



# **Consumer Affairs Authority**

## **Annual Report**

**2013**

# Chairman's Message

The CAA has been established by the Consumer Affairs Authority Act No 09 of 2003.

I am happy to present the reports of performance evaluation of all relevant financial and non-financial performance of Consumer Affairs Authority pertaining to 2013. I am rather happy to present an annual report with an unqualified audit opinion.

The overall objective of the 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 of goods and services. After 9 years from the inception of CAA, I believe the performance progress we have achieved depicts the accomplishment of our overall organizational objectives. Especially this has been convinced through increased number of consumer inquiries and daily popping out media reports.

In a highly competitive open economy, it is quite obvious to find deceitful and unfair trade practices which affects health and safety of consumers. In order to control this situation, we have issued and executed new Directions and orders to the manufacturers and traders, strengthening consumer protection. In accordance, we have issued 05 new Directions and it opened a new door way towards mitigating the market malpractices. Further collective effort was taken with the Ministry of Health and Sri Lanka Customs Department to safeguard the consumers from 207 import items which do not comply with the standards. And also the CAA conducted island wide awareness programs continuously, disseminating knowledge among consumers as well as the traders.

Throughout the complaints received from the aggrieved consumers, 84% of the complaints have been successfully solved and I would like to mention that the CAA has been rewarded with appreciations from consumers who have been obtained satisfactory redress through the CAA.

By reviewing and analyzing daily market survey reports, CAA has been able to control the retail price of 14 products, which have been categorized under 'essential items'. The CAA fixed the Maximum Retail Price of the same after an extensive study over the market price mechanism.

Meanwhile we have taken all the above mentioned measures to ensure a healthy market environment; legal actions have been taken against the deceitful and unfair traders who exploit the consumers. Accordingly CAA has conducted 25,287 market raids and Rs. 84.7 Million was imposed as fines. I do humbly thank to all the members in the Director Board and the staff for the contribution extended in achieving this success.

I should be grateful to the honorable Minister and the Secretary to the Ministry for directing and motivating the staff with variable guidance.

At last not least I would like to be thankful to all the stakeholders who supported the CAA in implementing programs on consumer protection and promotion of healthy competition.



Dr. R M K Ratnayaka  
Chairman

## *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.

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CWE Secretariat Building  
No. 27, Vauxhall Street  
Colombo 02  
26.05.2015

The Hon. Minister of Industry & Commerce

Sir,

In terms of the Section 14(2) of the Finance Act No 38 of 1971 I herewith submit the Annual Report for the Year 2013 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



Dr. R M K Ratnayaka  
Chairman  
Consumer Affairs Authority

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2013

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# *ABOUT US*

## 1.1 Introduction

The Consumer Affairs Authority has been established by the Consumer Affairs Authority Act No 9 of 2003 by repealing the Consumer Protection Act No 1 of 1979 and the Fair Trading Commission Act No 1 of 1987 and the Control of Prices Act of 1950.

As per the preamble of the Act, the overall objective of the Consumer Affairs Authority is to provide for the better protection of consumers through the regulation of trade and the prices of goods and services and to protect traders and manufacturers against unfair trade practices and restrictive trade practices. Moreover, it is expected to promote competitive pricing wherever possible and ensure healthy competition among traders and manufacturers of goods and services.

## 1.2 Constitution of the Authority

In terms of the Provisions of the Act, the Authority consists of a Chairman and not less than ten other members appointed by the Minister from among persons possessing qualifications and experience as specified in the Act.

## Members of the Authority – 2013

The names of the Members who held office as at the end of 2013 are as follows:

1. Mr Rummy Marzook	Chairman
2. Mr Milton Amarasinghe	Full Time Member
3. Mr Sunil Jayaweera	Full Time Member
4. Major General Nimal A Jayasuriya	Full Time Member
5. Major General P Chandrawansa	Member
6. Rev Rekawa Jinaratana Thero	Member
7. Jayanthipura Wimalawansa Thero	Member
8. Ms Chandra Ekanayake	Treasury Representative
9. Mr Sugath Mohan Frank de Silva	Member
10. Mr Dushan Soza	Member
11. Mr Vinod Dhansingani	Member
12. Mr J M Jayathilaka Jayasundra	Member
13. Mr Varuna Alawwa	Member
14. Mr Anura Fernando	Member
15. Mr Anil Kumara Senadheera	Member
16. Mr H M L Hemantha Bandara Herath	Member
17. Mr Basil Vanlanganburg	Member
18. Mr W A C Hemakumara	Member
19. Mr R B Tennakoon	Member
20. Major Y H P N Y Senadhipathi	Member
21. Mr M B M Ibrahim	Member
22. Mr Madhawa Sanjeewa Wattergama	Member
23. Dr Jayantha Balawardena	Member
24. Mr M H F Sheriff	Member
25. Mr Pinsith Amila Perera	Member
26. Ms M N P Gooneratne	Ministry Representative
27. Mr K D D K de Abrew	Member
28. Mr. A M Wijeratna Adikari	Member
29. Mr. M A Wimalaweera	Member
30. Mr. D C Christie Jayasekara	Member
31. Dr. (Mrs) P Talgaswatte	Member

32. Dr D S Jayaweera	Member
33. Mr. W Sudammika Weeraman	Member
34. Mr. Saman Sanjeewa Pathirana	Member
35. Mr. T G G Dharmawardhana	Member
36. Dr. T B Ananda Jayalal	Member
37. Mr. K A D R Christy	Member
38. Mr. G K G L S B Jayawardhana	Member
39. Dr. Lakshmi Somathunga	Member

### 1.3 Staff of the Authority

Mr. Romy Marzook continued to serve as the Chairman during the year 2013. Mr. J M A Douglas (SLAS Officer – Class I) was succeeded as Director General of the Authority from 03 December 2012.

#### Heads of the Divisions of the Authority – 2013

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

#### 1.4 Consumer Affairs Council

Consumer Affairs Council has been established in terms of Part iv of the Act. Hon Minister Johnston Fernando appointed Mr. Upali Senaratne as the Chairman appointed with effect from 20.05.2013 and continued to serve as the Chairman of the Consumer Affairs Council during the year 2013.

Members of the Consumer Affairs Council:

Mr Upali Senaratne (AAL)	-	Chairman
Mr Wasantha Gunawardena	-	Member
Mr Sudath Wijewickrama	-	Member

Secretary to the Council

Ms Lekha Aryaratne (Attorney-at-Law)

## 2. *Objectives of the Authority*

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

### *3. Functions of the Authority*

- 1) Control or eliminate –
  - a. restrictive trade agreement among enterprises
  - b. arrangements with enterprises with regard to prices
  - c. abuse of a dominant position with regard to domestic trade or economic development within the market or in a substantial part of the market; or
  - d. any restraint of competition adversely affecting domestic or international trade or economic development
- 2) Investigate or inquire into anti-competitive practices and abuse of a dominant position
- 3) Maintain and promote effective competition between persons supplying goods or services
- 4) Promote and protect the right and interests of consumers, purchases and other users of goods and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- 5) To keep consumers informed about the quality, quantity, potency, purity, standards and price of goods and services made available for purchases.
- 6) Carry out investigations, inquiries in relation to any matter specified in this Act.
- 7) Promote competitive prices in markets where competition is less than effective.

