

# **ANNUAL REPORT**

## **2017**



**CONSUMER AFFAIRS AUTHORITY**

## Chairman's Message



It is my pleasure to present the Annual Report of the Consumer Affairs Authority (CAA) for 2017 outlining the performance of the Authority.

Upon reviewing the performance of CAA after 14 years of its establishment, it must be noted that the Authority has been able to achieve a significant extent of its statutory objectives of protecting the consumer in a competitive business environment.

In the current technologically advanced era, any educated consumer in an open economic business environment may face irregular trade policies such as, unfair trade practices, conditional business, curtailing the sale and unfair trading conditions etc. which negatively affect the wellbeing of the consumer. The CAA has taken great efforts to protect consumers within this critical environment by issuing new and special Directions as permitted by law. With the collaboration of the Sri Lanka Standards Institution, Sri Lanka Customs, Ministry of Health, Ministry of Telecommunication and Digital Infrastructure, CAA has embarked on many consumer friendly actions to protect and educate the consumers. In addition, the Authority has also been involved in launching workshops and seminars aimed at educating both traders and consumers, thereby ensuring the emergence of knowledgeable consumers as well as traders in the business environment of Sri Lanka.

In 2017, the Authority conducted 255 general public awareness programmes and 214 trader awareness programmes to educate the general public and traders. In addition, 105 School Awareness programmes were also conducted in order to educate the younger generation of Consumer Rights. In the meantime 25,605 successful raids were conducted resulting in 25,071 Court cases being instituted against errant traders. The imposition of fines in these cases is in excess of Rs. 98 million. It is a 7.7% increase of the fines imposed in comparison with 2016.

The mandate of the Consumer Affairs Authority empowers the Authority to intervene into Consumer Complaints and 2301 complaints have been received in the year 2017, and inquiries were conducted and Orders were issued. Steps were taken to initiate legal action in court against the parties who had not complied with the Orders.

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

I also express my profound thanks to Hon Minister Rishad Bathiudeen M.P. and the Secretary, Ministry of Industry and Commerce for their valuable advice, motivation and guidance.

Finally, let me also thank all consumers/complainants who have sent commendations appreciating the services provided by the Authority.

  
Dr. Lalith N Senaweera

**Chairman**

# **Consumer Affairs Authority**

## **Vision**

A Well Protected Consumer within a Disciplined Business Culture

## **Mission**

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

## **Corporate Goals**

- 1) A delighted consumer through regulation of trade
- 2) Provide redress to Consumers affected by unfair trade practices
- 3) Consumer empowerment through education and awareness
- 4) Protection of traders and manufacturers against anti-competitive trade practices and promotion of healthy competition
- 5) Organizational development through capacity enhancement

## **Corporate Values**

- Trust  
Maintaining consistency of performance and ensuring dependability
- Honesty and Integrity  
Being sincere and be fair and righteousness in all activities
- Accountability  
Maintaining transparency and be accountable and responsible in whatever task that is performed
- Team Spirit  
All employees working together to achieve common goals improving mutual understanding, respecting and trusting each other with proper communication and flexibility
- Recognition  
Admire and appreciate outstanding performance of employees
- Commitment  
Dedication towards accomplishment of given tasks
- Responsiveness  
Willingness and readiness to provide services
- Creativity and Innovativeness  
Generating new ideas for continuous improvement in all aspects

1<sup>st</sup> & 2<sup>nd</sup> Floors

CWE Secretariat Building

No. 27, Vauxhall Street

Colombo 02

07.03.2019

Hon. Minister of Industry & Commerce, Resettlement of Protracted  
Displaced Persons and Co-operative Development

Hon Minister,

In terms of the Section 14(2) of the Finance Act No 38 of 1971, I herewith submit the Annual Report for the Year 2017 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,

  
Dr. Lalith N Senaweera

**Chairman**

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2017

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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 2017 are as follows:

1. Mr. Hasitha Tillekeratne	Chairman
2. Dr. M M Hilmy	Full Time Member
3. Mr. M Z Razeen	Full Time Member
4. Mr. A R B Nihmathdeen	Full Time Member
5. Ms. D C W Hapugoda	Treasury Representative
6. Mr. S T Abeygunawardana	Member – resigned - 08.09.2017
7. Mr. M T A Zain	Member
8. Mr. Ruban Wickramarachchi	Member
9. Mr. H B Dayaratne	Member
10. Mr. Varuna Suren Alawwa	Member
11. Dr. A M M Riyas	Member
12. Mr. Sinnathamby Nagiah	Member
13. Mr. Abdulla Nazeer	Member
14. Mr. A H M U Aruna Bandara	Observer, Line Ministry Representative

## **1.3 Staff of the Authority**

Mr. Hasitha Tillekeratne continued to serve as the Chairman during the year 2017. Mr. D Jeevanadan (SLAS) was appointed as Director General of the Authority from 01.01.2017.

### Heads of the Divisions of the Authority

1. Ms. Deepthi Tissera M.PA [PIM-Sri J] – Attorney-at-Law Director - Compliance & Enforcement	2. Ms. Chandrika Thilakaratna B.Sc Agri (Sp) M.Sc (Mgmt) Director – Consumer Affairs & Information
3. Ms. Shanthini Thiruneelakandan [ACEA] Director - Competition Promotion <b>Resigned – 06.11.2017</b>	4. Mr. Sampath Angulugaha B. Com (Sp) Hons, MBA, MIM (SL), AIPM(SL), AUKAP, PG Dip in Pers & HRM, Dip in PM Director - Human Resources & Admin
5. Mr. W M Priyantha MPM, B.Com (Sp) Hons, AIPFM, DPFM Director – Finance	6. Ms. Niranjala Jeganathan ACA, MBA (J'pura) Director - Pricing & Management
7. Ms. Rasika Savithri Wijesekara B.Sc Accounting (Sp) Hon USJ, CBA, MAAT Internal Auditor	

#### 1.4 CONSUMER AFFAIRS COUNCIL

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

##### Members of the Consumer Affairs Council

Mr. 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 and
- d. To seek redress against unfair trade practices, restrictive trade practices or any other form of exploitation of consumers by traders.

