayantha Balawardena  
Major Vijitha Welikala – resigned during 2010

### **1.3 Staff of the Authority**

Mr. Rummy Marzook continued to serve as the Chairman during the year 2010. Services of Mrs. Ranmini Jayasooriya who was re-appointed to the post of Director General on 02.03.2009 under one year probation period was terminated on 18.02.2010 by the Board at the Board meeting held on 18<sup>th</sup> February 2010. Mrs. Chandrika Thilakaratne , (Director Consumer Affairs and Information ) was appointed as the Acting Director General w.e.f. 25<sup>th</sup> February 2010 .

#### **Heads of the Divisions of the Authority -2010**

Mrs. Deepthi Tissera [M.PA.(PIM-Sri J),Attorney –at-Law]	- Director (Compliance and Enforcement)
Mrs. Chandrika Thilakaratne [B.Sc.Agric (Sp), M.Sc.(Mgt)]	- Director (Consumer Affairs and Information)
Mrs. Shanthini Thiruneelakandan [ACEA]	- Director (Competition Promotion)

Mr.W.M.Priyantha - Director (Finance)  
[ MPM, B.Com.(Sp),AIPFM, DPFM]

Mr. Sampath Angulugaha - Director (Human Resources & Administration)  
[B.Com.(Sp)Hons, AIPM(SL), Dip. in PM]

Mr. M.P.D.Medawatta was attending to the duties of the Director Human Resources and Administration until Mr.Sampath Angulugaha was appointed to the Director Human Resources and Administration position on 22.02.2010.

Mr. Rohan Meewanage was continued to attend to the duties of the Director Pricing and Management during 2010.

#### **1.4. Consumer Affairs Council**

The Consumer Affairs Council has been established in terms of Part 1V of the Act.

Mr.Upali Senaratne served as the Chairman and Mr. Dilum De Abrew and Prof.P.Wilson served as the members of the Consumer Affairs Council until May 2010. Mr.Upali Senaratne was reappointed as the Chairman of the Consumer Affairs Council on 20.05.2010..Two new members were appointed to the CAC on 31.05.2010.

#### **Members of the Council -2010**

Mr.Upali Senaratne – Chairman

Mr.Wasantha Gunawardena - Member

Mr. Sudath Wijewickrama - Member

#### **Secretary to the Council**

Ms. Lekha Aryaratne  
[Attorney -at- law]

## 2. Why We Are?

### **Objects of the Authority**

The Objects of the Authority are

- (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 consumer against unfair trade practices and guarantee that consumers interest shall be given due consideration.
- (c). To ensure that wherever possible, consumers have adequate access to goods and services at competitive prices
- (d). To seek redress against unfair trade practices, restrictive trade practices or any other form of exploitation of consumers by traders.

### 3. What We Are?

#### Functions of the Authority

Functions of the Authority are to

- a) control or eliminate –
  - i. restrictive trade agreement among enterprises :
  - ii. arrangements with enterprises with regard to prices
  - iii. 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
  - iv. any restraint of competition adversely affecting domestic or international trade or economic development :
- b) Investigate or inquire in to anti-competitive practices and abuse of a dominant position.
- c) Maintain and promote effective competition between persons supplying goods or services :
- d) Promote and protect the right and interests of consumers, purchases and other users of good and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- e) To keep consumers informed about the quality, quantity, potency, purity, standards, and price of goods and services made available for purchases.
- f) Carry out investigations inquiries to in relation to ant matter specified in this Act:
- g) Promote competitive prices in markets where competition is less than effective
- h) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs:
- i) Undertake public sector and private sector efficiency studies;
- j) Promote consumer education with regard to good health, safety and security of consumers;
- k) Promote the exchange of information relating to market conditions and consumer affairs with other institutions;
- l) promote assist and encourage the establishment of consumer organizations,
- m) charge such fees in respect of any services rendered by the Authority;
- n) Appoint any such committees as may be necessary to facilitate the discharge of the functions of the Authority : and
- o) Do all such acts as may be necessary for attainment of the objects of the Authority and for effective discharge of the functions of such Authority

#### 4. Special Projects/Programs-2010

During the year 2010 Consumer Affairs Authority could implement the following projects/programs in order to improve the quality of services of the Authority.

##### ◆ Strengthening of District Units

During the year 2010 special attention was paid to strengthen the district units located in district secretariat offices. The CAA could recruit 64 investigation officers with the approval of the Department of Management Services. Two week induction program was conducted for these officers to familiarize them on the activities of district offices.

Steps were taken to provide the required resources for district offices such as mobile phones, fax machines and computers etc. Other supportive services such as transport facilities, Decoy money were upgraded.

Action plan was introduced to all district units with targets and a performance evaluation session was conducted at the end of every month to assess the performance of individuals and the team. By introducing this program the CAA could achieve a remarkable progress especially with regard to market investigations and raids.

##### ◆ Consumer Rights Day Program -2010

The theme of the Consumer Rights day as declared by the Consumers International was ***Our Money Our Rights***. Action was taken to publish a newspaper tabloid incorporating articles on the theme, Consumer Rights and Responsibilities, Services provided by the CAA in order to protect the Rights of the Consumers, main achievements of the CAA and how the public can obtain the services of the CAA. Steps were taken to disseminate knowledge to general public by publishing the articles in Sinhalese, Tamil and English languages. Through the news paper tabloid CAA could disseminate information to a large number of consumers scattered all over the country.

### ◆ **Setting up of Market Information System & Research Unit**

One of the main problems faced by the CAA is lack of accurate and updated information required for decision making. In order to address this issue a market information system was setup using the services of few investigation officers who are specialized in this field. This unit collects data through various sources such as Sri Lanka Customs, Hector Kobbakaduwa Agrarian Research and Training Institute, Department of Agriculture, Economic Centers, Sathosa, Super market chains and other retailers in order to prepare profiles for essential commodities. This information is currently utilized by the CAA, Line Ministry and the Food Security and Cost of living committee in order to take decisions with regard to essential commodities.

### ◆ **Introduction of an Insurance scheme for employees**

Staff insurance scheme was initiated with Medical Insurance policy and workman compensation from National Insurance Trust Fund.

As per the organization structure, the Authority consists of 6 divisions operating under 6 Directors. These divisions are named as Consumer Affairs and Information division, Compliance and Enforcement division, Pricing and Management division, Competition Promotion division, Finance division and Human Resources and Administration division.

The performance of the Consumer Affairs Authority during the year 2010 is presented below.

**(1) Protect Consumers against hazardous and substandard Goods and Services**

**a) Adoption of Standards to ensure the quality of products**

During 2010, CAA issued a Direction under the provisions of the Act with the objective of improving the quality of the products available in the market. As per this Direction SLS product certification mark has been made mandatory for the locally manufactured tooth brushes.

According to the Direction issued the Manufacturers, Distributors or Traders shall manufacture, distribute, store or sell or display for sale, expose for sale or offer for sale in wholesale or in retail any locally manufactured toothbrushes unless it is marked with the SLS Product Certification mark issued by the Sri Lanka Standards Institution.

