



**Consumer Affairs Authority**

**Annual Report - 2012**



### Chairman's Message

It gives me great pleasure to place before you the Annual Report which is a key instrument that discloses an organization's financial and non-financial performance. The purpose of a good annual report is not only indicate the financial results of an organization, but justifies the figures included to create a clear understanding amongst its readers about the organization and its values, achievements and contribution to the society etc.

In the year 2012 the Authority took steps to absorb more employees to obtain its services for the benefit of consumers with the aim to protect them from anti-competitive practices and errant traders.

Authority believes that Competition is the precondition that protects freedom of decision and action to economically optimal, socially fair and desirable market results. Effective competition policy is a critical instrument for benefitting consumers. We have proposed comprehensive competition policy to be incorporated into the law. This will enable abusive practices of dominant undertakings, such as limiting production or sales, making unreasonable increases in price, imposing other unfair trading conditions, engaging in unfair price discrimination, predatory pricing, and sale of certain goods for the sale of unrelated goods. Entering into prohibitive agreements including collusive behavior relating to the production, supply, distribution, acquisition or control of goods or the provision of services that may have the object or effect of preventing, restricting, reducing or distorting competition which have the negative impact on the public interest. We are waiting for the passing of the law in the near future. We published Directions during the year which is vital to safeguard consumer interests.

We successfully unveiled the anticompetitive practices referred to the Authority in the complaints form where significance of competition issues against the public interest is investigated and concluded.

We have been advocating for improving competition in the economy by doing awareness, workshops and seminars.



During 2012, having done a thorough study on the fluctuation of the world market prices on milk powder, cement and gas, the CAA had to allow a minimum increase in the above 3 essential goods. But due to the increase in the prices of gas in the world market, we had to allow a price increase in gas here also significantly.

We had been able to handle and complete 97.6% of the complaints received during 2012 and has been able to successfully prosecute cases filed by the Authority against traders for the contravention of provisions of the Act and as well as had been able to obtain clearance from the AGs department for the inclusion of a provision on "*on the spot fines*" in the proposed amendments to the Act.

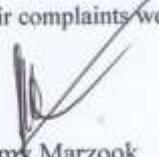
Also liaised with the SLSI and SL Customs we were able to avoid substandard goods entering into the country at the point of entry under the Import Inspection Scheme and was in a position to successfully monitor 146 such cases.

I wish to express my grateful thanks to the staff at all levels, whose hard work helped us to achieve these excellent results.

Also I wish to convey my sincere appreciation to my colleagues on the Board of Directors of the Consumer Affairs Authority who has always been a pillar of strength in gaining the above success, without whose contribution we would not have been a successor.

Also my heartfelt gratitude goes to the Secretary and the Hon Minister for extending their advice, guidance and approvals toward to achieve the above success.

In conclusion, I wish to thank the complainants / consumers for rewarding our efforts by conveyance of commendations and letters of appreciation who had been quite satisfied with the manner in which their complaints were handled and on the redress received.

  
Romy 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.

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No 27 Vauxhall St  
Colombo 02

25.09.2013

Hon Minister of Co-operatives and Internal Trade  
8<sup>th</sup> Floor  
CWE Secretariat Building  
Colombo 2

Hon Minister,

In terms of the Section 14(2) of the Finance Act No 38 of 1971, I herewith submit the Annual Report for the Year 2012 together with Audited Balance Sheet, Income and Expenditure Accounts and the Auditor General's Report.

