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ANNUAL REPORT

2015



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CONSUMER AFFAIRS AUTHORITY

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Chairman's Message



It is glad to present the Annual Report for 2015 in relation to the financial and non-financial performance of the Consumer Affairs Authority.

When analyzing the performance of CAA after 12 years of its establishment, from my perception, 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 business community. This state of affairs has been further strengthened by innumerable complaints we received daily and the criticism through the media.

In current technological revolution era, any educated consumer in open economic business environment may face irregular trade policies such as trading practices, unfair trade increase, conditional business, curtailing the sale and unfair trading conditions, etc. which are negatively affected to the wellbeing of the consumer. We have taken great effort to protect consumers within this critical environment by issuing new and special directions within our context. With the collaboration of Sri Lanka Standards Institution, Sri Lanka Customs, Ministry of Health, Ministry of Telecommunication and Digital Infrastructure CAA has taken many of consumer friendly actions to protect and educate the consumers. In addition the Authority has also involved in launching workshop and seminars aimed at educating both the traders and the consumers thereby ensuring the emergence of knowledgeable consumers as well as traders in the business environment of Sri Lanka.

In 2015, 472 number of general public awareness programmes and 402 number of trader awareness programmes were conducted to educate the general public and traders to protect them from unfair trade practices. In addition to that 21,704 numbers of successful raids were conducted and imposed of fine over 67 million of LKR.

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 Hon. Minister for their valuable advice, motivation and guidance with which we were able to take correct decisions and discharge our duties properly.

Finally, let me also thank all these consumers / complainants who had sent letters of appreciation for the services rendered by us.



Hasitha Tillekeratne

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
18.09.2017

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 2015 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 -2015

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1.1 Introduction

The Consumer Affairs Authority has been established by the Consumer Affairs Authority Act No 9 of 2003 by repealing the Consumer Protection Act No 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 – 2015

The names of the Members who held office as at the end of 2015 are as follows:

1.	Mr Romy Marzook	Chairman	- up to – 2015.06.03
2.	Dr. R M K Ratnayake	Chairman	- up to – 2015.10.15
3.	Mr. Hasitha Tillekeratne	Chairman	
4.	Mr. S Lankeshwara	Full Time Member	- up to - 2015.12.28
5.	Mr. H M Rishdhie	Full Time Member	- up to – 2015.12.02
6.	Mr. A L Thulkar Nayeem	Full Time Member	
7.	Mr. M M Hilmy	Full Time Member	
8.	Mr. A H M Anwer	Full Time Member	
9.	Ms D C W Hapugoda	Treasury Representative	
10.	Mr. Suresh Fernando	Member	
11.	Mr. A H M U Aruna Bandara	Ministry Representative	-up to – 10.11.2015
12.	Mr. V M Weerasinghe	Ministry Representative	
13.	Mr. M G A Muhaimin	Member	
14.	Mr. S T Abeygunawardana	Member	
15.	Mr. Varuna Suren Alawwa	Member	
16.	Mr. Abdulla Nazeer	Member	

1.3 Staff of the Authority

Mr. Romy Marzook continued to serve as the Chairman during the year 2015.06.03, Dr. R M K Ratnayake till 15.10.2015 & Mr. Hasitha Tillekeratne continued from 18.11.2015. Mr. J M A Douglas (SLAS Officer – Class I) was succeeded as the Director General of the Authority from 03 December 2012 to 30.09.2015 & Mr. A K D D D Arandara continued from 24.11.2015.

Heads of the Divisions of the Authority – 2015

#	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 Shiraz Noordeen	-	Chairman
Mr. D W Johnthasan	-	Member
Mr. M D M Rizvi	-	Member

Ms Lekha Aryaratne (Attorney-at-Law) - Secretary to the Council

2. Objectives of the Authority

- a. To protect consumers against the marketing of goods or the provision of the services which are hazardous to life and property of consumers
- b. To protect consumers against unfair trade practices and guarantee that consumers interests shall be given due consideration.
- c. To ensure that wherever possible, consumers have adequate access to goods and services at competitive prices
- 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 2015 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:53**- All traders shall cause to be fixed in some conspicuous part or place of their shop / outlet a weighing verified for its accuracy by the Department of Measurement unit standards and services, for the consumers to weigh any items prior to / after purchasing if the consumers shall so require.
- **Direction No.54**- Directs all Manufactures and all traders of Ata Prikara, Thanipata Sivura, Pathraya, Bandapatiya, to register their shop with the Department of Buddhist Affairs and to display such certificate in some conspicuous part or place of their institution / shop
- **Direction 55**- directs all Manufacturers and all traders of Ata Prikara, Thanipata Sivura, Pathraya, Bandapatiya, to mark some information's on that items or the wrapper of such item.
- **Direction No:56**-Directs that no trader, caterer, supplier of Processed food and / or any other person shall engage in the business of Mass Catering and / or outdoor catering or other similar or connected activity / activities unless they obtain the Good Manufacturing Practices (GMP) Process certification from SLSI.
- **Direction No.57**- Directs all Producers, distributors and traders of Bottled Drinking water that they shall not produce, distribute, transport, store, or sell or display for sale, expose for sale or expose for sale or offer sale wholesale or retail any packaged drinking water in containers made of polymer Materials unless such containers / bottles bear the SLS product certification mark issued by the SLSI based on the Sri Lanka standard.
- **Direction No:58** – Directs all Private Healthcare Institutions that they shall include, Details of all drugs & Vitamins administration on the patient, Including their Generic/ brand , name, quantity used and the total cost for each & every drug & /or vitamin, Details of all devices used for treatment specifying the quantity and the cost for each & every such device used, in the receipts/ bills issued to all patients who seek indoor treatment at their institutions.

