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වருடාந்த அறிக்கை
ANNUAL REPORT
2016



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பாவனையாளர் அலுவல்கள் அதிகாரசபை
CONSUMER AFFAIRS AUTHORITY

CHAIRMAN'S MESSAGE



I am glad to present the Annual Report for 2016 in relation to the financial and non-financial performance of the Consumer Affairs Authority.

When analyzing the performance of CAA after 13 years of its establishment, from my perception, we have been able to reach a significant extent of 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.

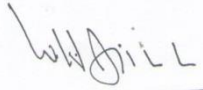
In 2016, 355 number of general public awareness programmes and 327 number of trader awareness programmes were conducted to educate the general public and traders to protect them from unfair trade practices. In addition to that 206 number of School Awareness programmes were done to strengthen the young generation on Consumer Rights. In the meantime 21,873 numbers of successful raids were conducted and imposed of fine over 91million of LKR. It is 36% increase of the fine imposed when comparing with 2015.

Consumer Affairs Authority intervenes into Consumer Complaints based on the provisions granted in Section 13 and 32 of the Consumer Affairs Authority Act. 1981 number of complaints have been received for the year 2016, and inquiries were conducted and orders were issued. Steps were taken to enforce the parties who had not complied with the orders issued through the judiciary.

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, Ministry of Industry and Commerce and the Minister Hon Rishad Bathiudeen, 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 consumers/complainants who had sent appreciations 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
03.05.2018

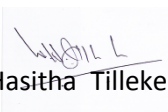
Hon. Minister of Industry & Commerce

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 2016 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 -2016

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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

The names of the Members who held office as at the end of 2016 are as follows:

1.	Mr. Hasitha Tillekeratne	Chairman
2.	Mr. A H M Anwer	Full Time Member-Resigned – 2016.07.01
3.	Mr. M S M Fouzer	Full Time Member – Resigned – 2016.10.17
4.	Dr. M M Hilmy	Full Time Member
5.	Mr. M Z Razeen	Full Time Member
6.	Mr. A R B Nihmathdeen	Full Time Member
7.	Ms. D C W Hapugoda	Treasury Representative
8.	Mr. V M Weerasinghe	Ministry Representative – Retired – 2016.10.18
9.	Mr. S T Abeygunawardana	Member
10.	Mr. M T A Zain	Member
11.	Mr. Ruban Wickramarachchi	Member
12.	Mr. H B Dayaratne	Member
13.	Mr. Varuna Suren Alawwa	Member
14.	Dr. A M M Riyas	Member
15.	Mr. Sinnathamby Nagiah	Member

1.3 Staff of the Authority

Mr. Hasitha Tillekeratne continued to serve as the Chairman during the year 2016. Mr. A. K. D. D. Arandara (SLAS) was succeeded as Director General of the Authority from continued from 24.11.2015.

Heads of the Divisions of the Authority

- | | | | |
|----|--------------------------------------------------------------------------------------------------|----|----------------------------------------------------------------------------------------------------------|
| 01 | Ms. Deepthi Tissera
M.PA [PIM-Sri J] – Attorney-at-Law
Director - Compliance & Enforcement | 05 | Ms. Chandrika Thilakaratna
B.Sc Agri (Sp) M.Sc (Mgmt)
Director – Consumer Affairs &
Information |
| 02 | Ms. Shanthini Thiruneelakandan
[ACEA]
Director - Competition Promotion | 06 | Mr. Sampath Angulugaha
B. Com (Sp) Hons, AIPM(SL). Dip
in PM Director - Human
Resources & Admin |
| 03 | Mr. W M Priyantha
MPM, B.Com (Sp) Hons, AIPFM, DPFM
Director – Finance | 07 | Ms. Niranjala Jeganathan
ACA, MBA (J’pura)
Director - Pricing &
Management |
| 04 | Ms. Rasika Savithri Wijesekara
B.Sc Accounting (Sp) Hon USJ, CBA,MAAT
Internal Auditor | | |

1.4 Consumer Affairs Council

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

Members of the Consumer Affairs Council

Mr. N M Shaheid	-	Chairman
Mr. D W Johnthasan	-	Member
Mr. M D M Rizvi	-	Member

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

2. Objectives of the Authority

- a. To protect consumers against the marketing of goods or the provision of the services which are hazardous to life and property of consumers
- b. To protect consumers against unfair trade practices and guarantee that consumers interests shall be given due consideration.
- c. To ensure that wherever possible, consumers have adequate access to goods and services at competitive prices
- 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, purchasers 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 2016 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 60-** Directing all manufacturers, importers & traders that all conditions contained in warranty certificates/documents issued in respect of Goods shall be printed in Sinhala, Tamil & English Languages
- **Direction No 61-** All manufacturers and traders of paints, varnishes and solvents used in the building industry that on the bottles, packs or containers of such paints, varnishes and solvents the following information shall be printed legibly in Batch No, Date of Manufacture, Best before date, Volume, Maximum retail price, Total Lead Content.
- **Direction No.62-** Directs all manufacturers, importers distributors and traders of all edible oils and sold in bottles, packs or containers, retail or in bulk, that on each and every bottle, pack or container of such edible oils the following information shall be printed legibly in Batch No, Date of Manufacture, Date of Expiry, Volume /Weight, Maximum Retail Price,, Name & address of Manufacturer, If it is imported name & Address of the importer and country of origin, If it is bulk and repacked the date of manufacture and the date of repacking , If it is a blended oil, a declaration to that effect with a description to that effect with a description of the constituents of the oil blend and its percentage.