Yours faithfully,



Runiy Marzook  
Chairman  
Consumer Affairs Authority

# CONSUMER AFFAIRS AUTHORITY

## Annual Report -2012

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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 – 2012

The names of the Members who held office as at the end of 2012 are as follows:

Mr Rummy Marzook	Chairman
Mr Milton Amarasinghe	Full Time Member
Mr Sunil Jayaweera	Full Time Member
Major General Nimal A Jayasuriya	Full Time Member
Major General P Chandrawansa	Member
Rev Rekawa Jinaratana Thero	Member
Ms Chandra Ekanayake	Treasury Representative
Mr Sugath Mohan Frank de Silva	Member
Mr Dushan Soza	Member
Mr A G P Kithsiri	Member
Mr Vinod Dhansingani	Member
Mr J M Jayathilaka Jayasundra	Member
Mr Varuna Alawwa	Member
Mr Anura Fernando	Member
Mr Anil Kumara Senadheera	Member
Mr H M L Hemantha Bandara Herath	Member
Mr Basil Vanlanganburg	Member
Mr W A C Hemakumara	Member
Mr R B Tennakoon	Member
Major Y H P N Y Senadhipathi	Member
Mr M B M Ibrahim	Member
Mr Madhawa Sanjeewa Wattegama	Member
Dr Jayantha Balawardena	Member
Mf M H F Sheriff	Member
Mr Pinsith Amila Perera	Member
Ms M N P Gooneratne	Ministry Representative wef 17.10.2012
Mr K D D K de Abrew	Member

### 1.3 Staff of the Authority

Mr Romy Marzook continued to serve as the Chairman during the year 2012. Mrs Chandrika Thilakaratna (Director Consumer Affairs & Information) was continued as the Acting Director General till May 2012 and Mr Chandraratne Pallegama (SLAS Officer – Class 1) was appointed as the Director General on secondment basis from 22 May 2012. In view of the fact that Mr Pallegama had to assume duties as the Secretary of the Education Services Commission from November 2012, 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 – 2012

#	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 Bandula Gunawardena appointed Mr Upali Senaratne (Attorney-at-Law) as the Chairman with effect from 11.02.2009. After the cabinet reshuffle Hon Minister Johnston Fernando appointed Mr Senaratne as the Chairman once again with effect from 20.05.2010 and continued to serve as the Chairman of the Consumer Affairs Council during the year 2012.

Members of the Consumer Affairs Council:

Mr Upali Senaratne (AAL)	-	Chairman
Mr Wasamtja 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, purchasers and other users of goods and services in respect of the price, availability and equality of such goods and services and the variety supplied.
- 5) To keep consumers informed about the quality, quantity, potency, purity, standards and price of goods and services made available for purchases.
- 6) Carry out investigations, inquiries in relation to any matter specified in this Act.
- 7) Promote competitive prices in markets where competition is less than effective.
- 8) Undertake studies, publish reports and provide information to the public relating to market conditions and consumer affairs.

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

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

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

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

The performance of the Consumer Affairs Authority during the year 2012 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 39 – Use of Plastic, Hard Paper or wood containers for locally produced selected Vegetables and fruits

This was issued in respect of 21 vegetables and fruits, to reduce post harvest waste They are – Tomatoes, Tibbatu, Carrot, Bitter gourd, Thumba karavila, Cauliflower, Bell pepper, Lettuce, Spinach, Capsicum, Cucumber, Papaw/papaya, Guava, Avocado, Orange, Pomegranate, Grapes, Pears, Mangoosteen, Strawberry, Passion Fruits

- ii. Direction No 40 – SLS Standard on domestic LPG Steel Cylinders and related other accessories.

This Direction was introduced to maintain standards of domestic LPG Cylinders and accessories.

- iii. Direction No 41 – SLS Standard on safety matches in boxes.  
SLS mark made mandatory for safety matches in boxes to maintain quality and safety of safety matches.
- iv. Direction No 42 – Labeling on the packs or containers or units of all pharmaceuticals and vitamins.

Marking of several details made mandatory on pharmaceuticals and vitamins so that the consumer will know such information before purchasing.

- v. Direction No 43 – Any revision of current retail selling price of any pharmaceutical or vitamin, to be informed to CAA prior to making such revision

This was issued to maintain a uniform price structure on pharmaceuticals and vitamins.

**b. 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 146 such cases where SLSI recommended goods to be re-exported for non-compliance to standards under the import inspection scheme.

