



CONSUMER AFFAIRS AUTHORITY

ANNUAL REPORT

2014

Chairman's Message

I am pleased to present before you the Annual Report for 2014 in respect of the Consumer Affairs Authority – which reveals the financial and non- financial performance of the Authority.

The CAA was established 11 years ago and I believe that our improved performance over the years, have revealed that we have been able to reach to a significant extent our prime goal of protecting the consumer in a competitive business society while creating an environment of a knowledgeable trading community. This state of affairs has been further strengthened by innumerable complaints we received daily and the criticism through the media.

In the Competitive, open economic business environment today, It is natural for us to experience irregular trade policies such as trading practices, unfair price increase, conditional business, curtailing the sale and unfair trading conditions etc which are contrary to the well-being of the consumer. In these circumstances and in order to protect the consumer, we have taken great effort to ameliorate these conditions by issuing new and special directions in addition to the ones already issued within our purview. Accordingly, 04 new directions were introduced thereby providing an opportunity for the Authority to intervene In the prevention of considerable trade malpractices. The Authority was able to coordinate itself with other important regulatory bodies such as the Ministry of Health and Sri Lanka Customs and make significant contribution in the area of monitoring over 72 trading commodities and preventing them being imported to the country which used to be imported outside the accepted procedures. The Authority was also involved in launching workshop and seminars aimed at educating both the trader and the consumer thereby ensuring the emergence of knowledgeable consumers as well as traders in the business environment in Sri Lanka.

The Authority was highly successful in finding solutions to complaints sent by large number of consumers who became highly knowledgeable about its activities. The consumers who were satisfied with these solutions were full of praise through their letters of appreciation and telephone calls to the CAA.

CAA has also made concerted effort to reduce the price of 15 commodities which were identified as specific and essential commodities after studying their daily price levels in the

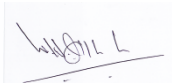
market or to limit the price increase to a minimum level after an analytical study of the price if there had been an increase in price.

Whilst these kinds of market regulatory measures were underway, successful raids on 22402 traders who failed to adhere to market rules and regulations were also launched to net in a sum of 72 million rupees as state income.

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

I also express my profound thanks to the secretary to the Ministry and the Hon. Minister for their valuable advice, motivation and guidance with which we were able to take correct decisions and discharge our duties properly.

At last, let me also thank all those consumers / complainants who had sent in letters of appreciation for the services rendered by us.



Hasitha Tillekaratne

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

1st & 2nd Floors
CWE Secretariat Building
No. 27, Vauxhall Street
Colombo 02
12.05.2016

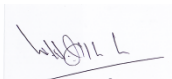
The Hon. Minister of Industry & Commerce

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 2014 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



Hasitha Tillekeratne

Chairman

CONSUMER AFFAIRS AUTHORITY

Annual Report -2014

	<u>CONTENTS</u>	<u>PAGE</u>
1. About us		
1.1 Introduction	- - - - -	6
1.2 Constitution of the Authority	- - - - -	6-7
1.3 Staff of the Authority	- - - - -	8
1.4 Consumer Affairs Council	- - - - -	8
2. Objectives of the Authority	- - - - -	9
3. Functions of the Authority	- - - - -	9-10
4. Performance of the Consumer Affairs Authority /Consumer Affairs Council -2014		10-26
5. Statement of Financial Position as at 31 December 2014 -	- - -	27
6. Statement of Financial Performance for the year ended 31 December 2014	-	28
7. Cash Flow Statement for the year ended 31 December 2014	- - -	29-35
8. Report of the Auditor General for the year ended 31 st December 2014	- -	36-42
9. Chairman's comments to the Report of Auditor General	- - -	43-47

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 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 – 2014

The names of the Members who held office as at the end of 2014 are as follows:

1. Mr Romy Marzook	Chairman
2. Mr Milton Amarasinghe	Full Time Member
3. Major General Nimal A Jayasuriya	Full Time Member
4. Mr Sunil Jayaweera	Full Time Member
5. Jayanthipura Wimalawansa Thero	Member
6. Mr M H F Sheriff	Member
7. Major General P Chandrawansa	Member
8. Mr Pinsith Amila Perera	Member
9. Ms M N P Gooneratne	Ministry Representative
10. Mr K D D K de Abrew	Member

11. Mr. A M Wijeratna Adikari	Member
12. Mr. M A Wimalaweera	Member
13. Mr. D C Christie Jayasekara	Member
14. Mr Varuna Alawwa	Member
15. Mr W A C Hemakumara	Member
16. Mr J M Jayathilaka Jayasundra	Member
17. Mr R B Tennakoon	Member
18. Mr. W Sudammika Weeraman	Member
19. Mr. Saman Sanjeewa Pathirana	Member
20. Mr. T G G Dharmawardhana	Member
21. Dr. T B Ananda Jayalal	Member
22. Mr. K A D R Christy	Member
23. Mr. G K G L S B Jayawardhana	Member
24. Mr Dushan Soza	Member
25. Mr Madhawa Sanjeewa Wattegama	Member
26. Dr. Lakshmi Somathunga	Member
27. Mrs. N.H.A. Karunawathie	Member
28. Mr. M.B.B. Attanayake	Member
29. Mr. D S P Senaratne	Treasury Representative
30. Mr. J M Mangalatissa	Member
31. Mr. Isuru Malinda De Silva	Member
32. Dr Jayantha Balawardena	Member
33. Mr. Sujeewa Lokuhewa	Member

1.3 Staff of the Authority

Mr. Rummy Marzook continued to serve as the Chairman during the year 2014. Mr. J M A Douglas (SLAS Officer – Class I) was succeeded as Director General of the Authority from 03 December 2012.