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

- **Order No.39-** Maximum Retail Prices Of seventeen items have been fixed.(Mysore Dhal, Dried Sprats, Gram, Green Moong,, Canned Fish, White sugar, White flour, Full Cream Milk Powder, Chicken Meat, potatoes, B' Onions, Dried Chillies, Dried Fish, Sustagen, Maldiva Fish)

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 140 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 2016 Authority has conducted 327 programmes for the business community.

Table – 1 - Trader Awareness programs conducted in 2016

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	12
	Matale	19
	Nuwara Eliya	12
Eastern Province	Ampara	10
	Batticaloa	12
	Trincomalee	17
North Central Province	Anuradhapura	06
	Polonnaruwa	11
Northern Province	Jaffna	12
	Kilinochchi	21
	Mannar	20
	Mullaitive	26
	Vavuniya	26
North western province	Kurunegala	01
	Puttalam	09
Sabaragamuwa Province	Kegalle	05
	Ratnapura	11
Southern Province	Galle	11
	Hambantota	14
	Matara	12
Uwa Province	Badulla	08
	Monaragala	13
Western Province	Colombo	20
	Gampaha	10
	Kalutara	09
Total		327

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)	5,451	5,305	24,076,000
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	1,308	1,087	3,921,500
- Market Investigations on Section 12 (Non-compliance with the standards)	204	82	504,000
- Market Investigations on Section 15	5	7	33,000
- Market Investigations on Section 16 (Denial of possession of any goods)	19	16	235,500
- Market Investigations on Section 17 (Hoarding of Goods)	3	1	9,000
- Market Investigations on Section 18 (Violation on MRP)	38	49	313,500
- Market Investigations on Section 20	1,492	1,673	7,267,000
- Market Investigations on Section 26 (Non displaying the price list)	5,546	5,802	17,107,600
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	5	6	29,000
- Market Investigations on Section 30 (Misleading or deceptive conduct)	2,978	2,747	13,531,700
- Market Investigations on Section 30 and 31 (Misleading and false representations)	2,885	3,110	1,4310,000
- Market Investigations on Section 31 (False representation)	1,939	2,011	9,514,300
Total Raids and Fines	21,873	21,896	90,852,100

SPECIAL RAIDS CONDUCTED BY CONSUMER AFFAIRS AUTHORITY



Conducting a raid on drinking water bottles with fraudulently labeled SLS certification

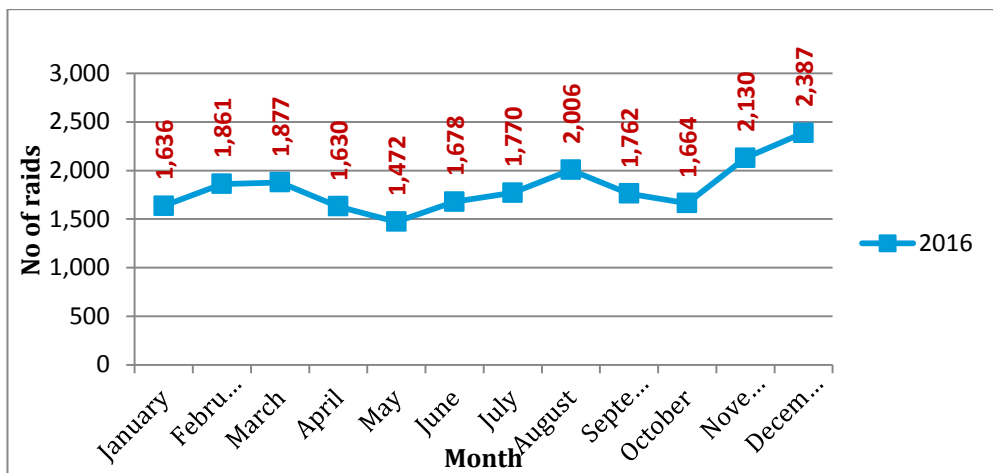


CAA officers conducted a raid on a huge stock of coffee & sauce which were expired in Colombo

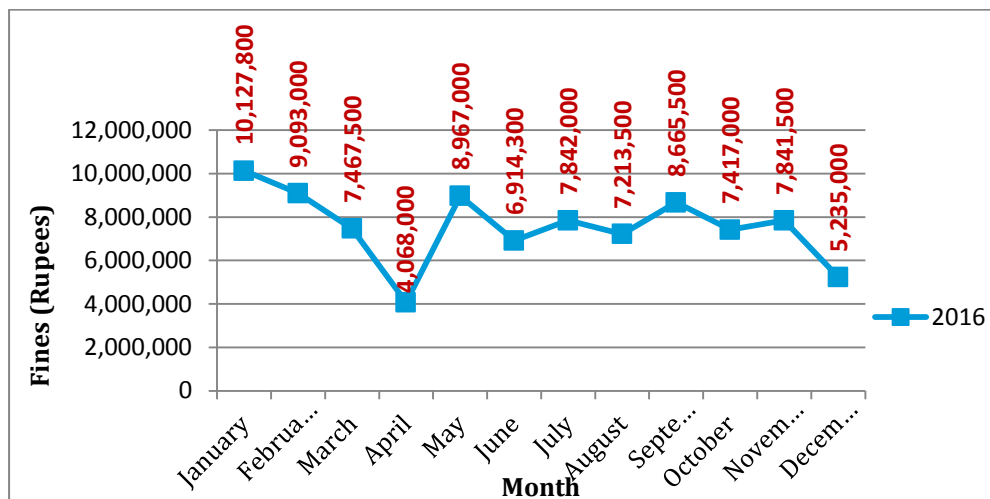


Conducting a raid when repacking rice which is not suitable for consumption

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 2016 is presented in **Tables -3 &4**