- **Direction No:59-** Directs all Manufacturers, Importers , Distributors & Traders that they shall not manufacture, import, distribute, store or sell or display for sale , expose for sale or offer for sale , wholesale or retail any item /s of locally manufactured & or imported protective helmets for vehicle users, unless such helmets bear the SLS product certification mark issued by the Sri Lanka Standard Institution. Standard Specification for protective helmets for vehicle users (SLSI 517)

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

- **Order No: 31-** Maximum Retail Prices of 12 items have been fixed.
- **Order No: 32-**Maximum Retail Price on Twelve Items (Order No.31 was Rescinded)
- **Order No: 33-**Maximum Retail Price of Cement
- **Order No: 34 –** Maximum Retail Price of picketed white sugar & Dried fish.
- **Order No: 35-** Maximum Retail Price of 06 items have been fixed.
- **Order No: 36 –** Maximum Retail Price for the Broiler Chicken meat.
- **Order No: 37-** Maximum Retail Price of 05 items.

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 199 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 2015 Authority has conducted 402 programmes for the business community.

Table – 1 - Trader Awareness programs conducted in 2015

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	21
	Matale	39
	Nuwara Eliya	12
Eastern Province	Ampara	30
	Batticaloa	12
	Trincomalee	14
North Central Province	Anuradhapura	9
	Polonnaruwa	5
Northern Province	Jaffna	7
	Kilinochchi	16
	Mannar	18
	Mullaitive	8
	Vavuniya	17
North western province	Kurunegala	12
	Puttalam	4
Sabaragamuwa Province	Kegalle	11
	Ratnapura	13
Southern Province	Galle	19
	Hambantota	27
	Matara	24
Uwa Province	Badulla	8
	Monaragala	25
Western Province	Colombo	22
	Gampaha	13
	Kalutara	16
Total		402

b. Market raids and Investigations

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

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

Activities carried out (Target)	Number of Raids	Number of Cases	Fine Imposed (Rs)
Market raids and investigations			
Market Investigations on Section 10 (Violation of directions issued under Section 10)	3,454	3,261	12,983,420
Market Investigations on Section 11 (Selling at a higher price than the marked price)	1,481	1,135	3,936,370
Market Investigations on Section 12 (Non-compliance with the standards)	119	82	347,700
Market Investigations on Section 15	30	10	21,000
Market Investigations on Section 16 (Denial of possession of any goods)	14	4	8,500
Market Investigations on Section 17 (Hoarding of Goods)	1	1	5,000
Market Investigations on Section 18 (Violation on MRP)	27	2	2,000
Market Investigations on Section 20	1,893	1,243	4,639,200
Market Investigations on Section 26 (Non displaying the price list)	7,274	6,451	17,626,010
Market Investigations on Section 28(Traders to issue receipts to purchasers.)	56	26	72,000

Market Investigations on Section 30 (Misleading or deceptive conduct)	3,418	2,829	11,653,500
Market Investigations on Section 30 and 31 (Misleading and false representations)	2,550	2,096	11,001,150
Market Investigations on Section 31 (False representation)	1,387	1,467	5,660,650
Total Raids and Fines	21,704	18,607	67,956,500