Heads of the Divisions of the Authority – 2014

#	Name	Designation
01	Mrs. Deepthi Tissera M.PA [PIM-Sri J] – Attorney-at-Law	Director Compliance & Enforcement
02	Mrs. Chandrika Thilakaratna B.Sc Agri (Sp) M.Sc (Mgmt)	Director Consumer Affairs & Information
03	Mrs. Shanthini Thiruneelakandan [ACEA]	Director Competition Promotion
04	Mr. W M Priyantha MPM, B.Com (Sp) Hons, AIPFM, DPFM	Director Finance
05	Mr. Sampath Angulugaha B. Com (Sp) Hons, AIPM(SL). Dip in PM	Director Human Resources & Admin
06	Mr. Rohan Meewanage continued to attend to the duties of the Director Pricing & Management during the period	
07	Mrs. 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 Upali Senaratne (AAL)	-	Chairman
Mr Wasantha Gunawardena	-	Member
Mr Sudath Wijewickrama	-	Member

Secretary to the Council

Ms Lekha Aryaratne (Attorney-at-Law)

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
- 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 committees as may be necessary to facilitate the discharge of the functions of the Authority; and
- 15) 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. Performance of the Consumer Affairs Authority

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

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

The performance of the Consumer Affairs Authority during the year 2014 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.49-** Consumer Affairs Authority has directed all manufacturers, distributors, traders and importers of Soft Drinks, Bottled Water / Bottled Mineral Water, Branded Edible oil, Toothpaste, All types of Soap, Shampoo, Paint, Electric Switches, Sockets, Circuit Breakers, to affix Security Stamps on the respective products.
- **Direction No.50-** Directs all Manufacturers and traders of paints used in the building industry that on the bottles, packs or containers of such paints, varnishes and solvents that the Batch No, Date of Manufacture, Best before date, Volume, Maximum retail price be printed legibly.
- **Direction No.51-** Directs all Manufacturers, importers, distributors, suppliers, and traders, that they shall not keep, store or stack in any warehouse, store or other premises, any expired items which have been identified as unfit / unsuitable for sale and which are kept, stored or stacked for the purpose of destroying /for the purpose of re-exporting unless a register is maintained of such items containing the type of product, Brand name, weight/ Volume and No. Units.
- **Direction No.52-** Directs all Manufacturers, importers, distributors, suppliers, and traders that they shall not in any manner what so ever keep, store or stack any item that has been identified as not fit/ suitable for sale or any item that has been identified as expired goods/unfit for human consumption along with or together with items which are offered for sale, exposed or displayed for sale, in the course of business.

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

- **Order No.-26** Imposed a Maximum Retail Price for certain varieties of Rice
- **Order No -27** Imposed a Maximum Retail Price for Chicken meat
- **Order No.28** Rescinded the Gazette on (Order No.20) Maximum Retail Price of full cream Milk Powder.
- **Order No.29-** Imposed a Maximum Retail Price for certain varieties of Rice.(Rescinded Order No.26)

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 72 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 2014 Authority has conducted 407 programmes for the business community.

Table – 1 - Trader Awareness programs conducted in 2014

Province	District	Traders Awareness Programs	
		No. Pro.	Part.
Central Province	Kandy	18	820
	Matale	51	1121
	Nuwara Eliya	4	190
Eastern Province	Ampara	13	212
	Batticaloa	11	208
	Trincomalee	17	267
North Central Province	Anuradhapura	11	271
	Polonnaruwa	14	385
Northern Province	Jaffna	7	119
	Vavuniya	19	541
North western province	Kurunegala	10	368
	Puttalam	4	219
Sabaragamuwa Province	Kegalle	3	106
	Ratnapura	16	330

Province	District	Traders Awareness Programs Province	
		No. Pro.	Part.
Southern Province	Galle	11	324
	Hambantota	8	191
	Matara	83	3088
Uwa Province	Badulla	15	639
	Monaragala	4	108
Western Province	Colombo	48	3964
	Gampaha	17	907
	Kalutara	23	718
Total		407	15096

* Pro. - Programs

Price surveillances and monitoring

Where the Hon Minister is of opinion that any goods or service is essential to the life of the community or part thereof, the Minister in consultation with the Authority may by order publish in the Government Gazette prescribing such goods or services as specified goods or services.

The following have been listed as specified goods. Cement, LP Gas, Milk Powder, Rice, Chicken Meat, Wheat Flour, White Sugar, Dried Chillies, Big Onions, Red Onions, Dhal, Dried Sprats, Gram (chick peas), Green Gram (Mung Beans), Canned Fish

Regular price surveys are carried out in Colombo and other Districts in order to monitor the prices of essential commodities. In this regard 12 surveillances were carried out during the year under purview.

Based on daily market prices of food commodities, vegetables and fish price analytical reports are submitted on daily basis. Three hundred and thirty four such reports are submitted.

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.

