



Consumer Affairs Authority

Annual Report 2011

Chairman's Message



I am pleased to issue this message for the Annual Report 2011 of the Consumer Affairs Authority. The Consumer Affairs Authority implemented several programs during this year in order to safeguard the rights of consumers by promoting fair trade practices and healthy competition in the market. All these programs were implemented towards our vision "a well protected consumer within a disciplined business culture",

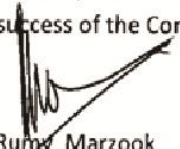
Strengthening of district units program was continued in the year 2011 as well. Action plan was introduced to all district units with performance targets. Through this program the CAA took necessary steps to safeguard the consumers all over the country from unscrupulous traders who are not respecting the rights of consumers.

The theme of the consumer rights day as declared by the Consumers International for 2011 was "Our Money Our Rights ". The CAA conducted a mobile awareness campaign in all districts on rights of consumers, services rendered by the CAA, factors to be considered in selecting a financial institution etc. Through this mobile awareness program CAA took steps to educate around 15,000 consumers throughout the country.

The CAA conducted several programs on par with "Deyata Kirula- 2011 held in Buttala, Monaragala. The CAA conducted a competition among the traders in all Divisional Secretariats in Monaragala district in order to select the best traders who comply with the rules and regulations of the CAA and offer a better service for the consumers. Consumer societies were established in six Divisional Secretariats in Monaragala District. The CAA participated in "Isuru Saviya" Program organized by the Ministry of Cooperatives and Internal Trade.

I would like to thank the Board of Directors and the staff of the CAA for their persistent support without which the CAA could not achieve success.

I extend my gratitude to the Minister of Cooperatives and Internal Trade, Honorable Johnston Fernando for his visionary leadership extended throughout our endeavors. I thank Mr. Sunil S Sirisena, Secretary to the Ministry for his valuable guidance and assistance extended towards the success of the Consumer Affairs Authority.


Rumi Marzook
Chairman
Consumer Affairs Authority

Our Vision

A Well Protected Consumer within a Disciplined
Business Culture

Our Mission

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

Our 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

Our 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

2nd Floor

CWE Secretariat Building

No. 27, Vauxhall Street

Colombo 02

23.07.2013

The Hon. Minister of Co-operatives and Internal Trade

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 2011 together with audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

I remain,

Yours faithfully,



Runi Marzook
Chairman

Consumer Affairs Authority

CONSUMER AFFAIRS AUTHORITY

Annual Report -2011

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CHAPTER 1

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 manufactures 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 -2011

The composition of the Board of Directors for the year 2011 is given below

Mr. Rummy Marzook	– Chairman
Mr. Milton Amarasinghe	– Full Time Member
Mr. Sunil Jayaweera	– Full Time Member
Major General P Chandrawansa	– Full Time Member
Rev. Rekawa Jinarathana Thero	
Ms. Chandra Ekanayake	- Treasury Representative
Mr. A G P Kithsiri	-Ministry Representative
Mr. Sugath Mohan Frank De Silva	
Mr. Dushan Soza	
Mr. Vinod G Dhansingani	
Mr. J M Jayathilaka Jayasundara	
Mr. Varuna Alawwa	
Mr. Anura Fernando	
Mr. Anil Kumara Senadeera	
Mr. Basil Vanlanganburg	
Mr. W A C Hemakumara	
Mr. R B Thennakoon	
Major Y H P N Y Senadhipathi	
Mr. M B M Ibrahim	
Mr. H M L H Bandara Herath	
Mr. Madawa Sanjeewa Wattegama	
Dr. Jayantha Balawardena	
Major General Vijitha Welikala	– Resigned from 27.05.2011
Mr. Priyantha Mayadunne	- Resigned from March 2011
Mr. Hanif Yusoof	
Mr. M H F Sheriff	

1.3 Staff of the Authority

Mr. Rummy Marzook continued to serve as the Chairman during the year 2011. Mrs. Chandrika Thilakaratne , (Director Consumer Affairs and Information) was continued as the Acting Director General during 2011.

Heads of the Divisions of the Authority -2011

Mrs. Deepthi Tissera
[M.PA.(PIM-Sri J),Attorney –at-Law]

- Director (Compliance and Enforcement)

Mrs. Chandrika Thilakaratne
[B.Sc.Agric (Sp), M.Sc.(Mgt)]

- Director (Consumer Affairs and Information)

Mrs. Shanthini Thiruneelakandan
[ACEA]

- Director (Competition Promotion)

Mr.W.M.Priyantha
[MPM, B.Com.(Sp),AIPFM, DPFM]

- Director (Finance)

Mr. Sampath Angulugaha
[B.Com.(Sp)Hons, AIPM(SL), Dip. in PM]

- Director (Human Resources & Administration)

Mr. Rohan Meewanage was continued to attend to the duties of the Director (Pricing and Management) during 2011.

1.4. Consumer Affairs Council

The Consumer Affairs Council has been established in terms of Part 1V of the Act.

Members of the Council -2011

Mr.Upali Senaratne – Chairman

Mr.Wasantha Gunawardena - Member

Mr. Sudath Wijewickrama - Member

Secretary to the Council

Ms. Lekha Aryaratne
[Attorney -at- Law]

2. Why We Are?

Objects of the Authority

The Objects of the Authority are

- (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 consumer against unfair trade practices and guarantee that consumers interest 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. What We Are?

Functions of the Authority

Functions of the Authority are to

- a) control or eliminate –
 - i. restrictive trade agreement among enterprises :
 - ii. arrangements with enterprises with regard to prices
 - iii. 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
 - iv. any restraint of competition adversely affecting domestic or international trade or economic development :
- b) Investigate or inquire in to anti-competitive practices and abuse of a dominant position.
- c) Maintain and promote effective competition between persons supplying goods or services :
- d) Promote and protect the right and interests of consumers, purchases and other users of good and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- e) To keep consumers informed about the quality, quantity, potency, purity, standards, and price of goods and services made available for purchases.
- f) Carry out investigations inquiries to in relation to ant matter specified in this Act:
- g) Promote competitive prices in markets where competition is less than effective
- h) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs:
- i) Undertake public sector and private sector efficiency studies;
- j) Promote consumer education with regard to good health, safety and security of consumers;
- k) Promote the exchange of information relating to market conditions and consumer affairs with other institutions;
- l) promote assist and encourage the establishment of consumer organizations,
- m) charge such fees in respect of any services rendered by the Authority;
- n) Appoint any such committees as may be necessary to facilitate the discharge of the functions of the Authority : and
- o) 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. Special Projects/Programs-2011

During the year 2011 Consumer Affairs Authority could implement the following projects/programs in order to improve the quality of services of the Authority.

◆ Strengthening of District Units

This program was continued in the year 2011. Action plan was introduced to all district units with targets and a performance evaluation was conducted at the end of every month to assess the performance of individuals and the teams. By continuing this program CAA could achieve a remarkable progress especially with regard to market investigations & raids and protect the consumers from unscrupulous traders.

Further steps were taken to provide the required resources for district units such as mobile phones and internet connections. The CAA requested vehicles from the treasury to be allocated for district units in order to replace the hiring vehicles used by district units and accordingly received Four 15 seater Vans & 1 double Cab at the beginning of 2012 to be allocated for conducting market raids and investigations.

◆ Staff Development Program for Investigation Officers

Two day Residential staff Development program was conducted for the investigation officers during the months of September and October 2011. The main objective of this program is to recognize the problems faced by the officers in conducting market investigations and prosecution of errant traders and to come out with feasible solutions.

During the program the investigation officers were grouped in to few teams and brain storming sessions were conducted and presentations were conducted by the team leaders.

The ideas pooled in brain storming sessions were reviewed by the top management & external resource person in order to identify the areas which needs further improvement.

Consumer Rights Day Program -2011

The theme of the Consumer Rights day as declared by the Consumers International was ***Our Money Our Rights***. Consumer Affairs Authority conducted a mobile awareness campaign in all districts on rights of the consumers and the World Consumer Rights day theme, Services of the Consumer Affairs Authority, selection of a safe and reliable financial institution to fulfill the requirements and related institutions working to protect the consumers etc. The CAA used leaflets and brochures to educate the consumers and the leaflets were distributed to the consumers in public places such as bus stands, railway stations, and markets, near the schools, government institutions and Banks etc. The CAA obtained the assistance of the Central Bank too. On 15th March 2011, CAA has taken steps to educate around 15,000 Consumers throughout the country. Moreover steps were taken to educate the consumers over the electronic media. A TV program was conducted by the Consumer Affairs Authority with the assistance of the Central Bank on the World consumer Rights day theme. News Paper supplement was published on the theme “Our Money, Our Rights”

Deyata Kirula-2011 in Buttala

The CAA actively participated in Deyata Kirula Program conducted in Monaragala District. The CAA participated for all awareness programs conducted in 11 AGA divisions. Awareness program was conducted in the National Schools in Monaragala District and painting competition was organized among the school children. The winners were awarded at Deyata Kirula Exhibition.