- c. 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 2012 Authority has conducted 183 programmes for the business community.

**Table – 1** - Trader Awareness programs conducted in 2012

District	No of Programmes conducted	No of participants
Colombo	22	1,807
Puttlam	01	11
Matara	110	1,466
Nuwara Eliya	06	201
Vauuniya	01	28
Jaffna	03	108
Ratnapura	01	25
Matale	05	89
Batticaloa	02	80
Kandy	13	577
Hambantota	01	13
Anuradhapura	01	56
Trincomalee	06	337
Polonnaruwa	01	21

Badulla	03	77
Kurunegala	01	34
Kegalla	02	39
Ampara	02	47
Galle	01	65
Gampaha	01	40
<b>Total</b>	<b>183</b>	<b>5,121</b>

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 27,746 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 2012 is Rs 92.1 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**

Activities carried out (Target)	No. of raids	No. of cases	Fines imposed Rs
Market raids and investigations a. Market Investigations on Section 10 ( <i>Violation of directions issued under Section 10</i> )	4,758	4,269	15,330,250
b. Market Investigations on Section 11 ( <i>Selling at a higher price than the marked price</i> )	3,659	3,713	13,327,600

Activities carried out (Target)	No. of raids	No. of cases	Fines imposed Rs
c. Market Investigations on Section 12 ( <i>Non compliance with the standards</i> )	170	145	687,500
Activities carried out (Target)	No. of raids	No. of cases	Fines imposed Rs
d. Market Investigations on Section 15	7	5	14,500
e. Market Investigations on Section 16 ( <i>Denial of possession of any goods</i> )	10	7	30,000
f. Market Investigations on Section 17 ( <i>Hoarding of Goods</i> )			
g. Market Investigations on Section 18 ( <i>Violation of MRP</i> )	16	35	156,000
h. Market Investigations on Section 20	1,204	950	2,931,550
i. Market Investigations on Section 26 ( <i>Non displaying the price list</i> )	9,476	9,791	29,637,500
j. Market Investigations on Section 28 ( <i>Traders to issue receipts to purchasers</i> )	56	89	380,400
k. Market Investigations on Section 30 ( <i>Misleading or deceptive conduct</i> )	4,837	4,000	16,802,150
l. Market Investigations on Section 30 and 31 ( <i>Misleading and false representations</i> )	2,543	2,277	8,456,00
m. Market Investigations on Section 31 ( <i>False representation</i> )	1,010	945	4,346,200
<b>Total</b>	<b>27,746</b>	<b>26,226</b>	<b>92,099,650</b>

No of Court cases filed other than on raids had been 65 and Authority has collected Rs 746,000/-by way of fines.

- d. 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.

Following give product importers are forwarding the declared MRP to the Consumer Affairs Authority (CAA). Based on the MRP a Cess is being imposed by the Sri Lanka Customs. CAA carries out regular market checking on these prices to ensure the declared prices to Sri Lanka Customs are complied in the market.

- i. Confectioneries
- ii. Chocolates
- iii. Biscuits
- iv. Cakes
- v. Toilet Soap

Three Hundred & Seventeen (317) applications were received by the Authority and all have been disposed.

### 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 2012, the Authority has received 1603 complaints and concluded 614 complaints to the satisfaction of both parties. Number of consumer complaints referred to district units is 23. 625 complaints were referred for market raids.

The progress of handing consumer complaints during 2012 is presented in Tables 3 and 4 below.