**b) Monitoring of substandard imported goods**

Action has been taken to liaise with the Sri Lanka Standards Institute to avoid substandard goods entering at the point of entry in to the country. Monitored 92 such cases where SLSI recommended goods to be re exported under the import Inspection Scheme.

**d) Represented in National Committees and contributed to introduce policies /legislations to protect consumers**

- Food Advisory Committee
- National Codex Committee
- Cosmetics evaluation committee
- Breast Feeding Code monitoring committee

**(2). Protect Consumers against deceptive conduct and unfair trade Practices**



**a) Awareness Programs for the Business Community**

CAA has taken action to educate the business community on the rules and regulations that they have to comply with as per the provisions of the CAA Act and assisted them to conduct a fair business. The Authority conducts training workshops to the Chamber of Commerce, Associations of Traders and companies. During 2010 Authority has conducted 99 programs for the business community on consumer law and 3411 traders have participated for these awareness sessions.

**b) Market Surveillance**

The Consumer Affairs Authority Act has identified a set of common malpractices done by the traders as offences. Some of the malpractices identified in the Act are 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 list, non issuing of receipts to purchasers, misleading or deceptive conduct and false representations done by the manufacturers/traders.

The Authority conducts regular market surveillance and conduct raids on the violations of the Act. The erroneous traders are prosecuted in the respective magistrate courts and fines imposed based on the provisions granted in section 60 of the Act.

During the year Authority has conducted 10900 market raids and these raids were conducted by the officers of the head office and officers attached to the district units of the CAA and this shows 141% increase than the previous year. The amount of fines imposed by the courts on errant traders for the violation of the provisions of the act, in the year 2010 is Rs Mn 28.509. The fines show an increase of 29 % than the previous year.

The progress on market raids and fines collected to the state are presented in Table1 and Table 2 respectively.

**Table 1: The Progress on Market Raids**

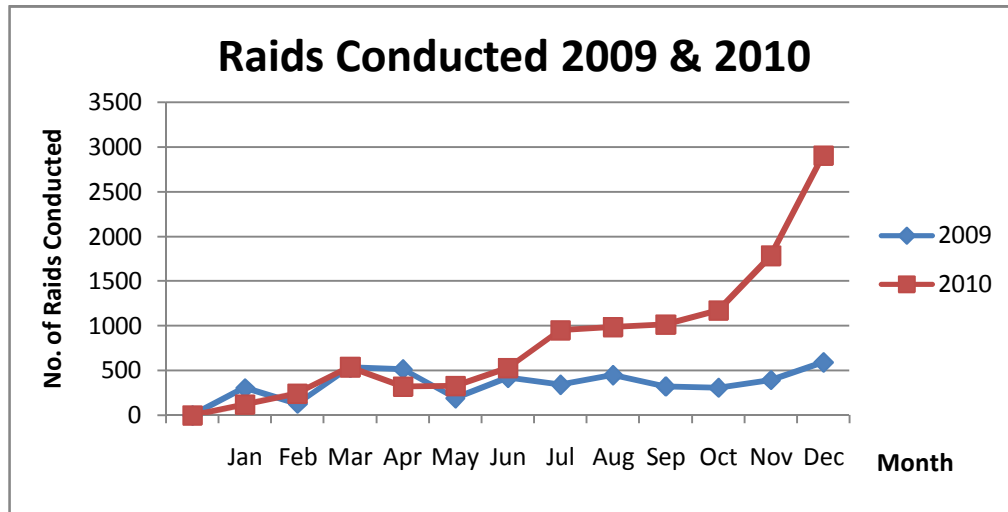
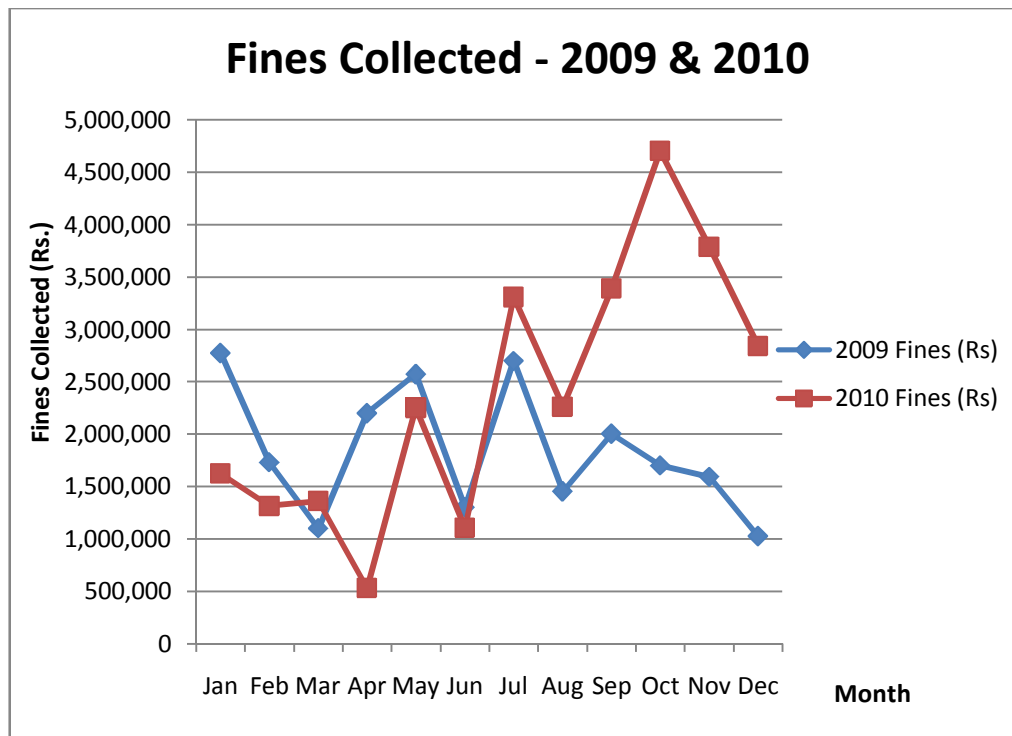


Table 2: The Fines Imposed on Raids



**c) Implementation of Maximum Retail Price (MRP) on identified imported goods**

By the implementation of the gazette on “Marking of MRP on 5 identified items at the port of entry to the island” customs was able to collect substantive amount of income since this prevent under invoicing to a greater extent. During the year Authority has received 333 applications and all have been disposed.

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

#### **a).Handling 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 confirm to the standards and specifications determined under section 12 and sale of any goods which does not confirm to the warranty or guarantee given by implication or otherwise, by the manufacturer or trader.

The progress of handling consumer complaints during 2010 is presented in Table 3 and Table 4.

**Table 3: Progress of Handling Consumer Complaints during 2010**

<b>Consumer Complaints</b>	<b>2010</b>
Complaints received	1806
Referred to other institutions	178
Referred to district units	46
Referred to other divisions	100
Referred for Raids	777
Concluded	476
Rejected	123
Discussions held	350

**Table 4. Progress of conducting Inquiries in to consumer complaints**

<b>Inquiries</b>	<b>2010</b>
Fixed	51
Settled	15
Orders issued	10
Discussions held (Prior to inquiry)	28

#### **4. Consumer Education and Empowerment**

### a) Consumer Awareness Programs

The Consumer Affairs Authority uses electronic and print media, seminars and workshops, exhibitions, consumer rights day programs to educate the public on their consumer rights and responsibilities, current consumer law, good consumer values and good business practices etc

During the year 2010, the Authority has conducted 301 consumer awareness programs for the consumer groups such as School children, university students, government officials, community organizations, housewives and general public. These programs were conducted by the head office as well as district units of the CAA. In addition to these programs CAA has contributed to the exhibitions and trade fairs as well in order to educate the public.