The CAA conducted a competition among the traders in all AGA divisions in order to select the best traders who comply with the rules and regulations introduced by the CAA and offer a better service for the consumers. The CAA inspected 1132 shops under this program. Three traders were selected from each AGA division and the winners of the “Model Shop Competition” were awarded at the exhibition by the Hon. Minister of Cooperatives and Internal Trade.

Consumer Societies were established in 6 AGA divisions in Monaragala District.

A quiz was conducted in the exhibition stall for the participants and winners were selected in every two hrs. This program contributed to disseminate knowledge among the general public in Monaragala district. More over steps were taken to educate general public through consumer awareness desk & Video presentation.

Isuru Saviya Program in Kurunegala

This program was conducted in June 2011. The CAA participated in this program organized by the Ministry of Cooperatives and Internal Trade. The exhibition stall organized by the CAA consists with a consumer awareness desk, education video on the services of the CAA, banners and posters. The CAA conducted model shop competition in 30 AGA divisions of Kurunegala district and three best traders were selected from each AGA division. Trophies were awarded for the winners at the Isuru Saviya exhibition. Steps were taken to educate business community & the general public on rules and regulations of trade by demonstrating two trade stalls which comply with the law and which does not.

Computerization of market Investigations

Action was initiated to develop a computer program for the market raids and prosecutions with the objective of networking all district units with the Head office in order to avoid delays in obtaining information required by the Head office. This program was developed by e Services Lanka Ltd operating under the Ministry of Cooperatives and Internal Trade. Computers and internet connections were supplied for District units. Initial training session for the investigation officers was completed.

Establishment of Consumer and Trade Information Centre

Consumer and Trade Information Centre was established in order to provide necessary information to the general public and Business community. The consumers and traders who need information on the services of the Consumer Affairs Authority can meet the officers and get the relevant information. Leaflets and Brochures, Copies of Directions and Orders issued by the Authority can be collected

5. Performance of the Consumer Affairs Authority

As per the organization structure, the Authority consists of 6 divisions operating under 6 Directors. These divisions are named as Consumer Affairs and Information division, Compliance and Enforcement division, Pricing and Management division, Competition Promotion division, Finance division and Human Resources and Administration division.

The performance of the Consumer Affairs Authority during the year 2011 is presented below.

(1) Protect Consumers against hazardous and substandard Goods and Services

a). Directions issued under Section 10 of the Act

◆ Direction No 32

CAA has issued this Direction to all manufacturers, importers, distributors, and traders in every advertisement in respect of the sale of any article or articles published in newspapers, films, television, video, audio, internet or any other print, electric, or electronic media shall specifically mention the retail price of such article or articles for sale in such advertisement. The objective of issuing this Direction is to ensure consumers' right to get vital information; Retail Price of the products they intend to purchase. Action was taken to conduct awareness through newspaper advertisements. There after market raids were conducted and several manufacturers and traders who violated the Direction were prosecuted in respective magistrate courts.

◆ Direction No 33

The Consumer Affairs Authority issued this Direction to all Producers, Transporters, Distributors and Traders of locally produced vegetables and fruits specified in the gazette notification that they shall use containers made out of plastic, hard paper or wood at the time of plucking, collecting, storing, transporting and displaying, offering for sale of locally produced vegetables and fruits. The objective of issuing this Direction is to reduce the post harvest loss of the fruits and vegetables, improve the profits of producers and make available good quality vegetables and fruits for consumers at reasonable price.

◆ Direction No 35

This Direction has been issued to all manufacturers and traders that the Maximum Retail Price, Batch Number, Expiry Date, Date of Manufacture, Net Weight/Volume of the product be marked on the article, on the pack or on the container or the wrapper of the articles specified. The specified products are Hair Oil, Hair Gel, Hair Cream, Shampoo, Lotion, Talcum Powder, Dates, Plums sold in packs or containers, Food Colouring, Food Flavors, Food Essences, Instant Food sold in packs or containers, Dish wash Bar sold in packs, Car Wash, Windscreen Cleaner sold in containers, Ayurvedic Products sold in packs or containers. The objective of issuing this Direction is to ensure consumers' right to get vital information of the products that they intend purchasing.

◆ **Direction No 37**

This Direction has been issued to all manufacturers, traders, importers of electrical and/ or electronic items/appliances /devices/accessories that all such electrical and / or electronic items/appliances/devices/accessories shall carry a minimum warranty period of not less than six months from the date of sale of such item or from the date of transfer of the possession of such item to the purchaser.

◆ **Direction No 38**

Direction No 33 was rescinded by the Direction No 38 based on the recommendations of Cabinet subcommittee on Cost of Living & Food Security and Ministry of Agriculture. As per Direction No 38, producers, transporters, distributors and traders of locally produced vegetables and fruits specified in the gazette notification shall use containers made out of plastic, hard paper or wood when collecting, storing, transporting of said vegetables and fruits.

b) Adoption of Standards to ensure the quality of products

During 2011, CAA issued 2 Directions under section 12 of the Act with the objective of improving the quality of the products available in the market.

Direction No 34

The Consumer Affairs Authority directs that no manufacturer, Distributor or Trader shall manufacture, distribute, store or sell or display for sale, expose for sale, wholesale or retail any item of locally manufactured Clay Roofing Tiles unless it bears the SLS Product Certification Mark issued by the Sri Lanka Standards Institute.

◆ **Direction No 36**

The Consumer Affairs Authority directs that no Manufacturer, Importer, Packer, Distributor, or Trader shall manufacture, import and use or distribute, pack, store or sell or display for sale, expose for sale or offer for sale, wholesale or retail any paints unless such paints shall confirm to the corresponding Total Lead Content specified by the Sri Lanka Standard Institution. The objective of issuing this Direction is to protect consumers from injurious chemicals which can cause health hazards. This Direction will come in to effect from 1st January 2013.

c) Monitoring of substandard imported goods

Action has been taken to liaise with the Sri Lanka Standards Institute to avoid substandard goods entering at the point of entry in to the country. Monitored 93 such cases where SLSI recommended goods to be re exported under the import Inspection Scheme.

d) Represented in National Committees and contributed to introduce policies /legislations 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 etc 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

CAA has taken action to educate the business community on the rules and regulations that they have to comply with as per the provisions of the CAA Act and assisted them to conduct a fair business. The Authority conducts training workshops to the Chamber of Commerce, associations of traders and companies. During 2011 Authority has conducted 250 programs for the business community.

b) Market Surveillance

The Consumer Affairs Authority Act has identified a set of common malpractices done by the traders as offences. Some of the malpractices identified in the Act are 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 list, non issuing of receipts to purchasers, misleading or deceptive conduct and false representations done by the manufacturers/traders.

The Authority conducts regular market surveillance and conduct raids on the violations of the Act. 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 36,041 market raids and these raids were conducted by the officers of the head office and officers attached to the district units of the CAA and this shows 2.3 fold increase than the previous year. The amount of fines imposed by the courts on errant traders for the violation of the provisions of the act, in the year 2011 is Rs 88.486 millions. The fines show an increase of 2.1 fold than the previous year.

The progress on market raids and fines collected to the state are presented in table1 and 2 respectively.