The progress on market raids and fines imposed by the Courts are presented in table-2

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

Activities carried out (Target)	Number of Raids	Number of Cases	Fine Imposed (Rs)
Market raids and investigations			
- Market Investigations on Section 10 (Violation of directions issued under Section 10)	3,530	2,757	8,946,590/-
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	2,203	1,538	5,340,939/-
- Market Investigations on Section 12 (Non-compliance with the standards)	133	127	523,357/-
- Market Investigations on Section 15	38	23	93,000/-
- Market Investigations on Section 16 (Denial of possession of any goods)	20	30	112,000/-
- Market Investigations on Section 17 (Hoarding of Goods)	1	-	-
- Market Investigations on Section 18 (Violation on MRP)	89	19	130,000/-
- Market Investigations on Section 20	702	530	1,819,600/-
- Market Investigations on Section 26 (Non displaying the price list)	6,711	7,310	20,390,340/-
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	13	36	39,500/-
- Market Investigations on Section 30 (Misleading or deceptive conduct)	3,584	3,128	13,846,500/-
- Market Investigations on Section 30 and 31 (Misleading and false representations)	2,681	1,995	9,789,244/-
- Market Investigations on Section 31 (False representation)	2,697	2,711	11,265,800/-
Total Raids and Fines	22,402	20,204	72,296,870/-

Special Raids Conducted by Consumer Affairs Authority - 2014



Adulteration of chili powder with a textile dye



Stock of dhal adulterated with a dye



Imported infant food named "Tom Tom Cracker" - Not suitable for human consumption



Stock of cement preparing for repacking with fraudulent labeling

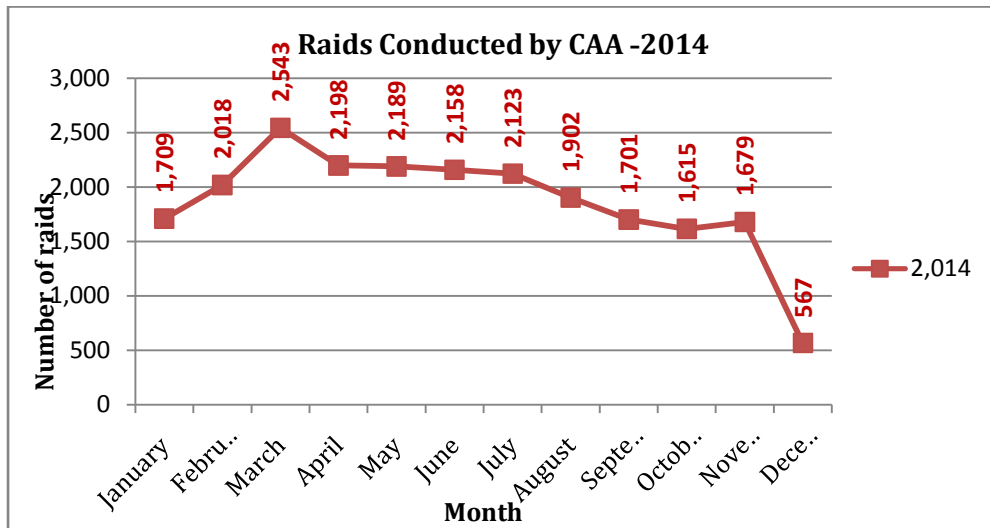


Raid of expired canned fish while preparing for changing the price, expiry date and production date

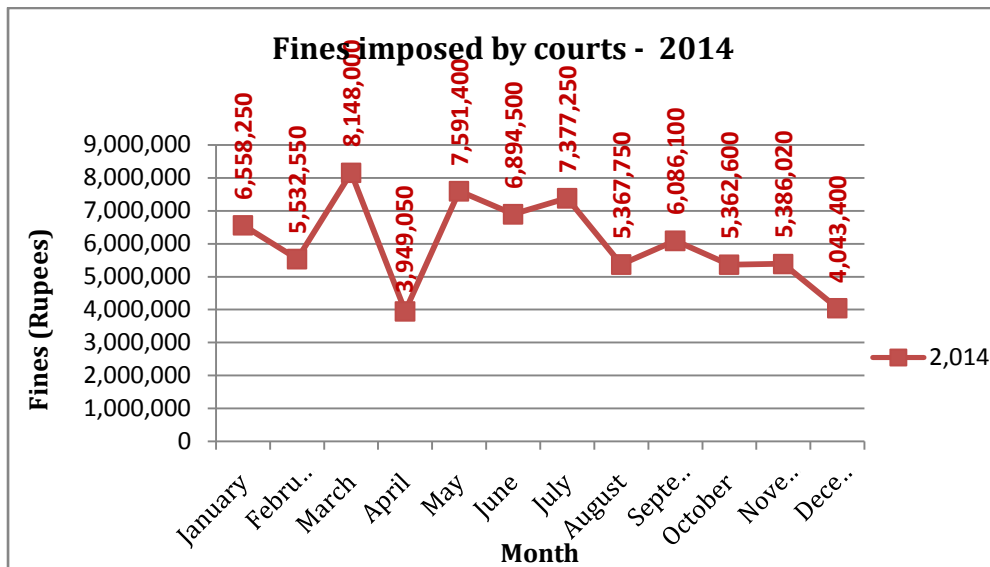


Stock of sprats – not suitable for human consumption

Raids Conducted by Consumer Affairs Authority - 2014



Fines Imposed by Consumer Affairs Authority - 2014



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 2014 is presented in **Tables -3 &4**

	Total
Total complaints received	
(a) By Mail	1149
(b) By phone calls	276
Raids (Head office / District offices)	275
Referred to other institutions	114
For formal inquiries and legal action	152
By referring to district units (for personal relief)	42
Complaints finalized	677
Complaints rejected	10
Discussions held	510

(including previous year complaints)

Table – 4 - Inquiries conducted in to Consumer Complaints:

Inquiries conducted in terms of public complaints	
Number of inquiries	230
Continuation of inquiries from previous year/month	88
New Inquiries	142
Inquiries settled	28
Orders issued	42
Orders enforced	18

(Including previous year complaints)

No of Court cases filed other than on raids had been 23 and Authority has collected Rs.776,500/- by way of fines.