- 8) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs.
- 9) Undertake public sector and private sector efficiency studies.
- 10) Promote consumer education with regard to good health, safety and security of consumers
- 11) Promote the exchange of information relating to market conditions and consumer affairs with other institutions
- 12) Promote, assist and encourage the establishment of consumer organizations
- 13) Charge such fees in respect of any services rendered by the Authority
- 14) Appoint any such committees as may be necessary to facilitate the discharge of the functions of the Authority; and
- 15) Do all such acts as may be necessary for attainment of the objects of the Authority and for effective discharge of the functions of such Authority



## *4. Performance of the Consumer Affairs Authority*

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

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

The performance of the Consumer Affairs Authority during the year 2013 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
  - i. **Direction No 45** – Incense/Joss Sticks manufacturers, Importers and Traders that shall mark the details required in the Direction.
  - ii. **Direction 46** – Manufacturers, Distributors, or Traders shall not manufacture distribute, store or sell or display for sale expose for sale or offer for sale, wholesale or retail any locally manufactured electric cables prescribed in the Direction without the SLS Product Certification Mark issued by the Sri Lanka Standards Institution.

- iii. **Direction 47** - manufacturers, Distributors, or Traders of Mosquito coils and mats shall not manufacture distribute, store or sell or display for sale expose for sale or offer for sale, wholesale or retail any locally manufactured Mosquito Coils or Mosquito mats unless the SLS product Certification Mark issued by the Sri Lanka Standard institution is legibly printed in a conspicuous, place on each pack.
  - iv. **Direction 48** - Importers, manufacturers or distributors of milk powder shall not store, stock or keep milk powder either in packs or in bulk in any warehouse, store and/or any other place unless such warehouse, store or place is registered with The Consumer Affairs Authority.
- b. Orders issued under Section 20(5) of the Act
- i. **Order No. 24** – Maximum Retail Price on Chicken Meat

**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 207 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 2013 Authority has conducted 192 programmes for the business community.

**Table – 1** - Trader Awareness programs conducted in 2013

District	No of Programmes conducted	No of participants
Ampara	04	72
Anuradhapura	10	236
Badulla	02	95
Batticaloa	03	138
Colombo	21	2157
Galle	04	223
Gampaha	07	337
Hambantota	05	107
Jaffna	01	18
Kalutara	03	187
Kandy	24	765
Kegalla	10	328
Kurunegala	14	489
Matale	10	277
Matara	08	666
Monaragala	05	279
Nuwara Eliya	10	341
Polonnaruwa	08	206
Puttlam	18	628
Ratnapura	08	149
Trincomalee	11	515
Vauniya	06	133
<b>Total</b>	<b>192</b>	<b>8,346</b>



Deyata Kirula National Development Exhibition at Anuradhapura, Oyamaduwa

Deyata Kirula National Development Exhibition at Anuradhapura, Oyamaduwa



Workshop for the Members of Women's Organizations in Colombo District

Awareness programme for the School Children



Awareness programme for the School Children

Mobile Awareness Programme

b. Market Surveillance

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

The following have been listed as specified goods

- i. Cement
- ii. LP Gas
- iii. Milk Powder
- iv. Rice
- v. Chicken Meat
- vi. Wheat Flour
- vii. White Sugar
- viii. Dried Chillies
- ix. Big Onions
- x. Red Onions
- xi. Dhal
- xii. Dried Spratts
- xiii. Gram (chick peas)
- xiv. Green gram (mung beans)
- xv. Canned Fish

With the objective of price monitoring and surveillance on cement, LP Gas, Milk Powder, Chicken meat, and rice have been done on regular basis in Colombo and suburbs.

c. 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.

During the year Authority has conducted 25,287 market raids and these raids were conducted by the officers of the head office and officers attached to the district units of the CAA. The amount of fines imposed by the courts on errant traders for the violation of the provisions of the Act, in the year 2013 is Rs 84.7 Million.

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

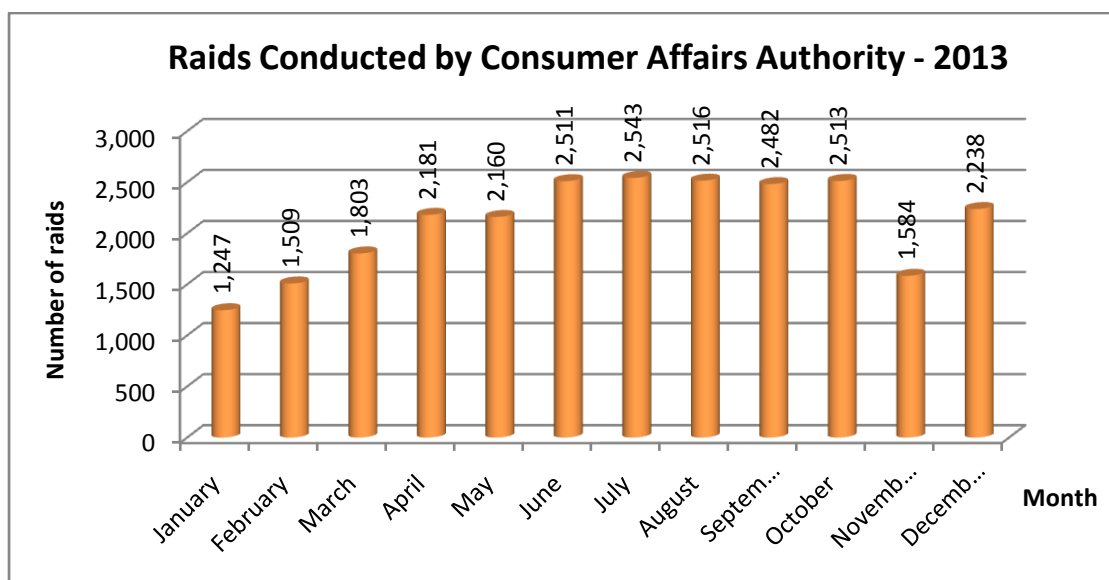
**Table 2 - The Progress on Market Raids and Fines Imposed**

<b>Activities carried out (Target)</b>	<b>No. of raids</b>	<b>No. of cases</b>	<b>Fines imposed Rs</b>
Market raids and investigations a. Market Investigations on Section 10 ( <i>Violation of directions issued under Section 10</i> )	3,736	3,212	11,573,941
b. Market Investigations on Section 11 ( <i>Selling at a higher price than the marked price</i> )	2,586	2,280	8,459,268