Table 1: The Progress on Market Raids

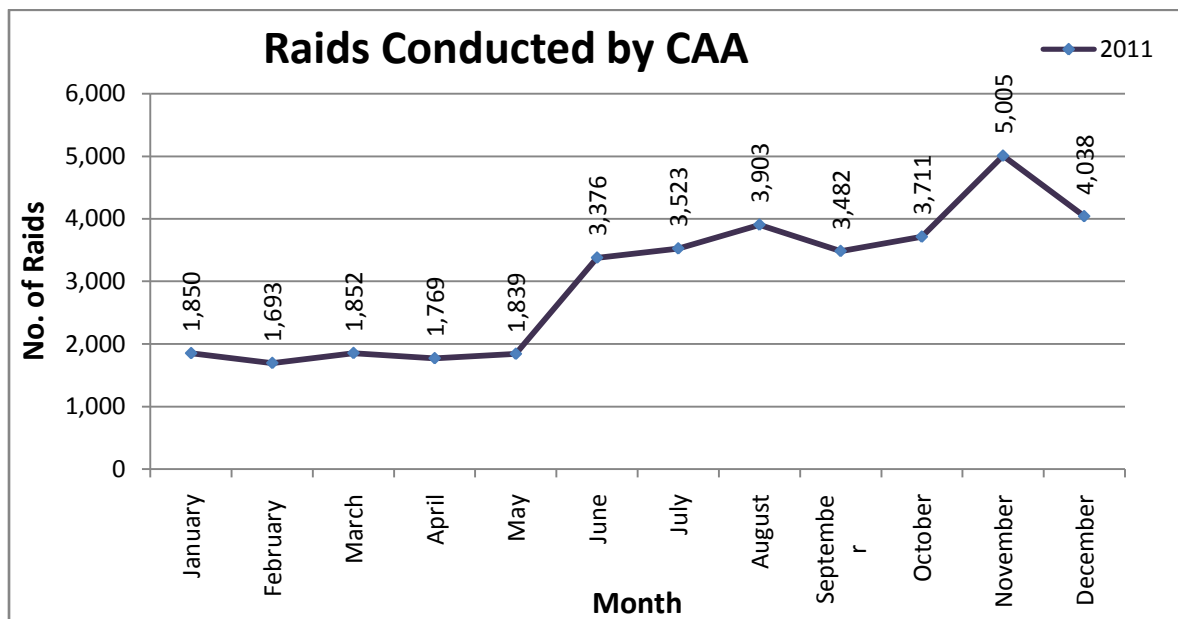
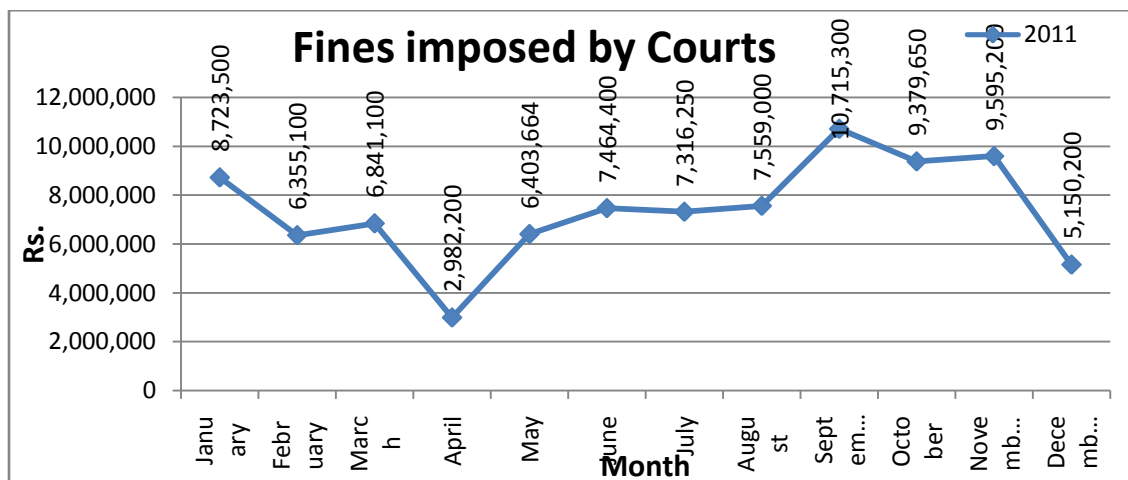


Table 2: The Fines Imposed on Raids



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

By the implementation of the gazette on “Marking of MRP on 5 identified items at the port of entry to the island” customs was able to collect substantive amount of income since this prevent under invoicing to a greater extent. During the year Authority has received 330 applications and all have been disposed.

3. Provide redress to Consumers affected by unfair trade practices

a).Handling 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 confirm to the standards and specifications determined under section 12 and sale of any goods which does not confirm to the warranty or guarantee given by implication or otherwise, by the manufacturer or trader.

During the year 2011 the Authority has received 1604 complaints and concluded 604 complaints to the satisfaction of both parties. Number of consumer complaints referred to district units is 32. 683 complaints were referred for market raids.

The progress of handling consumer complaints during 2011 is presented in Table 3 and Table 4.

Table 3. Progress of Handling Consumer Complaints during 2011.

Consumer Complaints	2011
Complaints received	1591
Referred to other institutions	158
Referred to district units	31
Referred to other divisions	115
Referred for Raids	688
Concluded	593
Rejected	83
Discussions held	291

Table 4. Progress of Conducting Inquiries in to Consumer Complaints

Inquiries	2011
Fixed	124
Settled	26
Orders issued	24
Discussions held (Prior to inquiry)	23

4. Consumer Education and Empowerment

a) Consumer Awareness Programs

The Consumer Affairs Authority uses electronic and print media, seminars and workshops, exhibitions, consumer rights day programs to educate the public on their consumer rights and responsibilities, current consumer law, good consumer values and good business practices etc

During the year 2011, the Authority has conducted 107 consumer awareness programs for the consumer groups such as School Children, University students, government officials, community organizations, housewives and general public. These programs were conducted by the head office as well as district units of the CAA. In addition to these programs CAA has contributed to the exhibitions and trade fairs as well in order to educate the public.

Table 5. Details of consumer Education activities conducted during 2011

Program	2011		
	No of Prog.	No of participants	No of Consumer organizations/School consumer clubs
Awareness programs for general public	83	28,648	-
Awareness programs for school children	24	4,052	-
Trader awareness programs	152	8,395	-
Establishment of Consumer Organizations	51	-	51
Establishment of school consumer clubs	03	1140	33
Awareness programs on the use of proper containers for vegetables and fruits	98	6,846	-
Awareness through media (Print & Electronic) (Press releases and Advertisements)	69	-	-
Exhibitions	02	312,000	-
Distribute of leaflets to the General public	08	15,450	-
Total	490	376,531	84

Awareness Programs conducted on par with Deyata Kirula Program**2011/2012: Anuradhapura**

A special awareness project was conducted in Anuradhapura district which consist of the following events.

- ◆ Awareness programs for government officials
- ◆ Implementation of the model shop competition
- ◆ Establishment of Consumer Organizations & School Consumer Clubs
- ◆ Exhibition stall

b). Publication of Awareness material

During the year Authority published awareness brochures in Sinhala, Tamil and English languages.

c). Establishment of Consumer Organizations & School Consumer Clubs

During 2011 CAA has taken action to promote the establishment of Consumer Organizations and was able to set up 51 consumer organizations and 33 school consumer clubs with the participation of 1140 students.

5. Protection of traders and manufacturers against anti Competitive trade Practices and promotion of healthy Competition**a) Promotion of Competition**

Primary objective of promoting competition is to establish a free and fair market structure and to promote healthy and fair competition among the trade. The progress of competition promotion activities achieved during 2011 is presented in Table 6.

Table 6. Progress of the Competition Promotion Activities

Activity	Progress
(A).Intervention on Anticompetitive Practices Operating against Public interest Examinations are initiated on our own to identify possible anticompetitive practices in the retail trade of pharmaceuticals	01
(B).Investigations in to complaints from Trade Intervention on complaints made to the CAA in respect of anticompetitive and unfair trade practices	28
(C).Identification of Market Structure and Manipulation Statistical data collection and analysis of market conditions are carried out.	28 products
(D).Market research and recommending safeguards	06
(E).Awareness on Healthy Competition and Trade Responsibilities	09

(F).Maintaining Level playing field for fostering Competition Implementation of Government Policy Five products are identified currently under the Gazette Notification No. 1505/15 of 11/07/2007	330
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During the year 2011 studies were conducted on Halal Food Certification, Paint Industry and Edible Oil Price variation. A study was conducted on the prevailing competition in marketing of pharmaceuticals, present legal and administrative procedures, and problems in the pharmaceuticals market were highlighted.

Market surveys were conducted on retail prices of Cement, Rice LP gas, Wheat Flour, and milk powder. A study was done on the market demand, supply and the price of chicken meat. A price comparison from 2008 to 2011 was done on the retail prices of essential commodities.

A report on daily price variances of 25 food items is submitted to the ministry in order to get necessary policy decisions at the Cabinet subcommittee on Cost of Living and Food Security.

A data base on business entities has been initiated.

6. Ensure reasonable pricing

a) Price Regulation of Specified Goods

The CAA intervenes in to the market prices of identified commodities based on the powers vested in sections 14,18, 19&20 of the Act. The actions taken by the CAA to stabilize/fix the prices of selected commodities is presented in table 8.

Commodity	Action Taken
Cement	Considering the request made by the cement Companies , a gazette notification has been issued under Sec 20 (5) of the Act, increasing the prevailed Maximum Retail Price of Ordinary Portland Cement & Portland Limestone Cement from Rs.750/- to Rs. 785/- and Masonary Cement from 700 to Rs.735/- on 05 November 2011.
Chicken Meat	Maximum Retail Price of Broiler Chicken Meat from Rs. 320/- to Rs 350 per 1kg for the whole year.
Milk Powder	It has been revised the Maximum Retail Price of Full Cream Milk Powder Considering the request made by the Milk Powder Companies, issuing a gazette notification on 02 May 2011 under Section 20 (5) of the Act and the prices are as follows 400 g pack of Full Cream Milk Powder from Rs. 244/- to Rs. 264/- 1Kg pack of Full Cream Milk Powder from Rs. 598/- to Rs. 647/-
Rice	Maximum Retail Price of Rice has not been revised from the prevailed level.