	Total
Total Complaints received	1981
(a) By Mail	1651
(b) By Phone Calls	330
Raids(Head office/district office)	332
Referred to other institution	103
For formal inquiries and legal action	201
By referring to district units (for personal relief)	36
Complaints finalized	972
Complaints rejected	13
Discussions held	706

(including previous year complaints)

Table – 4 - Inquiries conducted in to Consumer Complaints:

Inquiries conducted in terms of public complaints	
Number of inquiries	350
Continuation of inquiries from previous year/month	221
New Inquiries	129
Inquiries settled	66
Orders issued	68

(Including previous year complaints)

No of Court cases filed other than on raids had been 59 and Authority has collected Rs.500,000/- by way of fines

Court Cases

Category	2016
New cases filed by Compliance & Enforcement	59
Appearance in Court	728
Fines (receiving Court cases)	Rs. 500,000/-
Trials conducted	196

4. Consumer Education and Empowerment

a. Consumer Awareness Programmes

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

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

Province	District	Trader Awareness	General Public	School Awareness
Central Province	Kandy	12	07	05
	Matale	19	05	01
	Nuwara Eliya	12	12	12
Eastern Province	Ampara	10	08	17
	Batticaloa	12	13	22
	Trincomalee	17	32	15
North Central Province	Anuradhapura	06	13	01
	Polonnaruwa	11	09	01
Northern Province	Jaffna	12	11	17
	Kilinochchi	21	05	10
	Mannar	20	07	15
	Mullaitive	26	03	08
	Vavuniya	26	09	20
North western province	Kurunegala	01	05	01
	Puttalam	09	12	02
Sabaragamuwa Province	Kegalle	05	-	08
	Ratnapura	11	29	08
Southern Province	Galle	11	32	08
	Hambantota	14	41	05
	Matara	12	26	13
Uwa Province	Badulla	08	17	03
	Monaragala	13	04	-
Western Province	Colombo	20	19	07
	Gampaha	10	06	02
	Kalutara	09	30	05
Total		327	355	206

Table – 6 - Establishment of Consumer Organizations

Province	District	Consumer Organizations		School Consumer Societies	
		Established	Registered	Established	Registered
Central Province	Kandy	-	-	-	-
	Matale	-	-	01	-
	Nuwara Eliya	-	-	03	-
Eastern Province	Ampara	01	-	05	01
	Batticaloa	03	08	10	06
	Trincomalee	-	-	10	-
North Central Province	Anuradhapura	-	-	-	-
	Polonnaruwa	-	-	-	-
Northern Province	Jaffna	01	-	05	-
	Kilinochchi	-	-	03	01
	Mannar	-	-	12	06
	Mullaitive	-	-	01	-
	Vavuniya	-	-	19	15
North western province	Kurunegala	-	-	01	-
	Puttalam	-	-	-	-
Sabaragamuwa Province	Kegalle	-	-	04	-
	Ratnapura	-	-	06	-
Southern Province	Galle	-	-	01	01
	Hambantota	01	03	01	-
	Matara	-	-	02	-
Uwa Province	Badulla	-	-	-	-
	Monaragala	-	-	-	-
Western Province	Colombo	-	-	02	01
	Gampaha	-	-	-	-
	Kalutara	-	-	01	01
Total		06	11	87	32

Awareness Programs conducted by Consumer Affairs Authority



Conducting Awareness for members of Co-operative Women's Organization at Gampaha



Conducting Special discussion with Stakeholders & Manufacturers of Helmet



Exhibition stall of CAA at Eco-V exhibition at Public Library, Colombo



Conducting an Awareness Program at Education Ministry for Commerce Teachers

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

Activity	Total
<p><u>Investigation into complaints from trade</u> Intervention on complaints made to the CAA in respect of anti-competitive and unfair trade practices</p> <ul style="list-style-type: none"> • Complaints received from previous period • Complaints received during the period • Complaints transferred to the Council • Complaints disposed during the period • Complaints under progress 	<p>01 28 02 23 04</p>
<p><u>Maintaining level playing field for fostering competitions</u> Implementation of government policy on five products are identified currently under the Gazette notification No 1505/15 of 11/07/2007</p> <ul style="list-style-type: none"> • Received Applications • Proceed Applications • Cess Revenue collected (Rs 000's) 	<p>391 391 1029199283</p>

<u>Price surveillance on essential commodities</u>	
• Section 18/20 report based on Colombo & suburbs	12
• District wise data analyzing and reporting	12
<u>Price monitoring on food commodities</u>	
Reports on daily retail prices of Vegetables	255
Reports on daily prices of fish	193
Reports on retail prices on essential goods	255
Special Reports	79
Research Study	Cancer Drugs – 01 (completed) Dairy Products -01 (In progress)
Special Study	Sugar, Footwear, bottled drinking water, salt, chicken meat, imported books,
Conduct Awareness	11 programs

Interactive Mobile Service (1977)

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

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

01) Ministry of Mahaweli Development & Environment

A) Ministry Committees for Environmental Protection.

- National Steering Committee (Basel / Rotterdam / Stockholm conventions / Minamata convention)
- National Co-ordinating Committee
- National Green Procurement Policy & Guide Lines
- National E-waste management Policy Committee
- Globally Harmonized system review Committee (HS Code)

- Inter Agency Experts Working Group (IAEWG) – SWITCH ASIA Program
- Project on Sustainable Consumption and production

B) Central Environmental Authority

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

02) Ministry of Telecommunication & Digital Infrastructure

Member of the Steering Committee (PSC) for GIC 1919

03) Sri Lanka Customs

Engage with Custom Single Window System.