## **3. Functions of the Authority**

- 1) Control or eliminate –
  - a. restrictive trade agreement among enterprises
  - b. arrangements with enterprises with regard to prices
  - c. abuse of a dominant position with regard to domestic trade or economic development within the market or in a substantial part of the market; or
  - d. any restraint of competition adversely affecting domestic or international trade or economic development
- 2) Investigate or inquire into anti-competitive practices and abuse of a dominant position
- 3) Maintain and promote effective competition between persons supplying goods or services
- 4) Promote and protect the right and interests of consumers, 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 committee or committees as may be necessary to facilitate the discharge of the functions of the Authority; and
- 15) Do all such other acts as may be necessary for attainment of the objects of the Authority and for effective discharge of the functions of such Authority

#### **4. Performance of the Consumer Affairs 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 2017 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 63** – Direction for 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, product/items of operating voltage nor exceeding 250v & listed there in without the SLS Products certification Mark issued by the SLSI. (Plugs, Cables reels fitted with plugs & socket outlets)
- **Direction No 64** – Direct in on manufacturers importers, distributors & traders that they shall not manufacture, import, distribute, store or sell or distribute, store sell or display for sale, expose for sale or offer for sale, wholesale or retail any electrical appliance of operation voltage not exceeding 250v, unless it carries an electrical plug.

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

- Order No.40 – Maximum Retail Price of Mysore Dhal, Dried Sprats, Green Moong, White Sugar, Potatoes
- Order No. 41 – Maximum Retail Price of Rice
- Order No. 42 – Maximum Retail Price of Locally & Imported Rice
- Order No. 43 – Rescinded Order No. 39&40 MRP of the White Sugar & Frozen or Chilled Broilers Chicken Meat
- Order No. 44 – MRP of Locally produced Rice & Imported Rice
- Order No. 45 – Rescinded Order No 44 on MRP of Rice
- Order No. 46 – Rescinded the Order no. 40 on MRP of Dried Sprats
- Order No. 47 – Remove the item Sustagen 400g in Order No 39
- Order No. 48 – MRP of Mysore Dhal, Dried Fish-Katta, Salaya, Coconut
- Order No. 49 – MRP of Imported & Local Nadu Rice.

**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 67 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 2017 Authority has conducted 214 programmes for the business community.

**Table – 1** - Trader Awareness programs conducted in 2017

Province	District	Traders Awareness Programs
		No of Programs
Central Province	Kandy	10
	Matale	13
	Nuwara Eliya	08
Eastern Province	Ampara	18
	Batticaloa	02
	Trincomalee	14
North Central Province	Anuradhapura	04
	Polonnaruwa	10
Northern Province	Jaffna	01
	Kilinochchi	07
	Mannar	15
	Mullaitive	29
	Vavuniya	12
North western province	Kurunegala	02
	Puttalam	06
Sabaragamuwa Province	Kegalle	-
	Ratnapura	03
Southern Province	Galle	07
	Hambantota	09
	Matara	05
Uwa Province	Badulla	04
	Monaragala	02
Western Province	Colombo	26
	Gampaha	03
	Kalutara	04
<b>Total</b>		<b>214</b>

### b. Market raids and Investigations

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

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

<b>Activities carried out (Target)</b>	<b>Number of Raids</b>	<b>Number of Cases</b>	<b>Fine Imposed (Rs)</b>
<b>Market raids and investigations</b>			
- Market Investigations on Section 10 (Violation of directions issued under Section 10)	9,825	9,081	37,434,800
- Market Investigations on Section 11 (Selling at a higher price than the marked price)	1,044	871	2,856,600
- Market Investigations on Section 12 (Non-compliance with the standards)	122	134	628,500
- Market Investigations on Section 15	37	7	12,000
- Market Investigations on Section 16 (Denial of possession of any goods)	17	31	80,000
- Market Investigations on Section 17 (Hoarding of Goods)	0	0	0
- Market Investigations on Section 18 (Violation on MRP)	15	32	82,500
- Market Investigations on Section 20	2,331	2,023	8,402,500
- Market Investigations on Section 26 (Non displaying the price list)	6,909	7,189	20,692,400
- Market Investigations on Section 28(Traders to issue receipts to purchasers.)	19	17	501,000
- Market Investigations on Section 30 (Misleading or deceptive conduct)	2,504	2,698	13,904,600
- Market Investigations on Section 30 and 31 (Misleading and false representations)	1,719	1,705	8,843,900
Market Investigations on Section 31 (False representation)	1,063	1,283	4,836,350
<b>Total Raids and Fines</b>	<b>25,605</b>	<b>25,071</b>	<b>98,275,150</b>