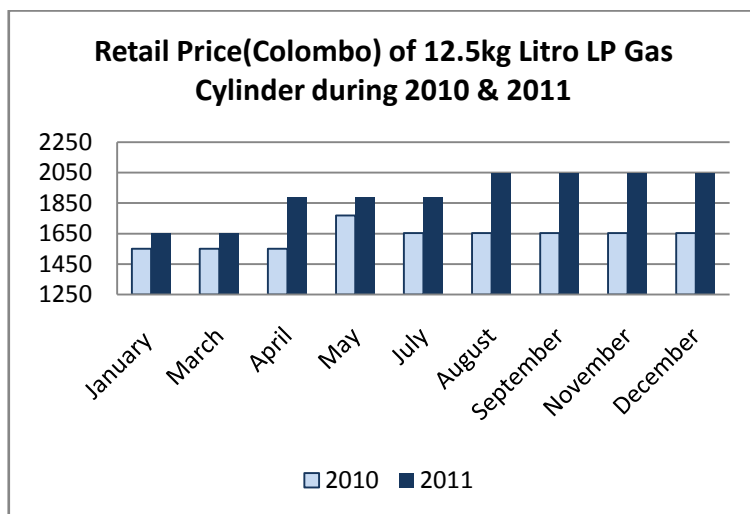
Liquefied Petroleum (LP) Gas

Maximum Retail Prices allowed for two (02) Major Liquid Petroleum Gas players are as follows and Prices have been calculated based on the Pricing Formula which introduced in latter part of 2007

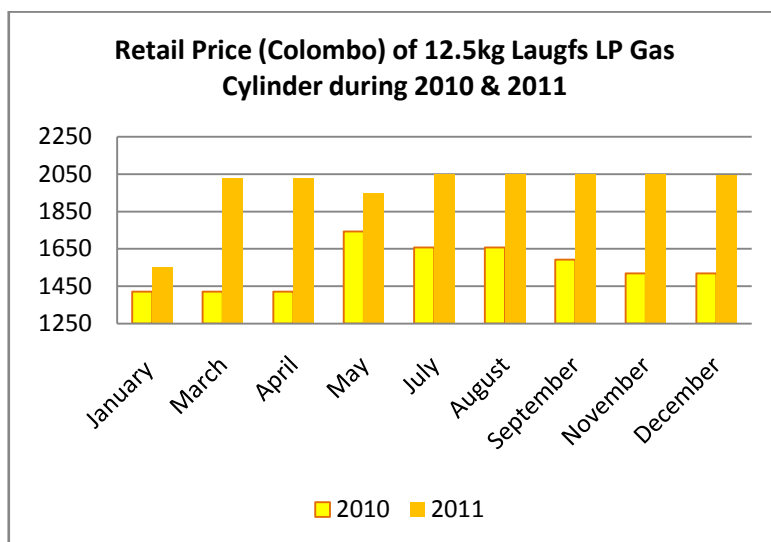
Table 9. Price Movement of Liquefied Petroleum gas 12.5 kg Cylinder -2011

Month	2011	
	Litro Gas	Laugfs Gas
January	1,652	1,556
March	1,652	2,029
April	1,890	2,029
May	1,890	1,947
July	1,890	2,050
August	2,046	2,050
December	2,046	2,046

Retail Price (Colombo) of 12.5 kg Litro LP gas Cylinder during 2011



Retail Price (Colombo) of 12.5 kg Laugfs LP gas Cylinder 2011



Capacity enhancement of the organization

a) Staff Development

Consumer Affairs Authority considers the development of our staff in their relevant field is an investment which contributes to uplift the quality of our services. Details of the staff training - 2011 is presented in Table 10.

Table 10: Staff Training -2011

#	Course Title	No. of Participants	Course Fee per Participants	Total Investment (Rs)
1	Tamil Language Classess for Directors, Deputy Directors and Assistant Directors.	10	Conducted by Mrs. S. Thiruneelakandan (Director -CP)	free of Charge
2	IT Training Programme for District Office Investigation Officers.	16		28,000.00
3	LAWASIA Business Law Conference 2011 conducted by Bar Association of Sri Lanka.	4	10,000x2 & 12,500x2	45,000.00
4	MS Access Training @ E-Wis Career Training (Pvt) Ltd.	25		72,500.00
5	Seminar on "Women's Healthcare - specifically woman's reproductive health" By Dr. Buddhika Somawardana	28		free of Charge

#	Course Title	No. of Participants	Course Fee per Participants	Total Investment (Rs)
6	Research methodology for professionals conducted by post graduate institute of business Management	1	12,500.00	12,500.00
7	e learning course on International Trade in Agricultural Food Products conducted by National Productivity Secretariat	4		free of Charge
8	Comprehensive course in the Practical aspects of Taxation conducted by Sri Lanka Institute of Taxation	2	18,000.00	36,000.00
9	Improving performance through Good Governance and the rule of Law for Mr. A S C Silva Deputy Director (Internal Auditor)	1	5,714.29	5,714.29
10	The Master Orator a seminar for 2 Investigation Officers & Junior executive C & P Division	3	3,500.00	10,500.00
11	National Law Conference 2011 for Director C & E and Secretary - Consumer Affairs Council	2	7,500.00	15,000.00
12	Technology Market place an opportunity for investment course for 03 Investigation Officers	3		Free of Charge
13	Training Joomla Content Management tool for Government Officers Participated by Mr. P B C B Narangoda Management assistant	1		Free of Charge
14	Workshop on Clerical Skills Development Participated by Mr. J G R W Abeyrathna (Shroff-Finance Division 04Days)	1	12,000.00	12,000.00
15	Human Resources Development through Disciplinary Management Participated by Director (HR & Admin)	1	7,500.00	7,500.00

a) Strengthening the staff position of the Authority

The CAA got the approval for the cadre from the Department of Management Services on 19.05.2011.

Table 11: Staff Position of the Authority as at 31.12.2011

Salary Code	Designation	Approved Cadre as at 31.03.2011	Existing Cadre as at 31.12.2011	Vacancies
	Senior Manager			
HM 2-1	Director General	1	0	1
HM 1-1	Director	6	5	1
	*Secretary to the Council	0	1	-1
	Manager			
MM 1-1	Deputy Director	16	3	9
	Assistant Director		4	
	Junior Manager			
JM 1-1	Audit Officer	2	0	2
	System Administrator	1	0	1
	Senior Investigation Officer	2	0	2
	Senior Statistical Officer	1	0	1
	Senior Market Resource & Analyst	1	1	0
	Senior Accounts Officer	2	2	0
	Confidential Secretary (DG)	1	0	1
	Confidential Secretary (Chairman)	1	0	1
	Senior Admin/HR Officer	1	0	1
	Senior Legal & Enforcement Officer	2	1	1
	Senior Costing Officer	1	1	0
	Senior Consumer Empowerment Officer	2	0	2
	Enforcement/ Operational/ Extension			
MA 5-2	Data Co-ordinator	1	0	1
	Statistician Officer	1	0	1
	Market Resource Analyst	1	0	1
	Documentation Officer	6	0	6
	Librarian	1	0	1
	Costing Officer	15	1	10
	Accounts Officer		4	
	Administration Officer	5	1	4
	Legal & Enforcement Officer	3	1	2
	Investigation Officer	200	149	51
	Management Assistant (Tech)			
MA 2-2	Book Keeper	1	0	1
	Management Assistant (Non Tech)			
MA 1-2	Management Assistant	31	25	6
	Primary Level Skilled			
PL 3	Driver	12	11	1
	Primary Level Unskilled			
PL 1	Office Aide	14	12	2
	Total	331	222	109

Permanent Employee	222
* Contract/ Casual/ Daily Paid	14
Total No of Employees at CAA as at 31.12.2011	236

* Contract/ Casual/ Daily Paid Staff at CAA

Name	No of Appointments	Contract /Daily Paid
Junior Executive	1	Contract basis
Management Assistant	7	Contract basis
Driver	2	Contract basis
Office Aide	2	Daily Paid
	2	Contract basis
Total	14	

c). Staff Welfare

During the year, several steps were taken to provide various facilities in order to provide a pleasant and conducive working environment for the staff as this contributes to improve the productivity of the staff. Staff members contributed to make a “Wesak Latern” in front of the office premises where other institutions coming under the ministry too displayed Wesak Lanterns. The lantern made by our staff won the 2nd place in the competition conducted by the Ministry.