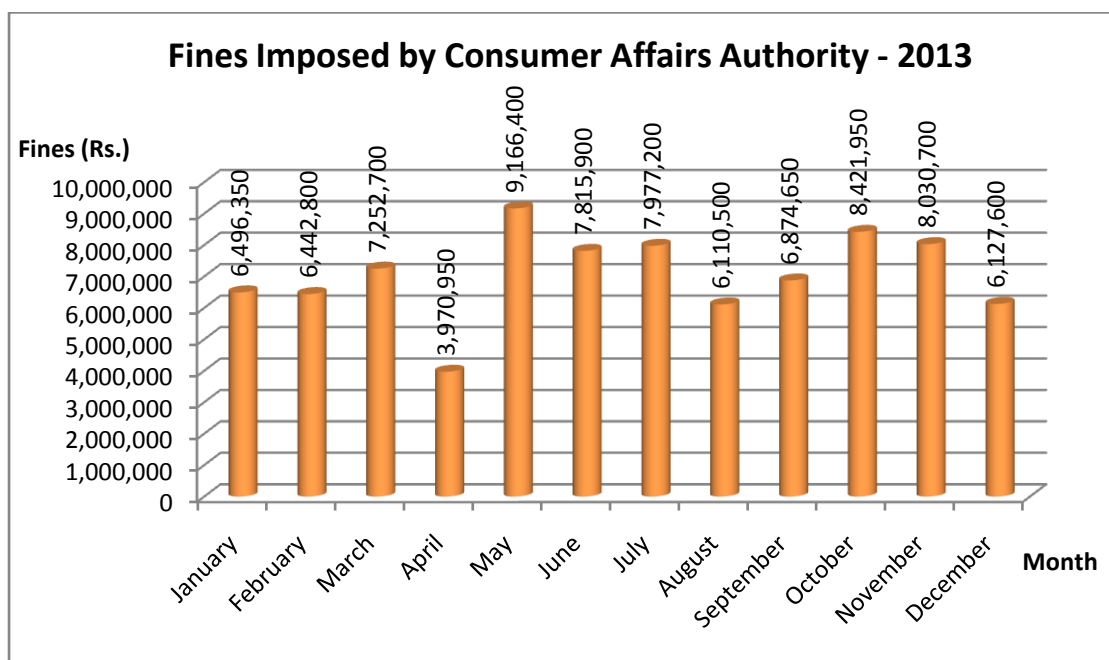
<b>Activities carried out (Target)</b>	<b>No. of raids</b>	<b>No. of cases</b>	<b>Fines imposed Rs</b>
c. Market Investigations on Section 12 ( <i>Non compliance with the standards</i> )	173	162	559,000
d. Market Investigations on Section 15	08	07	25,500
e. Market Investigations on Section 16 ( <i>Denial of possession of any goods</i> )	10	05	119,500
f. Market Investigations on Section 17 ( <i>Hoarding of Goods</i> )	01	-	-
g. Market Investigations on Section 18 ( <i>Violation of MRP</i> )	08	02	3,000
h. Market Investigations on Section 20	526	483	1,665,400
i. Market Investigations on Section 26 ( <i>Non displaying the price list</i> )	9,130	8,845	25,414,512
j. Market Investigations on Section 28 ( <i>Traders to issue receipts to purchasers</i> )	19	18	67,500
k. Market Investigations on Section 30 ( <i>Misleading or deceptive conduct</i> )	4,133	3,507	16,684,450
l. Market Investigations on Section 30 and 31 ( <i>Misleading and false representations</i> )	2,880	2,313	9,304,929
m. Market Investigations on Section 31 ( <i>False representation</i> )	2,077	1,897	10,810,700
<b>Total</b>	<b>25,287</b>	<b>22,731</b>	<b>84,687,700</b>

No of Court cases filed other than on raids had been 67 and Authority has collected Rs 338,000/-by way of fines.

### Raids Conducted by Consumer Affairs Authority - 2013



### Fines Imposed by Consumer Affairs Authority - 2013





## Raids Conducted by Consumer Affairs Authority - 2013



Conducting a raid on steel bars



White rice is adulterated with a dye



Adulteration of Chili Powder with a textile dye



Sample of expired canned fish while preparing for changing the expiry date



Two samples of original and counterfeit hair dye



Carbide applied fruits

### 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.

During the year 2013, the Authority has received 1387 complaints and concluded 565 complaints to the satisfaction of both parties while 19 consumer complaints have been referred to district units, 427 complaints have been referred for market raids.

The progress of handing consumer complaints during 2013 is presented in Tables 3 and 4 below.

**Table – 3**

Consumer Complaints handled during 2013

No of complaints received	1,387
Referred to other institutions *	129
Referred for raids and other action *	427
Concluded *	565
Rejected *	37
Discussions held *	455

\*This total includes complaints brought forward from previous years which have not been settled.

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

Action Taken	Nos
Inquiries held	137
Inquiries settled	13
Orders issued	-
Discussions held (prior to inquiry)	49

The Authority has filed 67 cases in the Magistrates' Court for the enforcement of Orders for non-compliance by the respondents.

#### 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.

During the year 2013, the Authority has conducted 217 consumer awareness programmes for the General Public, 126 awareness programmes for School children. These programmes were conducted by the head office as well as district units of the CAA. In addition to these programmes the CAA has contributed to the two (02) exhibitions and trade fairs as well in order to educate the public. The progress of the Awareness Programmes for the General Public, Establishment of Consumer Organizations, Awareness

Programmes for schools, Establishment of School Consumer Clubs, Exhibitions are presented in Tables 5 – 9.

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

District	No of Programmes conducted	No of participants
Ampara	07	152
Anuradhapura	08	200
Badulla	08	293
Batticaloa	09	363
Colombo	37	10745
Galle	08	1425
Gampaha	04	375
Hambantota	07	953
Jaffna	04	117
Kalutara	07	166
Kandy	09	641
Kegalle	12	1093
Kurunegala	15	705
Matale	08	303
Matara	09	275
Moneragala	02	428
Nuwara Eliya	09	250
Polonnaruwa	07	2706
Puttlam	11	1805
Ratnapura	13	544
Trincomalee	15	365
Vavuniya	08	188
<b>Total</b>	<b>217</b>	<b>24,098</b>

**Table – 6**

## Establishment of Consumer Organizations

District	No of Organizations established	No of Organizations registered
Ampara	01	27
Batticaloa	01	36
Colombo	03	146
Ratnapura	01	25
Trincomalee	02	66
Matale	01	15
Vavuniya	01	19
<b>Total</b>	<b>10</b>	<b>334</b>

**Table – 7**

## Awareness Programmes for Schools

District	No of Programmes conducted	No of participants
Ampara	12	309
Anuradhapura	02	40
Badulla	03	1,348
Batticaloa	14	514
Colombo	25	3,247
Galle	01	150
Gampaha	01	118
Jaffna	05	214
Kalutara	04	167
Kandy	02	275
Kegalle	10	1,672
Kurunegala	09	1,216
Matale	02	71
Matara	04	239
Moneragala	02	99
Nuwara Eliya	01	146
Puttlam	14	1,711
Ratnapura	05	430
Trincomalee	07	422
Vavuniya	03	92
<b>Total</b>	<b>126</b>	<b>12,480</b>

**Table – 8****Establishment of School Consumer Circles**

District	No of Consumer circles established	No of Consumer Circles registered
Colombo	20	2,158
Ratnapura	01	165
Trincomalee	08	502
Vavuniya	02	58
<b>Total</b>	<b>31</b>	<b>2,883</b>

**Table – 9****Exhibitions**

District	Type of activity	No of visitors
Galle	Gamini Maha Vidyalaya, Galle	2000
Colombo	Deyata Kirula National Exhibition at Ampara, Oyamaduwa	650,000
	<b>Total</b>	<b>652,000</b>

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

### **a. Promotion of Competition**

The Authority has conducted 26 investigations into alleged anti-competitive practices on complaints received by the Authority in 2013 and out of these complaints 16 have been investigated and disposed of during the period while 7 complaints have been referred to the Consumer Affairs Council.

Other than the complaints, the Authority on its own initiative carried out a study to identify any possible anti-competitive practices in the exercise books market.

Special studies were carried out on current issues and how its impact on prices of commodities. This includes industrial Gas Cylinders and medical gas cylinder special commodity levy and impact in the retail market. Essential commodities product profiles

- Identification of Market Share and Collecting Statistical Data

Consumer Affairs Authority is responsible for control or elimination of abuse of dominant position with regard to trade within the market or in substantial part of the market. Statistical data has been collected to identify market share of enterprises in relation to selected products available in the local market and any possible abuse of dominant position. This enable CAA to identify market structures associated with such sectors and industries.