Court Cases

Category	2014
New cases filed by C&E	23
Appearance in Court	523
Fines (receiving Court cases)	Rs. 776,500/-
Trials conducted	124

4. Consumer Education and Empowerment

a. Consumer Awareness Programmes

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

• **Table –5 - Awareness Programmes for the General Public**

Province	District	Traders Awareness	General Public	School Awareness	Exhibitions	Media Program	Workshops & special Programs
Central Province	Kandy	18	12	2			
	Matale	51	38	10			
	N/ Eliya	4	20	9			
Eastern Province	Ampara	13	8	32			
	Batticaloa	11	22	26	1		
	Trincomalee	17	31	27		4	
North Central Province	Anuradhapura	11	30	-			
	Polonnaruwa	14	7	5			
Northern Province	Jaffna	7	5	13			
	Vavuniya	19	12	10			
North western province	Kurunegala	10	33	4			
	Puttalam	4	30	4			
Sabaragamuwa Province	Kegalle	3	48	10			
	Ratnapura	16	14	9			
Southern Province	Galle	11	17	8			
	Hambantota	8	10		1	10	
	Matara	83	57	14	2	1	
Uwa Province	Badulla	15	9	5			
	Monaragala	4	7	4			
Western Province	Colombo	48	37	18	9	17	13
	Gampaha	17	20	6	3		
	Kalutara	23	10	13			1
Total		407	477	229	16	32	14

Table – 6 - Establishment of Consumer Organizations

Province	District	No of Consumer Organizations		School Consumer Circles	
		Established	Registered	Established	Registered
Central Province	Kandy				
	Matale	4		1	
	Nuwara Eliya				
Eastern Province	Ampara		1	4	4
	Batticaloa				
	Trincomalee	15	6	4	1
North Central Province	Anuradhapura				
	Polonnaruwa				
Northern Province	Jaffna				
	Vavuniya	9	8	7	9
North western province	Kurunegala				
	Puttalam		1		
Sabaragamuwa Province	Kegalle			2	2
	Ratnapura		2		1
Southern Province	Galle	3			
	Hambantota				
	Matara	13	4		1
Uwa Province	Badulla			3	
	Monaragala				
Western Province	Colombo	3	1	8	
	Gampaha	1	1		
	Kalutara	1		1	
Total		49	24	30	18

Awareness Programmes conducted by Consumer Affairs Authority - 2014



Conducting a School Awareness program on consumer rights



Trader Awareness program on consumer rules and regulations



Mobile consumer awareness campaign in a public market

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

Promotion of Competition

The Authority has conducted 24 investigations into complaints received by the Authority in year 2014. Out of these 17 have been investigated and settled. Five (5) are identified for likely anti-competitive practices and being referred to the Consumer Affairs Council for determinations.

A research study is carried out to ascertain the existence or possible existence of an anti-competitive practice by any dominant situation in the Cleaning product and Detergent industry. It is observed there are dominant firms in the market but no confirmed evidence of any anti – competitive practices by the dominant market players. However, noted few non price competitive behaviors’.

A Special study was initiated on current issue rice prices in the market and how their impacts on the Authority control prices.

Identification of Market Share and Collecting Statistical Data

Consumer Affairs Authority is responsible for control or elimination of abuse of dominant position with regard to trade within the market or in substantial part of the market. Statistical data has been collected to identify market share of enterprises in relation to selected products available in the local market and any possible abuse of dominant position. This enable CAA to identify market structures associated with such sectors and industries. The numbers of products designated for market share computations are 35 during the year with notified companies include about 300. The same market share criteria apply to presumption of market dominance. Market identification is quite essential in relation to goods and services which are not competitive.

Protection of local industries

Importers of confectionaries, chocolates, biscuits, Cake and toilet soaps are forwarding their Maximum Retail Price (MRP) declarations to the Consumer Affairs Authority. Declared MRP based CESS is being imposed by the Dept of Customs. CAA based on the declaration carryout the regular market checking on these products to ensure the declared prices are being implemented. Three hundred and thirteen applications were attended during this period. The CESS revenue from the above imports amounts to Rs. 457,100,205/- has been collected by the Sri Lanka Customs.

Ensure effective information service

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 as well as farmers to make a well informed decision on their purchases as well as sales.

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

1. Ministry of Environment & Renewable Energy –
 - Member of the National Co- coordinating Committee
 - Member of the National Green Procumbent Policy and Guide lines.
 - Member National Steering Committee (NSC)

2. Ministry of Telecommunication and Information Technology
Member of the Project Steering Committee (PSC) for GIC 1919
3. Ministry of Health
Member of the Food Advisory Committee
4. Sri Lanka Standard Institute
Sectorial Committee meeting on Cement Standardization

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

Commodity	Action taken
Cement	Determination has been issued for 01 No of Cement application.
LP Gas	Determination has been issued for 02 No of LP Gas applications.
Full Cream Milk Powder	Determination has been issued for 06 No of Full Cream Milk Powder applications.
Pharmaceutical	Determination has been issued for 109 No of drugs applications.

Interim Orders

Items	No of applications
Infant Milk Powder	01
Wheat Flour	01
Pharmaceutical	01

b. Capacity Enhancement of the Organization

a. Staff Development

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programmes held in 2014 is presented in **Table-8** below.