Details of the Consumer Education activities conducted during 2010 are presented in Table 5.

Table 5. **Details of the Consumer Education activities conducted during 2010**

Program	2010		
	No of Programs	No of participants	No of Consumer organizations/School consumer clubs
Awareness programs for general public	83	24280	-
Awareness programs for school children	100	11391	-
Trader awareness programs	99	3411	-
Establishment of Consumer Organizations		1007	24
Awareness programs on the use of proper containers for vegetables and fruits	-	-	-
Awareness through media (Print &Electronic) (Press releases and Advertisements )	11	-	-
Exhibitions	08	129000	-
<b>Total</b>	<b>301</b>	<b>169089</b>	

**Awareness Programs conducted on par with Deyata Kirula Program:**

## **2010/2011: Monaragala**

A special awareness project was conducted in the above Districts which consist following events.

- Awareness programs for government officials, Schools at the AGA divisions level
- Implementation of the model shop competition
- Establishment of consumer organizations & school consumer clubs
- Exhibitions stall

### **b) Publication of awareness material**

During the year Authority published awareness brochures in Sinhala, Tamil and English languages.

### **c) Establishment of Consumer Organizations**

During 2010 CAA has taken action to promote the establishment of Consumer societies and was able to set up 24 consumer organizations with the participation of 1007 consumers.

## **5. Protection of traders and manufacturers against anti Competitive trade Practices and promotion of healthy Competition**

Primary objective of promoting competition is to establish a free and fair market structure & to promote healthy and fair competition among the trade. The progress of competition promotion activities achieved during 2010 is presented in Table 6.

Table 6. **Progress of the Competition Promotion Activities**

Activity	Progress
(A).Intervention on Anticompetitive Practices Operating against Public interest  Examinations are initiated on our own to identify possible anticompetitive practices in the retail trade of pharmaceuticals	01
(B).Investigations in to complaints from Trade  Intervention on complaints made to the CAA in respect of anticompetitive and unfair trade practices	09
(C).Identification of Market Structure and Manipulation  Statistical data collection and analysis of market conditions are carried out.	25 products
(D).Market research and recommending safeguards	02
(E).Awareness on Healthy Competition and Trade Responsibilities	04
(F).Maintaining Level playing field for fostering Competition  Implementation of Government Policy Five products are identified currently under the Gazette Notification No. 1505/15 of 11/07/2007	338

During 2010 a review was conducted in Cement Industry on the gazetted prices in the market and on SLS product certification of tooth paste. Moreover a study was conducted on the imperfect conditions prevailing in the infant milk powder industry.

a.) **Cement Industry** – Review with an objective to understand the structure of the market and nature of competition in the industry. It was identified 65% of the market is controlled by two players and 90% is controlled by four players.

b.) **Tooth Paste** – SLS mark is mandatory on locally produced Tooth paste since 15<sup>th</sup> August 2009. A study was carried out to ascertain whether all manufacturers are complied with the direction issued by the CAA.

c.) **Infant Milk Powder** – A study was carried out on infant milk powder prices in the market and compared with year 2007,2008, 2009 and 2010 for any excessive price fixing in the market.

## 6. Ensure reasonable pricing

### a) Price Regulation of Specified Goods

The CAA intervenes in to the market prices of identified commodities based on the powers vested in sections 14, 18, 19 &20 of the Act. The actions taken by the CAA to stabilize/fix the prices of selected commodities is presented in Table 8.

**Table 7.Action taken to stabilize the prices of commodities**

Commodity	Action Taken
Chicken Meat	Considering the prevailing cost components the Maximum Retail Price was fixed at Rs 350.00/kg of frozen broiler whole chicken with skin by issuing a gazette notification under section 20(5) of the Act.
Cement	Action has been taken to reduce the Maximum Retail Prices of Ordinary Portland Cement and Portland Limestone Cement from Rs.785/- to 750 and Masonry Cement from Rs. 735/- to 700/- per 50kg bag from March 2010 by issuing a gazette notification considering the prevailed market conditions.
Milk Powder	Considering the prevailed world market milk powder prices Authority has revised the gazetted Maximum retail price of Full Cream Milk Powder under Sec 20(5) of the Act. Thereby from June 2010 maximum retail prices

	<p>of Full cream Milk Powder prices are as follows.</p> <p>400g pack of Full Cream Milk Powder - Rs.264/-</p> <p>1kg pack of Full Cream Milk Powder - Rs. 598/-</p>
Rice	<p>Due to a bumper paddy harvest in the country during 2010, action was taken to rescind the MRP of Rice on September 2010 as per the instructions received from the Cabinet subcommittee on Food Security and Cost of Living.</p> <p>Once the price regulation was removed it was observed that the market prices of rice increased gradually. In order to overcome this situation action has been taken to reinstate the Maximum Retail Price of Rice during December 2010 and prices are as follows.</p> <p>Samba – de stoned &amp; cleaned - Rs 70/- per 1kg (Excluding Keeri Samba &amp; Suduru Samba)</p> <p>Nadu - Rs.60/- per 1kg</p> <p>Red &amp; White raw - Rs. 60/- per 1 kg</p>

### Liquefied Petroleum (LP) Gas

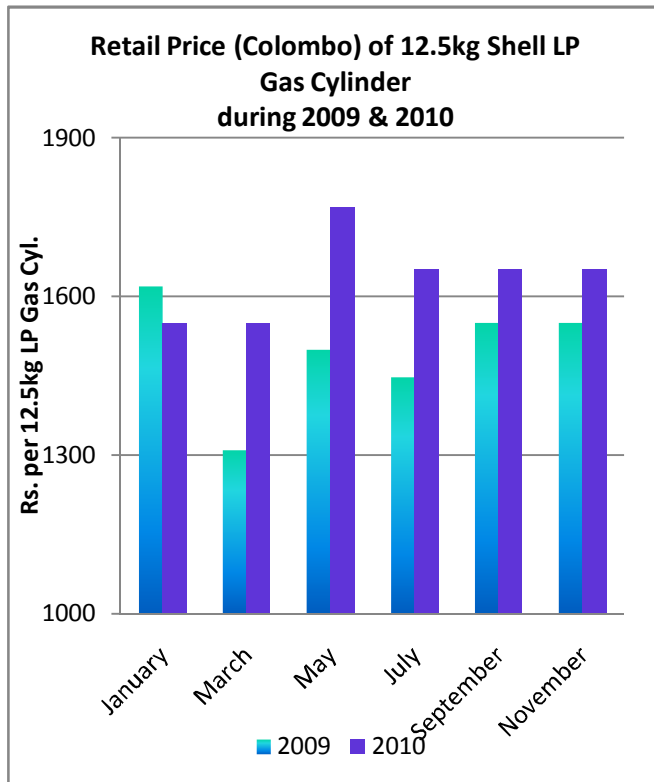
The liquefied Petroleum gas market is handled by 2 players at present and the price is being regulated through Pricing Formula which was introduced in latter part of 2007.