The CAA staff participated in the Net Ball and Cricket Tournaments organized by the Ministry for the staff of all institutions coming under the Ministry.

d) Amendments to the CAA Act

The CAA liaised with the Department of Attorney General and the Legal Draftsman Office in order to expedite the amendments to the CAA Act.

Performance of the 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.

During the year 2011, ceiling on prices were recommended to the Authority in respect of Full Cream Milk Powder and Cement in terms of Section 20(4) of the Consumer Affairs Authority Act No 09 of 2003. And Council held investigations on Pharmaceuticals and Fertilizer for pricing.

During the year Council had investigated 2 complaints o anti competitive practices and proceedings were completed on one. Further the Council has handled one complaint on unfair trade practice and settled it.



CONSUMER AFFAIRS AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011

	2011 LKR 000'	2011 LKR 000'	2010 LKR 000'	2010 LKR 000'
<u>ASSETS</u>				
Non - Current Assets				
Property, Plant and Equipment	29,798		29,713	
Investments (LT)	74,420		52,992	
Staff Loan (LT)	10,392		10,277	
		114,610		92,982
Current Assets				
Inventories / Stocks	1,168		446	
Trade and other Receivables	24,695		13,725	
Government Debtors	21,838		21,838	
Cash and Cash Equivalents	23,520		39,448	
		71,221		75,457
Total assets		185,831		168,439
<u>LIABILITIES</u>				
Current liabilities				
Payables & Other Liabilities	4,608		1,892	
Accrued Expenses	17,312		15,704	
		21,920		17,596
Non-Current liabilities				
Provision for Gratuity	14,127		11,565	
		14,127		11,565
Total liabilities		36,045		29,161
Total Net Assets		149,785		139,278
<u>NET ASSETS / EQUITY</u>				
Accumulated Fund	63,191		63,191	
Deferred Income	35,409		37,520	
Reserves	51,185		38,567	
		149,785		139,278
Total Net Assets / Equity		149,785		139,278

.....
Director Finance
Consumer Affairs Authority

.....
Chairman
Consumer Affairs Authority

.....
Director General
Consumer Affairs Authority



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31ST DECEMBER 2011

	2011	2010
	LKR 000'	LKR 000'
Operating Revenue		
Recurrent Grant	161,629	143,029
Fine Income	0,850	9,802
Other income	14,807	9,854
	<u>207,286</u>	<u>162,685</u>
Operating Expenses		
Personal Emoluments	108,345	85,944
Travelling	9,230	2,998
Supplies and consumable	7,598	5,638
Maintenance	3,108	5,774
Contractual services	36,148	18,831
Depreciation	8,060	6,306
Other operating expenses	22,095	15,411
Total operating expenses	<u>194,585</u>	<u>140,904</u>
Surplus / (Deficit) from operating activities	12,702	21,781
Finance Cost	<u>84</u>	<u>57</u>
Total non operating expenses	<u>84</u>	<u>57</u>
Net surplus /(deficit) before extra ordinary items	12,618	21,723
Profit for disposal of Assets	-	40
Net surplus /(deficit) for the period	<u>12,618</u>	<u>21,763</u>



CONSUMER AFFAIRS AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 LKR 000'	2010 LKR 000'
Cash flows from Operating Activities		
Surplus / (Deficit) from ordinary activities	12,618	21,723
Adjustment for		
Depreciation	8,061	6,306
Increase in Gratuity Provision	2,562	2,039
Amortization	25	-
Operating profit before working capital changes	23,266	30,068
Increase in payables - Note I	4,324	5,406
Increase in other current assets - Note II	(11,692)	(2,471)
Net cash flows from operating activities	15,898	33,003
Cash flows from Investing Activities		
Purchase of Plant and Equipments	(8,172)	(4,627)
Proceeds from sale of Plant and Equipment	-	435
Increase in Investments	(21,428)	(7,105)
Increase in - Long term Loan	(115)	(2,112)
Net cash flows from investing activities	(29,715)	(13,409)
Cash flows from Financing Activities		
Deferred Income	(2,111)	10,794
Consumer Protection Fund	-	-
Revaluation surplus	-	(10,622)
Net cash flows from financing activities	(2,111)	.172
Net Increase / (Decrease) in cash and cash equivalents	(15,928)	19,766
Cash and cash equivalents at beginning of period	39,448	19,682
Cash and cash equivalents at end of period	23,520	39,448



NOTES TO THE ACCOUNTS

1. Corporate Information

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

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

1.2 Principal Activities and Nature of Operation

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

- 1.3** The number of employees of the Authority at the end of the year 2012 is 235.

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** The Amount of LKR 21,837,974.52 shown under Government Debtors the Account for the year 2005 according to the Treasury letter REF TO/ISD/3/PE/2005 dated 2005.06.24. Secretary of the Line Ministry, on behalf of CAA and CAA has made several reminders to General Treasury to release this amount to the CAA Protection Fund.

- 1.6** Government Grants related to assets and non monetary grants at fair value have been presented in the Balance Sheet as deferred income.

2. General Accounting Policies

2.1 Statement of Compliance

In addition to the Public Sector Accounting Standards, Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka are applied wherever possible in preparation of Balance Sheet, related statements of Income and Expenditure Account, Cash Flow Statement, Accounting Policies and Notes to the Accounts.

2.2 Basis of Preparation

Financial Statements Presented in Sri Lanka Rupees have been prepared on historical cost basis.

2.3 Comparative Information

2.3.1 The Accounting policies have been consistently applied by the Authority except for the changes in accounting policies discussed more fully in section 2.4.

2.3.2 Comparative Information of year 2010 relating to the accounting treatment for fines income in year 2011 was amended.

2.4 Changes of Accounting Policies

2.4.1 Accrued Expenses

Instead of adjusting over provisions of Accrued expenditure to the relevant expenditure accounts, the Authority has now been adjusted such provisions to the reserves (prior year) account from year 2011.

2.4.2 Fine Income

Income earnings from the fines were earlier excluded from the income statement since those were not utilized for the general activities of the Authority. In year 2011 Authority utilized that for an insurance scheme for the Authority with special approval from the General Treasury. Therefore, in year 2011 the fines income was treated as an income and all the related expenses and incomes to the fines have shown at the income & expenditure account. Further, net amount of the fund is shown separately as a note.

2.4.3 There are some instances where Authority receives money as fines income and too 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. They are normally transferring to Suspense – Fines Income account with the purpose of verifies whether they are actually disserve to the Authority or mistakenly remitted by the Courts. If such money remains unrecognized until a year then they are credited to the Consumer Protection Fund of the Authority.

2.5 Financial Year

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

3. Assets Bases and of their valuation

3.1 Property Plant & Equipment

3.1.1 The Property Plant & Equipment are stated at cost less accumulated depreciation.

3.1.2 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.

3.1.3 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.

3.2 Depreciation

All the assets acquired from 1st January 2010 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 40years.

3.4 Debtors & Receivables

Debtors & Receivables are stated at the amount that they are estimated to realize.

3.5 Inventories are valued at 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.

4. Liabilities & Provisions

4.1 Payable

Payable are stated at their costs.

4.2 Retirement Benefit Obligation

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 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 **SLAS 16**. CAA has not invested any funds in support of the Gratuity plan, since funds are not released by the General Treasury in advance.

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 Provided 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

Arbitration – Shell Gas Company (Pvt) Limited.

- 4.3.1** The Government has taken over the Shell Gas Company (Pvt) Limited and the name of the Company has changed as Litro Gas Lanka Limited. Therefore, the status of the Company has been changed in to a Government body. As informed by Litro to their counsel they did not proceed with the arbitration and it has been settled now. The provision made for this regard was transferred to the sundry income account for year 2011.

- 4.3.2** An inquiry is being held for a loss of stock item amounting Rs.67, 913.10 and the decision is pending as at 31/12/2011.

5. Income

Fines Income is recognized on an accrued basis.

- 6.** As a policy items of value over LKR 1000.00 or items that can be used for more than one year except personal issues have been capitalized. Fixed Assets have been measured at their purchase price including import taxes and other direct costs except the assets taken over from Department of Internal Trade (DIT).
- 7.** The monetary value of capital funds fully released by the treasury for the year, fully utilized as at the end of the year as shown as capital grant reserve under Accumulated Fund.



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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 No. }

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 திகதி } 28 January 2013
 Date }

The Chairman,
 Consumer Affairs Authority

Report of the Auditor General on the Financial Statements of the Consumer Affairs Authority for the year ended 31 December 2011 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 2011 comprising the balance sheet as at 31 December 2011 and the income statement, 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.09 of 2003. My comments and observations which I consider should be published with the Annual Report of the Authority appear in this report in terms of Section 14(2) (c) of the Finance Act. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Authority on 20 September 2012.