04) Traders Associations and Chambers of Industries

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

05) Ministry of Health

Member of the Food Advisory Committee
National Medicines Regulatory Authority (NMRA)

06) Ministry of Finance

Cost of Living Committee Meeting

07) Ministry of Industry & Commerce

Advisory committee on Spice Sectors

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 22 No of Cement applications.
Full Cream Milk Powder	Determination has been issued for 10 No of Full Cream Milk Powder applications.
Pharmaceutical	Determination has been issued for 38 No of drugs applications.

Interim Orders

Items	No of applications
Cement	05
Infant Milk Powder	03

b. Capacity Enhancement of the Organization

a. Staff Development

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programs held in 2016 is presented in **Table-8** below.

Table – 8 - Staff Training & Development Programs held in 2016

#	Title of the Course	No. of Participants
01	AAT Annual Conference 2016	01
02	Certificate course of Conversational English	01
03	Global Fellowship program of capacity Development program for Food Hygiene Public Officers – Korea	01
04	In-house course in English Language	60
05	International Training on Consumer issues and the responsibilities of the consumer in Malaysia	01
06	Master of Law program	01
07	National HR Conference 2016	01
08	National Management Conference 2016	01
09	One day workshop for Librarians	01
10	Diploma in English Language 2016/2017	01
11	Secretariat Practices	01
12	Seminar on Consumer Protection Organizations for Developing Countries- China	01

13	Seminar on Food Regulations and Ethical Business Practices	02
14	Seminar on Library Information Networks	01
15	Seminar on Trade Facilitation for countries along the Belt & Road - China	01
16	Seminar on water quality and Human Health	01
17	Training Program on Developing Secretariat Skills	01
18	Training Program on Food Hygiene and GMP	05
19	Workshop on "Good Agricultural and Postharvest Practices for Consumer Safety"	01

b. Strengthening the Staff position of the Authority

Salary Code	Designation	Approved Cadre	Existing Cadre
HM 2-1	Senior Manager		
	Director General	1	1
HM 1-1	Director	6	6
	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	7
JM 1-1	Junior Manager		
	Audit Officer	2	0
	System Administrator	1	0
	Senior Investigation Officer	27	25
	Senior Statistical Officer	1	0
	Senior Market Research & Analyst	1	0
	Senior Accounts Officer	2	1
	Confidential Secretary (DG)	1	0
	Confidential Secretary (Chairman)	1	1
	Senior Admin/HR Officer	1	0
	Senior Legal & Enforcement Officer	2	2
	Senior Costing Officer	1	1
MA 5-2	Enforcement/ Operational/ Extension		
	Data Co-ordinator	1	1
	Statistician Officer	1	1
	Market Research Analyst	1	1

	Documentation Officer	6	4
	Librarian	1	1
	Costing Officer	15	2
	Accounts Officer		6
	Administration Officer	5	4
	Legal & Enforcement Officer	3	3
	Investigation Officer	200	188
MA 2-2	Management Assistant (Tech)		
	Book Keeper	1	0
MA 1-2	Management Assistant (Non Tech)		
	Management Assistant	31	31
PL 3	Primary Level Skilled		
	Driver	18	18
PL 1	Primary Level Unskilled		
	Office Aide	14	13
	Total	370	328

c. Staff Motivation and Welfare

During the year, several steps such as medical Insurance Scheme, Cultural and Religious Programmes, 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 the draft by Legal Draftsman's Department among Council Members, Full Time Members, Director General and Directors and finalized the draft.

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

Activity	No of complaints/ Received	No of complaints decided/settled or reported (including previous year)
Ensure redress against anti-competitive practices which operates against public interest	02	02
Recommend a ceiling price of goods and services	03	03
Investigations under excessive prices	02	-

(including previous year complaints)



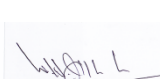
CONSUMER AFFAIRS AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	As at 31.12.2016	As at 31.12.2015
	LKR 000'	LKR 000'
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	15,432	21,765
Trade and Other Receivables	18,282	17,684
Inventories / Stocks	1,031	1,253
Other Current Financial Assets	5,523	5,343
	40,269	46,045
Work In Progress (Development Phase)	121	1,603
Non - Current Assets		
Investment	218,495	195,181
	18,737	17,679
Other Non Current Financial Assets (Staff Loan)	6,333	8,288
Lease Hold Building	850	875
Property, Plant and Equipment	86,123	96,406
	330,538	318,429
Total Assets	370,928	366,076
<u>LIABILITIES</u>		
Current liabilities		
Accrued Expenses	32,726	26,875
Payables & Other Liabilities	2,199	4,475
	34,926	31,350
Non-Current liabilities		
Provision for Gratuity	45,579	40,146
Total liabilities	80,505	71,496
	290,423	294,580
Total Net Assets	290,423	294,580
<u>NET ASSETS / EQUITY</u>		
	-	-
Accumulated Fund	63,191	63,191
Deferred Income	71,790	93,201
Reserves	155,442	138,189
	290,423	294,580
Total Net Assets / Equity	290,423	294,580

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
31ST DECEMBER 2016

	As at 31.12.2016 LKR 000'	As at 31.12.2015 LKR 000'
Revenue		
Recurrent Grant	292,000	287,647
Fine Income	29,979	26,621
Other Income	50,760	42,647
	372,739	356,915
Expenses		
Personal Emoluments	(221,315)	(219,520)
Travelling	(13,515)	(9,009)
Supplies and Consumable	(10,591)	(10,325)
Maintenance	(9,681)	(5,785)
Contractual Services	(41,693)	(42,404)
Depreciation	(33,410)	(29,797)
Other Operating Expenses	(36,106)	(25,358)
Finance Cost	(136)	(130)
	(366,448)	(342,328)
Total Expenses	(366,448)	(342,328)
	6,292	14,587
Loss of disposal of Assets	(21)	
Total Net surplus /(deficit) for the period	6,271	14,587