**Table – 3**

Consumer Complaints handled during 2012

No of complaints received (2012)	1,603
Referred to other institutions *	144
Referred for raids and other action *	755
Concluded *	614
Rejected *	51
Discussions held *	463

\*This total includes unsettled complaints during the past years

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

Action Taken	Nos
Inquiries held	149
Inquiries settled	22
Orders issued	12
Discussions held (prior to inquiry)	55

The Authority has filed 7 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 2012, the Authority has conducted 149 consumer awareness programmes for the consumer groups such as School children, University students, Government officials, Community organizations, Housewives and general public, 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 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
Colombo	27	33,081
Galle	02	5,070
Puttlam	01	4,250
Badulla	01	5,000
Anuradhapura	03	5,675
Matara	09	2,171
Jaffna	07	1,202

District	No of Programmes conducted	No of participants
Polonnaruwa	04	3,303
Gampaha	01	4,500
Kurunegala	04	5,195
Ratnapura	03	3,290
Kegalle	01	4,200
Moneragala	01	3,500
Ampara	03	1,490
Hambantota	01	2,950
Kalutara	02	4,242
Vavuniya	01	4,100
Matale	02	4,910
Nuwara Eliya	01	5,000
Batticaloa	02	895
Kandy	09	5,222
Trincomalee	08	4,251
<b>Total</b>	<b>93</b>	<b>113,497</b>

**Table – 6**

Establishment of Consumer Organizations

District	No of Organizations established	No of Organizations registered
Colombo	06	02
Matara	01	01
Polonnaruwa	-	01
Jaffna	01	-
Vavunia	34	34
Kegalle	01	01
Batticaloa	07	01
Ratnapura	03	-
Gampaha	01	-
Trincomalee	06	07
<b>Total</b>	<b>60</b>	<b>47</b>

**Table – 7**

## Awareness Programmes for Schools

District	No of Programmes conducted	No of Participants
Colombo	18	3,368
Trincomalee	28	1,446
Nuwara Eliya	01	50
Matara	02	361
Kurunegala	02	141
Batticaloa	03	112
Galle	01	300
Ampara	01	23
<b>Total</b>	<b>56</b>	<b>5,801</b>

**Table – 8**

## Establishment of School Consumer Clubs

District	No of Consumer Clubs established	No of Consumer Clubs registered
Colombo	13	10
Trincomalee	27	21
<b>Total</b>	<b>40</b>	<b>31</b>

**Table – 9**

## Exhibitions

Type of activity	Date	No of visitors
Deyata Kirula 2012 – Anuradhapura	04.02.2012 – 12.02.2012	600,000
Mahapola Exhibition 2012 at St Anthony's Boys School, Katugastota	06.04.2012 – 12.04.2012	1,800
Law week 2012 Exhibition	01.12.2012	500
<b>Total</b>		<b>602,300</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 36 investigations into alleged anti-competitive practices on complaints received by the Authority in 2012 and out of these complaints 24 have been investigated and disposed of during the period while 3 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 edible oil market.

Special studies were carried out on to identify the state of competition and possibility of promoting competition and protection of local industries on various industries. This includes Incense sticks, bottled drinking water, spare parts of motor vehicles, Full Cream milk powder.

### **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 27 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 taken steps to calculate the market share of 27 products with a view of examining the possibility of market dominance. Market identification is quite essential in relation to goods and servic3s which are not competitive.

The Authority has conducted 25 price surveillance on essential commodities.

Based on daily market prices of food commodities, vegetables and fish price analysis reports are submitted on daily basis.

In order to promote competition, empowering trade programmes are conducted. Three programmes were conducted during this period.

b. Protection of local industries

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

6. 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 request made by the cement Companies, a gazette notification has been issued under Section 20 (5) of the CAA Act, increasing the prevailed Maximum Retail Price of Ordinary Portland Cement and Portland Limestone Cement from Rs 785/- to Rs 855/- and Masonary Cement from Rs 735/- to Rs 805/- on 03 May 2012.
Milk Powder	Maximum Retail price of Full Cream Milk Powder has been revised considering the request made by the milk powder Companies, issuing a gazette notification on 04 May 2012 under Section 20 (5) of the Act and the prices are: 400g pack of Full Cream Milk Powder – Rs 325/- 1Kg pack of Full Cream Milk Powder – Rs 810/-