1:2 Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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 පොල්දූව පාර,
 බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி,
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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. 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 judgments, 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 their 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 qualified audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my of opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Consumer Affairs Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

According to the Sri Lanka Accounting Standard 24, the balance of the deferred income should be equivalent to the net value of assets purchased by government grant while accounting as income. However, the deferred income shown in the financial statements amounted to Rs.35,351,536 whereas the net value of assets amounted to Rs.28,742,326. Thus, it was observed that there was a difference of Rs.6,609,210.

2.2.2 Accounting Deficiencies

The Authority had furnished draft financial statements for audit on 28 February 2012. The accounting deficiencies of Rs.6,410,195 pointed out in audit were adjusted and the Authority had again prepared and furnished the financial statements on 20 August 2012. As such, it cannot be ruled out in audit that such accounting deficiencies would not be repeated.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) <u>Consumer Affairs Authority</u> <u>Act, No.09 of 2003</u>	
Section 3(1)	The members of the Authority should have acceptable qualifications, experience and speciality in the relevant fields. However, during the year 2011, appointments had been made with regard to 8 members of the Board of Directors who had not fulfilled the required qualifications.
(ii) Section 27	All traders should be registered at the Authority by paying an annual fees of not exceeding Rs.100,000 after consulting the Minister of the relevant subject. However the Authority had not taken action to get any trader registered.
(b) In terms of sub provisions in Section 4(2) of the Inland Revenue Act, No.10 of 2006 as amended by the Inland Revenue Act, No.22 of 2011 (Amended)	The Pay as you Earn Tax computed as per Tax Table No.02 in terms of provisions in the Act had not been recovered on behalf of leave encashment for 2010 paid on 17 January 2012.
(c) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>	
(i) F.R.133 and 134	It is the responsibility of the Chief Accounting Officer to prepare a new audit programme and fulfilling the audit activities by assigning

adequate staff. However, adequate staff had not been appointed, except the Internal Auditor to fulfill the activities concerned.

(ii) F.R.371(2)(b)

The maximum ad-hoc imprest payable at an instance is Rs.20,000. However, this limit had been exceeded contravening the regulations. Ad-hoc imprests aggregating Rs.2,940,800 had been granted on 40 occasions during the year 2011.

(iii) F.R.371(5)

Ad-hoc imprests given should be repaid before 31 December of the financial year. However, ad-hoc imprests aggregating Rs.852,600 remained unsettled as at that date.

(d) Public Enterprises Circular
PED/12 of 02 June 2003

(i) Paragraph 8.3.4 and the Public Finance Circular No.PF/FS/05/(viii) dated 01 September 2010 Officers who use telephones and internet facilities for their official duties should follow a monthly maximum consolidated expenditure limit. However, 6 officers of the Authority had been allowed to incur expenditure exceeding that limit.

(ii) Paragraph 8.3.5(a) and the Public Administration Circular No.22/99 dated 01 October 1999 The Chairman, Chief Executive Officer and Executive Director only are entitled for allocated vehicles in "C" class institutions. However, contravening the instructions in the circular, monthly transport allowances had been paid to 4 Directors of the Authority and the Secretary of the Consumer Council at the rate of Rs.43,000 and to the Deputy/Assistant Directors at the rate

of Rs.7,500. Accordingly, the total amount paid as transport allowances during the year under review was Rs.3,025,500.

(iii) Paragraph 9.3.1

Vacant posts should not be filled by acting appointments for an unspecified period. However, contravening the circular instructions, 8 officers of the Authority had been appointed to cover up duties to act in the posts for 3 to 22 months.

(iv) Paragraphs 9.2 and 9.3.1(i) and the letter of the Department of Management Services No.DMS/E4/41/5/255/2 dated 08 February 2010

All institutions should possess a scheme of recruitment approved by the Department of Management Services. However, the Authority had made recruitments and promotions without a proper scheme of recruitment.

(v) Paragraph 9.10

Recruitments on contract, casual and other basis should be made with the approval of the Secretary to the Treasury. However, contravening it, 20 employees had been engaged in services during the year under review and a sum of Rs.4,720,678 had been paid as salaries and allowances.

(e) Budget Circular No.150 of 7 December 2010 and letter of the Ministry of Finance and Planning No. MF/TR/1/2003 of 28 March 2003.

Government institutions using hired vehicles should give priority to hire purchase method. However, the Authority had obtained vehicles on hire contravening the Circular and Rs.1,469,258 had been paid as hire charges. This was an increase of 538% compared to the year 2010.

- (b) An order was made by the Gazette Notification No.1728/5 dated 17 October 2011 to use plastic, paper or timber covers for 37 types of goods named in the notice. This order was reduced to 21 numbers by the Gazette Notification No.1740/22 dated 13 January 2012. The Authority and the Ministry had spent Rs.673,348 and Rs.18,017,340 for this work. There was no evidence to show that benefit reaped was in par with the expenditure incurred on follow up activities.
- (c) According to Section 8(d), (h) and (j) to (l) of the Consumer Affairs Authority Act, No.9 of 2003, the duties to be accomplished by the Authority are to bring awareness among consumers, furnishing information to the Public, Establishment of Consumer Organizations, Promotion etc. However, according to the progress reports furnished by district offices for the period from January to December 2011, fulfillment of those duties was at a very low position.

District	Establishment of Consumer Organization	Conducting Consumer Educational Organization
Kalutara	Nil	01
Hambantota	Nil	Nil
Vavuniya	Nil	Nil
Moneragala	Nil	08
Ampara	Nil	03
Kandy	Nil	02
Puttalam	04	Nil
Gampaha	03	Nil

4.2 Idle and Under Utilized Assets

The balance of the Consumer Protection Fund amounting to Rs.21,837,975 shown as government debtors under current assets in the financial statements was lying at the Treasury as a dormant account from 2004 to the year under review. This amount had been withdrawn by the month of August 2012 and had been spent on hired vehicles contravening the objectives of establishing the Fund.

- (f) Board of Directors' Paper It was expected to reduce 30% of the telephone No.CAA/AHR/74/2010 dated ' bills by introducing Dialog phones as a means of new media network. However, the expenditure on telephone of 2010 amounting to Rs.1,243,003 had become Rs.2,289,205 during the year under review resulting in an increase of 84% amounting to Rs.1,046,202, as compared with the year 2010.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the activities of the Authority for the year ended 31 December 2011 had resulted in a surplus of Rs.12,618,138 as compared with that of the previous year amounting to Rs.21,763,716 showing a decrease of Rs.9,145,578 in financial results. Increase in personal emoluments, contractual services and other operating expenditure had mainly attributed to this. Further, the operating expenses of the Authority for the previous year was Rs.140,960,486 and it was Rs.194,667,564 during the year under review. Thus it was observed that there was an increase in expenditure amounting to Rs.53,707,078 representing 38.1%.

4. Operating Review

4:1 Performance

The following observations are made.

- (a) A Council for Consumer Activities had been established in terms of Section 39 of the Consumer Affairs Authority Act, No.9 of 2003. According to Section 41(3) of the said Act, if a request is made in terms of Section 37 or Section 38 of the Act, depending on the circumstances, it is the duty of the Council to make a decision within one month of receipt of that request. In contravention, it has been informed to the audit that action had been taken in 2011 for a request made in 2010 and one request alone had been made in 2011. The expenditure incurred for the Council for the year 2011 amounted to Rs.2,464,925.

4.3 Transactions of a Contentious Nature

Approval had been obtained for the Authority's Scheme relating to the encashment of medical leave consisting of 21 days. However, payment for 7 days of vacation leave saved aggregating Rs.3,268,187 too had been made during the period 2005 to 2011, in contravention.

4.4 Resources of the Authority given to other Government Institutions

The following observations are made.

- (a) The payment of telephone bills and salaries amounting to Rs.314,000 and 180,000 respectively for the years 2010 and 2011 belonging to a female officer who served at the Line Ministry and the Media Secretary of the Minister's staff had been incurred from the funds of the Authority.
- (b) The expenditure on repairs of a Defender vehicle and service charges relating to the Ministry amounting to Rs.3,361,475 had been incurred from the funds of the Authority. The Ministry had rejected the reimbursement of this expenditure.

4.5 Staff Administration

The following observations are made.

- (a) Although the information relating to the cadre of the Authority and the average cost per employee for the years 2010 and 2011 had been called for, in audit, the information concerned had not been furnished till 09 January 2013.
- (b) During the year under review, 89 employees had been newly recruited without a properly approved scheme of recruitment.
- (c) An applicant without the qualifications and experience specified in the scheme of recruitment of staff of the Authority had been recruited to the post of Director of Finance on 15 February 2008. In spite of this, the applicant concerned had not been placed on the basic salary scale. Instead, he had been given 2 increments. As a result,

a sum of Rs.101,200 had been overpaid as salaries from 15 February 2008 to 31 December 2011.