The Authority has taken steps to calculate the market share of 29 products with the view of examining the possibility of market dominance. Market identification is quite essential in relation to goods and services which are not competitive.

The Authority has conducted 18 price surveillance on essential commodities. Regular price surveys are carried out in Colombo and other Districts in order to monitor the prices of essential commodities.

Based on daily market prices of food commodities, vegetables and fish price analysis reports are submitted on daily basis. Five hundred and fifty six (556) reports are submitted.

b. Protection of local industries

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

Protection of local industries through promotion of level playing field, few identified products are considered to price mark with Maximum Retail Price (MRP) at the time of importation and are being monitored by the Authority.

Gazette Notification No 1505/15 of 11.07.2007 issued under the section 10 of Consumer Affairs Authority Act mandates all the importers of five identified products to price mark before goods are imported to the country. Accordingly, Department of Customs has issued an order to submit applications along with the intended MRP to the Authority before goods are cleared by importers.

Importers of confectionaries, chocolates, biscuits, and cake and toilet soaps are forwarding their maximum Retail Price (MRP) declarations to the Consumer Affairs Authority. Declared MRP based CESS is being imposed by the Dept of Customs. CAA based on the declaration carryout the regular market checking on these products to ensure the declared prices are being implemented. Two hundred and ninety one (291) applications were attended during this period.

c. 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 10 below.



**Table – 10** - Action taken by the CAA to stabilize/ fix the prices of specified items

Commodity	Action taken
Cement	Considering the requests made by the cement Companies, maximum retail prices of 10 Nos. of Cement brands has been increased.
Chicken Meat	<p>Maximum Retail Price of Chicken Meat has been revised by issuing a gazette notification on 30 May 2013 under Section 20(5) of the Act and prices are :</p> <ul style="list-style-type: none"> <li>1kg of Broiler Chicken meat with skin (whole chicken or any parts) sold with a Brand Name Rs. 380.00</li> <li>1 kg of Broiler Chicken meat with skin (whole chicken or any parts) sold without a Brand name Rs. 370.00</li> </ul>
LP Gas	<p>Maximum Retail Prices allowed for two (02) Major Liquid Petroleum gas players are as follows,</p> <ul style="list-style-type: none"> <li>Litro – 12.5kg cylinder – Rs. 2,396/- (Colombo) 2.3kg cylinder – Rs. 470/- - (Colombo)</li> <li>Laugfs – 12.5kg cylinder – Rs. 2,396/- (Colombo)</li> </ul>

**Other Activities**

Registration of Warehouses of Milk Powder	Gazette notification has been issued for registration of warehouses of Milk Powder on 27 December 2013.
Pharmaceutical	Ground studies has been carried out to prescribe “Pharmaceuticals” as essential good under the power vested in section 18 of the CAA Act

**d. Capacity Enhancement of the Organization****a. Staff Development**

Consumer Affairs Authority considers the development of the staff in their relevant fields is an investment which contributes to uplift the quality of our services. Details of the staff training programmes held in 2013 is presented in Table 12 below.

Table – 12

## Staff Training Programmes held in 2013

#	Title of the Course	No. of Participants
01	3 <sup>rd</sup> International Conference “ Role of Competition in fostering Trade & Investment”	01
02	Basic Statistics	03
03	Capacity Building of Upper and Middle Level Managers of Government Sector on “Adopting Healthy Lifestyle”	02
04	CIMA Master Course on Financial Modeling with Excel	01
05	Consumer Education Program in Malaysia	01
06	Developing Management Assistants	04
07	Drivers & Minor Employees on Correct Attitudes & Motivation	02
08	International Seminar on Halal Std, Halal Std, Halal Science & Technology & Halal Product Trade	01
09	Secretarial Practices	01
10	Seminar on Effective Interpersonal Skills	01
11	Skills & Etiquette Training for secretaries & Receptionists	01
12	Sri Lanka Financial Reporting Standards one day seminar	01
13	Super 5 “S” as a Productivity tool	01
14	Terminal Benefits	01
15	Training on salary Management & salary conversation	02
16	WIPO regional workshop on building respect for intellectual property	01
17	Workshop for Drivers	04
18	Workshop on Disciplinary management	02
19	Workshop on Import & Export Procedure	01
20	Workshop on Transport Management	01

b. Strengthening the Staff position of the Authority

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2013	Vacancies
<b>HM 2-1</b>	<b>Senior Manager</b>			
<b>HM 1-1</b>	Director General	1	1	0
	Director	6	5	1
	Secretary to the Council	1	1	0
<b>MM 1-1</b>	<b>Manager</b>			
	Internal Auditor	1	1	0
	Deputy Director	15	5	7
	Assistant Director		3	
	Deputy/ Assistant Director-Regional	9	0	9
<b>JM 1-1</b>	<b>Junior Manager</b>			
	Audit Officer	2	0	2
	System Administrator	1	0	1
	Senior Investigation Officer	27	15	12
	Senior Statistical Officer	1	0	1
	Senior Market Resource & Analyst	1	0	1
	Senior Accounts Officer	2	1	1
	Confidential Secretary (DG)	1	0	1
	Confidential Secretary (Chairman)	1	1	0
	Senior Admin/HR Officer	1	0	1
	Senior Legal & Enforcement Officer	2	2	0
	Senior Costing Officer	1	0	1
<b>MA 5-2</b>	<b>Enforcement/ Operational/ Extension</b>			
	Data Co-ordinator	1	0	1
	Statistician Officer	1	1	0
	Market Resource Analyst	1	1	0
	Documentation Officer	6	0	6
	Librarian	1	0	1
	Costing Officer	15	3	10
	Accounts Officer		9	

<b>Salary Code</b>	<b>Designation</b>	<b>Approved cadre as at 19.05.2011</b>	<b>Existing cadre as at 31.12.2013</b>	<b>Vacancies</b>
	Administration Officer	5	5	0
	Legal & Enforcement Officer	3	3	0
	Investigation Officer	200	165	35
<b>MA 2-2</b>	<b>Management Assistant (Tech)</b>			
	Book Keeper	1	0	1
<b>MA 1-2</b>	<b>Management Assistant (Non Tech)</b>			
	Management Assistant	31	22	9
<b>PL 3</b>	<b>Primary Level Skilled</b>			
	Driver	18	17	1
<b>PL 1</b>	<b>Primary Level Unskilled</b>			
	Office Aide	14	14	0
	<b>Total</b>	<b>370</b>	<b>275</b>	<b>96</b>

c. Staff Motivation and Welfare

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

d. Amendments to the CAA Act

Final draft of Amendments received from Legal Draftsman's Department to be check and sent to the Legal Draftsman's Department.

### **Consumer Affairs Council – 2013**

The Consumer Affairs Council administratively functions under the Consumer Affairs Authority and is conferred with powers by the Act to hear and determine references made to it by the Authority, mainly in the area of anti-competitive practices. In terms of the provisions of the Act, cases on excessive pricing, market imperfections and market manipulations are also being referred to the Council for investigation. Where necessary the council is empowered to recommend ceiling on prices at which goods shall be sold or services shall be provided.