Special Raids Conducted by Consumer Affairs Authority - 2015



Raid on expired stock of dates in Pettah market



Raid on expired stock of rice

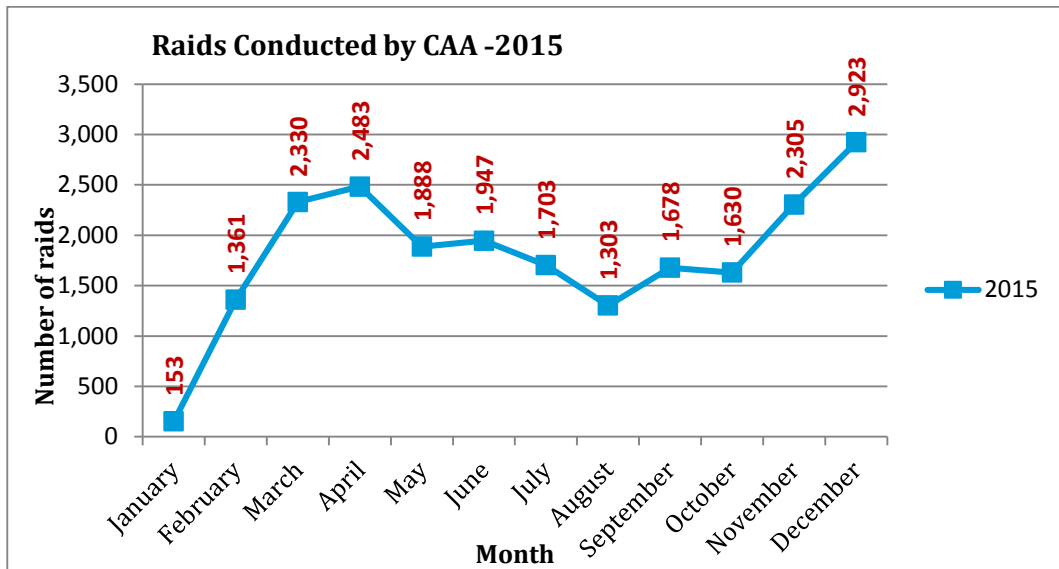


Raid on expired confectionaries

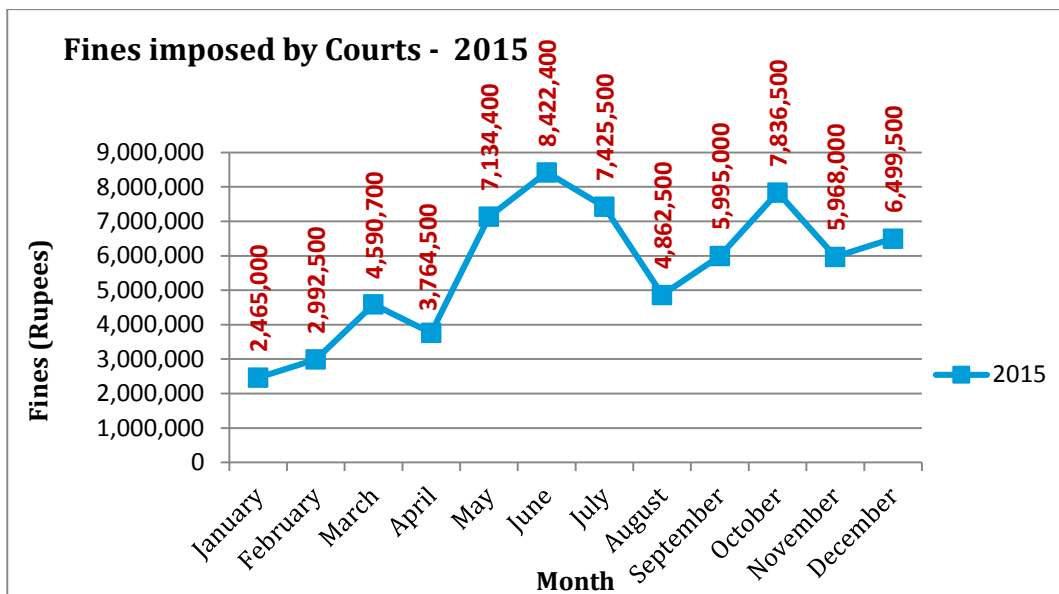


Raid on fruit drinks prepared with ice cubes unfit for human consumption

Raids Conducted by Consumer Affairs Authority



Fines Imposed by Consumer Affairs Authority



3. Provide redress to Consumers affected by unfair trade practices

a. Handling of Consumer Complaints

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

The progress of handling consumer complaints during 2015 is presented in **Tables -3 &4**

	Total
Total Complaints received	1428
(a) By Mail	1128
(b) By Phone Calls	602
Raids(Head office/district office)	311
Referred to other institution	62
For formal inquiries and legal action	139
By referring to district units (for personal relief)	69
Complaints finalized	499
Complaints rejected	12
Discussions held	503

(including previous year complaints)

Table – 4 - Inquiries conducted in to Consumer Complaints:

Inquiries conducted in terms of public complaints	
Number of inquiries	178
Continuation of inquiries from previous year/month	99
New Inquiries	79
Inquiries settled	19
Orders issued	33
Orders enforced	08

(Including previous year complaints)

No of Court cases filed other than on raids had been 24 and Authority has collected Rs.793,000/- by way of fines

Court Cases

Category	2015
New cases filed by Compliance & Enforcement	24
Appearance in Court	625
Fines (receiving Court cases)	Rs. 793,000/-
Trials conducted	148

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	General Public
		No. Pro.
Central Province	Kandy	28
	Matale	18
	Nuwara Eliya	20
Eastern Province	Ampara	58
	Batticaloa	23
	Trincomalee	35
North Central Province	Anuradhapura	14
	Polonnaruwa	15
Northern Province	Jaffna	5
	Kilinochchi	0
	Mannar	8
	Mullaitive	0
	Vavuniya	15
North western province	Kurunegala	24
	Puttalam	9
Sabaragamuwa Province	Kegalle	36
	Ratnapura	15
Southern Province	Galle	16
	Hambantota	10
	Matara	28
Uwa Province	Badulla	13
	Monaragala	17
Western Province	Colombo	34
	Gampaha	9
	Kalutara	22
Total		472

Table – 6 - Establishment of Consumer Organizations

Province	District	Consumer Organizations		School Consumer Circles	
		Established	Registered	Established	Registered
Central Province	Kandy				
	Matale				1
	Nuwara Eliya				
Eastern Province	Ampara	3	1	1	1
	Batticaloa	9	10	12	16
	Trincomalee	4	4	9	7
North Central Province	Anuradhapura				
	Polonnaruwa				
Northern Province	Jaffna				
	Kilinochchi			6	4
	Mannar			4	1
	Mullaitive				
	Vavuniya	3	4	3	2
North western province	Kurunegala				
	Puttalam				
Sabaragamuwa Province	Kegalle				
	Ratnapura				
Southern Province	Galle		3		
	Hambantota	1	1		
	Matara	4	14		
Uwa Province	Badulla				
	Monaragala				
Western Province	Colombo	2	1	1	1
	Gampaha				
	Kalutara		1		
Total		26	39	36	33

Awareness Programmes conducted by Consumer Affairs Authority



Conducting School Awareness program on consumer rights



Conducting Mobile programs for traders on consumer rules and regulations



Conducting School Awareness program on consumer rights



Conducting Mobile program on Consumer Rights Day



Conducting Mobile program on Consumer Rights Day



Conducting Mobile program on Consumer Rights Day

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

Promotion of Competition

The Authority has conducted 20 investigations into complaints received by the Authority in year 2015. Out of these 19 have been investigated and settled. One (1) is identified for likely anti-competitive practices and being referred to the Consumer Affairs Council for determinations.

The Authority on its own initiative carried out three research study to identify any possible anti- competitive practices in the selected commodities namely biscuits and wafers, wheat flour and sugar.

The research study of biscuits and wafers, it is observed that the market is shared by two players and there appears to be no barriers to entry into the market. Local producers are protected by high tariff imposition on imports. No confirmed evidence of any anti – competitive practices by the dominant market players.

From the research of sugar we try to understand the nature of the problems facing the sugar industry from a competitive perspective and the role of policy interventions and to offer solutions in that regard. The long run objective is to have a viable sugar industry in the county capable of looking after itself without Government support. Currently we are mostly depending on imports. Similarly a research study of Wheat Flour revealed that currently two players are enjoying 99% market share of supplying wheat flour to the entire country. Data does not capture effects of duopoly and competition from these two companies.

Special studies were carried out to identify any dominant market situation and anti competitive practices in the industries of tiles and glass bottle manufactures. Both we identified dominant position exist. Tile industry is having competition among importers and importers and local manufactures. Glass bottle manufacturing is a privatized monopoly. Basically considered as mandated investment. Therefore no overall reform without competition. This does not result in any growth.