Table – 8 - Staff Training & Development Programmes held in 2014

#	Title of the Course	No. of Participants
01	Annual Stock verification & Disposal of Unserviceable items	02
02	Cash Management & cash flow control	01
03	Duties & responsibilities of the clerk who attend to the duties of leave	01
04	Effective Internal Auditing	01
05	International Conference – statistics & society in the New Information	01
06	Methodical way of Maintenance Accounts Book	01
07	National Law Conference – 2014	05
08	National Management Conference – 2014	03
09	Presentation of Financial Statements, cash flow statements and fixed assets	03
10	Responsibilities and duties of Government Management Assistants	03
11	Skills Development of Office Aides & Drivers	04
12	Strategic Management Programme for Public Sector Accountants	01
13	Telephone Etiquette & Customer Service	1
14	Training on Consumer Health and safety Matters	64
15	Training Programme on Official Language Policy	67
16	Transport Management	01
17	Workshop on effective management skill for administrative officers of the Public Sector	01
18	Workshop on Food Hygiene and Safety	04

b. Strengthening the Staff position of the Authority

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2014	Vacancy
HM 2-1	Senior Manager			
	Director General	1	1	0
HM 1-1	Director	6	5	1
	Secretary to the Council	1	1	0
MM 1-1	Manager			
	Internal Auditor	1	1	0
	Deputy Director	15	5	7
	Assistant Director		3	
	Deputy/ Assistant Director-Regional	9	8	1
JM 1-1	Junior Manager			
	Audit Officer	2	0	2
	System Administrator	1	0	1
	Senior Investigation Officer	27	24	3
	Senior Statistical Officer	1	0	1
	Senior Market Resource & Analyst	1	0	1
	Senior Accounts Officer	2	1	1
	Confidential Secretary (DG)	1	0	1
	Confidential Secretary (Chairman)	1	1	0
	Senior Admin/HR Officer	1	0	1
	Senior Legal & Enforcement Officer	2	2	0
	Senior Costing Officer	1	0	1
MA 5-2	Enforcement/ Operational/ Extension			
	Data Co-ordinator	1	1	0
	Statistician Officer	1	1	0
	Market Resource Analyst	1	1	0
	Documentation Officer	6	4	2
	Librarian	1	1	0
	Costing Officer	15	3	
	Accounts Officer		9	3
	Administration Officer	5	3	2
	Legal & Enforcement Officer	3	2	1
	Investigation Officer	200	179	21

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2014	Vacancy
MA 2-2	Management Assistant (Tech)			
	Book Keeper	1	0	1
MA 1-2	Management Assistant (Non Tech)			
	Management Assistant	31	31	0
PL 3	Primary Level Skilled			
	Driver	18	17	1
PL 1	Primary Level Unskilled			
	Office Aide	14	14	0
	Total	370	318	52

c. Staff Motivation and Welfare

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

c. Amendments to the CAA Act

Discussed and finalized the amendments with Deputy Legal Draftsman's and the Legal Draftsman's Department.

CONSUMER AFFAIRS COUNCIL – 2014

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

Section of CAA Act	No of complaints/ References	Settlements/ Determinations/ Recommendations
Section 38 Anti-competitive practices	5	Settlement – 4 Decisions – 2
Section 19 Recommend a ceiling price on Goods and services	2	Recommendations- 3
Section 19 & 22 Investigations under excessive prices on Goods and Services	-	Recommendations- 1

(including previous year complaints)

Council is monitoring the day to day functions of the 1977 project as a special task

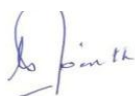
- Checking the price updating and the price list
- Checking the summery of consumer complaints
- Monitoring whether system is running smoothly and consumer friendly

CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014

	As at 31.12.2014	As at 31.12.2013
	LKR 000'	LKR 000'
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	17,593	10,775
Trade and other Receivables	16,124	21,724
Inventories / Stocks	2,110	1,538
Other Current Financial Assets	6,138	14,759
	<hr/>	<hr/>
Work In Progress (Development Phase)	1,803	1,421
Non-Current Assets		
Investment	168,657	145,371
Gratuity Fund Investment Account	16,682	-
Other Non Current Financial Assets (Staff Loan)	8,251	8,254
Lease hold building	900	925
Property, Plant and equipment	55,693	57,777
	<hr/>	<hr/>
	250,183	212,327
Total Assets	293,951	262,544
<u>LIABILITIES</u>		
Current Liabilities		
Accrued Expenses	23,038	16,025
Payables & Other Liabilities	6,096	5,435
	<hr/>	<hr/>
	29,134	21,461
Non-Current Liabilities		
Provision for Gratuity	26,176	21,458
Total Liabilities	55,310	42,919
	<hr/>	<hr/>
Total Net Assets	238,641	219,625
<u>NET ASSETS/ EQUITY</u>		
Accumulated Fund	63,191	63,191
Deferred Income	52,535	57,517
Reserves	122,915	98,917
Total Net Assets/ Equity	238,641	219,625

The Accounting policies on pages 05 to 11 and Notes on pages 12 to 46 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



Director Finance
Consumer Affairs Authority



Director General
Consumer Affairs Authority



Chairman
Consumer Affairs Authority

CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

	As at 31.12.2014 LKR 000'	As at 31.12.2013 LKR 000'
Revenue		
Recurrent Grant	249,973	226,408
Fine Income	21,641	28,513
Other income	31,472	32,628
	303,086	287,549
Expenses		
Personal Emoluments	(160,896)	(139,879)
Travelling	(12,496)	(12,172)
Supplies and consumables	(11,130)	(11,417)
Maintenance	(5,401)	(6,674)
Contractual services	(44,905)	(38,691)
Depreciation	(17,994)	(17,557)
Other operating expenses	(27,617)	(28,087)
Finance Cost	(102)	(107)
Profit for Disposal of Assets	-	(148)
Total Expenses	(280,542)	(254,732)
Total Net surplus/(deficit) for the period	22,544	32,817