## Complaints/ References

Section of CAA Act	No of complaints/ References	Settlements/ Determinations/ Recommendations
Section 38 Anti-competitive practices	6	6
Section 19 Recommend a ceiling price on Goods and services	1	2
Section 19 & 22 Investigations under excessive prices on Goods and Services	3	-

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

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



## CONSUMER AFFAIRS AUTHORITY

### STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2013

	As at 31.12.2013 LKR 000'	As at 31.12.2012 LKR 000'
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	10,775	9,865
Trade and other Receivables	21,724	18,579
Inventories / Stocks	1538	1,117
Other Current Financial Assets	14,759	6,492
	48,795	36,053
Working Progress (Intangible Assets)	1,421	
<b>Non/Current Assets</b>		
Investment	145,371	125,239
Other Non Current Financial Assets (Staff Loan)	8,254	6,089
Deffered Employee Cost	-	2,350
Assets classified as held for sale	-	324
Lease hold building	925	950
Property, Plant and equipment	57,777	69,063
	212,328	204,016
<b>Total Assets</b>	<b>261,123</b>	<b>240,069</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued Expenses	16,025	19,651
Payables & Other Liabilities	5,435	3,321
	21,461	22,972
<b>Non-Current Liabilities</b>		
Provision for Gratuity	21,458	17,833
<b>Total Liabilities</b>	<b>42,919</b>	<b>40,805</b>
<b>Total Net Assets</b>	<b>218,204</b>	<b>199,264</b>
<b>NET ASSETS/ EQUITY</b>		
Accumulated Fund	63,191	63,191
Deferred Income	57,517	70,337
Reserves	98,917	65,736
	219,625	199,264
<b>Total Net Assets/ Equity</b>	<b>219,625</b>	<b>199,264</b>

Director Finance  
Consumer Affairs Authority

Director General  
Consumer Affairs Authority

Chairman  
Consumer Affairs Authority



## CONSUMER AFFAIRS AUTHORITY

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	<b>As at 31.12.2013 LKR 000'</b>	<b>As at 31.12.2012 LKR 000'</b>
<b>Operating Revenue</b>		
Recurrent Grant	226,408	159,222
Fine Income	28,513	34,529
Other income	32,628	21,717
	<b>287,549</b>	<b>215,468</b>
<b>Expenses</b>		
Personal Emoluments	139,879	116,122
Travelling	12,172	9,664
Supplies and consumables	11,417	11,055
Maintenance	6,674	4,364
Contractual services	38,691	39,233
Depreciation	17,557	11,680
Other operating expenses	28,087	17,518
Finance Cost	107	128
Profit/(Loss) on Disposal of Assets	(148)	1,061
<b>Total Expenses</b>	<b>254,732</b>	<b>208,702</b>
<b>Total Net surplus/(deficit) for the period</b>	<b>32,817</b>	<b>6,766</b>



CONSUMER AFFAIRS AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 LKR 000'	2012 LKR 000'
<b>Cash Flow from Operating Activities</b>		
Surplus/ (Deficit) from ordinary activities	<b>32,965</b>	<b>5,704</b>
Profit/ (loss) of disposal assets	(148)	1,062
<b>Adjustment for</b>		
Depreciation	17,556	11,680
Increase in Gratuity Provision	3,625	3,706
Amortization	25	25
<b>Operating profit before working capital changes</b>	<b>54,023</b>	<b>22,177</b>
Increase in payables	(1,510)	1,051
Increase in other current assets	(11,831)	21,404
<b>Net cash flows from operating activities</b>	<b>40,682</b>	<b>44,632</b>
<b>Cash flows from investing Activities</b>		
Purchase of Plant and Equipment	(6,223)	(53,014)
Increase in Intangible Assets	1,421	
Proceeds from sale of Plant and Equipment	275	1,831
Increase in investments	(20,132)	(50,819)
Increase in -Long term Loans	185	1,952
<b>Net cash flows from investing activities</b>	<b>(27,316)</b>	<b>(100,050)</b>
<b>Cash flows from Financing Activities</b>		
Deferred Income	(13,770)	33,978
Consumer Protection Fund/ Reserves	1,314	7,785
<b>Net cash flows from Financing Activities</b>	<b>(12,456)</b>	<b>41,763</b>
<b>Net Increase/ (Decrease) in cash and cash equivalents</b>	<b>910</b>	<b>(13,655)</b>
<b>Cash and cash equivalent at beginning of the period</b>	<b>9,865</b>	<b>23,520</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>10,775</b>	<b>9,865</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 2012 is 241.

### **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 issued by the Public Sector Accounting Standards Committee of The Institute of Chartered Accountants of Sri Lanka.

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

### **2.3 Fine Income**

**2.3.1** Income earnings from the fines were earlier excluded from the statement of financial performance since those were not utilized for the general activities of the Authority. From year 2011, CAA utilizes this income with approval from the General Treasury. Therefore, fines income is treated as an income and all the related expenses and incomes to the fines have shown at the statement of financial performance.

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

### **2.4 Financial Year**

Financial Year of the Authority is the calendar year which ends on 31<sup>st</sup> December.

## **3. Assets Bases and of their valuation**

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

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

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

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

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

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

**3.1.5 Work in progress ( Rs.1,421,428.00)**

This represents the amount of Rs.1,421,428.00 spent for the project consumer watch as @ 31.12.2013.

**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%
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 Financial Instruments**

#### **3.7.1 Held to Maturity Investments**

Fixed Deposits of the CAA are classified as Held –to- maturity investments since; it has the non-derivative quality with fixed payments fixed maturities. Fixed Deposits are measured initially at cost.

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.

#### **3.7.2 Non Current Assets Held for sale**

Non Current Assets and disposal classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

## **4. Liabilities & Provisions**

### **4.1 Payables**

Payables are stated at their costs.

### **4.2 Retirement Benefit Obligation**

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

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

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

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

However, CAA has now taken approval to invest gratuity provision separately. Accordingly, provision for the year 2014 of Rs.4,603,706/- has been invested and accumulated provision up to 31.12.2013 of Rs.17,833,134/= will be invested once the final approval is obtained.

Since the required liability has not been totally invested, actuarial gain or losses are not recognized.

#### **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 bearing financial assets (Fixed deposits) classified as held to maturity financial assets, interest income is recorded using nominal interest rate (NIR).

## **Government Grants**

Government Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relates to an expense item (recurrent grant) it is recognize as income over the period. When the grants relates to an assets item (capital grant) it is recognize as Deferred Income and released income in equal amounts over the expected life of the related asset.

Where the CAA receives the Non monetary grants, the asset and grant are recorded gross at nominal amounts and released to the Income Statement over the expected life of the asset.  
(IAS 20)



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



මගේ අංකය  
எனது இல. } TC/E/CAA/FA/2013  
My No. }

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி } 19 January 2015  
Date }

Chairman,  
Consumer Affairs Authority

**Report of the Auditor General on the Financial Statements of the Consumer Affairs Authority for the year ended 31 December 2013 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 2013 comprising the statement of financial position as at 31 December 2013 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 notes was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 50(3) of the Consumer Affairs Authority Act, No. 9 of 2003. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be furnished to the Chairman of the Authority in due course.

**1.2 Management's Responsibility for Financial Statements**

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

**1.3 Auditor's Responsibility**

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



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

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

## **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 2013 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 Unexplained Differences**

Even though a sum of Rs.366,000 had been shown as changes in the accounting policies in the statement of changes in equity furnished with the accounts its accuracy could not be established as the explanations thereon had not been furnished.



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

According to Section 19 of the Consumer Affairs Authority Act, No. 9 of 2003 whenever the it appears to the Director General that a producer or a trader is supplying goods or services at a high price or is using the market irregularly in any manner in connection with goods or services or whether there is any other market error, it should be referred to the Council to investigate it and report. Nevertheless, the Director General had not taken such action on one company for not reducing the gas prices in 04 instances when the gas prices decreased during the period from March to October 2013.