CONSUMER AFFAIRS AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

	2016 LKR 000'	2015 LKR 000'
Cash flows from Operating Activities		
Surplus / (Deficit) from ordinary activities	6,292	12,731
Adjustment for		
Profit /(loss) of disposal assets	(21)	
Depreciation	33,410	29,797
Gratuity Provision	6,939	14,127
Amortization	25	25
Decrease in Intangible Assets (Work In Progress)	1,481	200
Operating profit before working capital changes	48,126	56,880
Increase in payables	3,576	4,740
Increase in other current assets	(496)	(762)
Gratuity Payment	(1,506)	(156)
Net cash flows from operating activities	49,700	60,702
Cash flows from Investing Activities		
Purchase of Plant and Equipments	(12,208)	(11,368)
Investment in Gratuity Fund	(1,057)	(998)
Increase in Investments	(23,314)	(26,524)
Decrease in - Long term Loan(Staff Loan)	1,956	(68)
Net cash flows from investing activities	(34,623)	(38,758)
Cash flows from Financing Activities		
Treasury Grant - Capital	12,000	11,368
Depreciation	(33,410)	(29,797)
Deferred Income	(21,410)	(18,429)
Net cash flows from financing activities	(21,410)	(18,429)
Net Increase / (Decrease) in cash and cash equivalents	(6,333)	4,172
Cash and cash equivalents at beginning of period	21,765	17,593
Cash and cash equivalents at end of period	15,432	21,765



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2016

LKR'000			
Description	Attributable to owners of the entity		
	Contributed Capital	Accumulated Surpluses/ Deficits	Total net Assets/ Equity
	Balance as at 01/01/2016	93,200	201,381
Re-estimated Surplus**	-	10,981	10,981
Restated Balance	93,200	212,362	305,562
Changes in Net Asset/ Equity 2016			
Contribution - Treasury (capital)	12,000		12,000
Differed income Amortization	(33,410)		(33,410)
Surplus/ Deficit for the year		6,271	6,271
Balance as at 31/12/2016	71,790	218,633	290,423

**** PRIOR YEAR ADJUSTMENTS: The amount of Rs.1,856,109 /-consists of following figures.**

	Provision made as at 12.31.2015	Actual Expenses as at 31.12.2015	JE No.	Net Effect to the Account (Over/ Under Provision)	Stated Balance as at 31.12.2015	Revised Balance as at 31.12.2015
<u>Travelling</u>			-		10,216,351	
Travelling and Subsistence	3,582,214	2,371,707	141	(1,210,507)		
Sub Total				(1,210,507)		9,005,844
<u>Supplies & Consumables Used</u>			-		10,368,524	
Stationery and Office requisites	44,071	16,962	141	(27,108)		
Fuel and Lubricants	416,748	400,598	141	(16,150)		
Sub Total				(43,258)		10,325,266
<u>Maintenance</u>			-		5,828,985	
Office maintenance	72,000	35,917	141	(36,083)		
Office Equipment maintenance	25,600	17,219	141	(8,381)		
Sub Total				(44,463)		5,784,522
<u>Contractual Service</u>			-		42,740,463	
Electricity	229,423	2,156	141	(227,267)		
Hire Charges - Vehicle	2,083,555	1,621,915	141	(461,640)		
Telephone	611,997	591,798	141	(20,199)		
Water	40,924	32,140	141	(8,784)		
Sub Total				(717,890)		42,022,573
<u>Other Operating Expenses</u>			-		25,339,872	
Testing of Samples	400,000	800,000	142	400,000		
Sub Total				400,000		25,739,872
<u>Personal Emoluments</u>			-			
Allowances Over Time & Holiday Payments	134,015	104,015	141	(30,000)	219,760,209	
	524,165	314,174	141	(209,991)		
Sub Total				(239,991)		
				-	-	219,520,218
Total Adjustment for Reserves 2015				(1,856,109)	136,286,844	138,142,953



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 2016 is 353.

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 and prospective recognition for change in accounting estimates.

2.3 Fine Income

2.3.1 Income earnings from the fines were earlier excluded from the statement of financial performance since those were not utilized for the general activities of the Authority. From year 2011 onward CAA utilizes this income with approval from the General Treasury. 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 disserve to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until the next year end then they are credited to the Consumer Protection Fund of the Authority.

2.4 Financial Year

Financial Year of the Authority is the calendar year which ends on 31st December.

3. Assets Bases and of their valuation

3.1 Property, Plant and Equipment

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

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

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

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

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

3.1.5 The net value of the below mentioned PPE were fully depreciated or about to fully depreciate as at 1/1/2016 though their economic benefits or useful life is still remain. Therefore the useful lives of these assets are re-estimated by the committee appointed which is as follows. (SLPSAS 3)

Assets	Cost as at 1/1/2016	Accumulated depreciation as at 1/1/2016	Net Value	Existing life time 1/1/2016	Re estimated lifetime	Re-estimated balance as per SLPSAS 03 as at 01.01.2016
Office Furniture & Fittings	865,184.77	844,459.00	20,725.57	10	15	288,394.92
Office Equipment	1,269,648.66	1,269,648.66	-	10	15	423,216.22
Computer Equipment.	2,338,891.05	2,109,678.87	229,212.18	5	8	877,084.14
Computer Software	1,497,536.00	1,486,735.00	10,801	5	8	561,576.00
Motor Vehicle	11,550,000.00	11,550,000.00	-	5	10	5,775,000.00
Office Partition	6,113,160.07	6,113,156.04	4.03	5	10	3,056,576.01
GRAND TOTAL	23,634,488.65	23,373,677.57	260,742.78			10,981,847.29