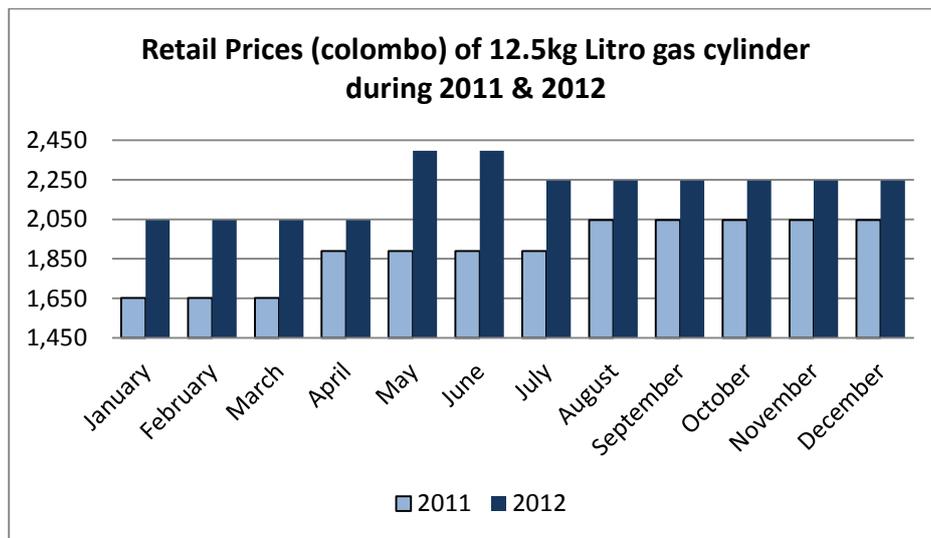
#### Liquefied Petroleum (LP) Gas

Maximum Retail Prices allowed for two (02) major liquid Petroleum Gas players are indicated below and prices have been calculated based on the Pricing Formula which introduced in latter part of 2007. The price regulation of Liquefied Petroleum gas 12.5 Kg cylinder in 2012 is presented in table 11

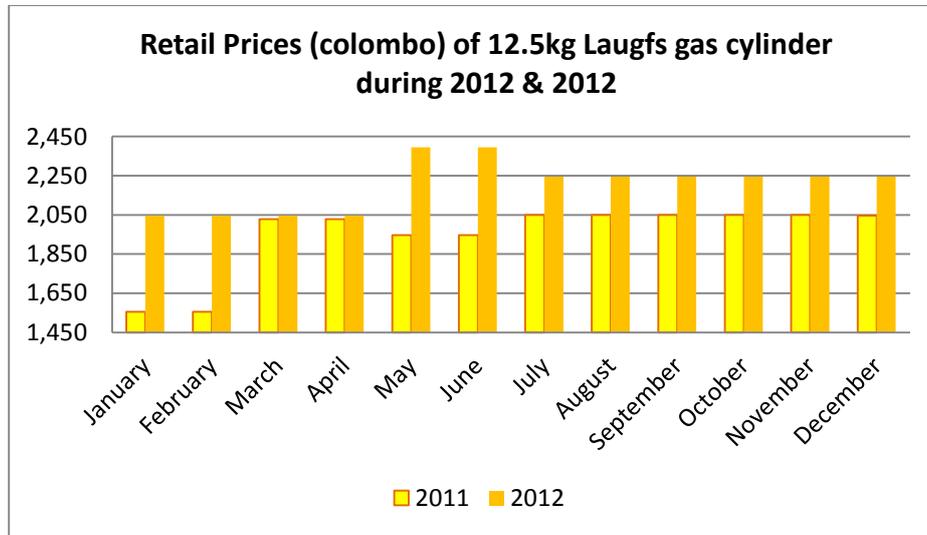
**Table 11** - Price regulation of Liquefied Petroleum Gas 12.5 Kg cylinder – 2012 with a comparison of 2011