### 3. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the operating results of the working of the Authority for the year ended 31 December 2013 had resulted in a surplus of Rs.32,816,755 as compared with the corresponding surplus of Rs.6,765,819 for the preceding year, thus indicating an improvement of Rs.26,050,936 in the financial results. The receipt of recurrent provisions over that of the preceding year, increase in sundry income and the increase in the interest received on fixed deposits had been the reasons for the improvement. The operating expenditure of the Authority for the preceding year amounting to Rs.208,702,621 as well had increased by Rs.46,029,145 or 22 per cent to Rs.254,731,766 in the year under review.

Even though provision of Rs.4,970,000 had been received from the Treasury for capital expenditure of the year under review, the Authority had spent a sum of Rs.6,221,843 for the purchase of assets and as such expenditure exceeding the provision amounting to Rs.1,251,843 had been incurred.

### 3.2 Legal Action initiated against the Authority

The following observations are made.

- (a) Even though the Authority had intervened in connection with price control for infant milk foods through a notification published in the Gazette Extraordinary No. 1763/4 of 18 June 2012, one Infant Mil Foods Company had filed a case against the Authority alleging that the price control is unfair.



- (b) The former General Manager who had been dismissed from service during the General Election 2010 without giving notice had filed a case against the dismissal in the Labour Tribunal. Both parties had settled the case on the payment of compensation amounting to Rs.3,560,400 to the officer and as such a loss equivalent to that amount had been incurred.

#### 4. Operating Review

##### 4.1 Performance

The following observations are made.

##### (a) Increase in the Price of Chicken

Even though a maximum price for sale of broiler chicken with skin had been fixed by a notifications published in the Gazette Extraordinary No. 1812/24 of 30 May 2013, in view of not fixing such maximum price for the sale of skinned chicken parts the opportunity had been open for the sale of such chicken at different prices.

##### (b) Increasing Milk Powder

##### (i) Full Cream Milk Powder

Due to the increase in the prices of imported milk powder in the base year all the companies distributing milk powder had made several written requests to the Authority for the increase of the prices of their products and the Authority had not responded. One of the companies which made the request had increased the price of milk powder in October 2013 without obtaining the written permission of the Authority. When the Authority started taking action in that connection, that company had filed a case against the Authority in the Court of Appeal. The Attorney General had stated that in terms of Section 18(4) of the Act the company had the right to increase the price as the Authority had failed to take a decision within 30 days from the receipt of the application.



**(ii) Fat Free Milk Powder**

Even though the milk foods had been declared as an item of specified goods in terms of a notification published in the Gazette Extraordinary No. 1302/24 of 20 August 2003, the Authority had not imposed a price control for the fat free milk powder. In view of this situation the manufacturers and the distributors had determined the prices at their will without the permission of the Authority.

**(c) Determination of the Price of Wheat Flour**

Even though wheat flour had been declared as an item of specified goods in terms of a notification published in the Gazette Extraordinary No. 1342/1 of 23 May 2004, two companies manufacturing and distributing wheat flour had taken action to increase the price. Even though the Attorney General informed that the item of goods is controlled in terms of Section 18(2) of the Consumer Affairs Authority Act and that the price increase should be effected with the prior approval of the Authority, the Authority had not taken action to enforce its powers.

**(d) Liquefied Petroleum Gas**

According to the agreement entered into by 02 gas distribution companies with the Consumer Affairs Authority, the cost estimates should be prepared once in every two months for the revision of price of gas and submit to the Authority. But, one company had not made an applications whatsoever in the year 2013 for revision of gas price.

Even though the price of gas in the world marked in mid-2013 had fallen from US\$ 955 to US\$ 762 per metric ton of gas, the price of gas could not be reduced as the company had not made an application for price revision. The Authority had not taken any action for the breach of agreement.

**(e) Bottled Drinking Water**

According to a survey conducted by the Authority in the year 2012 it had been pointed out that bottled drinking water should be compulsorily subjected to standard testing, that it should be brought under the control of the Authority to protect the health conditions of the consumers and that obtaining the standards certificate should be made compulsory.



Even though a period of nearly 02 years had elapsed after making arrangements for the control of this industry run without being subject to Standards and price control of enforcing the powers vested in the Authority in terms of the Act, the market price per bottle had been determined with a margin ranging from 25 per cent to 60 per cent between the supply price and retail price due to the failure to issue rules and regulations for that purpose.

**(f) Consumer Service Enquiry Project**

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Even though plans had been made for the implementation of this Project for informing the prices of consumer goods to the consumers and providing solutions to the complaints of consumers, the Authority had spent a sum of Rs.5,590,834 for the implementation of the Project as Treasury provision for the Project had not been received. The following observations are made in this connection.

- (i) The Treasury approval for the Project had not been received.
- (ii) Public quotations had not been invited for the purchase of equipment costing Rs.5,401,427 for obtaining the consumers' enquiries under the Project. Quotations had been invited from several companies recommended by the Chairman of the Authority and Purchasing Committee of the Ministry had awarded the bid to one company.
- (iii) The technical equipment valued at Rs.5,401,427 purchased by the Authority for the Project had not been installed in the premises of the Authority.
- (iv) Even though the estimated cost of the Project amounted to Rs.6.6 million, the Authority had not made any arrangements to obtain the provision required for the completion of the Project.

**4.2 Transactions of Contentious Nature**

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The stocks of paddy purchased from the provision made available to the Government Agents in the Maha Season 2012/2013 under the letter No. DFD/Agri/PP-2013 Yala dated 17 July 2013 of the Director General of Treasury Operations to prevent the falling prices of paddy in the Yala Season 2013 had been recommended for sale as animal feed. Accordingly, the Order made by the Consumer Affairs Authority in the year 2008 prohibiting the use of rice or paddy suitable for



human consumption as animal feed had been rescinded by the notification published in the Gazette Extraordinary No. 1821/5 of 29 July 2013. An examination carried out at the Paddy Stores of the Paddy Marketing Board revealed that the said paddy purchased in the Maha Season 2012/2013 determined for use as animal feed was of very good quality fit for human consumption.

#### **4.3 Personnel Administration**

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The following observations are made.

- (a) The approved cadre of the Authority as at 31 December 2013 had been 370 and the actual cadre as at that date had been 275. Accordingly action had not been taken to fill 95 vacancies. In addition to the approved cadre 37 Development Officers of the Ministry of Co-operatives and Internal Trade had been attached to the Authority.
- (b) Even though the officer who performed the duties of the post of Media Officer of the Authority had assumed duties as the Media Secretary of the Minister of Co-operatives and Internal Trade with effect from 15 March 2013, he had been paid salaries amounting to Rs.94,938, contributions to the Employees' Provident Fund and the Employees' Trust Fund amounting to Rs.17,084 for a period of 3 ½ months up to 30 June 2013.

#### **5. Accountability and Good Governance**

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##### **5.1 Tabling of Annual Reports**

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The Annual Report for the year 2012 had not been tabled in Parliament.

##### **5.2 Implementation of Directives made by the Committee on Public Enterprises**

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The following directives made by the Committee on Public Enterprises at the meeting held on 03 October 2012 had not been implemented even by 31 December 2013.

- (a) Even though the Authority was directed to appoint an officer in the service of the Authority with the qualifications, to the post of Director General, that had not been implemented even by 31 December 2013. It was observed that an officer recruited on secondment basis is performing the duties of that post.