**SPECIAL RAIDS CONDUCTED BY CONSUMER AFFAIRS AUTHORITY**



Conducting a raid on a huge stock of cosmetics with fraudulent labels



Conducting a raid on stock of expired cooking oil

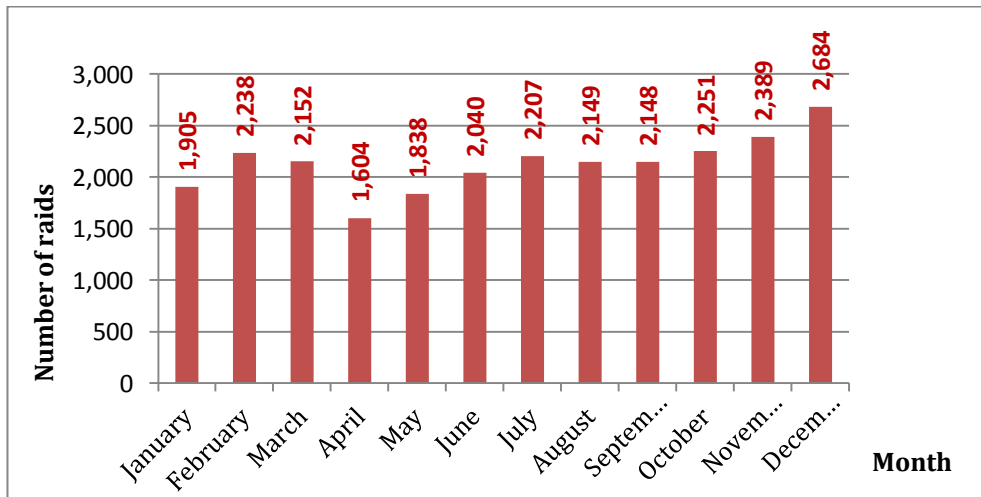


Conducting a raid on 50,000 kg of garlic which is not suitable for consumption

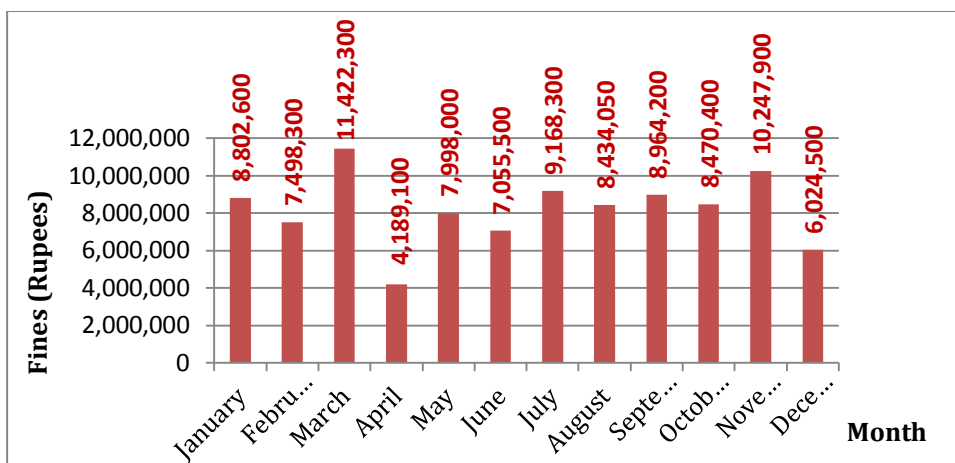


Conducting a raid on drinking water bottles with fraudulently labeled SLS certification

**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 2017 is presented in **Tables -3 &4**

	Total
Total Complaints received	2301
(a) By Mail	1989
(b) By Phone Calls	312
Raids( Head office/district office)	95
Referred to other institution	211
Complaints referred for inquiries	512
Discussion held on consumer complaints & discussion held prior to inquiries	1129
Discussions concluded (closed files)	520

(including previous year complaints)

**Table – 4 - Inquiries conducted in to Consumer Complaints:**

**Inquiries conducted in terms of public complaints**

Number of inquiries held	611
Continuation of inquiries from previous year/month	338
New Inquiries	273
Inquiries settled	127
Orders issued	122

(Including previous year complaints)

### Court Cases

Category	2017
New cases filed by Compliance & Enforcement	59
Appearance in Court	479
Fines (receiving Court cases)	Rs. 130,000/-
Trials conducted	106

#### **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	10	8	1
	Matale	13	2	-
	Nuwara Eliya	8	14	6
Eastern Province	Ampara	18	05	10
	Batticaloa	2	11	8
	Trincomalee	14	20	12
North Central Province	Anuradhapura	4	13	-
	Polonnaruwa	10	13	5
Northern Province	Jaffna	1	15	11
	Kilinochchi	7	6	2
	Mannar	15	5	5
	Mullaitive	29	14	6
	Vavuniya	12	8	5
North western province	Kurunegala	2	11	3
	Puttalam	6	16	1
Sabaragamuwa Province	Kegalle	-	3	1
	Ratnapura	3	9	2
Southern Province	Galle	7	11	1
	Hambantota	9	16	4
	Matara	5	3	7
Uwa Province	Badulla	4	9	3
	Monaragala	2	1	2
Western Province	Colombo	26	32	8
	Gampaha	3	1	-
	Kalutara	4	9	2
<b>Total</b>		<b>214</b>	<b>255</b>	<b>105</b>

**Table – 6 - Establishment of Consumer Organizations**



Province	District	School Consumer Organization established	School Consumer Circle Registered	Consumer Organization established
Central Province	Kandy	-	-	1
	Matale	-	-	-
	Nuwara Eliya	2	1	3
Eastern Province	Ampara	-	2	2
	Batticaloa	6	9	2
	Trincomalee	2	2	1
North Central Province	Anuradhapura	-	-	-
	Polonnaruwa	3	-	-
Northern Province	Jaffna	1	1	-
	Kilinochchi	1	3	-
	Mannar	5	11	-
	Mullaitive	1	3	1
	Vavuniya	4	1	1
North western province	Kurunegala	1	-	1
	Puttalam	1	-	-
Sabaragamuwa Province	Kegalle	-	-	1
	Ratnapura	-	-	-
Southern Province	Galle	-	-	-
	Hambantota	1	-	3
	Matara	-	-	-
Uwa Province	Badulla	-	-	-
	Monaragala	-	-	-
Western Province	Colombo	-	-	2
	Gampaha	-	-	5
	Kalutara	-	-	1
<b>Total</b>		<b>28</b>	<b>33</b>	<b>24</b>

**Awareness Programs conducted by Consumer Affairs Authority**



Conducting Special discussion with Coconut Development Authority & Coconut Cultivation Board