CONSUMER AFFAIRS AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 LKR 000'	2013 LKR 000'
Cash Flow from Operating Activities		
Surplus/ (Deficit) from ordinary activities	22,544	32,965
Profit/ (loss) of disposal assets	-	(148)
Adjustment for		
Depreciation	17,994	17,556
Gratuity Provision	5,137	4,603
Amortization	25	25
Operating profit before working capital changes	45,700	55,001
Decrease in payables	7,674	(1,510)
Increase in other current assets	13,648	(11,831)
Gratuity Payment	(418)	(978)
Net cash flows from operating activities	66,604	40,682
 Cash flows from investing Activities		
Purchase of Plant and Equipments	(15,911)	(6,223)
Increase in Intangible Assets	(382)	(1,421)
Proceeds from sale of Plant and Equipment	-	275
Investment in Gratuity Fund	(16,682)	-
Increase in investments	(23,286)	(20,132)
Decrease in -Long term Loans	3	185
Net cash flows from investing activities	(56,258)	(27,316)
 Cash flows from Financing Activities		
Treasury Grant - Capital	12,028	4,970
Depreciation - Capital	17,010	18,740
Deferred Income	(4,982)	(13,770)
Consumer Protection Fund/ Reserves	1,454	1,314
Net cash flows from Financing Activities	(3,528)	(12,456)
 Net Increase/ (Decrease) in cash and cash equivalents	6,818	910
Cash and cash equivalent at beginning of the period	10,775	9,865
Cash and cash equivalent at end of the period	17,593	10,775

NOTES TO THE ACCOUNTS

1. Corporate Information

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

As per the Public Enterprises Circular No.PED/58/02 dated 15th 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 2014 is 319.

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 which is a direct income to the Authority, is also represented in the equity of Authority.

1.5 Government Grants

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

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

2. General Accounting Policies

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

2.2 The Financial statements have been prepared on historical cost basis, except for motor vehicles that have been measured at fair value.

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, CAA utilizes this income with approval from the General Treasury. Therefore, fines income is treated as an income and all the related expenses and incomes to the fines have shown at the statement of financial performance.

2.3.2 There are some instances where Authority receives money as fines income but as unrecognized at the same time due to the differences between the case numbers given by the relevant raiding officers of CAA & the numbers given by the relevant Courts with their remittances. They are normally transferring to Suspense – Fines Income account with the purpose of verification whether they are actually disserve to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the year ends then they are credited to the Consumer Protection Fund of the Authority.

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

3.1.1. CAA chooses cost model as its accounting policy except the motor vehicles. (SLPSAS 7)

3.1.2 Property, Plant and Equipment is 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 Five vehicles (For Toyota Hiace Vans and one Toyota Car) were added to CAA pool vehicles at the beginning of year 2012, in terms of the Budget Circular No.150. The invoice value of LKR 48,848,357/- is considered as non monetary grant and accounted accordingly.

3.1.6 Work in progress (Rs.1,802,500)

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

	Estimated total cost (Rs.)	Completed work (Rs.)	Balance to be completed as @ 31.12.2014 (Rs.)
HR Package	165,000.00	121,250.00	43,750.00
Accounting & Inventory software	1,000,000.00	200,000.00	800,000.00
Pharmaceutical software	1,975,000.00	1,481,250.00	493,750.00
Total	<u>3,140,000.00</u>	- <u>1,802,500.00</u>	<u>1,337,500.00</u>

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

3.6 Cash & Cash Equivalent

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

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

3.7 Fixed deposits

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

4. Liabilities & Provisions

4.1 Payables

Payables are stated at their costs.

4.2 Retirement Benefit Obligation

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

4.2.1 Defined Benefit Plan- Gratuity

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's 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 **LKAS**. Accordingly, The Accumulated Provision for the employees who completed Over 1 year as @ 31.12.2014 is Rs. 26,176,130.00.

CAA has now taken approval to invest gratuity provision separately. Accordingly, gratuity provision for the employees whose service period is over five years has to be invested. Thus, investment for gratuity has been as follows.

	Rs.
Provision for gratuity over 5 years made as @ 31.12.2014	20,970,837.00
Investment made of 31.12.2014	<u>16,681,743.00</u>
Balance to be invested as @ 31.12.2014	<u>4,289,094.00</u>

The balance amount will be invested once the treasury grant is provided.

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.

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.

The below mentioned account balances shown in the respective ledgers that are over three years have been charged to Income Statement; since the respective recipient/payees did not responded.

	Rs.
Flooded loan	(125.00)
Income Receivable	768.00
Special Advance	<u>100.00</u>
Total	<u>743.00</u>

Interest Income

Interest income for fixed deposits is calculated and recorded using nominal interest rate (NIR)

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)



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

TC/E/CAA/FA/2014

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

24 August 2015

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 2014 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 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 50 (3) of the Consumer Affairs Authority Act, No. 9 of 2003. 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 will be issued to the Chairman of the Authority in due course.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Consumer Affairs Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

Instances of non-compliance with Sri Lanka Public Sector Accounting Standards are as follows.

(a) Sri Lanka Public Sector Accounting Standard – 02

Even though the cash flow statement should be prepared in a manner to reflect the cash inflow and cash outflow during the year, the following weaknesses were observed in the cash flow statement prepared.

- (i) The Capital Grants inflow amounting to Rs.12,027,338 in the year under review had not been included in the cash flow statement.

- (ii) Even though adjustments should be made considering the amortization amounting to Rs.17,009,798 not effecting the cash movement, brought to account as Deferred Income in the year under review in preparing the cash flow statement, the difference between the opening and closing balances of the Deferred Income Account had been considered as a cash outflow.

(b) Sri Lanka Public Sector Accounting Standard – 03

Even though the accounting errors occurred in the previous period, restatement of the comparative values presented for the period in which the error occurred and their disclosures should be made, errors of the previous period amounting to Rs.2,852,501 had been adjusted to the surplus of the current year without adjusting retrospectively.