**Table 8.Price Movement of Liquefied Petroleum Gas 12.5 kg Cylinder-2010**

Month	2010
-------	------



	Shell Gas (Rs)	Laugfs Gas (Rs)
January	1550	1421
March	1550	1421
May	1769	1744
July	1652	1659
September	1652	1593
November	1652	1520



## 7. Capacity enhancement of the organization

### a) Staff Development

Consumer Affairs Authority considers the development of our staff in their relevant field is an investment which contributes to uplift the quality of our services. Details of the staff training -2010 is presented in Table 9.

**Table 9: Staff Training -2010**

	<b>Course Title</b>	<b>No of Participant</b>	<b>Course Fee Per Participant</b>	<b>Total Investment (Rs.)</b>
1	Seminar on the Introduction of the Sri Lanka Public Sector Accounting Standards.	3	3,000.00	9,000.00
2	Advance MS Office	8	9,000.00	72,000.00
3	Certificate Course in Business English	10	14,000.00	140,000.00
4	Certificate Course in Business English-Reg. Fee.	2	500	1,000.00
5	Course on Statistical Packages for Data Analysis	3	10,000.00	30,000.00
6	Diploma for Executive Secretaries/ Administrative Assistant	1	20,000.00	20,000.00
7	Diploma in English Professions	1	15,000.00	15,000.00
8	Diploma in Secretarial Practices & Administrative Studies	1	35,000.00	35,000.00
9	Higher Certificate Course in Tamil Language	13	7,500.00	97,500.00
10	International Corporate Law Conference	1	11,950.00	11,950.00
11	International Human Resource Conference 2010	2	13,843.00	27,686.00
12	Sage ACCPAC Advance Financial Modules	3	17,319.46	51,958.38
13	Seminar on Alternative Dispute Resolution Methods	2	3,500.00	7,000.00
14	Workshop on Professionalism for Clerical Services & Allied Staff	2	3,000.00	6,000.00
15	Workshop on Secretarial Practices	2	13,843.00	27,686.00
16	Workshop on Transport Management	2	2,500.00	5,000.00
17	Diploma in Commercial Arbitration 2010/2011	1	55,245.00	55,245.00
18	AATSL Annual Conference 2010	1	4,500.00	4,500.00
19	Workshop on Work life & Aesthetic Enjoyment	6	3,450.00	20,700.00
20	National Law Conference	5	4,500.00	22,500.00
21	Workshop on Effective Public Relations	1	5,196.00	5,196.00
22	Public Seminar on Budget-2011	4	1,000.00	4,000.00
23	Higher Diploma for Executive Secretaries & Personal Assistant	1	27,500.00	27,500.00
	<b>Total Expenditure</b>			<b>696,421.38</b>
24	Computer System Control Training Program	1	FOC	
25	Web Site Development-ICTA	1	FOC	

**b) Strengthening the staff position of the Authority**

**Table10: Staff Position of the Authority as at 31.12.2010**

<b>Designation</b>	<b>Approved Cadre As at 19.05.2011</b>	<b>Staff Position as at 31.12.2010</b>
<b>Senior Manager</b>		
Director General	1	-
Director	6	5
Council Secretary	1	1
<b>Manager</b>		
Assistant /Deputy Director	16	6
<b>Junior Manager</b>		
Audit Officer	2	-
System Administrator	1	-
Senior Investigation Officer	02	-
Senior Statistical officer	1	-
Senior Market Research Analyst	1	1
Senior Accounts officer	2	2
Confidential Secretary (DG)	1	1
Confidential Secretary (Chairman )	1	1
Senior Administration/HR officer	1	-
Senior Legal &Enforcement Officer	2	2
Senior Costing officer	1	1
Senior Consumer Empowerment Officer	2	-
Senior Media Officer		1
<b>Enforcement/Operational/Extension</b>		
Data Coordinator	1	-
Statistician Officer	1	-
Market Research Analyst	1	-
Documentation Officer	6	1
Librarian	1	-
Costing Officer }	15	1
Accounts Officer		4
Admin Officer	5	1
Legal &Enforcement officer	3	2
Investigation Officer	200	161
<b>Management Assistant (Tech)</b>		
Book Keeper	1	-
<b>Management Assistant (Non Tech )</b>	31	36
<b>Primary Level Skilled</b>		
Driver	12	13
Office Aide	14	16
<b>Total</b>	<b>332</b>	<b>256</b>

**c). Staff Welfare**

During 2010, Staff insurance scheme was initiated with Medical Insurance Policy and workman compensation from National Insurance Trust Fund.

Moreover, several steps were taken to provide various facilities in order to provide a pleasant and conducive working environment as this contributes to improve the productivity of the staff. These measures were also taken in order to create unity, harmony and for the spiritual development of the staff at all levels.

#### **d) Amendments to the CAA Act**

Cabinet of Ministers has approved the Amendments in the 2<sup>nd</sup> Quarter of 2009. Subsequent to consultations with the officers of the Attorney General's Department necessary changes were effected as suggested by the Attorney General's Department and final draft sent to the Ministry. The CAA liaised with the Legal Draftsman office and Attorney General's Department with regard to the proposed amendments.

#### **Performance of the 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.

During the year 2010, ceiling on prices were recommended to the Authority in respect of chicken, rice, cement and full cream milk powder, in terms of section 20(4) of the Consumer Affairs Authority Act no 09 of 2003 by the Consumer Affairs Council to be published in the gazette.

Proceedings have been completed on 04 complaints during the year. During the year Council has investigated 02 complaints on anti competitive practices. Further the Council has handled 04 complaints on section 19 of the CAA Act.



**CONSUMER AFFAIRS AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2010**

	2010 LKR 000'	2010 LKR 000'	2009 LKR 000'	2009 LKR 000'
<b><u>ASSETS</u></b>				
<b>Non - Current Assets</b>				
Property, Plant and Equipment ( Sch I )	29,713		21,165	
Investments (LT)	52,992		45,887	
Staff Loan (LT) (Sch XXI)	<u>10,277</u>		<u>8,164</u>	
		92,982		75,216
<b>Current Assets</b>				
Inventories / Stocks ( Sch II )	446		500	
Trade and other Receivables ( Sch III )	13,725		11,199	
Government Debtors	21,838		21,838	
Prepayments ( Sch IV )	-		3	
Cash and Cash Equivalents (Sch VI)	<u>39,448</u>		<u>19,682</u>	
		75,457		53,222
<b>Total assets</b>		<b>168,439</b>		<b>128,438</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities</b>				
Payables ( Sch V )	1,893		668	
Accrued Expenses ( Sch X )	<u>18,692</u>		<u>14,502</u>	
		20,585		15,170
<b>Non-Current liabilities</b>				
Welfare Fund	-		9	
Provision for Gratuity ( Sch XI )	<u>11,565</u>		<u>9,526</u>	
		11,565		9,535
<b>Total liabilities</b>		<b>32,150</b>		<b>24,705</b>
<b>Total Net Assets</b>		<b>136,289</b>		<b>103,733</b>
<b><u>NET ASSETS / EQUITY</u></b>				
Accumulated Fund ( Sch VIII )	72,992		63,191	
Deferred Income ( Sch VII )	37,520		26,727	
Reserves ( Sch I X )	<u>25,777</u>		13,815	
		136,289		103,733
<b>Total Net Assets / Equity</b>		<b>136,289</b>		<b>103,733</b>