Competition Law is basically a post powers model. Being a most open economy in the South Asian region, we are under the WTO liberalization, bilateral partnership agreements. Further it is worthwhile to mention as we are on small economy cannot be considered as unit of analysis in most competition cases.

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 40 during the year with notified companies include about 330. 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.

Price surveillances and monitoring

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. Six hundred forty seven such reports are submitted.

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 forty four applications were attended during this period. The CESS revenue from the above imports amounts to Rs.1, 198,335,712 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 Paliyagoda 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.

Database on Traders

Data has been collected from Provincial level and created a data base. This exercise is carried out for the implementation of trader registration.

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

01) Ministry of Mahaweli Development & Environment

A) Ministry Committees for Environmental Protection.

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

B) Central Environmental Authority

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

02) Ministry of Telecommunication & Digital Infrastructure

Member of the Steering Committee (PSC) for GIC 1919

03) Sri Lanka Customs

Engage with Custom Single Window System.

04) Traders Associations and Chambers of Industries

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

05) Ministry of Health

Member of the Food Advisory Committee

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 12 No of Cement applications.
Full Cream Milk Powder	Determination has been issued for 02 No of Full Cream Milk Powder applications.
Pharmaceutical	Determination has been issued for 791 No of drugs applications.

Interim Orders

Items	No of applications
Cement	06
Pharmaceutical	02

b. Capacity Enhancement of the Organization

a. Staff Development

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programmes held in 2015 is presented in **Table-8** below.

Table – 8 - Staff Training & Development Programmes held in 2015

#	Course Title	No. of Participants
01	Training on Developing and Enhancing Employee Skills for Efficiency and Productivity- Advance Management Skills	21
02	Training on Positive Attitudes for self and Motivation Teams	72
03	Training on Preparation of Fresh Fruit and Vegetable for Super Market	05
04	Workshop on the New Medicines Regulatory Authority Act.	04
05	13th South Asian Management Forum 2015	01
06	Staff Development Program - 2015	233
07	Retail Display of Fruits & Vegetables for better Quality	05
08	Workshop on New Medicines Regulatory Authority Act	04
09	Export/Import Procedures and Documentation	02
10	Staff Development Program For Investigation Officers	28
11	Seminar on Cosmetic Chemistry	03
12	National HR Conference	01
13	12 Days Tamil Language Program	03
14	Outward Bound Professional Training Program	44
15	Training on Expenditure and Payment Procedure	03
16	Preparation of Financial Statement for 2015	04
17	National Management Conference - 2015	03
18	Preparation of Procurement Plan for 2016	04
19	AAT Sri Lanka Annual Conference 2015	01
20	Office Management & Office Procedures	89
21	Labor Law and Industrial Relations	01
22	Field Visit at Huazhong University of Science and Technology Solution	02
23	Seminar on Construction & Management Wholesale Market for Developing Countries - China	01
24	Seminar on China's Economic and Social Development Experience for Euro Asian Countries - China	01
25	Seminar on Import and Export food Inspection for Developing Countries - China	04
26	SAARC – PTB Sensitization Programme for Regulators on Importance of Third Party Assessment and Accreditation - India	01
27	04th BRICS International Competition Conference – South Africa	02
28	Consumer International World Congress – 2015- Brazil	01
29	Fundamental of Halal Foods & Certification System - Malaysia	02
Total		544

b. Strengthening the Staff position of the Authority

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2015
HM 2-1	Senior Manager		
	Director General	1	1
HM 1-1	Director	6	5
	Secretary to the Council	1	1
MM 1-1	Manager		
	Internal Auditor	1	1
	Deputy Director	15	5
	Assistant Director		4
	Deputy/ Assistant Director-Regional	9	8
JM 1-1	Junior Manager		
	Audit Officer	2	0
	System Administrator	1	0
	Senior Investigation Officer	27	21
	Senior Statistical Officer	1	0
	Senior Market Research & Analyst	1	0
	Senior Accounts Officer	2	0
	Confidential Secretary (DG)	1	0
	Confidential Secretary (Chairman)	1	1
	Senior Admin/HR Officer	1	0
	Senior Legal & Enforcement Officer	2	1
	Senior Costing Officer	1	0
MA 5-2	Enforcement/ Operational/ Extension		
	Data Co-ordinator	1	1
	Statistician Officer	1	0
	Market Research Analyst	1	1
	Documentation Officer	6	4
	Librarian	1	1
	Costing Officer	15	3
	Accounts Officer		9
	Administration Officer	5	5
	Legal & Enforcement Officer	3	2
	Investigation Officer	200	199

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2015
MA 2-2	Management Assistant (Tech)		
	Book Keeper	1	0
MA 1-2	Management Assistant (Non Tech)		
	Management Assistant	31	30
PL 3	Primary Level Skilled		
	Driver	18	15
PL 1	Primary Level Unskilled		
	Office Aide	14	13
	Total	370	331

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

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 Investigation of complaints on anti-competitive behavior	01	Settlement – 1 Decisions – 1
Recommending of Maximum Retail Price	5	4
Complaints on Market manipulation or market imperfection	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 2015

	As at 31.12.2015 LKR 000'	As at 31.12.2014 LKR 000'
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	21,765	17,593
Trade and Other Receivables	17,684	16,124
Inventories / Stocks	1,253	2,110
Other Current Financial Assets	5,343	6,138
	46,045	41,966
Work In Progress (Development Phase)	1,603	1,803
Non - Current Assets		
Investment	195,181	168,657
	17,679	16,682
Other Non Current Financial Assets (Staff Loan)	8,288	8,221
Lease Hold Building	875	900
Property, Plant and Equipment	96,360	55,693
	318,383	250,154
Total Assets	366,030	293,922
<u>LIABILITIES</u>		
Current liabilities		
Accrued Expenses	28,731	22,370
Payables & Other Liabilities	4,475	6,096
	33,206	28,466
Non-Current liabilities		
Provision for Gratuity	40,146	26,176
Total liabilities	73,352	54,642
Total Net Assets	292,678	239,281
<u>NET ASSETS / EQUITY</u>		
Accumulated Fund	63,191	63,191
Deferred Income	93,201	52,535
Reserves	136,287	123,555
Total Net Assets / Equity	292,678	239,281