Exhibition stall of CAA at Shilpa Abimani-2017 V exhibition at BMICH, Colombo



Conducting Trader Awareness Programs



Conducting an Awareness Programs at District Office

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

Activity	Total
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<u>Investigation into complaints from trade</u> Intervention on complaints made to the CAA in respect of anti-competitive and unfair trade practices	
<ul style="list-style-type: none"> <li>• Complaints received from previous period</li> <li>• Complaints received during the period</li> <li>• Complaints transferred to the Council</li> <li>• Complaints disposed during the period</li> <li>• Complaints under progress</li> </ul>	04 29 01 24 08
<u>Maintaining level playing field for fostering competitions</u> Implementation of government policy on five products are identified currently under the Gazette notification No 1505/15 of 11/07/2007	
<ul style="list-style-type: none"> <li>• Received Applications</li> <li>• Proceed Applications</li> </ul>	321 321
<u>Price surveillance on essential commodities</u>	
<ul style="list-style-type: none"> <li>• Section 18/20 report based on Colombo &amp; suburbs</li> <li>• District wise data analyzing and reporting</li> </ul>	12 11
<u>Price monitoring on food commodities</u>	
Reports on daily retail prices of Vegetables (25 products)	276
Reports on daily prices of fruits (15 products)	141
Reports on retail prices on essential goods (25 products)	276
Reports on retail prices on fish	224
Special price Reports	151
Research Study	02
Special Study	04
Conduct Awareness	08 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.**

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**

01. Member of the Food Advisory Committee  
**National Medicines Regulatory Authority (NMRA)**
02. Member Borderline Products Evaluation Committee  
**National Medicine Regulatory Authority**
03. Cosmetic Evaluation Sub-Committee  
**National Medicine Regulatory Authority**

**06) Sri Lanka Accreditation Board**

Policy Advisory Committee

**07) Sri Lanka Standards Institution**

Sectorial Committee on Food products  
ISO-Copolco Committee  
National Electro Technical

- 08) Sustainable Energy Authority**  
Advisory Committee Meeting
- 09) National Cleaner Production Centre**  
Steering Committee
- 10) Registrar of Pesticides, Department of Agriculture**  
Industrial Pesticide Sub Committee
- 11) Export Development Board**  
National Export Strategy
- 12) National Building Research Organization**  
Product Certification Advisory Committee
- 13) Ministry of Finance**  
Cost of Living Committee Meeting

**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**

<b>Commodity</b>	<b>Action taken</b>
Cement	Determination has been issued for 06 No of Cement applications.
Full Cream Milk Powder	Determination has been issued for 05 No of Full Cream Milk Powder applications.
Infant Milk Powder	Determination has been issued for 01 No of drugs applications.

**Interim Orders**

<b>Items</b>	<b>No of applications</b>
Cement	05

Infant Milk Powder	03
Gas	08

**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 2017 is presented in **Table-8** below.

**Table – 8 - Staff Training & Development Programs held in 2017**

#	Title of the Course	No. of Participants
01	5 <sup>th</sup> BRICS International Competition Conference -Brazil	01
02	AAT Conference 2017	01
03	Diploma in English Language 2016/2017	01
04	Diploma in Executive Secretary & Administrative Practice	01
05	Fellowship Program “Improving and Specializing Consumer Affairs”-Korea	01
06	Induction Training for Newly Appointed Investigation Officer	50
07	International Technical Workshop on “Noncompliance with laws and regulations”	01
08	International Training Program on “Enterprise Project and Organization Management”-Thailand	02
09	Professional Diploma in Total management –Malaysia	01
10	Seminar on New Inland Revenue Act	03
11	Seminar on rules and regulations on foods	05
12	Special Lecture on Division Making-perils and Remedies	03
13	Training Program on Disciplinary Procedure	01
14	Training Program on Duties & Responsibilities on Accounts Clerks	02
15	Workshop on Good Agricultural and Postharvest Practices for Consumer Safety	01
16	Workshop on usage of Mass Media	01
<b>Total</b>		<b>75</b>

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

Salary Code	Designation	Approved Cadre	Existing Cadre
-------------	-------------	----------------	----------------

<b>HM 2-1</b>	Senior Manager		
	Director General	1	1
<b>HM 1-1</b>	Director	6	6
	Secretary to the Council	1	1
<b>MM 1-1</b>	Manager		
	Internal Auditor	1	1
	Deputy Director	15	5
	Assistant Director		3
	Deputy/ Assistant Director-Regional	9	8
<b>JM 1-1</b>	Junior Manager		
	Audit Officer	2	1
	System Administrator	1	1
	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	1
	Senior Costing Officer	1	1
<b>MA 5-2</b>	<b>Enforcement/ Operational/ Extension</b>		
	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	3
	Legal & Enforcement Officer	3	3
	Investigation Officer	200	224
<b>MA 2-2</b>	<b>Management Assistant (Tech)</b>		
	Book Keeper	1	0
<b>MA 1-2</b>	<b>Management Assistant (Non Tech)</b>		
	Management Assistant	31	31
<b>PL 3</b>	<b>Primary Level Skilled</b>		
	Driver	18	24
<b>PL 1</b>	<b>Primary Level Unskilled</b>		
	Office Aide	14	13
	<b>Total</b>	<b>370</b>	<b>370</b>

**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**

Amendments finalized with reasons/rationale for the proposals.