.....  
**Director Finance**  
**Consumer Affairs Authority**

.....  
**Chairman**  
**Consumer Affairs Authority**

.....  
**Acting Director General**  
**Consumer Affairs Authority**



**CONSUMER AFFAIRS AUTHORITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**31ST DECEMBER 2010**

	<b>2010</b>	<b>2009</b>
	<b>LKR 000'</b>	<b>LKR 000'</b>
<b>Operating Revenue</b>		
Recurrent Grant	143,029	115,919
Other income ( Sch XII )	9,854	16,570
	<b>152,883</b>	<b>132,488</b>
<b>Operating Expenses</b>		
Personal Emoluments ( Sch XIII )	85,944	75,978
Travelling ( Sch XIV )	2,998	1,970
Supplies and consumable ( Sch XV )	5,638	6,822
Maintenance ( Sch XVI )	5,774	3,297
Contractual services ( Sch XVII )	18,831	19,392
Depreciation ( Sch XVIII )	6,306	9,807
Other operating expenses ( Sch XIX )	15,411	9,157
Total operating expenses	<b>140,904</b>	<b>126,422</b>
<b>Surplus / (Deficit) from operating activities</b>	<b>11,979</b>	<b>6,066</b>
Finance Cost ( Sch XX )	57	51
Total non operating expenses	57	51
Net surplus /(deficit) before extra ordinary items	11,922	6,014
Profit for disposal of Assets	40	-
<b>Net surplus /(deficit) for the period</b>	<b>11,962</b>	<b>6,014</b>

**CONSUMER AFFAIRS AUTHORITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010**

	<b>2010</b>	<b>2009</b>
	<b>LKR 000'</b>	<b>LKR 000'</b>
<b>Cash flows from Operating Activities</b>		
Surplus / (Deficit) from ordinary activities	11,922	6,014
<b>Adjustment for</b>		
Depreciation	6,306	9,807
Increase in Gratuity Provision	2,038	2,030
<b>Operating profit before working capital changes</b>	<b>20,266</b>	<b>17,851</b>
Increase in payables - Note I	5,406	5,046
Increase in other current assets - Note II	(2,471)	9,346
<b>Net cash flows from operating activities</b>	<b>23,201</b>	<b>32,243</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Plant and Equipments	(4,627)	(12,403)
Revaluation		
Proceeds from sale of Plant and Equipment	435	
Increase in Investments	(7,105)	(14,298)
Increase in - Long term Loan	(2,113)	(8,164)
<b>Net cash flows from investing activities</b>	<b>(13,410)</b>	<b>(34,865)</b>
<b>Cash flows from Financing Activities</b>		
Deferred Income	10,794	2,597
Consumer Protection Fund	9,803	8,595
Revaluation surplus	(10,622)	
<b>Net cash flows from financing activities</b>	<b>9,975</b>	<b>11,192</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>19,766</b>	<b>8,570</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>19,682</u></b>	<b><u>11,112</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>39,448</u></b>	<b><u>19,682</u></b>

**Note I**

<b>PAYABLES</b>		
Accrued Expenses	4,190	4535
Payable Expenses	1,225	511
Welfare Fund	(9)	
<b>Increase in Payable</b>	<b>5,406</b>	<b>5,046</b>

**Note II**

<b>OTHER CURRENT ASSETS</b>		
Inventories/Stocks	54	13
Staff Debtors	(1,659)	11960
Advances for Services	(832)	449
Fixed Deposits Interest Receivable	(1,443)	(844)
Pre Payments	3	(3)
Sundry Receivables		-
Fines Receivable	(869)	46
Receivable Capital Grant	2,275	(2,275)
<b>Increase in Other Current Assets</b>	<b>(2,471)</b>	<b>9346</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. All the assets and Liabilities of the Fair Trading Commission (FTC) and Department of Internal Trade (DIT) were taken by CAA. Being a Government Department cost of assets of the DIT was not available. Hence the assets were taken into the books at a value determined by appraisal by a Special Committee.

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

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

**1.3** The number of employees of the Authority at the end of the year 2010 is 249

#### **1.4 Significant share holding / Equity**

Consumer Affairs Authority is fully granted by Treasury. However the 1/3rd of the fine income which is a direct income of the Authority is also represented in the equity of Authority.

**1.5** The Amount lying in Treasury LKR 21,837,974.52 has shown under Government Debtors the Account for the Year 2005 according to the Treasury letter REF TO/ISD/3/PE/2005 dated 2005.06.24. Secretary of the Line Ministry, on behalf of CAA and CAA has made several reminders to General Treasury to release this amount to the CAA Protection Fund.

**1.6** Government Grants related to assets and non monetary grants at fair value have been presented in the Balance Sheet as deferred income. Carrying amount of the assets transferred from FTC and DIT has also been treated as deferred income.

### **2. General Accounting Policies**

#### **2.1 Statement of Compliance**

The Balance Sheet and related Statements of Income, Cash Flow and Accounting Policies and Notes to the Accounts are prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountant of Sri Lanka.

## **2.2 Basis of Preparation**

These Financial Statements Presented in Sri Lanka Rupees have been prepared on historical cost basis

## **2.3 Comparative Information**

The Accounting policies adopted are consistent with those of the previous financial year.

## **2.4 Fine Income**

Income earning from the fines are accounted in a separate account from the income statement since these income was not utilized for general activities of the authority. So, the relevant income portion generated (1/3 of fine imposed) from fines are accounted in the protection Fund Account for the purpose of discloser

## **2.5 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 & Equipment**

**3.1.1** The Property Plant & Equipment are stated at cost less accumulated depreciation.

**3.1.2** 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.

**3.1.3** 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

## **3.2 Depreciation**

SLAS 18 requires the review of the residual value and the useful life of an asset at least annually and except the depreciation of an asset to begin from when it is available for use.

Accordingly, all assets acquired from 1<sup>st</sup> January 2010 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%
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** Depreciation is charged in the year of purchase when it is available for use, and no depreciation is charged in the year of disposal. No depreciation was made for Library Books.

### **3.3 Debtors & Receivables**

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

**3.4** Inventories are valued at the lower of cost or net realizable value

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

Cash & Cash Equivalent are defined as cash in hand Cash in Bank and short term investment.

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

## **4. Liabilities & Provisions**

### **4.1 Payable**

Payable are stated at their costs.

## **4.2 Retirement Benefit Obligation**

### **4.2.1 Defined Benefit Plan Gratuity**

Gratuity is a Defined Benefit Plan. The Authority is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on month salary of the last month of financial year of all employees for each completed year of serving commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

The provision for Gratuity has been calculated for employees who have completed a minimum period of one year's service in terms of **SLAS 16**. CAA has not invested any funds in support of the Gratuity plan, since funds are not released by the General Treasury in advance.