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



Director Finance
Consumer Affairs Authority



Director General
Consumer Affairs Authority



Chairman
Consumer Affairs Authority

CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015

	As at 31.12.2015	As at 31.12.2014
Revenue		
Recurrent Grant	287,647	249,973
Fine Income	26,621	21,641
Other Income	42,647	31,472
	356,915	303,086
Expenses		
Personal Emoluments	(219,760)	(161,593)
Travelling	(10,220)	(11,790)
Supplies and Consumable	(10,369)	(11,199)
Maintenance	(5,829)	(5,346)
Contractual Services	(42,740)	(44,819)
Depreciation	(29,797)	(17,994)
Other Operating Expenses	(25,340)	(27,058)
Finance Cost	(130)	(102)
Total Expenses	(344,184)	(279,901)
	12,731	23,185
Total Net surplus /(deficit) for the period	12,731	23,185

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	LKR 000'	LKR 000'
Cash flows from Operating Activities		
Surplus / (Deficit) from ordinary activities	12,731	23,185
Profit /(loss) of disposal assets	-	-
Adjustment for		
Depreciation	29,797	17,994
Gratuity Provision	14,127	5,137
Amortization	25	25
Operating profit before working capital changes	56,680	46,341
Decrease in payables - Note I	4,740	7,003
Increase in other current assets - Note II	96	13,648
Gratuity Payment	(156)	(418)
Net cash flows from operating activities	61,359	66,574
Cash flows from Investing Activities		
Purchase of Plant and Equipments	(11,368)	(15,911)
Increase in Intangible Assets (Work In Progress)	200	(382)
Investment in Gratuity Fund	(998)	(16,682)
Increase in Investments	(26,524)	(23,286)
Decrease in - Long term Loan(Staff Loan)	(68)	33
Net cash flows from investing activities	(38,758)	(56,228)
Cash flows from Financing Activities		
Treasury Grant - Capital	11,368	12,028
Depreciation	(29,797)	(17,010)
Deferred Income	(18,429)	(4,982)
Consumer Protection Fund/ Reserves	-	1,454
Net cash flows from financing activities	(18,429)	(3,528)
Net Increase / (Decrease) in cash and cash equivalents	4,172	6,818
Cash and cash equivalents at beginning of period	17,593	10,775
Cash and cash equivalents at end of period	21,765	17,593

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 2015 is 348.

1.4 Significant share holding / Equity

Consumer Affairs Authority is mainly granted by the Treasury. Net balance of the Fund, that is formed by 1/3rd 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 (information) given by the relevant Courts with their remittances. They are normally transferring to Suspense – Fines Income account with the purpose of verification whether they are actually deserve to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the next 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 Property, Plant and Equipment

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 Nine vehicles (One Toyota Hiace Van and Eight Mitsubishi Double Cabs) were added to CAA pool vehicles in year 2015, in terms of the Budget Circular No.150.The invoice value of LKR 59,095,110/- is considered as non monetary grant and accounted accordingly.

3.1.6 CAA has requested to revalue its motor vehicle from the Valuation Department. However, only 7 vehicles were revalued out of 14. Therefore revaluation adjustments were not done for the year 2015.

3.1.7 Work in progress (Rs.1,602,500)

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/certified as @ 31.12.2015 (Rs.)
HR Package	165,000.00	121,250.00	43,750.00
Pharmaceutical software	1,975,000.00	1,481,250.00	493,750.00
Total	2,140,000.00	1,602,500.00	537,500.00

3.1.7.1 CAA developed a software for pricing of pharmaceutical items since pharmaceutical has been identified as a specified item with effect from 2014.

National Drug Regulation Authority has been established as per the budget proposal of 2015 with view to control of pharmaceutical items. Therefore pricing of pharmaceutical are now coming under the National Drug Regulation Authority .Therefore we have been discussing with National Drug Regulation Authority to transfer pharmaceutical software to them. Therefore, there is a risk of continuity of the software and cost could be a maleficent expenditure.

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 Gratuity Act. Accordingly, The Accumulated Provision for the employees who completed Over 1 year as at 31.12.2015 is Rs. 40,146,165.88.

Since CAA has obtained the approval to invest gratuity provision separately, investment for gratuity has been calculated for the employees whose service period is over five years. Below mentioned is the summery of gratuity investment as at 31/12/2015 and balance to be invested.

	Rs.
Provision for gratuity employees' service over 5 years as at 31.12.2015	35,652,276.00
Investment made as at 01.01.2015	<u>16,681,743.00</u>
Balance to be invested as at 31.12.2015	<u>18,970,533.00</u>

The accumulated balance to be invested is further risen since the General Treasury has not released the sufficient fund.

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.

Interest Income

Interest income for fixed deposits is calculated and recorded using nominal interest rate (NIR). Average interest rate of the fixed deposits is 6%. Therefore, the interest income of the year less than the previous year.

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)



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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எனது இல. }
My No. }

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உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

18 October 2016

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 2015 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 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity 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

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 Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that, I comply with the 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.



2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Consumer Affairs Authority as at 31 December 2015 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

Even though the assets costing Rs.13,875,000 had been fully depreciated due to not reviewing annually the effective life for the non-current assets in terms of the Sri Lanka Public Sector Accounting Standard 03, they had been further in use. Accordingly action had not been taken to revise the estimated error.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

**Reference to Laws, Rules, Non-compliances
Regulations and Management Decisions etc.**

- | | | |
|-----|--|---|
| (a) | Section 19(2) of Consumer Affairs Act No.09 of 2003. | Even though a matter referred to the Consumer Affairs Council for investigation should be concluded and the said report should be presented to the Director |
|-----|--|---|



General of the Authority within 02 months, investigation on the recovery of excessive charges for medical consultation and laboratory tests carry out for patients by island wide private health service Institutions had been referred to the Consumer Council for investigation, but such investigation report had not been presented even up to the date of audit on 15 June 2016.