5 Accountability and Good Governance

5.1 Corporate Plan

The Corporate Plan prepared by the Authority had not been prepared for a specific period of not less than 3 years. It was nearly a document being carried forward from year to year. As a result, identification of achievement of the objectives/targets of the Authority during a specific period had become a problem.

5.2 Action Plan

The following observations are made.

- (a) The functions expected to be achieved during the related period could be clearly identified from the Action Plan. However, due to the deficiencies and carelessness prevalent in the Action Plan prepared by the Authority, it could not be confirmed whether the expected objective could be accomplished.
- (b) According to items 5.4a, 5.4b and 5.c, it had been pointed out that it was the duty of the Competitive Promotion Division to identify performance and other training opportunities, to offer service training programmes to the staff and evaluation. However, making an officer to participate in a training programme alone had been shown as progress of 2011.
- (c) Similarly, 8 items included in the Action Plan prepared by the Authority had not been fulfilled during the year.

5.3 Annual Report

According to the Public Enterprises Circular No.PED/12 dated June 2003, the annual report of the Authority should be tabled in Parliament within 150 days of the closure of each financial year. However, the Annual Report of 2010 had been referred to Parliament for tabling on 24 August 2012.

5.4 Non-implementation of Orders of the Committee on Public Enterprises

The following observations are made.

- (a) The meeting of the Committee on Public Enterprises which met on 14 and 15 of November 2011 had ordered to regularize the Internal Audit Division of the Authority and to fill the vacancies in the posts within 3 months for which 8 persons had been appointed on an acting basis. However, action had not been taken even as at 24 December 2012 to properly establish the Internal Audit Unit and to fill the vacancies in the posts for which acting appointments had been made.
- (b) A Consultant had been recruited in the year 2011 and a sum of Rs.504,000 had been paid vide the Board of Directors' Paper No.CAA/HRA/109/2010/AOB-10-02 dated 22 December 2010. However, action had not been taken to obtain proper approval for this appointment as per orders given in the meeting of the Committee on Public Enterprises which met on the dates referred to above.

5.5 Meetings of the Board of Directors

The following observations are made.

- (a) The number of member appointed to the Board during 2011 was 24. Three of them had not participated in any of the meetings.
- (b) The participation of other members at the meetings too was not at a pleasing level. Their presence in 10 out of 12 sessions of meetings held was less than 50%.

5.6 Budgetary Control

As a result of the deficiencies shown below in the budget prepared by the Authority, it was observed that the budget had not been used as instrument of financial control.

- (a) An expenditure of Rs.22,837,824 had been incurred at 4 instances without provision and at 4 instances the entire provision of Rs.6,730,000 remained unspent.

- (b) The estimated expenditure had exceeded in 9 items. The expenditure so exceeded amounted to Rs.21,783,932.

6. Systems and Controls

The deficiencies in systems and controls revealed in 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) Maintenance of reports relating to complaints made by customers.
- (b) Control over vehicles.
- (c) Fixed Assets
- (d) Stock Control
- (e) Personnel Management.

H.A.S.Samaraweera
Auditor General

**Comments of the Chairman on the Auditor General's observations on the
Financial Statements of the Consumer Affairs Authority for the year ended 31.12.2011, in terms of
Section 14(2) (c) of the Finance Act No. 38 of 1971**

2.2.1) Transfer of assets and liabilities of the Fair Trading Commission and Internal Trade Department has been made through the deferred income account in the year 2003 and 2004, and thereby the said difference has been arisen between the net value of assets and the deferred income. This has been corrected by the final accounts of the year 2012.

2.2.2) **Accounting Deficiencies**

All the deficiencies in the draft financial statements were corrected and submitted the final accounts to the Auditor General.

2.2.3) Non compliance with rules, regulations and management decisions

a) Consumer Affairs Authority Act No.09 of 2003

i) **Section 3 (1)**

Board of Directors of the Consumer Affairs Authority shall be appointed by the Hon. Minister and action has been taken to instruct the Minister through the Secretary to the Ministry to dismiss such persons from their respective posts, those who do not have recognized qualifications.

ii) **Section 27**

Necessary action will be taken in due course after obtaining necessary approval from the Attorney General in respect of the amendments to the Consumer Affairs Authority Act.

b) In terms of provisions in Section 4(2) of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue Act No.22 of 2011

Those taxes were recovered from the relevant officers and forwarded to the Inland Revenue Department in the year 2012.

c) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

i) **FR 133 and 134**

A female officer has been appointed to the post of Internal Auditor with effect from 01.03.2013 and two experienced officers of the accounts branch have been attached to the audit branch. Relevant interviews have been conducted to appoint two officers permanently to the audit branch.

ii) **FR 371 (2) (b)**

Advances obtained for the Board Meetings, Price Committee Meetings, Audit Committee Meetings and special raids were included under this and with the completing of the said tasks such advances are considered as expenses and it cannot be considered as adhoc imprests. Accordingly, the authority has observed that these advances have been granted within the existing limits. Action will be taken to comply with the auditing instructions when granting the above advances.

Approval has been obtained from the Treasury to increase the limits of the decoy imprests upto Rs.75,000/- for the Head Office and Rs.50,000/- for the District Office.

iii) **F.R.371 (5)**

In accordance with the operating situation of the authority, it is difficult to settle aforesaid advances before 31st December. Practically it is difficult to settle advances obtained specially for awareness programmes, market raids etc. conducted outside Colombo. Advances obtained on 30th December also included to the aforesaid amount. However action will be taken in due course to settle this matter.

d) **Public Enterprises Circular PED/12 of 02 June 2003**

- i. Paragraph 8.3.4 and the Public Finance Circular No.PF/FS/05/(viii) dated 01 September 2010.

As per the above circulars, officers monthly maximum consolidated expenditure limits have been followed for the payment of telephone bills of the three institutions. Expenditure for the fixed telephone lines of the institution also included to the said amount of Rs.2,055,869/-. Expenditure incurred for the each officer in accordance with their respective monthly maximum consolidated limits has been submitted to the Auditor General separately.

- iii. Investigation officers and drivers of the authority have been supplied with telephone facilities obtained free of charge from the Dialog Institution under the communication network of the Authority . Including the relevant tax we spend only a sum of Rs. 122.45 for a telephone number and due to this facility, operating activities and services provided by the Authority could be maintained smoothly.

ii. Paragraph 8.3.5(a)

At the Committee meeting on public enterprises held on 14.11.2011, Consumer Affairs Authority has been nominated as a “A” grade institution. Therefore matters relating to this issue would not be arisen. Further, payment of the transport allowance to the Deputy Directors of the Institution has been approved by the Cabinet Papers No. CAA/HRA/66/2010/AOB-06-03 and No.CAA/HRA/47/2012 and under the Public Administration Circular No.22/99. A request has been made again to the General Treasury to obtain a special approval for this purpose.

iii. Paragraph 9.3.1

Two officers have been selected on permanent basis from the interviews held for the said purpose in place of the 8 officers who had been appointed to cover up duties to act in the said posts. Presently officers of the authority have been appointed to cover up duties to act in the 2 posts. An interview has been held to appoint an assistant director (regional) on permanent basis and applications have been called to recruit a suitable officer for the post of Director (Pricing and Management).

iv. By then, Scheme of Recruitment of the Consumer Affairs Authority, has been finalized and submitted to the Salary & Cadre Commission. Considering the exigencies of the service, recruitments were made obtaining a special approval from the Management Services Department.

v. Paragraph 9.10

Considering the exigencies of the service those recruitments were made on the permission of the Management Services Department.

e) Budget Circular No.150 of 07 December 2010 and letter of the Ministry of Finance and Planning No.MF/TR/1/2003 of 28 March 2013

27 vehicles are needed only for the raids, consumer awareness programmes and other administrative activities implemented by the Head Office and within the 22 administrative districts islandwide. As per the Budget Circular No.150 dated 07 December 2010, Authority has requested 25 vehicles from the Treasury and only 06 vehicles have been granted by the Treasury under the 1st stage. Accordingly, to continue the targeted activities of the Authority successfully and smoothly other vehicles necessary for the above purposes have been obtained on hire. If it is not done, the progress achieved by the Authority upto now, couldn't be gained. Therefore, the necessity of the institution, vehicles will be obtained on rent and considering the number of vehicles granted by the Treasury, vehicles obtained on hire could be removed. Those vehicles were obtained on hire under common rates existing within the relevant Districts.

f) Board of Directors Paper No. CAA/AH/R/74/2010 dated 20 September 2010.

Based on the then prevailed situation in the Authority, 30% reduction was expected, (service condition and the cadre). Presently role of the Authority has been widened and the cadre also have been increased, and thereby telephone bills also have been increased. With the introduction of the targeted raids and recruiting of more employees to the staff and on the results of the consumer awareness programmes, more complaints than earlier have been received and the authority has to response them and thereby telephone expenses have been increased considerably. Income obtained on fines also has been increased due to above mentioned activities.