### **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 Provided 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**

### **Arbitration – Shell Gas Company (Pvt) Limited.**

The Government has taken over the Shell Gas Company (Pvt) Limited and the name of the Company has changed as Litro Gas Lanka Limited. Therefore the status of the Company has been changed in to a Government body. Litro by its latter dated 31/01/2011 informed their counsel that they are do not wish to proceed with the Arbitration.

## **5. Income**

Fines Income is recognized on an accrued basis.

6. As a policy items of value over LKR 1000.00 or items that can be used for more than one year except personal issues have been capitalized. Fixed Assets have been measured at their purchase price including import taxes and other direct costs except the assets taken over from Department of Internal Trade (DIT).
  
7. The monetary value of capital funds fully released by the treasury for the year, fully utilized as at the end of the year as shown as capital grant reserve under Accumulated Fund.



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**கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



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 எனது இல }  
 My No }

SC/F/CAA/FA/2010

ඔබේ අංකය }  
 உமது இல }  
 Your No. }

දිනය } 31 October 2010  
 திகதி }  
 Date }

The Chairman,  
 Consumer Affairs Authority.

**Report of the Auditor General on the Financial Statements of the Consumer Affairs Authority for the year ended 31 December 2010 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971**

The audit of financial statements of the Consumer Affairs Authority for the year ended 31 December 2010 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 50(3) of the Consumer Affairs Authority Act, No.09 of 2003 and Section 13(1) of the Finance Act, No.38 of 1971.. My comments and observations which I consider should be published with the annual report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was furnished to the Chairman on 28 October 2011.

**1.2 Responsibility of the Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to frauds or errors, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 කොළඹ 07, ශ්‍රී ලංකාව

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 தொலைபேசி } 2691151  
 Telephone. }

சுதந்திர சதுக்கம்,  
 கொழும்பு 07, இலங்கை

තැනස් අංකය }  
 பக்ஸ் இல } 2697451  
 Fax No. }

INDEPENDENCE SQUARE,  
 COLOMBO 07, SRI LANKA

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 #- மெயில் } oaggov@slt.net.lk  
 E-mail. }

### **1.3 Scope of Audit and Basis of Opinion**

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My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessments of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

## **2. Financial Statements**

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### **2.1 Presentation of Financial Statements for Audit**

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The Consumer Affairs Authority had presented the financial statements for audit on 28 February 2011. The revised financial statements after making adjustments relating to accounting deficiencies amounting to Rs.1,618,144 were presented on 02 August 2011.

## **2.2 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Consumer Affairs Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2:3 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Consumer Affairs Authority as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

## **2.3 Comments on Financial Statements**

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### **2.3.1 Accounting Policies**

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In addition to the crediting of depreciation for the year under review amounting to Rs.6,306,189 to the Provision for Depreciation Account, an equivalent amount had been debited to the deferred Income Account and credited to the Sundry Income Account. This had not been disclosed in the Note to the Accounts on Depreciation.

### **2.3.2 Accounting deficiencies**

---

The following observations are made.

- (a) In view of the over-provision made in the year 2009 for accrued expenses a difference of Rs.2,901,401 was reflected between the provision and the actual expenditure. That difference had been adjusted to the expenditure accounts of the current year and as such the totals of 22 expenditure accounts had been understated by a sum of Rs.2,901,401.



- (b) Sums totalling Rs.1,246,064 received by the Authority as the fines income for October 2010 had been included in the Provisions for Consumer Protection Fund shown under the balances payable.

### **2.3.3 Unreconciled Controlled Accounts**

---

Even though the cost of fixed assets sold had been stated in the financial statements as Rs.2,454,630 , the actual cost of the fixed assets sold amounted to Rs.2,442,859 and a difference of Rs.11,771 was observed. Even though the fines income had been shown in the financial statements as Rs.11,823,067 that amounted to Rs.11,416,900 according to the Progress Reports and as such a difference of Rs.406,167 was observed.

### **2.3.4 Lack of Documentary Evidence for Audit**

---

A Research Unit had been established in the year under review and the expenditure incurred thereon amounted to Rs.400,000. That could not be satisfactorily vouched due to the unavailability of the approval for the establishment of the Research Unit, forward plans and the evidence of performance.

### **2.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

---

The following observations are made.

- (1) Consumer Affairs Authority Act, No. 09 of 2003
- 

- (i) According to Section 27 of the Consumer Affairs Authority Act, No. 09 of 2003, every trader should register with the Authority on the payment of an annual fee of a sum not exceeding Rs.100,000 as may be determined in consultation with the Minister in charge of

the subject of Finance. Nevertheless, the Authority had not taken action up to date for the registration of any trader whatsoever. The Authority informed the audit that it is practically not possible to carry out such registration.

- (ii) According to the Section 3 (1) of the Act the members of the Authority should be persons who possess recognized qualifications, and experience and have distinguished themselves in the relevant fields. Nevertheless, eight members had not fulfilled the recognized qualifications in the respective fields.
- (2) According to Section 13 (5) (c) of the Finance Act, No.38 of 1971 the minimum internal audit programme of the Authority should be settled in agreement with the Auditor General. Nevertheless, an internal audit was not in operation in the Authority during the year 2010.
- (3) Public Enterprises Circular No. PED/12 of 02 June 2003
- 
- (i) According to Sections 5.1.3 and 5.2.1 the Authority should incorporate the budgeted Income and Expenditure Statement, budgeted balance sheet, the Cash Flow Statement and the budgeted capital expenditure into the Corporate Plan. Nevertheless, the Authority had not presented the required information with the Corporate Plan.
  - (ii) According to Section 9.2 the Corporate Plan should embody the cadre requirements of each of the Divisions of the enterprise, consolidated in the form of a Human Resources Budget. Nevertheless, the Authority had not embodied a Human Resources Budget to the Corporate Plan.

- (iii) According to Section 9.10 any recruitment on contract, casual or otherwise should have the approval of the Secretary to the Treasury. According to information furnished to audit, 05 employees were recruited on contract, casual and daily basis in the year 2009 and while 13 contract employees had been recruited in the year 2010 without the approval of the Secretary to the Treasury.
- (iv) According to Section 9.14.2 the Manual of Procedure should be submitted through the Department of Public Enterprises to the Treasury for its approval. The Manual of Procedure prepared by the Authority had not been submitted for approval.
- (4) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  
-----  
Financial Regulation 371 Advances should be settled immediately after the completion of the purpose. Action had not been taken even up to 31 December 2010 to settle the advances amounting to Rs.125,061 granted time to time in the years 2006 and 2010.
- (5) Letter No. DMS/E4/41/5/255/2 dated 08 February 2010 of the Department of Management Services Paragraph 03  
-----  
Recruitments should be made only after the approval of the Department of Management Services is obtained for the revised Scheme of Recruitment and Promotion relating to the recruitment to posts on the restructure of the cadre of the Authority. Seventy nine employees not so approved had been recruited newly during March to December 2010.