- (b) Section 4.5 of Chapter xxiv of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. Action had not been taken to recover the loan balances, recoverable from an officer who resigned from service and from 04 officers who were interdicted, amounting to Rs.10,119 and Rs.324,616 respectively even by 31 December 2015 from the sureties.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year under review had been a surplus of Rs.12,730,639 as compared with the corresponding surplus of Rs.23,184,968 for the preceding year, thus indicating a deterioration of Rs.10,454,329 in the financial result for the year under review as compared with the preceding year. The increase of personal emoluments by Rs.58,167,187 over the increase of recurrent grants by Rs.37,674,564 and other income by Rs.11,174,528 had mainly attributed to this deterioration.



In analyzing the financial result of the preceding four years and the year under review, even though a continuous financial surplus prevailed up to the year under review, it had annually fluctuated. Nevertheless, in considering the employees' remunerations and depreciation on non-current assets, the contribution amounting to Rs.131,429,112 of the Authority in the year 2011 had gradually increased up to Rs.262,287,710 in the year 2015.

4. Operating Review

4.1 Performance

The following observations are made.

The objectives of the Authority according to the Consumer Affairs Authority Act No.09 of 2003 are given below.

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

The following weaknesses were observed in fulfilling the above objectives by the Authority in the year under review.



(a) **Price control for Western pharmaceuticals**

The following observations are made.

- (i) All drugs had been determined as “specified goods” through the Extraordinary Gazette notification No.1852/22 dated 04 March 2014. Accordingly, the approval of the Authority should be obtained prior to increase the drug prices in terms of Section 18(2) of the Act for the establishment of Authority. Even though a methodology had existed with the Authority for restriction of selling price of drugs up to a maximum of 65 per cent of the imported price, excluding Customs duty (C.I.F value), prices of drugs had been increased ranging from 65 per cent to 937 per cent before the issuance of the Gazette notification making the drugs as “specified goods” by number of companies. Nevertheless, the powers had not vested with the Authority from the Consumer Affairs Authority Act, for decreasing the drug prices so increased up to 65 per cent again.

- (ii) The State Pharmaceuticals Corporation and the companies engaged in sale of pharmaceuticals had requested for permission from the Authority to get the price of imported drugs increased. The permission of the Authority had been obtained to adjust and implement in the market as to determine their retail drug prices in the range from 50 to 53 per cent from the imported price excluding Customs duty for State Pharmaceutical Corporation and the range from 62 to 64 per cent from the imported price excluding Customs duty for other companies engage in sale of drugs. As a response, the approval had been granted to maintain a higher retail price only for Pharmaceutical Companies, without implementing a same price range for the State Pharmaceutical Corporation and the other companies engaged in sale of pharmaceuticals.



(b) Services provided by Private Health Service Institutions

The following observations are made.

- (i) Rules had been imposed through the Extraordinary Gazette No. 1918/17 dated 11 June 2015 stating that bills, inclusive of information on detailed cost in respect of all the drugs administered to indoor patients who got treatments from all private Health services institutions and all medical equipment and their quantities used in treating those patients should be issued. Nevertheless, the Authority had not taken steps even up to 15 June 2016 to check as to whether those rules were properly implemented.

- (ii) A large difference had existed between the maximum and the minimum price imposed by the Health Services Regulatory Authority for 33 lab tests mostly carried out by the island wide Private Hospitals. Accordingly, such Institutions could be able to charge the maximum prices from patients. Nevertheless, the Authority had not intervened for the protection of consumers therefor.

(c) Price control for rice

The Government had imposed a guaranteed price of Rs.50 and Rs.45 per kilo of Keeri Samba and Samba paddy and Nadu paddy respectively in the year under review. Since the Authority had not imposed a control price for rice based on such price, the price of rice in the market had increased.



(d) Price control of infant milk foods

The following observations are made.

- (i) The Attorney General's Department had informed the Authority on 04 January 2013 to issue a new Gazette notification due to lapses in the Extraordinary Gazette notification No.1763/4 issued on 18 June 2012 to control the price of infant milk food. Even though the above Gazette notification had been abolished accordingly, through the Gazette notification No. 1818/11 dated 10 July 2013, the Authority had not taken any steps to investigate this matter again and to issue a new Gazette notification to control prices.
- (ii) With the removal of the above Gazette notification, some Companies imported infant milk foods had determined a high retail price ranging from 72 to 235 per cent from the imported price (at C.I.F value) by earning a higher profit in the market. Even though a report had been presented to the Board of Directors of the Authority by the Price and Management Division in this regard, it had not been presented to the Consumer Affairs Council.
- (iii) The Authority had taken steps to carry out an investigation on prices solely based on the import invoices and customs clearing documents without conducting an investigation by taking adequate information regarding the price structure of each category of infant milk food from imported price to retail price imported and distributed by the companies which were engaged in importing infant milk foods.



(e) Price control of non-fat milk powder

As the Authority had not taken steps to impose a control price for non-fat milk powder up to 15 June 2016 the date of Audit, the manufacturers and importers of these items had maintained the prices of these items at their discretion without a permission from the Authority.

(f) Price control of Petroleum Gas

The following observations are made.

- (i) According to the price formula agreements entered into between the Authority and the 02 Gas Companies, those Companies should inform the Authority the composition of price of a domestic Gas cylinder of 12.5Kg, once in two months and the Authority should make a decision on the fluctuation of price within 30 days based thereon. Accordingly, one Company had not provided any information to the Authority after November 2012 and the other company after May 2015 and the Authority had not made any supervision in that respect.
- (ii) The Authority had not decided the gas price in terms of price formula in the year under review and the Treasury had decided the gas price at three instances and informed the Authority and the gazette notifications had been issued by the Authority, accordingly.