**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	Decided/settled or reports submitted by the Council (including previous year)
Ensure redress against anti-competitive practices which operates against public interest	03	Dismissed – 02 Pending – 01 Decision – 01 (CAC/51/2016)
Recommend a ceiling price of goods and services	11	Recommendation - 09
Investigations under excessive prices	02	Recommendation - 01

(including previous year complaints)



**CONSUMER AFFAIRS AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017**



	As at 31.12.2017	As at 31.12.2016
	LKR 000'	LKR 000'
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	52,317	15,354
Trade and Other Receivables	31,984	18,385
Inventories / Stocks	1,062	1,031
Other Current Financial Assets	<u>7,215</u>	<u>5,523</u>
	<b>92,578</b>	<b>40,294</b>
Work In Progress (Development Phase)	121	121
<b>Non - Current Assets</b>		
Investment	230,520	218,495
Gratuity Fund Investment Account	20,633	18,737
Other Non Current Financial Assets (Staff Loan)	12,864	6,333
Lease Hold Building	825	850
Property, Plant and Equipment	63,879	86,123
	<b><u>328,721</u></b>	<b><u>330,538</u></b>
<b>Total Assets</b>	<b><u>421,419</u></b>	<b><u>370,953</u></b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accrued Expenses	39,695	32,361
Payables & Other Liabilities	<u>12,255</u>	<u>2,199</u>
	<b>51,950</b>	<b>34,561</b>
<b>Non-Current liabilities</b>		
Provision for Gratuity	<u>50,071</u>	<u>45,579</u>
<b>Total liabilities</b>	<b><u>102,021</u></b>	<b><u>80,140</u></b>
<b>Total Net Assets</b>	<b><u>319,398</u></b>	<b><u>290,813</u></b>
<b><u>NET ASSETS / EQUITY</u></b>		
Accumulated Fund	63,191	63,191
Deferred Income	49,545	71,790
Reserves	<u>206,662</u>	<u>155,832</u>
	<b><u>319,398</u></b>	<b><u>290,813</u></b>
<b>Total Net Assets / Equity</b>	<b><u>319,398</u></b>	<b><u>290,813</u></b>

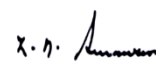
The Accounting policies and Notes on pages form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf



Director Finance  
Consumer Affairs Authority



Director General  
Consumer Affairs Authority



Chairman  
Consumer Affairs Authority



**CONSUMER AFFAIRS AUTHORITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR**  
**ENDED 31ST DECEMBER 2017**

	As at 31.12.2017	As at 31.12.2016
	LKR 000'	LKR 000'
<b>Revenue</b>		
Recurrent Grant	380,652	292,000
Fine Income	32,758	29,900
Other Income	<u>62,164</u>	<u>50,863</u>
	<b>475,575</b>	<b>372,763</b>
<b>Expenses</b>		
Personal Emoluments	(255,697)	(221,336)
Travelling	(12,480)	(12,895)
Supplies and Consumable	(11,859)	(10,605)
Maintenance	(8,643)	(9,782)
Contractual Services	(54,024)	(42,115)
Depreciation	(37,416)	(33,410)
Other Operating Expenses	(44,568)	(35,803)
Finance Cost	<u>(57)</u>	<u>(136)</u>
Total Expenses	<b>(424,744)</b>	<b>(366,083)</b>
	<b>50,831</b>	<b>6,681</b>
Loss of disposal of Assets	<u>-</u>	<u>(21)</u>
<b>Total Net surplus /(deficit) for the period</b>	<b><u>50,831</u></b>	<b><u>6,660</u></b>



**CONSUMER AFFAIRS AUTHORITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**31ST DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>LKR 000'</b>	<b>LKR 000'</b>
<b>Cash flows from Operating Activities</b>		
Surplus / (Deficit) from ordinary activities	<b>50,831</b>	<b>6,681</b>
<b>Adjustment for</b>		
Profit /(loss) of disposal assets	-	(21)
Depreciation	37,416	33,410
Gratuity Provision	7,211	6,939
Amortization	25	25
Decrease in Intangible Assets ( Work In Progress)	-	1,481
<b>Operating profit before working capital changes</b>	<b>95,483</b>	<b>48,515</b>
Increase in payables - Note I	17,389	3,210
Increase in other current assets - Note II	(15,322)	(599)
Gratuity Payment	(2,720)	(1,506)
<b>Net cash flows from operating activities</b>	<b>94,830</b>	<b>49,620</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Plant and Equipments	(15,171)	(12,208)
Investment in Gratuity Fund	(1,896)	(1,057)
Increase in Investments	(12,025)	(23,314)
Decrease in - Long term Loan(Staff Loan)	(6,530)	1,956
<b>Net cash flows from investing activities</b>	<b>(35,622)</b>	<b>(34,623)</b>
<b>Cash flows from Financing Activities</b>		
Treasury Grant - Capital	15,171	12,000
Depreciation	<u>(37,416)</u>	<u>(33,410)</u>
Deferred Income	(22,245)	(21,410)
<b>Net cash flows from financing activities</b>	<b><u>(22,245)</u></b>	<b><u>(21,410)</u></b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>36,963</b>	<b>(6,411)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>15,354</u></b>	<b><u>21,765</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u><u>52,317</u></u></b>	<b><u><u>15,354</u></u></b>



## NOTES TO THE ACCOUNTS

### **1. Corporate Information**

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

As per the Public Enterprises Circular No. PED/58/02 dated 15<sup>th</sup> September 2011, Consumer Affairs Authority is categorized under "A" of sub-category "A" in Regulatory Agencies.

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

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

- 1.3** The number of employees of the Authority at the end of the year 2017 is 383.

### **1.4 Significant shareholding / 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 CAA receives money as fines income but cannot recognized 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 end then they are credited to the Consumer Protection Fund of the Authority.
- 2.3.3** According to the past experience, it is observed that almost all of unidentified fine income reflected the fine receivable.

## **2.4 Financial Year**

Financial Year of the Authority is the calendar year which ends on 31<sup>st</sup> 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 Work in progress**

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

	<b>Estimated total cost (Rs.)</b>	<b>Completed work (Rs.) (WIP)</b>	<b>Balance to be completed/certified as @ 31.12.2017 (Rs.)</b>
HR Package	165,000.00	121,250.00	43,750.00
<b>Total</b>	<b>165,000.00</b>	<b>121,250.00</b>	<b>43,750.00</b>

### **3.2 Depreciation**

All the assets acquired are depreciated by the Authority commencing from the month the asset is available for use.