3.1.7 Work in progress

3.1.7.1 (Rs.43, 750.00)

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

	Estimated total cost (Rs.)	Completed work (Rs.) (WIP)	Balance to be completed/certified as @ 31.12.2016 (Rs.)
HR Package	165,000.00	121,250.00	43,750.00
Total	165,000.00	121,250.00	43,750.00

3.1.7.2 Pharmaceutical 1,481,250.00

CAA has developed 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 discussed with National Drug Regulation Authority to transfer pharmaceutical software to them and it was not success. Hence we discussed with the software developer and come to a mutual conclusion not to precede the balance development and not pay the same. As well CAA decided to keep developed software to be used as a database and therefore completed part of the software is treated as final product and accounted and balance to be charged to income and expenditure Account.

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 except the item listed in Note 3.1.5 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 31.12.2016 is Rs. 45,579,243.75.

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 31/12/2016 and balance to be invested.

	Rs.
Provision for gratuity employees' service over 5 years as at 31.12.2016	39,023,626.00
Investment made as at 01.01.2016	<u>17,679,313.00</u>
Balance to be invested as at 31.12.2016	<u>21,344,313.00</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



මගේ අංකය
எனது இல. } TCM/D/CAA/1/16
My No. }

මගේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 18 August 2017
Date }

The Chairman,
Consumer Affairs Authority

Report of the Auditor General on the Financial Statements of the Consumer Affairs Authority for the year ended 31 December 2016 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 2016 comprising the statement of financial position as at 31 December 2016 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 was issued to the Chairman of the Authority on 19 July 2017.

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 Auditing Standards of Supreme Audit Institutions

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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(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.

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 2016 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 Accounting Deficiencies

Income from the fines receivable as at 31 December 2016 amounting to Rs.1,667,341 had been overstated.

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

Action had not been taken to recover the loan balance amounting to Rs.324,616 recoverable from 04 interdicted officers even by 30 June 2017 in terms of Section 4.5 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Authority for the year under review had resulted in a surplus of Rs.6,271,009 as compared with the corresponding surplus of Rs.14,586,748 for the preceding year, thus indicating a deterioration of Rs.8,315,739 in the financial result in the year under review as compared with the preceding year. Even though the income from the fines and other income had been increased by sums of Rs.3,358,332 and Rs.8,113,301 respectively, the increase of other operating expenditure, depreciation and maintenance expenses by sums of Rs.10,747, 222, Rs.3,613,587 and Rs.3,896,863 respectively, had been the main reason for this deterioration.

In analyzing financial results of the year under review and of 04 preceding years, even though a financial surplus had continuously indicated up to the year under review, it had been fluctuated annually. However, in considering personnel emoluments and depreciation on non- current assets, the contribution of the year 2012 had been a sum of Rs.134,568,509 and it had continuously increased and had been a sum of Rs.260,996,367 in the year 2016.



4. **Operating Review**

4.1 **Performance**

The objectives of the Authority in terms of the Consumer Affairs Authority Act No.09 of 2003 are as follows.

- Protecting consumers against the marketing of goods or the provision of services which are hazardous to life and property of consumers.
- Protecting consumers against unfair trade practices and ensuring that consumers interest shall be given the consideration.
- Ensuring that wherever possible consumers have adequate access to goods and services at competitive process and
- Seeking redress against unfair trade practices, restrictive trade practices or any other forms of exploitation of consumers by traders.

The following observations are made in the achievement of the objectives by the Authority in the year under review.

(a) Control of the price of Bottled Drinking Water

- (i) Even though the price of the manufacturer and the price of the retail trader of the bottled drinking water sold in the market ranged from 25 per cent to 55 per cent, steps had not been taken by the Authority to control its price.
- (ii) Twenty- nine samples of drinking water bottles had been sent to the Government Analyst in the preceding year and even though it had been confirmed that 25 samples of drinking water bottles are without quality in the quality test carried out by him, only one sample of bottled drinking water had been subjected to such a quality test during the year under review.

(b) Control of the price of Baby Milk Powder

- (i) The above Gazette Notification had been made finite by the Gazette Notification No.1818/11 of 10 July 2013 according to a notice made by the Attorney General's Department on 04 January 2013 to issue a new Gazette



Notification by cancelling the Gazette Extraordinary No.1763/4 issued on 18 June 2012 for the control of the price of Baby Milk Powder and re-investigating in this connection. However, action had not been taken by the Authority to issue a new Gazette Notification by re-investigating in this connection.

- (ii) The fluctuation of the profit margin in various ranges among the companies which import Baby Milk Powder and maintain retail activities and about 867 metric tonnes of Baby Milk Powder had been sold within 6 months in the year under review by 04 companies which import and sell Milk Powder and the attention of the Authority had not been paid relating to the control of the price of Baby Milk Powder due to it being a considerable amount.

(c) Project on Consumer Services Inquiries

- (i) The project had been established in the year 1977 by spending a sum of Rs.9,188,369 in the years 2013 and 2014 to furnish complaints instantly to the Authority for consumers and for inquiring on the stock and the retail prices in the market for consumers and for farmers. The objectives of this project had not been achieved due to the non- implementation of receiving complaints with the co- ordination of an officer since 17 May 2016 in furnishing complaints through this project and not updating the market price since 12 August 2016.
- (ii) Even though 20 per cent of the income received under this project should be given to the Authority by the relevant Company in terms of the Agreement, a sum of Rs.61,619 remained receivable.