(g) Price control of Biscuits

In the study on manufacture of biscuits carried out by the Competition Promotion Division of the Authority in the year under review, it was observed that increase of selling price of biscuits due to engage in competitive advertising for the increase of sales by main 02 companies engaged in biscuit industry, awarding higher discounts to retailers and maintenance of higher profit margins by companies and sale of productions with similar weight and brands under different prices to consumers. Even though that study report had therefore recommended to determine the biscuits as a “specified item” under the Consumer Affairs Authority Act for the protection of consumers, this fact had not been presented to the Consumer Affairs Council for investigation by the Director General of the Authority in terms of Section 19 of the Consumer Affairs Authority Act.

(h) Control of Three-wheeler charges

Extortion of charges had been recovering from the three-wheeler users as a result of fixing meters without standard by three-wheeler drivers, unreasonable charges shown in the meter for the distance travelled, recovery of different amounts of charges for the same distance by different drivers, recovery of excess charges on rainy days and at night and not decrease of charges even the fuel price had decreased. Even though the Authority should investigate and take action to protect the consumers by imposing rules and laws in the event of a certain type of exploitation of consumers and maintain an unreasonable price as to affect many consumers in providing services to them, it had not be so done.



(i) Price control of bottled drinking water.

The following observations are made.

- (i) Twenty Nine drinking water bottles obtained from various areas in the island had been presented to the Government Analyst's Department for chemical and physical examination in the year under review in terms of the powers vested in the Authority by the Act for the intervention in connection with the goods hazardous to the consumers' health protection and the report received in July 2015 had confirmed that 25 bottles of water out of it were without the standard in terms of the Food Act. Even though the Director General of Health Services should immediately be informed on such defects, the Director General of Health Services had been informed after the lapse of 07 months after receiving the report and legal action had not been taken in that respect.
- (ii) Recommendations had been made in connection with the maximum retail price of water bottles in each water volume from the investigation report handed over to the Director General of the Authority on 30 July 2014 in connection with the investigation carried out by the Consumer Affairs Council of the Authority for a price control in respect of water bottles. Nevertheless steps had not been taken to control the price of water bottles even by 15 June 2016, the date of Audit.

(j) Price control of wheat flour

Wheat flour had been subjected to the price control of the Authority by specifying wheat flour a 'specified goods' through the Extraordinary Gazette Notification No. 1342/1 dated 26 May 2014. Only the price of unpacketed wheat flour had been fixed at Rs.87 per kg through the Extraordinary Gazette



Notification No.1906/47 dated 19 March 2015. Even though the price of 1 kg of packeted wheat flour had been sold at the price ranged from Rs.108 to Rs.115, the Authority had not taken necessary steps to control the price of packeted wheat flour even by 15 June 2016.

(k) Consumer service Inquiry project

The following observations are made.

- (i) In presenting the complaints via Consumer Service Query Project -1977 established by spending a sum of Rs.9,188,369 in the years 2013 and 2014 for consumers to present complaints instantly to the Authority and for consumers and farmers to make aware the wholesale and retail prices of the market, presentation of complaints under this system had failed due to inability to connect instantly with an officer of the Authority, as the complaint received was referred for recording and the aversion shown by the consumers therefor.
 - (ii) Even though an objective of the project had been the provision of facilities to obtain wholesale and retail prices updated at 07 Economic centers, 05 Common markets and Lanka SATHOSA for consumers and farmers via this emergency call number, the above objective had not fulfilled due to the existence of occasions of inability to obtain data received from 05 common markets to consumers as the market price at Economic centers and Lanka SATHOSA had not been updated and other various defects existed in the system.
- (l) No. of raids had decreased by 3 per cent in the year 2015 as compared with the year 2014 and the number of actual raids had decreased by 4296 representing 17 per cent than the targeted raids in the year under review.



4.2 Management Activities

The following observations are made.

- (a) Even though the funds of the Authority should be used in optimum capacity for planning and implementation of the objectives of the Authority against the unreasonable market practices and related to protect the consumers' rights, excess cash amounting to Rs.4,400,000 collected from fines, imposed by the Authority up to 30 September 2015 had been retained in the Bank current Account without utilizing to achieve the objectives of the Authority.
- (b) It was observed that a tendency of participating the same group of officers in several instances out of the officers participated in foreign tours of the Authority from the year 2013 to 2015 and selections had not been done in a manner that the distribution of opportunities among the qualified officers according to the nature of the related tour in selecting the officers for foreign tours.

5. Systems and Controls

Weaknesses 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.

Areas of Systems and control	Observation
(a) Vehicle control	Existence of weaknesses in the selection of suppliers of hiring vehicles and under-utilized vehicles

Chairman's views stated in the Auditor General's Report in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971 for the year ends as at 31st December 2015 of Consumer Affairs Authority.

2 Financial Statements

2.1 Opinion

I am pleased to state that Auditor General has declared that financial statements reflects a true and fair status as per the Public Accounting Standards, excluding the financial status of Consumer Affairs Authority as at 31.12.2015 and the facts in 2.2.1.

2.2.1 Accounting Standards of the Public Sector of Sri Lanka

Although vehicles have been submitted to the Auditor General's Department for revaluation, it could not be entered into accounts since financial reports were incompatible as at 31.12.2015. However, the revalued amount has been entered into the accounts of 2016 since this report has been submitted by the Auditor General's Department.

2.3 Inconsistency with rules and regulations and Management rules.

(a) Section 19 (2) of the Consumer Affairs Authority Act No. 09 of 2003

Approval of the directorate was received to direct the task of investigating and reporting of charging high fees for private medical services to Consumer Affairs Council and it was referred to the Council on 20.11.2015.