- (b) The Committee on Public Enterprises directed that a report on the failure to obtain reimbursement of a sum of Rs.3,147,903 spent on repairs to a motor vehicle of the Ministry of Co-operatives and Internal Trade should be furnished to the Committee and that directive had not been implemented even by 31 December 2013.

**6. Systems and Controls**

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

- (a) Accounting
- (b) Human Resources Management
- (c) Assets Control
- (d) Projects Control

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

**Chairman's Comments on the Report of the Auditor General Submitted in terms of Section 14(2)(c) of the Finance Act No. 38 of 1971 regarding the Financial Statements of the Consumer Affairs Authority (CAA) for the Year ended 31 December 2013**

## **2. Financial Statements**

### **2.1 Opinion**

I am pleased to inform you that the Auditor General has declared that financial statements as at 31 December 2013 give a true and fair view of the financial position of the Consumer Affairs Authority and are in accordance with Sri Lanka Accounting Standards.

#### **2.2.1 Unexplained Discrepancies**

#### **2.2.3 Non Compliance with rules, regulations and management decisions**

##### **(a) Section 19 of the Consumer Affairs Authority Act no. 09 of 2003**

The CAA has entered into agreements with the two gas companies to determine the price of gas according to a formula for gas pricing. As per these agreements the companies are supposed to send price revision requests once every two months. This is applicable to all periods of time including the times during which the price increased/ decreased in the world market. Therefore, this is a matter that should be governed under the aforementioned agreements and a need to apply Section 19 of the Act does not arise.

## **3. Financial Review**

### **3.1 Financial Outcome**

Operations of the Authority in the year ended 31.12.2013 have resulted in a surplus of Rs. 32,816,755/- indicating a Rs. 26,050,936/- increase in comparison to the previous year. This is attributed mainly to the increased income as a result of increased recurrent receipts and increased interest paid for fixed deposits and expenditure which did not increase proportionate to the increased income.

### 3.2 Legal Action against the Authority

- (a) Gazette no. 1763/4 was issued on 18 June 2012 stipulating a maximum price for 26 baby formulae released to the market by 06 companies. At this point, one company, i.e., Nestley Company alone filed a case against the gazette. The Authority adhered to the instructions of the Attorney General in this regard and repealed the gazette.
- (b) The former Director General of the Authority Mrs. R.K. Jayasooriya who had been suspended after being employed at the Authority, was dismissed from service on 12-10-2006 after being employed from 09-05-2005 to 12-10-2006. The case filed by her in this regard at the Courts of Appeal was rejected. Based on the compromise that was made after she appealed to the Supreme Court, she was recruited to the post of Director General on 02.03.2009 subject to a year's probationary period.

After the aforesaid recruitment, she was again dismissed on 18-02-2010 after which she forwarded a request to the Labour Tribunal against the decision.

1. While the aforesaid request was being examined, a decision was taken on 20-11-2013 to pay a sum of Rs. 3,560,400/- to resolve the case at the Labour Tribunal. Therefore it had to be an expense incurred by the Authority. However, the decisions taken on two occasions by the Board of Directors to terminate her service were based on her lack of management capabilities to implement a decision that was important for the Authority's progress or the progress of the entire country and/ or her purposeful inaction with regard to the implementation of such decisions and her inability to cooperate with the upper management of the Authority. The fact that the Board of Directors took these unusual circumstances into consideration and her service was terminated on two occasions by the unanimous decision of the Board of Directors proves the above point. Accordingly this is a decision that has been taken for the future wellbeing of the Authority.



## 4. Operations Review

### 4.1 Performance

#### ( a) Hike in chicken prices

Frozen Broiler chicken with skin is a meat product that is sold in large quantities in the market. When the price of this meat product is controlled, exorbitant pricing of skinless chicken too would be prevented as a result of market competition. Furthermore the market share of chicken slaughtered and sold immediately at abattoirs is much smaller when compared with the market share of broiler chicken. Therefore due to the above reasons, the price of skinless chicken and chicken sold as curry chicken would not go up as a result of imposing price controls on broiler chicken with skin.

Price controls within the prevalent open economy must be imposed in a manner that does not affect the entire open economy.

Since price controls must be imposed without causing detriment to either the entirety of the country's consumers or the vendors, price controls were actively imposed on chicken with skin based on the heavy consumption of this product by consumers. Here, the price controls imposed on the price of chicken with skin has resulted in automatic price control of skinless chicken (including chicken parts) which has a relatively smaller market share.

Thus, price has been controlled successfully in a manner that would have a direct effect on the majority of the country. Further it is kindly informed that indirect stabilization of the price of skinless chicken which has a relatively smaller market share too has been achieved through this endeavor.

Treasury representatives and the Ministry of Livestock and Rural Community Development informed that the price controls should not be imposed on chicken sold as 'parts'. Accordingly, Gazette number 1859/6 dated 22 April 2014 was issued in consideration of this matter.

( b) Hike in the price of milk powder

(i) Full cream milk powder

It is correct that applications have been made by companies seeking to increase the price. As given in the audit query, one company, i.e., the Maliban Company has increased the price. Maliban Company had sent applications to the Authority on 05.04.2013 to increase the price of 400g of milk powder from Rs. 325/- to Rs. 360/- and the price of 1kg of milk powder from Rs. 810/- to 890/-. Since document relevant to the said calculations had not been furnished, a letter asking for the relevant documents was sent to them on 22.04.2013. When they did not respond to the letter, action was taken to issue an interim injunction on 02.05.2013 under Section 18(4) of the Consumer Affairs Authority Act. Again an application was submitted on 17.07.2013 in connection with the abovementioned application, seeking to increase the price of 400g of milk powder from Rs. 325/- to Rs. 425/- and the price of 1kg of milk powder from Rs.810/- to Rs. 1060/-. The Authority did not take action to approve the revised prices within 30 days as this request had been made in connection to the earlier application against which an interim injunction had already been issued. Information mentioned above has been submitted to the courts of law at the hearing of the case that was filed regarding this matter by the Maliban Company against the Authority (case mentioned in the audit query). Through the letter dated 30.05.2014, the Maliban Company has informed that action will be taken by them to distribute milk powder at the price approved by the Authority. The Maliban Company later took action to withdraw the case against the Authority.

(ii) Non-fat milk powder

Since 2003, action has been taken to issue prices for full cream and non-fat milk powder in consideration of the requests that are made regarding the price. When it was observed that the price of non-fat milk is increased without making requests to the Authority for price revision as non-fat milk is considered a special commodity that is consumed in small quantities in the market, companies that produce non-fat milk were notified on 21 February 2014 that any increase in the price of non-fat milk requires approval of the Authority.

(c) Determining the price of wheat flour

Facts mentioned in the audit query are accurate and it is informed that any future price increase that is effected without prior approval of the Authority shall be responded with legal action and that arrangements regarding any request made by the companies will be made within 30 days.

(d) Determining the price of liquefied petroleum (LP) gas

As per the agreement signed with by the gas companies and the Authority, requests to revise price are to be made once every two months. As the first step taken in accordance with the agreement, action has been taken to inform the Secretary to the Treasury through the letter dated 02.09.2014 to intervene and resolve the issue since requests have not been made in the above manner.

(e) Bottles of drinking water

A request had been made by the Sri Lanka Standards Institution to make Sri Lanka Standard a mandatory requirement for the PET bottles used for the packaging of drinking water. The Authority had obtained the Board approval that is necessary for the same.