**3.2.1** Depreciation has been provided on a consistent basis so as to write off the cost of Property Plant and Equipment over their estimated lives as follow.

Office Furniture & Fittings	10%
Office Equipment	10%
Computer Equipment	20%
Computer Software & Web Designing (Intangible Assets)	20%
Motor Vehicle	20%
Office Partitions	20%
Non Consumables	10%

**3.2.2** Consumer Affairs Authority uses the straight line method in computing depreciation.

**3.2.3** No depreciation is made for Library Books.

**3.2.4** Value of depreciation relating to the year is transferred to the Differed Income Account.

### **3.3 Building Premises – Kurunegala**

Payment of Rs. 1 Million for the building premises which has been assigned by District Secretary of Kurunegala to Kurunegala District Office of CAA is amortized over 40 years.

### **3.4 Debtors & Receivables**

Debtors & Receivables are stated at the amount that they are estimated to realize. 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 31.12.2017 is Rs. 50,070,724.80.

CAA has obtained the approval to invest gratuity provision separately. Investment for gratuity has been calculated for the employees whose service period is over five years. Below mentioned is the summary of gratuity investment as at 31/12/2017 and balance to be invested.

	Rs.
Provision for gratuity employees' service over 5 years at 31.12.2017	42,648,334.47 as
Investment made as at 01.01.2017	17,679,313.40
Provision Available for Investment for 2017	<u>8,000,000.00</u>
Invested for 2017 at 30/01/2018	
<b>Total Investment</b>	<b><u>25,679,313.47</u></b>
Balance to be invested as at 31.12.2017	<b><u>16,969,021.00</u></b>

The accumulated balance to be invested is available since the General Treasury has not released the sufficient fund for the investment.

#### 4.2.2 Defined Contribution Plans / Employee Provident Fund & Employee Trust Fund

All employees are eligible for EPF & ETF contribution in line with respective statutes and regulation. Contribution to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement.

The Authority contributes 15% and 3% of gross emoluments of employee to Employee Provident Fund and Employees Trust Fund respectively.

#### **4.3 Contingent Liabilities**

There are 47 court cases against Consumer Affairs Authority as at 31.12.2017 and these cases categories as per section of CAA Act, which are as follows.

<b>Section</b>	<b>No of Cases</b>
<b>13, 30</b>	<b>33</b>
<b>20(5), 10(1),12(1)</b>	<b>14</b>

Most of these court cases filed against decision given by the CAA on behalf of consumers. There some cases against the published gazettes or a section of the gazettes by CAA. However, quantify the value of contingences is not done, since most of aggrieved parties are expecting reverse the Authority decision, amend or cancel the published gazettes.

- 4.4** Department of National Budget & Department of Management Service has approved to pay Bonus to the employees of CAA for the years 2014, 2015 and 2016. This payment was made in the current year, but no provision has been made due to uncertainty of the approval. The payment has been now adjusted as prior year adjustment.

#### **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 11%. Therefore, the interest income of the year more 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.  
My No. }

TCM/D/CAA/1/17

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

31 July 2018

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 2017 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 2017 comprising the statement of financial position as at 31 December 2017 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 relating to this was issued to the Director of the Authority on 11 June 2018.

**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.

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



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**1.3 Auditor's Responsibility**  
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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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

**1.4 Basis for Qualified Opinion**  
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My opinion is qualified based on the matters described in paragraph 2.2 of this report.



**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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In my opinion, except of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Consumer Affairs Authority as at 31 December 2017 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**  
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**2.2.1 Sri Lanka Public Sector Accounting Standards**  
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**Sri Lanka Public Sector Accounting Standards 07**  
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Though, the depreciation of an asset commence after it has been prepared for use in terms of Paragraph 69 of the Standard, depreciation amounted to Rs. 282,743 had been calculated and accounted for non- current assets totalled Rs. 2,827,431 which were not received to the Authority even by 31 December 2017.

**2.2.2 Accounting Policies**  
-----

According to the paragraph 9 and 15 of the Sri Lanka Public Sector Accounting Standards No. 03, a policy should be formulated based on more recent publications by the institutes of the building Standards relating to increase in future employee salaries, employee turnover and other actuarial assumptions such a policy had not been prepared. However, provision for gratuity had been made based on the last salary obtained and service period and provision for gratuity as at 31 December 2017 had been understated by Rs. 1,583,778 thus surplus of the year under review had been overstated from same amount.

### 2.2.3 Accounting Deficiencies

-----  
Following observations are made.

- (a) Office equipment and motor vehicles had been depreciated more than the cost by Rs.3,518,530.
- (b) A sum of Rs.12,011,000 paid as employees bonuses on 30 May 2017 in respect of the years 2014, 2015 and 2016 had been adjusted for the profit of the year under review instead of adjusting to the previous year profit and as a result of that profit of the year under review was understated from that amount. Further, provision had not been made in the financial statements by preparing estimates for the employees bonus of the year under review.

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

-----  
Following non-compliances were observed.

#### Reference to Laws, Rules and Non – compliance Regulations

- | Reference to Laws, Rules and Regulations   | Non – compliance  |
|--|---|
| (a) Establishments Code of the Democratic Socialist Republic of Sri Lanka<br>Section 4.5 of Chapter XXIV   | Receivable Loan balance of Rs. 881,760 had been existed as at 31 December 2017 from 10 interdicted officers.  |
| (b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulation 371 (2) | Even though advances should be settled even after the purpose completed, an advance of Rs.219,000 given to a private company for audit of human resources had not been settled even up to 30 June 2018. |





### **3. Financial Review**

#### **3.1. Financial Result**

According to the financial statements presented, the financial result of the Authority for the year under review had resulted in a surplus of Rs.50,830,861 as compared with the corresponding surplus of Rs.6,660,137 for the preceding year, thus indicating a improvement of Rs.44,170,724 in the financial result. Increase in Recurrent Grant by Rs.88,652,320 and increase of personal emoluments, other operating expenses and building rent by Rs. 34,361,943, Rs. 8,764,413 and Rs. 6,685,806 respectively had been the main reason for this improvement.