(d) Raids

- (i) Even though a notice board for the display of any notice, direction or warning issued by the Authority should be maintained by every trader in terms of Section 29 of the Consumer Affairs Authority Act, attention had not been paid in this connection in carrying out raids in shops.



- (ii) Lawsuits had not been filed for 709 raids which lawsuits could be filed out of the raids carried out in the year 2016, even by 18 May 2017.

(e) Registration of Traders

Even though every trader in the island should be registered with the Authority in terms of Section 27 of the Consumer Affairs Authority Act No.9 of 2003, action had not been taken by the Authority in this connection.

(f) Awareness Programmes

- (i) Even though raising awareness of the consumers and the traders on the quality, quantity, strength, cleanliness, standard and price of the goods kept for the purchase and service had been a key function of the Authority, less attention had been paid in this connection.

- (ii) Even though 20 student awareness programmes should be completed monthly according to the Action Plan of the year under review, instructions had not been given on the number of targeted awareness programmes for each district office. It was observed that student awareness programmes had not been conducted in some districts due to this reason.

4.2 Operating Activities

The following observations are made.

- (a) The total expenditure incurred for the programme conducted for the celebration of the Consumer Rights Day in the year 2016 had been a sum of Rs.6,548,487 and a sum of Rs.4,147,625 out of it had been paid for publishing advertisements to a private Company selected external to the Procurement Process.
- (b) Four Consultants had been appointed in the year 2016 for the activities of the Authority without a proper approval either of the Cabinet of Ministers or the Treasury. A sum of Rs.3,303,760 had been paid as consultancy allowances, fuel allowances and transport allowances up to 31 January 2017 based on the decision of the Cabinet of Ministers No. අම/15/0180/613/008 of 01 April 2015 furnished



for the payment of allowances to the consultants recruited into the Ministries without entrusting functions properly.

4.3 Personnel Administration

An officer had been appointed for the post of the Director General of the Authority under secondment basis and, a permanent officer had not been appointed from over 06 years.

5. 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.

Areas of Systems and Controls

Observations

(a) Control of vehicles	The existence of under- utilized vehicles.
(b) Employee Loans	Not following the provisions of the Establishments Code in recovering employee loans and not preparing an age analysis.
(c) Personnel Administration	Not filling vacancies and not maintaining and updating personal files.

H.M. Gamini Wijesinghe
 Auditor General

Sgd./ H.M. GAMINI WIJESINGHE
 Auditor General

Comments of the Chairman in the Auditor General's Report on the financial statements of the Consumer Affairs Authority for the year ends as at 31st of December 2016 under Section 14 (2) (C) of the Financial Act No. 38 of 1971

2. Financial Statements

2.2.1 The sum of Rs 1,667,341 indicates the fines to be levied. Presently, this amount is being received by the authority.

2.3 Inconsistency to the rules and regulations and Management decisions

Disciplinary investigations against these interdicted officers have already been started. I will take measures to recover these amounts soon after the completion of disciplinary investigations

4 Operational Review

4.1 Performance

(a) Control of prices for drinking water bottles

(i) Investigations on the control of prices of drinking water bottles are being further carried out.

There were discussions with the Sri Lanka Bottled Water Association and over 75 manufacturers at several occasions. Most of them were in the idea that, if a maximum price will be determined for water bottles, their industry will be collapsed.

They informed that, if all the manufacturers could collectively come to a decision on the discounts given to the retail traders, it will be able to reduce the retail price within the market. The association informed that they will discuss this matter with all the member manufacturers and inform the decision to the committee and requested a grace period for that.

I wish to inform that a report in this regard will be issued soon after their decision will be informed to the committee.

(ii) This matter was further discussed at the Audit and Management Meeting and the major issues recognized with regard to drinking water bottles when examining in accordance with the Sri Lanka Standards were the less PH number and the composition of grease and oil in the relevant water samples. Hence, Consumer Affairs Authority referred this matter to the Food Advisory Committee of the Ministry of Health. The Ministry of Health has issued a circular exempting oil and grease and has specified that oil and grease develop not from the water resources, but from the lubricants used for manufacturing of packing. Standards of Sri Lanka for drinking water bottles is not a compulsory standard. In consideration of these matters, Consumer Affairs Authority made compulsory the Sri Lanka Standard for PET (Polymer/ Polyethylene Terephthalate) bottles to package water. Nevertheless, Sri Lanka Standards Institute (SLSI) has made a request to amend Sri Lanka Standards (SLS) and Standard Review Committees are together taking measures to make necessary amendments. However, action will be taken in future to check packages of drinking water bottles and quality of drinking water.

(b) Controlling the price of Baby Milk Powder

- i. Since baby milk powder has been specified as an essential commodity under section 18 (1) of the Consumer Affairs Authority Act and price cannot be increased without a prior written approval of the Authority a price control system is executed.
- ii .In the case filed by the Nestle Pvt. Ltd in 2012 against the gazette published by the Authority to reduce the prices of baby milk powder imported and distributed by that company and as you mentioned in the audit query, a judgment has not been given on 04th January 2013 giving an order to cancel the gazette and re-investigate this matter.
- iii. Action will be taken in this regard in future.

(c) Project on Consumer Service Enquiries

- (i).Authority has evaluated the project on Consumer Service Enquiries and taken necessary measures by appointing a subcommittee to improve the service and 1977 project is presently in operation.
- (ii).The revenue of Rs. 61,619/- to be obtained for the year 2015 was obtained on 23rd March 2017.