In the year 2010, District Investigation Officer has been assigned to conduct at least 6 raids monthly and in the year 2011, it was increased to 36, thus resulting an increase in the expenditure on telephone facilities as compared with the year 2010.

3. Financial Review

3.1 Financial results

The activities of the authority for the year 2011 had resulted in a surplus of Rs.12,618,128/- as compared with that of the year 2010 amounting to 21,763,716/- showing a decrease in the financial results. Increase in personal emoluments, contractual services and other operating expenditure had mainly attributed to this and the operating expenses of the authority for the previous year was Rs.140,960,480 and it was Rs.194,607,504/- during the year under review thus resulting an increase representing 38.1%.

4. Operating Review

4.1 Performance

As per the Section 40 of the Act, where an application is made to the Council under Section 36 of 37, as the case may be, it shall be the duty of the Council to hear and determine its order on such application.

As per the Section 19(1), 22(10) and 37(1) of the Act, the Director General and the Authority, as they may deemed necessary and having regard, to refer such matter to the council for investigation and report.

As per the Section 38, any person or organization can make an application directly to the Council. Accordingly, it is not practical to furnish the targets of the council for each year.

In case a party moves a date for submissions at the time when the investigation is preceding, a date may be given to that party as per the provisions containing in the law. On such circumstances an order/ a report could not be given upon completion of the investigation within the period prescribed for such order or report.

Said expenses of the council consist of salary, wages, allowances, privileges of the Chairman , members and the Secretary as well as the maintaining expenses of the Council. Just as the Rent Board, Debt Conciliation Board and Telecommunication Regulatory Commission, this Council has been established to regulate the market mechanism, and not to earn money. Further, you are pointed out that the number of applications/ references made to the council is out of the control of the council.

- b) Various steps (to make aware of the relevant parties and to conduct raids) have been taken by the authority to practically implement the order made by the Gazette notification to use plastic, paper or timber covers for packaging fruits and vegetable. The authority is conducting a continuous follow up action in respect of this task. Action has been taken by the authority to take legal action against 108 traders who are not complied with the said order. Arrangements have been made to conduct raids continuously in respect of this matter. Therefore the expenditure incurred by the authority over this action is not futile and it is an initiative measure of a fruitful investment taken the authority in respect of all parties (farmers, transporters, consumers) who receive benefits of this project of national importance. (Project on reducing post harvesting losses of fruits and vegetables)
- c) The functions of the Authority are to bring awareness among the consumers, furnishing information to the public, Establishment and promotion of consumer organizations and accordingly, the said programmes have been included to the Action Plan of the Authority. Progress of these programmes will be reviewed at District Progress Review Programmes held monthly. In addition to the activities relating to market raids and legal activities, these activities have been done by limited number of investigation officers (raids) attached to district offices. Presently new Investigation officers have been recruited and attached to district offices to conduct awareness programmes and to promote the establishment of consumer organizations. In addition to these officers 52 graduates recruited by the ministry has been attached to those district offices for the said purposes.

4.2 Idle and under utilized Assets

Consumer Affairs Authority has continuously tried to withdrawn the said amount but it was delayed, as the General Treasury wanted some

explanations regarding this. Due to widening the targeted market investigation activities covering all the districts of the Island by the Consumer Affairs Authority. It was urgently needed to provide transport facilities to the said districts. As the existed provisions were not adequate, permission was sought from the General Treasury to defray the funds in terms of the provisions set out in the paragraph 49(a) of the Consumer Affairs Authority Act No. 09 of 2003. As per the permission granted by the Treasury the funds were utilized in terms of the provisions laid down in the Act.

4.3 Transactions of a Contentious nature

In terms of the Consumer Affairs Authority Act No.09 of 2003, staff of the Fair Trading Commission were paid for the medical leave consisting of 21 days, in complying with the manual procedure of the Fair Trading Commission.

- 4.3 As per the Section 73(2) (b) (viii) (a) of the Consumer Affairs Authority Act No. 09 of 2003, it is emphasized that “all officers and servants of the commission on the day immediately proceeding the date of commencement of this act who are offered employment with the Authority and accepts such offer shall be employed therein on such terms and conditions as are not less favourable than the terms and conditions of employment that were applicable to them on the day immediately preceding the date of commencement of this Act.

In terms of the aforementioned order, and the letter No.Ad/At/16 dated 22 February 2005, just as they were paid earlier, payment of vacation leave had been made to the staff of the Fair Trading Commission in complying with the approval and the order laid down in the Act. Thereafter action has been taken to encash only medical leave consisting of 21 days for all the officers with effect from 01.01.2013 and the officers were informed of the same by the memo dated 02.05.2013.

Further action will be taken in this regard after clarifying the said matter by the General Treasury.

4.4 Resources of the Authority given to other Government Institutions

a) This officer has been attached to the media unit of the Authority and the said amount has been paid on the approval of the Board of Directors. However, this allowance has been reduced to Rs.5,000/- with effect from February 2012 and a mobile phone belonging to the telephone network of the Authority has been given to the media unit from February 2012, no telephone bills have been paid by the Authority in respect of the said officer.

A female officer of the Consumer Affairs Authority had been attached to the Minister's staff temporarily for type writing of letters draft in English and presently she has been dismissed from the Authority.

b) The expenditure on repairs of a Defender vehicle belonging to the ministry which was assigned temporarily to the Authority, amounting to Rs.3,361,475/- had been incurred from the funds of the Authority. The Ministry has agreed to settle the said amount on the availability of the provisions.

4.5 Staff Administration

- a) Action will be taken to correct this mistake as early as possible.
- b) Proper approval has been obtained for the new recruitments and the relevant investigation officers were recruited on the approval granted by the Management Services Department as per the then recruited procedure.
- c) Secretary of the Ministry has been requested a report over this recruitment and placing of him over the said salary scale, at the Meeting of the Committee on Public Enterprises held on 14th November 2011 and after considering the said report, it was decided at the meeting held on 03rd October, 2012, that the recruitments made and the granting of said increments are not contravening the Act. Therefore the said transaction has been removed from the report dated 03.10.2012.

5) **Accountability and good governance**

5.1) **Corporate plan**

The corporate plan shows how to meet the targets of the Authority in each quarter. Further, performance indicators also have been included to the said report Corporate plan also has been made for the year 2013, on the basis of the vision of the ministry in complying with the vision and mission of the Authority, and the strategies and the targets have been identified and arrangements will be made to implement the said factors with maximum performance.

5.2) **Action Plan**

- a) As shown in the Answer 5.1, progress expected to be achieved for the year 2011 has been identified with the relevant targets and accordingly it can be confirmed that expected aims could be achieved.
- b) According to items 5:4a, 5:4b, 5:4c it had been pointed out in the action plan that it was the duty of the all the Heads of the Departments to identify training opportunities and to offer service training programmes to the staff and evaluation. It is fruitful to obtain the training requirements of the relevant divisions through the respective Heads of the Divisions and to make them participated in the relevant training programmes through the Human Resources and Administration Branch. Your comments have been noted and action will be taken to correct the said mistake in the year 2013.

5.3) **Annual Report**

Tamil and English translations of the audit report have been provided only on 22.11.2011. Submission of compact disks, in place of the annual reports has resultant to this delay.

5.4) **Non implementation of orders of the Committee on Public Enterprises**

Internal auditor has been recruited to the Internal Audit Division with effect from 01.03.2013 and two other officers have been attached to the said unit for assisting him. As the Internal Audit Division has to regularized, action has been taken to attach two accounts clerks to the said division. All the vacancies existed in the said division have been filled by

01.02.2013, except for two acting posts. Presently the posts of Director (pricing and management) and Assistant Director (Zonal) have been remain vacant and relevant interviews have been conducted in respect of the said posts.

b) The service of the consultant, recruited for training of new Investigation officers has been ceased with effect from 31.12.2011.

5.5) Meetings of the Board of Directors

a) Hon. Minister was made aware of the decision to be taken by him to abolish the membership of the members who had not participated in any of the meetings.

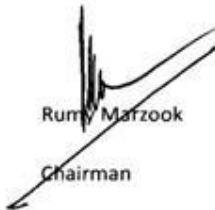
b) Hon. Minister has been informed of the other members too, whose participation was not at a pleasing level.

5.6) Budgetary control

With the widening of the functions of the authority, and specially with the introduction of targeted raids, the estimated cost had exceeded. Arrangements will be made in due course to arrest this situation and to control the expenses within the relevant limits.

6) Systems and controls

Necessary action will be taken in respect of the areas of control for which special attention is needed.


Rumi Marzook
Chairman