In analyzing financial results for the year under review and 04 preceding years, even though a financial surplus exist continuously 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 2013 amounting Rs.190,252,253 and it had increased up to Rs.343,944,401 in the year 2017.

### **4. Operating Review**

#### **4.1. Performance**

##### **4.1.1 Planning**

Following observations are made.

- (a) According to the action plan of the year under review, 600 programs including 300 schoolchildren awareness programs had been planned to complete and a sum of Rs. 8,474,299 had been spent during the year under review. However, only 105 of those programs had been held during the year under review and not a single schoolchildren awareness programmes conducted in three districts.

- (b) Schoolchildren awareness programmes had not been planned and implemented giving priority to relevant districts based on the number of school children and covering overall districts.
- (c) A survey had been carried out by the Authority to check whether all importers and distributors selling goods mentioned in the gazette notification No 1505/11 dated 11 July 2007 are acting accordingly. In that survey, it was observed that, the particulars of the importers and distributors not mentioned in the gazette, the maximum retail price had not been mentioned, and the prices were revised by the shopkeepers and it was observed that the orders of the above gazette notification does not implemented and the Authority had not taken adequate steps to implement the orders.
- (d) Provisions had been made regarding the complaints received by the Authority under section 13 of the act in which the Authority was established. Due to lack of systematic documentation or database on complaints received by the Authority it is unable to check unresolved complaints and delays in solving. As a result, it was observed that the achieving objectives of the Authority such as to give result against the consumer exploitation and to provide protection to consumers against the supply of goods and services which were harmful to the lives and property of consumers was not fulfilled.
- (e) Even though rice has been designated as specific commodity since 2008, gazette notifications have been issued time to time specifying the maximum retail price for three varieties of rice according to Section 20 (5) of the Act. The retail price of other varieties was out of control due to specifying the maximum retail price only for 1 kilogram of Nadu rice by the gazette notification No. 2051/8 dated 26 December 2017.





- (f) Out of 25,605 total raids carried out by the Authority during the year under review, 38 per cent was regarding prices being marked, labeling and packaging and 26.98 per cent was regarding not showing price list. However, it shows a lower level for raids on for the selling goods and services for the higher prices, standards and specifications regarding supply of goods and services, price of specified goods and services and selling of goods with maximum price such as 4.08, 0.48, 0.06 and 9.1 per cent respectively from the total raids. Furthermore, no any raid had been conducted regarding showing a notice board by the seller according to the Section 29 of the Authority Law.
- (h) There were no cases filed for 201 and 434 raids conducted during the years 2016 and 2017 respectively.

**4.2 Management Activities**

Following observations are made.

- (a) Even though the Management Services Department has informed by their letter No. DMS / 1736 / VOL 1 dated 11 August 2016 that payment of salaries and allowances to Consultants appointed without formal approval was not legal, 05 Consultants had been under the approval of the Board of Directors, in the year 2016. However, consultancy allowances, fuel allowances and transport allowances amounting to Rs. 5,490,720 up to 31 December 2017 had been paid based on the අමස/15/0180/613/008 of the Cabinet of Ministers decision on the 01 April 2015.
- (b) Even though a sum of Rs. 2,275,187 had been spent in the year 2016 by the Authority for maintenance of a vehicle belonging to the Ministry of Industry and Commerce, approval of the Secretary to the Ministry had not been obtained in terms of Paragraph 9.3.1(a) of the Procurement Guidelines. That vehicle was returned to the Ministry after using only 8 months. Even though, it was requested from the Ministry to reimburse this maintenance expenses by the letter No. CAA/HRA/VEH/24 dated 15 June 2017, it was not reimbursed even by the date of audit.

#### 4.3 Operating Activities

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Since the failure to identify separately the court records and the documents maintained at the institution on penalties imposed for various reasons, unidentified fines balance from Rs. 796,003 to Rs. 10,006,585 and receivable fine balance from Rs. 4,229,491 to Rs. 14,635,071 had been increased during the year under review.

#### 4.4 Staff Administration

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Following observations are made.

- (a) An officer has been appointed to the post of Director General of the Authority on secondment basis and on the basis of acting and a permanent officer had not been appointed since 25 March 2010.
- (b) Although the number of Investigation Officers to be assigned in each district was decided on the basis of the number of shops and population in each district there were 87 officers in excess in 06 districts and 92 shortages in another 6 districts by 28 March 2018.

#### 5 Sustainable Development

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##### 5.1 Achieving the Objectives of Sustainable Development

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Authority had identified "Responsible consumption and production", "Production and distribution of high quality products and services" as objectives and targets respectively according to the "Sustainable Development Agenda 2030" of United Nations Organization and Action had not been taken to identify indexes, points and based data to measure those objectives and targets.





**6 Accountability and Good Governance**

**6.1 Tabling of Annual Reports**

Even though the annual report had to be tabled in the Parliament within 150 days after end of the financial year in accordance with the Section 6.5.3 of the Public Enterprise Circular No. PED / 12 dated 02 June 2003, The Annual Report for the year 2016 had not been tabled by the Authority in Parliament even up to the date of audit.

**7. Systems and Control**

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 Observation**

**Controls**

- |                             |  |
|-----------------------------|--|
| (a) Employee Loan Recovery  | Not following the provisions of the Establishments Code in recovering employee loans and not preparing an age analysis for employee loans. |
| (b) Collecting Fine Charges | Not updating the collecting of fines.  |
| (c) Training of Officers    | Training programmes had not been implemented covering all officers.  |
| (d) Resolving Complaints    | Complaint files not completed and updated, Delay in solving complaints and not setting annual targets.                                     |

W.P.C. Wickramaratne  
Auditor General (Acting)

**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 31<sup>st</sup> of December 2017 under Section 14 (2) (C) of the Financial Act No. 38 of 1971**

**2.2.1 Public Accounting Standards of Sri Lanka 07**

Accounting errors herein stated have been corrected by now and it will be presented through the final account of 2018.