2.2.2 Unreconciled Control Accounts

Even though the cash balance of Advances for Decoys receivable as at 31 December of the year under review amounted to Rs.848,736 according to the information and confirmation of balances sent by the District Offices, that balance had been indicated in the account as Rs.906,500. As such, the current assets had been overstated by Rs.57,764 in the accounts.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating result of the working of the Authority for the year ended 31 December 2014 had been a surplus of Rs.22,544,089 as compared with the corresponding surplus of Rs.32,816,755 for the preceding year, thus indicating a deterioration of Rs.10,272,666 in the financial result. The decrease of fine income and other income by Rs.6,873,226 and Rs.1,155,326 respectively and increase in personal emoluments by Rs.21,017,070 as compared with the preceding year had attributed to this deterioration.



4. Operating Review

4.1 Management Inefficiencies

The following observations are made.

- (a) Despite the failure in obtaining the approval of the Treasury and provisions for the Consumer Services Project, a sum of Rs.5,401,427 had been spent from the Consumer Protection Fund Account of the Authority as at 31 December in the year under review for the project.
- (b) Even though the Board of Directors should comprise not less than 10 members who had excelled in the qualifications and experience cited in the Consumer Affairs Authority Act, No.09 of 2003, the maximum number of members that should be included in the Board of Directors had not been mentioned in the Act. As a result, 31 Directors had been appointed to the Authority in the year under review without considering the size and limits of the Institute and as such, a sum of Rs.1,792,230 alone had been spent in the year under review for the meetings of the Board of Directors.
- (c) Out of the 31 Directors who served in the year under review, 11 Directors were persons without the qualifications and wide knowledge and expertise in the fields mentioned in the Consumer Authority Act and out of those persons, 02 persons had acted as full time committee members in deciding the price of drugs in the Drugs Programme implemented by the Authority.
- (d) Furniture totalling Rs.1,628,850 which had not been estimated in the year under review, had been purchased for the modernization of the Office of the Authority's Chairman considering as urgent purchasings.
- (e) Limited quotations had been called to design a mobile exhibition stall for the exhibitions held by the Consumer Affairs and Information Division. The relevant contract had been awarded to a company that had submitted a quotation of Rs.628,447 without considering the lowest bid of Rs.295,000 submitted by another company in the evaluation of bids.

4.2 **Operating Inefficiencies**

(a) **Rice**

The manufacturers and merchants of rice had set the price of rice in the year under review at their discretion without considering the price control in rice enacted by the Authority. Even though 1,329 raids had been carried out during the period from April to December in the year under review after the implementation of price control by the Authority, an adequate price control in rice in the country had not been carried out successfully. Even though a Gazette Notification should be issued for the increase of price in rice on the recommendations of the Consumer Council, referred to the Council by the Director General of the Authority to investigate the considerable effect of the increase in the price of rice on the consumers in terms of Section 19 of the Consumer Affairs Authority Act, No.09 of 2003, of the Authority, it was further revealed that a Gazette Notification had been so issued without the approval of the Council.

(b) **Bottled Drinking Water**

Even though studies and tests had been carried out by the Authority since the year 2012 in respect of bottled drinking water, laws and rules relating to the standard and maximum price of bottled drinking water had not been formulated by the Authority and the Consumer Council even by the date of audit. As a result, bottled drinking water is sold without standard and at various prices in the market and it was revealed at a test check carried out by the Authority that bottled drinking water of 08 brands, not suitable for the consumer had existed in the year under review.

4.3 **Idle and Underutilized Assets**

The following observations are made.

A video camera and 09 cameras valued at Rs.995,200 had remained idle in the stores without being used from November in the year under review up to 25 March 2015, the date of audit.



4.4 Uneconomic Transactions

A total of Rs.469,519 had been paid as fixed charges for 21 fixed telephones not in use from the year 2012 to the year 2014.

4.5 Identified Losses

The following observation is made.

The Authority had overpaid a total of Rs.1,794,880 as building rent from the year 2011 up to 31 December 2014 to the Cooperative Wholesale Establishment and a Value Added Tax of Rs.219,693 and Nation Building Tax of Rs.35,897 had been paid thereon. However, action had not been taken to set off the overpaid amount against the monthly building rent even by 15 May 2015.

5. Accountability and Good Governance

5.1 Tabling of Annual Reports

The Annual Report for the year 2012 had not been tabled in Parliament even by 29 May 2015.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Purchase of Assets
- (b) Inventory Control

W.P.C.Wickramaratne
Acting Auditor General

Chairman's Comments on the Report of the Auditor General Submitted in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971 regarding the Financial Statements of the Consumer Affairs Authority (CAA) for the Year ended 31 December 2014

2. Financial Statement

2.1 Opinion

I am pleased to note that the Auditor General, apart from the matters appearing in 2.2.1 of Financial Statement of the Consumer Affairs Authority as at 31.12.2014, has stated that all other matters contained therein have portrayed a true and fair picture in keeping with the Public Accounting Standards of Sri Lanka.

2.2.1 Accounting Standards of the Public Sector in Sri Lanka

Accounting Standards of the Public Sector in Sri Lanka - No 02

- i. In the preparation of the cash flow statement, due attention has been paid to the capital inflow of Rs.12,027,338/- .However, this amount has not been separately shown as a single item in the Financial Statement while the amortised sum of Rs.17,009,978 which had belonged to the other account (Assets) of this account and the adjusted net value of Rs.4,982,458.73 (Rs.17,009,798/- – Rs.12,027,338/-) have been shown as a decrease in the deferred income under financial activities in the cash flow statement.

These items will be separately included in the cash flow statement in the future.

- ii. Further, it has become clear that ,as per explanation given in 1 above, the amortised sum of Rs.17,009,798 has been given due consideration.