Chairman of the Council resigned on 30.11.2015 and the new Chairman was appointed on 01.12.2015. The new Chairman had a discussion in this regard on 09.02.2016. Subsequently, there was a discussion on this with Association of Private Hospitals & Nursing Houses on 23.02.2016. Therein, proper execution of the Gazette No. 1918/17 dated 11.06.2015 on the services of the private health services issued by Consumer Affairs Authority was taken into discussion.

Since the matters arisen with regard to the mechanism on the execution of the said gazette paper and the method of entering prescriptions and fees in the descriptive bills are further to be discussed and Consumer Affairs Authority is expected to have another discussion in this regard in future.

- (b) The due amount of Rs.10,119/- to be recovered from a resigned officer has already been recovered. Preliminary actions have been taken to recover due money from the 4 interdicted officers.

3. Financial Summary

3.1 Financial Results

4. Operational Summary

4.1 Performance

(a) **Controlling prices of western pharmaceuticals**

(i) Subsequent to publishing of a Gazette making pharmaceutical products as specific goods under section 18 (1) of Consumer Authority Act, increase of the prices of pharmaceuticals could be stopped unless a prior approval has been obtained. Further, due to the absence of authorized power in section 18 of the Consumer Authority Act, the relevant act is being amended.

(ii) The method of giving less percentage from the maximum 65% of the CIF value or the requested percentage as the maximum price for selling imported goods has been followed by the Authority at the control of prices. Accordingly, since State Pharmaceutical Corporation has demanded a less percentage, retail price has been determined giving due consideration for this.

(b) **Services of the Private Health Services**

(i) Due attention will be paid on this matter in future. Hence, actions will be taken in this regard in future.

(ii) This field has considered about this type of prices and will take measures in future as well.

(c) **Controlling Prices of Rice**

The certified prices for one Kilogram of Keeri Samba paddy and one Kilogram of Nadu paddy were respectively Rs. 50/- and Rs. 45/- and a policy was in progress to purchase paddy from each farmer by Paddy Marketing Board subject to the maximum of 200 Kg. In case of exceeding 2000 Kg, the extra bulk of paddy had been purchased by private traders at a price less than the certified price. Hence, private sellers will get much profits by imposing a controlling price based on the certified price of the government.

(d) **Controlling the prices of Dairy Products for Infants**
(i),(ii) Policy Decisions will be taken with regard to infants' dairy products in future.

(iii) CIF value and landed cost for infants' dairy products are to be separately studied in order to study the material cost at the preliminary study for identifying the requirement of deciding its maximum retail price. In addition, Added Value up to the retail price should be considered. This value is different from each other, since companies sell products other than milk products and therefore, on cost and retail and wholesale margin is calculated under the value, in different ways. Therefore, due to the fact that value, profits and the amounts of retail and wholesale marginal given the traders become different according to the way of absorbing on-cost, the information about the amount charged from them by the companies could be obtained. However, such amounts cannot be justified. Therefore, when deciding a Maximum Retail Price by the Authority through introducing general percentages of marginal through a recognized method of General Cost Accounting Systems and accordingly calculating a Maximum Retail Price. Then, the Authority could negotiate with companies to make such prices effective and resultantly, Price Control Method could be practiced.

(e) **Control of the prices of Non Fat Milk Powder**

As per the provisions of the Consumer Affairs Authority Act, since permission of the Consumer Affairs Authority should be obtained only at a price hike of these , when the prices of them are not fluctuating, the Authority does not make any intervention.

(f) **Control of the Prices of Petroleum Gas**

One company did not provide necessary information for the calculation of prices after November 2012 and in January 2013 the Authority informed it to the arbitrator; General Treasury that agreed a Price Formula with this company.

Subsequent to declaration of the price of gas by the General Treasury from December 2014 as a government policy, the Consumer Affairs Authority informed the specified price to the companies through a letter, not through a Gazette Notification in order to legalize that price.

(g) **Control of the Prices of Biscuits**

The Chairman of the Authority and the Directorate had a meeting with Biscuit Manufacturers on the recommendations of the Competitive Promotion Division and thereafter, it was decided that it is not necessary to name biscuit as a specified good.

(h) **Control of the Prices of Three Wheelers**

The authorized power of investigating about the policy on meters is vested with the Department of Measurement Units and Standard Services that comes under the purview of the Ministry of Industry and Trade. Fixing meters for three wheelers is not compulsory and it is expected to take future actions on the policy decisions taken with regard to three wheelers.

(i) **Control of the Prices of Drinking Water Bottles**

(i) The Consumer Affairs Authority has continued to randomly check the samples of various food items in the market. Accordingly, measures will be taken to pay special attention on examining drinking water bottles.

(ii) As per the Maximum Retail Price of the drinking water bottles recommended in the investigation report submitted to the Director General of the Authority on 30th July 2014, the label of manufacturing price was not on the PET bottles and an investigation is being in progress to decide the price.

(j) **Control of the Price of Wheat Flour**

The Gazette dated 14.07.2016 was issued to control the price of wheat flour packets.

(k) **Project on Enquiring Consumer Services**

(i) The project on Consumer Service Enquiries was started in 1977 in order to give information on wholesale and retail prices to the farmers and the consumers and speed dialing service for information was started subsequently as a part of it. Presently, the Authority has identified its shortcomings and is taking measures to have discussions with the institution that this computer system has been prepared and an affiliated institute of Telecom to rectify and improve this.

(ii) At the time of developing this system Consumer Affairs Authority, Economic Centres and Lanka Sathosa were under a same Line Ministry that functioned in a same building. Presently as these three institutions are under two Ministries, the places of functioning have changed and coordination has become difficult. Due to these changes, there are some shortcomings with regard to updating. However, measures are being taken to discuss them with relevant institutions to find immediate remedies.

(L) Respective objectives based on various criteria have been designed to direct the officers and they have been advised to achieve objectives related to raids in 2016.

4.2 Management Activities

(a) Had been invested even by 31.12.2015.

5. Systems and Controls

I kindly inform that necessary measures are taken to avoid the weaknesses within the control of these systems.



Hasitha Tillekeratne
Chairman