**2.2.2 Accounting Errors**

The error of calculating provisions allocated for employee benefits was corrected and it will be presented through the final account of 2018.

**2.2.3 No evidence for Auditing**

- (a) The errors on depreciation of vehicles were rectified and it will be presented through the account of 2018.
- (b) Officers concerned have been advised try their best to avoid this kind of errors.

**2.2.4 Inconsistency to terms and conditions, regulations and management decisions**

- (a) 6 employees out of 10 who were interdicted were placed in service with effect from 07/06/2018 and due money is being recovered from them. Preliminary action has been taken for auditing in respect of recovering the outstanding from the other four employees in terms of 4.5 of the Chapter xxiv of the Establishments Code.
- (b) Unsettled Advance\_  
All advances have already been settled except the advance obtained for auditing of human resources since it has not been completed yet.

**4 Review of Operations**

**4.1 Performance**

**4.1.1 Planning**

- (a) Even though the number of awareness programmes was less as per the action plan of 2017, I wish to state that the target of the programmes conducted in the year was national and international level was the consumer community. International Consumer Rights Celebration held on 15<sup>th</sup> March 2017 with the participation of HE the President, Hon. Minister of Industry and Commerce, other Ministers including Provincial Governors, foreign ambassadors, Heads of Defense, Senior Level Executive Officers of the public and private sector, school children and consumers at the Nelum Pokuna Theatre. Therein the Permanent Representative in the Asian Region of the Consumer International Institute was participated as the special guest speaker. Open Competitions on videos, creative writing and twitter were conducted island wide on the sidelines of this programme and valuable prizes were given away. Further, this programme was on public and private electric and print media, social web sites and other social networks nationally and internationally and having a huge publicity.

It was difficult to conduct awareness programmes in several districts due to the insufficiency of officers deployed for awareness at district level. New investigation officers have been attached to the district offices at present. Follow up action has been taken and discussions were held in this regard at the audit committees of the authority.

- (b) Awareness programmes got a new facet in 2017 and they could be conducted in several selected districts with the participation of a number of participants. Many awareness programmes were conducted in the districts such as Gampaha in particular under the guidance of the instructors who have been appointed for the Consumer Affairs Authority. Further, many people were made aware on the tasks of the Consumer Affairs Authority at a low cost using print and electric media covering the whole island.
- (c) Around 326 applications were received from the importers and distributors in 2017 to get certified the maximum retail price. A team of investigation officers has been assigned the duty of examining whether the prices given in the applications are truly implemented in the market and this issue has already been settled.
- (d) Documents are maintained to enter information with regard to the complaints on the authority and it provides information on the delay of solving complaints. Accordingly, relevant information could be obtained to examine the delays in solving complaints. This provides information on the delay of solving complaints. However, legal division does not have a proper computerized Data base to expedite this task.
- (e) Even though rice is a specified commodity with effect from 2008, when determining the maximum retail price Director General shall enquire from the Authority and call reports from the Consumer Affairs Council in terms of the provisions under section 19 of the Act. Accordingly, only the relevant gazettes are published by the legal division on the recommendations of the council and the approval of the authority.
- (f) As the raids are conducted as per the identified socio economic problems for the time being, it is not appropriate to carry out raids, calculate the percentages and comparison in terms of the sections of the act.
- (g) Obtaining the samples of commodities has been mentioned as raids that cases have not been filed in 2017, a separate document has been given to mark obtaining samples in future. Accordingly, this issue will be solved in future.

Measures are taken to advise officers to expedite filing of cases for the raids conducted in 2017, but not filed cases.

#### **4.2 Management Activities**

- (a) Measures were taken by the Hon. Minister in Charge of the Subject and the Board of Directors to appoint the advisors in terms of the Section 53 of the Act. However, all the appointments have been suspended until the issues on the definitions of the National Budget Department and the decision of the Director Board will be observed and, this has been referred to the Department of Attorney General for a clear definition and awaiting results.

- (b) Approval of the Secretary, Ministry of Industry and Commerce has been obtained to make the payment on renovations.  
Arrangements will be made to reimburse the payment on renovations from the Ministry.

#### **4.3 Operational Activities**

#### **4.4 Staff Management**

- (a) Immediate measures will be taken to rectify this error.  
(b) Arrangements have been made to deploy officers in the correct manner avoiding the issues related to shortage and excess of officers within the districts. This may solve the said issue.

### **5. Sustainable development**

#### **5.1 Achieving Sustainable Development Goals**

Measures have been taken to achieve sustainable development goals by taking this matter into consideration when preparing the Corporate Plan and the Annual Action Plan of the Authority and issuing directions in terms of the Act of the Authority.

### **6. Accountability and Good Governance**

#### **6.1 Tabling of Annual Reports**

Even though the Annual Report shall be tabled at the Parliament within 150 of the completion of the financial year in terms of the Section 6.5.3 of the Public Enterprise Circular No. PED/12 dated 02<sup>nd</sup> June 2003, the Authority had not tabled the Annual Report 2016 at the Parliament even by the date of auditing.

### **7 Systems and Controls**

Errors on systems and controls observed at the auditing were referred to the Chairman of the Authority for his consideration. Special attention shall be paid to the under mentioned areas.

#### **Area of Systems and Controls**

#### **Observation**

- (a) To recover employee loans

Entered into accounts accurately.

- (b) Collection of Fines

Legal investigations of the interdicted officers is in progress in terms of the Sections of the Establishments Code



Dr. Lalith N Senaweera

**Chairman**