Public sector Accounting standard of Sri Lanka - 03

Necessary instruction have been given to adjust with retrospective effect in future the accounting mistakes if any which occurred in the prior year instead of it being adjusted to the current year. Accordingly, I believe that this kind of conflict will not be repeated.

2.2.2 Un reconciled Control account

The Cash balance of decoy advance receivable as at 31st December for the year in review was Rs. 848,736/= and the balance in relation to this amount had been confirmed and been presented for auditing as well.

2.2.3. Not adhering to the rules, regulations and management decisions

- (a). I accept Section 19. It was a situation where there were serious irregularities in the rice market and, therefore, this kind of a quick decision had to be taken in the larger interest of the general public due to urgent necessity.
- (b). 19 (2) - The delay has been just 8 months and it is not 01 ½ years. However, the recommendations have been submitted to the office of the Director General on 30/07/2014.

03. Financial Review

3.1. Financial Outcome

As per Statement of Account 2014, the operation outcome has shown a surplus of Rs. 22,544,089/- and this shows a decrease of Rs. 10,272,666/- in relation to the previous year. It is due to the decrease in the income by way of fines along with the increase of salaries and wages at unexpected levels (payment of Rs. 3,000/-) in relation to the previous year.

4. Operation review

4.1. Management Inefficiencies

- (a). As per Section 49 (3), the Consumer Affairs authority is vested with the power to handle the cash lying at the Consumer Fund and, as such, those expenditures were only met with the approval of the Board of Directors. However, I would state that, in future, the consent of the Treasury will be obtained in addition to the approval by the Board of Directors in meeting such expenditures from the Consumer Fund.
- (b). As regards with the proposed amendments to the Consumer Affairs Authority Act, the Auditor General has already referred it to the Legal Draughtsman Department. These Proposed amendments, among other things, have restricted the number of members of the Director Board to a maximum of 21 members and this issue will be resolved accordingly.

- (c). I accept this position and the members of the Board of Directors already referred to will not be included in the present Board of Directors. However, necessary steps have already been taken to keep the Hon. Minister informed through the Secretary to the Ministry of the necessity to appoint for committees individuals who are highly knowledgeable from respective sectors specially for committees dealing with fixing of price for pharmaceutical items in future.
- (d). The Cost for the modernization of the CAA chairman's office premises is not met by the Authority, and as such it was not estimated. However, there arose a necessity to spend on purchase of office equipment related to this modernization process. Therefore, such purchases had been met with the approval of the Board of the Directors, making use of other provisions on the basis of urgent necessity.
- (e). The last date of submitting the bids on this tender was 17/11/2014 and the Authority received the lowest bid from the company on 19/11/2014. Further, this particular company had failed to furnish the Authority with the specifications and detailed information required of by the Authority. Therefore this price quotation was not considered at the final evaluation.

4.2. Operation Inefficiencies

(a). Rice

In the current market, the following practical situations are encountered in the determination of imposing a controlled price for Rice.

- i. The drought caused a production decline-there was a scarcity in the supply of rice due to the decline in paddy harvest in 2013.
- ii. Fixing a guaranteed price for paddy-considering the fact that a Kilo of Rice is made out of 1.66 kilo of paddy and also due to other related expenses, the production cost of a kilo of rice is well above the controlled price and,
- iii. The import of rice-the government resorts to import rice to meet the exigencies arising out of the above situations and, as a result, the price would decrease with the increased supply of price. However, this would not be a regular feature, and the market price would not be determined on par with the controlled price imposed

Under the above conditions, there would be a price fluctuation of rice and the price control would be practically impossible. In such an uncertain situation, amendments to the Gazette Notification on the price of rice would also be impracticable. However, the CAA continues to study the rice price in the market and conducts raids (on the errant traders) where ever necessary. Steps will be taken to either impose a new controlled price on rice if the import of rice and the guaranteed price for paddy would come to a specific price level or, if not, to cancel the Gazette Notification.

(b). Drinking Water Bottle.

The Sri Lanka Standards Institution had made a request to the CAA to make it mandatory for the Drinking Water Bottle (Pet) to carry the SLSI standard on it and the Authority received the approval of the Board of Directors for the same. However, due consideration had to be given to the possible impact it would have on the cost of production, before giving directions necessitating the SLS Standard on Drinking Water Bottle.

As such, this matter is being further studied with discussions taking place among the relevant company, manufactures and Sri Lanka Standards institution.

Accordingly, as a first step towards the imposition of SLS Standard on Pet Bottles, the Gazette Notification was issued on 11/06/2015

After implementing this standard requirement, due consideration will also be given to determine fixed price for Drinking Water Bottles, after considering production cost and quality of the water used.

4.3. Inactive and Underutilized Assets

Video Camera – The respective companies have, by now, given the necessary training to these officers and these equipment have also been given over to the respective divisions, so that, these officers could use them in their duties. These equipment are now being gainfully made use of

4.4. Non Economic Transaction.

- (a). This matter was discussed at the Audit and Management Committee Meeting and all these phones have now been put to proper use.

4.5. Losses Identified

During investigations, it has been found out that this condition existed during the period between 01/01/2011 and 28.04.2014 and, no sooner it was brought to the notice, the CAA has started using this extent (of land?) along with the whole block of land. Necessary Step will also be taken to recover the over payment made from the CWE, in the future.

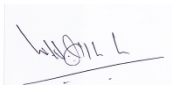
5. Accountability and Good Governance

5.1. Presenting the Annual Report (to Parliament)

The Annual Report for 2012 has now been submitted to Parliament, while it had been submitted to the Cabinet in 2013.

6. System & Control

- (a). Purchase of Assets
- (b). Control of Inventories
- (c). Accounting



Hasitha Tillekeratne

Chairman