### **3. Financial and Operating Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the working of the Authority for the year ended 31 December 2010 had resulted in a surplus of Rs.11,962,185 as compared with the corresponding surplus of Rs.6,014,435 for the preceding year thus indicating an increase of Rs.5,947,750 in the surplus. The increase in Government Contribution for recurrent expenditure and the decrease in the expenditure on depreciation had been the main reasons for the increase in the surplus.

#### **3.2 Personnel Management**

---

The following observations are made.

- (i) The total number of vacancies of the Authority as at 31 December 2010 had been 168 while the excess employees had been 107.
- (ii) Even though 13 drivers including 01 person appointed on contract basis had been appointed, the Authority had only 08 motor vehicles.
- (iii) Even though the Authority had a library with library books valued at Rs.283,815 the posts of Librarian and the Assistant Librarian had been vacant.
- (iv) A shroff had not been recruited for the Authority.
- (v) Even though a post of Translator is included in the approved cadre, a sum of Rs.160,382 had been paid to other persons as translation fees, without recruiting an officer for the post. In this connection, the Chairman of the Authority informed that it is not practical to recruitment of an officer under the prevailing salary structure.

- (vi) Even though 04 stenographers are in the actual cadre, stenography services had been procured on the payment of a sum of Rs.263,900. With regard to the need for such service and the approval for that purpose, the Chairman of the Authority produced to audit only the approval of the Secretary to the Ministry Trade, Marketing Development, Co-operatives and Consumer Services granted for a period of 01 year with effect from 29 September 2009.
- (vii) It was revealed during the course of audit that 06 employes recruited on contract basis had been deployed in the Nikaweratiya area though there was no Regional Office of the Authority established in that area. The information thereon requested by audit that not been furnished to audit.

### **3.3 Transactions of Suspense Nature**

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The following observations are made in this connection.

- (a) District Office Building, Kurunegala
- 

The District Office, Kurunegala at present is accomodated in a dilapidated building without and sanitation and water facilities and marked for demolition. As such a sum of Rs.1 million had been paid in the years 2009 and 2010 to reserve accomodation for the office in a new building under construction by the District Secretariat, Kurunegala. According to the final accounts for the year 2010, the construction of the building had been completed by the end of that year. Nevertheless, the office remained idle and unoccupied even up to 30 September 2011.

(b) Establishment of a Media Unit

-----

The following observations are made.

- (i) The Authority had established a Media Unit in the year 2010 and a Media Officer, not included in the approved cadre had been appointed on contract basis from 01 June 2010 at a monthly salary of Rs.20,525.
- (ii) Despite the payment of a monthly hire charges of Rs.50,000 for the motor vehicle attached to the Officer and the monthly supply of 120 litres of fuel, the Board had by the Board Paper No. CAA/AHR/47/2010, approved to supply unlimited fuel considering it as a pool motor vehicle.
- (iii) The approval for the overtime paid to the officer had not been furnished to audit. It was observed in audit that 02 drivers connected with media activities had been paid overtime amounting to Rs.49,643 exceeding the monthly salary while it was observed that one of those drivers also had been paid overtime on media work of the Authority.

(c) Payment of Overtime Exceeding the Salary

-----

Overtime totalling Rs.749,465 exceeding the monthly salaries had been paid to 11 employees of the Authority in certain months of the year 2010 while in certain instances overtime totalling Rs.266,244 exceeding 75 per cent of the monthly salaries had been paid.

(d) Payment of Distress Loans to Officers Recruited on Contract Basis

-----  
Contrary to the Guidelines on Administrative Procedures prepared by the Authority, distress loans had been granted to 03 officers recruited on contract basis. The response of the Chairman of the Authority in this connection was that the loans were granted after they were absorbed into the permanent service. Nevertheless, the evidence in support of the grant of permanent status to the employees was not furnished to audit.

- (e) Even though it had been decided in terms of the Board of Directors decision No. CAA/HRA/97/2010/AOB-09-04 to transfer a motor vehicle belonging to the Ministry to the Authority, a sum of Rs.3,147,903 allocated for repairs to that motor vehicle had been added to the accrued expenditure without taking action to get the motor vehicle transferred.

**4. Systems and Controls**

-----  
The deficiencies observed during the course of audit were brought to the notice of the Chairman of the Authority time to time. Special attention is needed in respect of the following areas of control.

- (a) Motor Vehicles Control
- (b) Granting of Advances
- (c) Procurement of Motor Vehicles on Hire Basis
- (d) Management of Staff



H.A.S.Samaraweera  
Auditor General

**Chairman’s Comments to the Report of the Auditor General on the Financial statements of the Consumer Affairs Authority for the year ended 31<sup>st</sup> December 2010 in terms of Section 14 (2)(c) of the Finance Act No 38 of 1971**

**2.3. Comments on Financial Statements**

**2.3.1. Accounting Policies**

This accounting policy followed by the CAA from inception has been mentioned under section 1.6 of the accounting notes. In future, steps will be taken to have accounting notes for depreciation as well.

**2.3.2. Accounting Deficiencies**

- (a). It is practically difficult to estimate the accrued expenditure based on the actual, mainly due to the nature of functions performed by the CAA. Specially, with regard to the expenditure items on market raids and investigations it is difficult to estimate the accrued expenditure which will be equal to the actual. Since the district units are operating under the administrative set up of the District Secretary, there is a delay in getting information on expenditure connected to district units to the Head office. However attention will be paid to estimate the accrued expenditure based on actual values.
- (b). As per the provisions in section 58 of the CAA Act, the proceeds of a sale of seized goods has to be credited to a special account. When the court convicts the person from whom the goods were seized, the money realized has to be credited to the Fund of the Authority. Accordingly steps have been taken to transfer Rs 1,246,064 to the fund of the Authority after the conviction.

**2.3.3. Unreconciled Controlled Accounts**

The value of the actual, accounts is Rs 2,454,630 and this consists of

1. Value of the Assets sold through tenders	-Rs2,442,859.00
2. Amount collected from 2 officers for misplaced Voice Recorder (Rs 10,150.00) and Brief case (Rs 1621.00) (This amount is surcharged from the salary)	-Rs 11,771.00
Total	-Rs 2,454,630.00



The progress report on raids and fines is first prepared by the details collected from the district offices through fax and telephone and is used for internal purposes. At the end of the year these details are cross checked and the final progress report is prepared. This final progress report will be used to prepare the financial statements. Therefore there can be a difference in the values in the final, accounts and the initial progress report on raids and fines.

#### **2.3.4. Lack of Documentary Evidence for Audit**

The approval has been obtained from the Board of the CAA at the Board meetings held on 25.11.2010 & 21. 01.2011 to establish the Research unit and to incur the relevant costs for the unit.

#### **2.3.5. Non-Compliance with Laws, Rules, Regulations and Management Decisions**

##### **(1). Consumer Affairs Authority Act No 09 of 2003**

###### **(i). Registration of Traders**

As per the section 27 of the Act, CAA has the provision for registration of traders for a registration fee not exceeding Rs 100,000.00. Accordingly Authority has taken steps to prepare a proposal and has submitted for the concurrence of the Hon. Ministers. However the practical difficulties in implementing this program were pointed out to the Auditor General at the meeting had with the Auditor General on 26.07.2011. The amendments required for this section has been already proposed.