(d) Raids

- (i) I will advise the officers to take measures to implement the section 29 of the Act.
- (ii) Cases have already been filed on most of the raids conducted in 2016 and number of raids and the number of raids which cases have to be filed by 18.05.2016 was 709. Action will be taken to file cases on them within next two months.

(e) Awareness Programmes

- (i) Consumer Affairs Authority is using various methods to make aware the consumers and among them awareness programmes through electric and print media, exhibitions for the general public and district level awareness programmes are very important. Conducting raids by the district officers of Consumer Affairs Authority, filing cases for relevant raids and court related affairs, Consumer Education programmes, Complaints of Consumers and market surveys are carried out. Conduct of all these tasks are necessary to create consumer safety. Officers have to conduct these programmes in accordance with the number of officers attached for the district and within the limit of other physical resources of the officers.

However, the Authority admits the fact that, it is important to conduct consumer awareness programmes for the safety of consumers and it will be addressed in future.

- (ii) / (iii) Officers are made aware on the targets of the awareness programmes even at the district progress review meetings. Further, such targets are presented in writing to the district offices.

I will take measures to advise the officers to increase the number of awareness programmes implemented at district level.

Consumer Affairs Authority is frequently taking action to make aware the general public on the practical problems that arise time to time. For instance, when there was propaganda on plastic rice, Consumer Affairs Authority conducted laboratory tests and obtained relevant reports and further made aware the general public through electric and print media. Further, action will be taken in collaboration with other public institutes to open the eyes of media.

4.2 Management Inefficiencies

- (a) Officers of the Department of Attorney General appear for the cases filed at the courts against the Authority on our request and they charge for them since this is a semi-governmental institute. Although relevant judiciary affairs will be concluded any time, the Authority has to pay the fees decided by the Department of Attorney General for various activities such as appearing at the court, consultations and preparing for court hearings. Accordingly, fees are paid to the Department of Attorney General.

In case a case will be settled before a judiciary judgment due to a settlement between the two parties or withdrawal of the case by the plaintiff / petitioner due to a certain reason, court may determine to pay a nominal court fee by the party of withdrawal or most often court determines that court fee is not entitled for such withdrawals. Further, the court determines the court fees when giving a judgment. In addition, if the plaintiff / petitioner withdraws a case before its conclusion, the Authority may not be able to charge the amount spent on the case from the plaintiff / petitioner through the Department of Attorney General and I wish to mention that only a court may decide court fee, whatsoever the case is concluded.

- (b) Arrangements were made to implement “World Consumer Rights Day” in 2016 in Kandy city.

However, it could not be celebrated in Kandy since the government declared a period of condolence due to the demise of Ven. Asgiri Maha Nayaka Thero that took place on a day closer to 15th March 2016.

Accordingly, there was not a firm decision on the celebration of World Consumer Rights Day and ultimately it was decided to hold it in Mullaitivu District. Hence, awareness programmes were conducted through print and electronic media, not as scheduled. Since the advertisements had to be published within a very short period of time, the Authority managed to get the service of Homes Polard Ltd. and the Authority obtained rate cards from the relevant media institutions and compared with the rates of Homes Polard Ltd. When settling payments.

Accordingly, since it was economical, payments were made to Homes Polard Ltd. On the approval of the Director Board (2017.02.27, CAA/HRA/29/2017/AOB-02-04). However, it was noted to follow relevant procurement procedure in future regarding this kind of activities.

The following breakdown of rates further prove the economical nature of this activity.

Media Institute	Cost paid to Homes Polard Ltd.	Market Price (As per rate card)
Hiru	500,000	995,000.00
Sooriyan FM	500,000	1,002,000.00
Gold FM	500,000	996,350.00

Further, creating concepts for the advertisements, preparing copies and preparing copies in all three languages were done free of charge and had to pay only for the paper advertisements, this transaction was advantageous for the Authority.

- (c) Consultants were appointed under Section 53 of the Consumer Affairs Authority Act No. 9 of 2003. The Authority decided to follow the instructions of the Secretary to the Ministry who is the Chief Accounting Officer.
- (d) Consultants have been appointed to carry out the activities that cannot be performed by the staff of the Authority in accordance with the Consumer Affairs Authority Act No 9 of 2003.

4.3 Administration of the Staff

Measures have been taken fill the vacancies on priority basis to continue the affairs of the Authority.

Accordingly, as stated in the audit query, measures have been taken to recruit suitable persons for the following posts to fill the vacancies. The following vacancies had been filled before the date of the audit query 23.03.2017.

<u>Designation</u>	<u>No. of Vacancies</u>	<u>Date of Appointment</u>
Audit Officer	02	16.01.2017
System Administrator	01	02.01.2017
Investigation Officer	62	01.02.2017


Advertisements were published in newspapers on 09.01.2017 to recruit suitable persons for the existing vacancies of the Authority, called applications and call the persons who fulfill requisites as per the recruitment procedures for interviews. Further, measures are being taken to obtain approval of the Department of Management Services and Department of National Budget to recruit the selected applicants. These appointments will be made on the approval of the Board of Directors of the Authority after obtaining the said approvals.

<u>Designation</u>	<u>No. of Vacancies</u>
Management Assistant	20
Driver	10
Administrative Officer	02

Actions are being taken to recruit suitable persons for the above positions and fill the vacancies. Accordingly, advertisements were published in the newspapers on 08.04.2017, called applications and measures are taken to fill the vacancies on the approval of the Department of Management Services and Department of National Budget.

5 Systems and Controls

The Authority has drawn attention to carry out the matters specified under 'a' to 'd' efficiently and effectively and I kindly inform that action will be taken in this regard.


Hasitha Tillekeratne
Chairman