In the meantime, the Association of Bottled Drinking Water Producers had expressed their view that the Sri Lanka Standard applicable to the said PET bottles must be revised. Therefore action has been taken to appoint a committee that includes the Sri Lanka Standards Institution, Ministry of Health, Consumer Affairs Authority and a representative of the Sri Lanka Bottled Water Producers' Association to inform the Sri Lanka Standards Institution of the amendments that are required to be made in the SLS. Further, Sri Lanka Bottled Water Producers' Association has been asked to inform the CAA and the SLS Institution of the concerns that must be included when revising the standard of the PET bottles.

Therefore it is kindly informed that steps will be taken by the Authority to make the said standard a mandatory requirement as soon as the relevant revisions are done on the Sri Lanka Standard applicable for PET bottles.

A preliminary study regarding the price of bottled drinking water was carried out by the Pricing Division. Secondly, an investigation was carried out by the Consumers Council after summoning producers of bottled water. Recommendations of the Council have been forwarded to the Board of Directors for their approval and it is expected to stipulate a maximum retail price for bottles of drinking water in the future.

(f) Customer care inquiry project

- i. In terms of Sections 49 (3) a, b, c and d of the Consumer Affairs Authority Act no. 09 of 2003, authority to incur these expenses from the consumer protection fund has been granted to the Authority. Accordingly, expenses of the Customer care project were borne after obtaining approval of the Board of Directors in terms of the provisions of the Act.
- ii. In consideration of the highly technical nature of the projects of this nature, the management decided to only call for quotations from companies that have already implemented projects of this nature. Accordingly, quotations (limited bids) were called as per the approval of the Secretary to the Ministry, from some select companies that were qualified for the task.
- iii. Customer care project is considered to be an intangible asset and it is a service that is provided for the benefit of the entire society. Financial value of this service can be divided into two parts. Those are:
  01. Service provided(Software)
  02. Hardware and system specifications that facilitate the provision of such service (Hardware)

Ownership of the software, which is the most important and essential component of the customer care project is held by the Authority. Following hardware is instrumental in the provision of this service:

01. Voice (IVR/OBD) platform
02. Application server
03. Subscription server platform
04. DB server

In order to ensure the success of a project of this nature, all the instruments mentioned above must be active during all 24 hours of the day. In order to keep the instrument running 24/7, a large generator, different servers and various types of other hardware mentioned above are required. A large sum of money must be spent to purchase these items and some of such hardware is only available with large scale communications organizations (organizations such as Sri Lanka Telecom and Dialog). Furthermore, advanced technological knowledge is required when it is needed to troubleshoot this equipment.

In consideration of practical problems that arise in relation to the large sums of money that needed to be spent for equipment, technical issues and the difficulty of having to work with many different service providers, it was decided that it is best for the Authority to obtain this service from institutions which provide such services. Therefore, provision of this specialized service was outsourced through the same institution that developed the unique software required for the project. Accordingly, this service is a service obtained subject to a time limitation.

- iv. Although the estimated expenditure of the project was Rs. 60 million, it was possible to complete the project with Rs. 54. Hence, no further funds are required. Furthermore, funds were not requested from the Treasury for this purpose as projects of this nature can be implemented under the provisions of the Act. However, action will be taken in future to obtain Treasury approval for projects of this nature too, as it appears to be the best course of action.

## 4.2 Transactions of a contentious nature

As per the instructions received by the Authority from the Attorney General's Department to repeal order number 19 issued on 25.01.2008, steps were taken by the Consumer Affairs Authority to repeal the said order on 29-07-2013.

## 4.3 Staff administration

(a) (i) Staff has been recruited to fill the vacancies that existed in the Authority as at 31 December 2013 but the following positions are currently vacant as no suitable application has been received from internal candidates or external candidates for interviewing.

1) Senior Manager HM 1-1- Director (Pricing and Management)

2) Junior Manager JM 1-1-

As per the recruitment procedure, a suitable candidate can only be recruited from the internal applicants (no external applicant can be recruited for this position). No suitable internal candidates had applied for the above mentioned positions. Therefore action has been taken to amend the recruitment procedure and recruit suitable persons externally. For this purpose, letters CAA/HRA/DMS/01 dated 27-09-2013 and CAA/HRA/DMS/01 dated 03-01-2014 have been forwarded to the Department of Management Services through the Secretary to the Ministry.

(II) Recruitment procedure refers to the two positions of Assistant Director and Deputy Director as two positions placed on grades I and II of the MM category. Accordingly, an officer is first recruited to Grade II of the MM1-1 category and is later promoted to Grade I Deputy Director position after 12 salary steps and the completion of all other requirements stipulated in the recruitment procedure.

Further, it is kindly informed that two Assistant Directors have been promoted to the post of Deputy Director with effect from 01 February 2013 in accordance with the results of interviews that were carried out as per the provisions of the recruitment

procedure that existed before 08-08-2012 which were also approved in the new recruitment procedure, and the approvals granted by the Board of Directors.

(III) Deputy Director (Human Resource) has been temporarily attached to the Pricing and Management Division with the approval of the Director General. She has thus been temporarily attached to the Division in order to collaborate with the Assistant Director (Pricing and Management) of the Pricing and Management Division for the implementation of the Pharmaceutical Drug Pricing Regulation Project which is a special project run by the Division.

(IV) Although interviews were carried out in June 2013 for the post of Director (Pricing and Management), a suitable applicant could not be selected for the post as external and internal candidates who applied for the post were not willing to accept the terms and conditions (conditions including the salary) of the position.

(V). The post of Auditor belongs to category JM 1-1 of the staff of the Authority and it is a post to which recruitment can only be made internally. Accordingly, interviews were held and an appointment letter was issued to appoint an internal officer to the post of Auditor but the said individual did not accept the post. Since no other suitable candidate could be found, the post remains vacant. Therefore action has been taken to amend the recruitment procedure and recruit suitable persons externally. For this purpose, letters CAA/HRA/DMS/01 dated 01-07-2013 and CAA/HRA/DMS/01 dated 03-01-2014 have been forwarded to the Department of Management Services through the Secretary to the Ministry.

(b) This person who had been employed as a media officer of the CAA had been employed at the CAA till 30 June 2013 and had failed to inform the CAA that they have accepted duties at the Ministry with effect from 2013/03/15. However, it is kindly informed that arrangements were made to enquire about salaries and other allowances that were

paid additionally to this person during a period of three and a half months as mentioned above and recover the said sum from the relevant officer.

## 5. Accountability and good governance

5.1 Tabling annual reports in Parliament - Annual report for year 2012 has been submitted to the Cabinet.

It is kindly informed that all possible attempts will be made to minimise this as much as possible and work within a given time frame.

## 5.2 Implementing orders of the Committee of Public Enterprises

(a) Replies have been submitted to all matters forwarded to us by the COPE held on 03.10.2012. It was informed that an officer of Class I (now in special grade) was appointed to the post of Director General as per the provisions of Section 6 of the Act. Therefore it is kindly informed that a query to that effect had not been made at the COPE held on 20.02.2014.

(b) As mentioned above, replies have been submitted to the COPE and this matter has not been reported on the report of the COPE on 20.20.2014. However, the then Ministry of Internal Trade and Cooperatives had informed the COPE that they are willing to reimburse the said amount of money. Reminders have been sent to the Ministry of Food Security which now handles this subject and they have reconfirmed that the money will be paid.

## 6. Systems and controls

It is kindly informed that action will be taken to continue matters mentioned in points 'a' to 'd' in a more effective and efficient manner.



Dr. R M K Ratnayaka  
Chairman