###### **(ii). Section 3**

The Minister in charge of the subject shall have the power to appoint members of the Authority and they have wide experience in relevant field. However action has been taken to make aware the Honorable Minister through the Secretary to the Line Ministry.

##### **(2). Section 13 (5) ©.of the Finance Act, No 38 of 1971**

Since the internal Auditor of the Authority has left the Authority, the CAA could not implement an internal Audit program during the year 2010. However applications were called on 24.09.2010 and an interview was held on 04.01.2011 to recruit an internal auditor. Accordingly an internal auditor was appointed on 14.01.2011 and now the internal audit program is in operation.

##### **(3). Public Enterprise Circular No PED/12 of 02 June 2003**

###### **(i). Sections 5.1.3 and 5.2.1**

The Authority has taken steps to incorporate the Budgeted Income and Expenditure statement, Budgeted Balance Sheet, the Cash Flow statement, and the budgeted capital expenditure in to the Corporate plan 2011-2013.

**(ii). Section 9.2.**

The Authority will taken steps to incorporate the cadre requirements of the each of the divisions of the enterprise in to the Corporate plan 2012-2014

**(iii). Section 9.10.**

As per the letter ref. DMS/E4/41/5/255/2 dated 2011.05.19, Authority has obtained the necessary approval. However, further action will be taken to get the approval for following appointments.

JM	-1 Position
MA1-2	-1 position
PL-3	-1 position
PL-1	-2 positions

**(iv). Section 9.14.2**

The Manual of Administrative Procedure has been submitted to the Treasury for approval.

**(4). Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

**Financial Regulation 371**

Due to the special nature of some of the functions carried out by the CAA, there is a practical difficulty in settlement of the advances within a short period of time. eg; Decoy money advances taken to conduct market raids. These advances are settled by submitting relevant documents. These advances have been mentioned as “unsettled”. All other advances have been settled as per today except the below mentioned two advances.

L.Nandasena – Rs 1000.00

E.L.Gunaratne – Rs 4000.00

These officers are retired officers of the CAA and reminders have been sent to them instructing to settle the relevant advances. However action will be taken to settle the unsettle advances as follows if they fails to settle the same.

Mr.L.Nandasena – Rs 1000.00 – Action will be taken to remove from accounts since it is not practical to recover this amount through a courts procedure

Mr.E.L.Gunaratne – Rs 4000.00 –Action will be taken to recover from the encashment of unutilized medical leave. Steps will be taken to have further controls of settlement of advances.

**(5). Letter No DMS/E4/41/5/255/2 dated 08 February 2010 of the Department of Management**

**Services**

Depending on the new requirements of the CAA, the Department of Management Services has taken steps to revise the approved cadre of the CAA by their letter ref DMS/E4/41/255/2 dated 2011.05.19. Accordingly current approved cadre of the CAA is 331. Revised Scheme of recruitment and Promotion has been submitted to the Department of Management Services and to the Salaries and cadre Commission and the CAA is continually monitoring and follow up the same with the above 2 institutions and will take steps to get the approval without delay.

**3. Financial and Operating Review**

**3.2. Personnel Management**

(i). Cadre requirement of an organization varies with its expansion and new projects/programs and has to review and change time to time. CAA also has undergone the economic, social and changes occurred in the market environment. By considering all these factors and the request made by the CAA Department of Management Services has taken to enhance the cadre approval of the CAA by their letter ref DMS/E4/41/255/2 dated 2011.05.19. According to the new cadre approval total approved cadre is 331.

(ii). The CAA owns 8 vehicles and in addition to that 4 drivers have been assigned for the Chairman and Full Time Members. Therefore 12 drivers required and 1 driver has been assigned in the pool to be used for whenever required. The General Treasury has taken steps to approve vehicles for the CAA to be used for the field work of district units and the additional drivers will be required by the CAA depending on the number of vehicles approved by the treasury.

(iii). Currently the CAA does not need a full time librarian and hence the relevant duties of the librarian has been assigned to a Documentation officer. Action will be taken to appoint a librarian once the approval is granted for the revised Scheme of Recruitment.

(iv). The CAA has taken steps to recruit a shroff on 01.11.2009.

(v). As per the approved cadre issued by the Department of Management Services dated 19.05.2011 ref DMS/E4/41/5/255/2 there is no cadre approval for a translator.

(vi). The secretary has approved a further service extension of a one year period from 28.09.2010.

(vii) Action has been taken to rectify this matter.

## **Transactions of Suspense Nature**

### **(a). District Office Building ,Kurunegala**

The new office premises have been occupied by the District Office, Kurunegala from 2011. The District secretary has instructed the officers to remove from the said premises temporarily due to an undergoing construction in the upper floor. The district secretary has informed the CAA that the officers will be reassigned to the same premises as soon as the constructions in the upper floor are over.

### **(b). Establishment of a Media Unit**

- (i). Establishment of a Media unit is of vital importance to disseminate information to the General public throughout the country of the services of the CAA and how the general public can get the services provided by the CAA. There was a concern that the consumers and traders in outstations are unaware of the functions of the CAA and this has led to exploitation of consumers by the unscrupulous traders who do not comply with the consumer law. Accordingly, the Secretary to the Line ministry has instructed the CAA to setup a media unit. Therefore action taken to recruit the said officer on contract basis on pending approval of the Department of Management Services. Necessary steps will be taken to get the Department of Management Services approval.
- (ii) The media unit gives the coverage for the events such as market raids, consumer education programs, awareness workshops; exhibitions etc and take necessary steps to disseminate information for the public. Most of these activities are under the supervision and monitoring of the Hon Minister.

After considering the contribution of this unit the Board has given approval to consider this as a pool vehicle and issue the fuel accordingly. Currently the hiring vehicle has been replaced by an Authority vehicle and a decision will be taken with regard to the fuel after discussing with the Secretary to the Line Ministry.

- (iii) The holiday payment of 1/20<sup>th</sup> of the salary is paid to this officer with the approval of the Secretary.

The reason for higher overtime paid to the said drivers is that the Authority has implemented an intensive market raids program and has used the services of the above drives for media work as well as for the market raids program. In order to give media coverage for the market raids it is necessary to use their service in almost all the parts of the country. One driver out of these two drivers has been assigned to the market raids program in Nuwaraeliya district which conducted the highest number of raids during the said period.

In addition to the above work, the media unit offers their services to the functions of the Ministry as well. Therefore request has been made from the Ministry to get reimbursed a part of the expenditure from the Ministry.

**(c).Payment of Overtime Exceeding the Salary**

Necessary plans have been prepared to limit the overtime payments. Action will be taken to introduce a limit for number of Overtime hours for the drivers assigned in the pool.

(d). The CAA has not paid Distress Loans to any employee appointed on contract basis.

(e). Has written to the Secretary requesting the reimbursement of Rs 3,147,903 allocated for repairs of the said vehicle. After the reimbursement action will be taken to transfer the vehicle.

**4. Systems and Controls**

It is noted to improve the systems and controls mentioned by you further in order to improve effectiveness of the systems and controls.



Rummy Marzook  
**Chairman**