Month	2012		2011	
	Litro Gas	Laugfs Gas	Litro Gas	Laugfs Gas
January	2,046	2,046	1,652	1,556
February	2,046	2,046	1,652	1,556
March	2,046	2,046	1,652	2,029
April	2,046	2,046	1,890	2,029
May	2,396	2,396	1,890	1,947
June	2,396	2,396	1,890	1,947
July	2,246	2,246	1,890	2,050
August	2,246	2,246	2,046	2,050
September	2,246	2,246	2,046	2,050
October	2,246	2,246	2,046	2,050
November	2,246	2,246	2,046	2,050
December	2,246	2,246	2,046	2,046

Retail Price (Colombo) of 12.5 Kg Litro Gas cylinder during 2011 and 2012



## Retail Price (Colombo) of 12.5 Kg Laugfs LP gas cylinder during 2011 and 2012



### 7. 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 2012 is presented in Table 12 below.

Table – 12

## Staff Training Programmes held in 2012

#	Title of the Course	Participation
01	Awareness Programme on “Employee Satisfaction/Happiness at work”	52
02	One day workshop for drivers conducted by the Dept of Motor Traffic and Traffic Police	18
03	Awareness Programme for employees conducted by SLSI	68
04	Training Programme IT (Web) – conducted by SLSI	01
05	Colombo forum on Contract Law 2012 conducted by CLS	01
06	Course on Stores Management conducted by NILS	01
07	Workshop on Public Procurement Procedure conducted by SDFL	02
08	Office Management & Office procedure conducted by SDFL	01
09	Sri Lanka Financial Reporting Standards conducted by PRAG Institute	03
10	Gender Socialism and Trade Union actions conducted by Sri Lanka Nidahas Sewaka Sangamaya	02
11	Service of Office Aide for Higher Labour Efficiency conducted by the National Institute of Labour Studies	02
12	Two day workshop on Financial Reporting in compliance with Accounting Standards conducted by SDFL	04
13	Human Resource Development Policies & Practices in 21 <sup>st</sup> century & beyond with emphasis on Chinese experience conducted by SLIDA	02
14	Productivity Enhancement Programme	54
15	SLSI Standards	72
16	Productivity Enhancement Programme	88
17	Role of National Gem and Jewellery Authority	65
18	Role of Food Control Administration Unit	60
19	Role of National Intellectual Property Office	86
20	Role of Commission to Investigate Allegations of Bribery or Corruption	84
21	Court procedure related to Consumer Affairs Authority Act	85
	Total	760

b. Strengthening the Staff position of the Authority

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2011	Vacancies
<b>HM 2-1</b>	<b>Senior Manager</b>			
<b>HM 1-1</b>	<b>Director General</b>	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	0	1
	Deputy Director	15	3	8
	Assistant Director		4	
	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	0	27
	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	1	0
	Senior Admin/HR Officer	1	0	1
	Senior Legal & Enforcement Officer	2	2	0
	Senior Costing Officer	1	1	0
<b>MA 5-2</b>	<b>Enforcement/ Operational/ Extension</b>			
	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	2	1

Salary Code	Designation	Approved cadre as at 19.05.2011	Existing cadre as at 31.12.2011	Vacancies
	Investigation Officer	200	161	39
<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	24	7
<b>PL 3</b>	<b>Primary Level Skilled</b>			
	Driver	18	11	7
<b>PL 1</b>	<b>Primary Level Unskilled</b>			
	Office Aide	14	12	2
	<b>Total</b>	<b>370</b>	<b>237</b>	<b>133</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 was sent to the Attorney General's Department for clearance.

### Consumer Affairs Council – 2012

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	7	3
Section 19 Maximum Retail price	4	5
Section 19 Unfair Trade Practices	2	3



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2012

	SLFRS as at 31.12.2012 LKR 000'	SLFRS as at 31.12.2011 LKR 000'
<b>ASSETS</b>		
<b>Non – Current Assets</b>		
Property, Plant and Equipment	69,063	29,798
Assets classified as held to maturity	125,239	74,420
Other Non Current Financial Assets (Staff Loan)	6,089	7,736
Deferred Employee Cost	<u>2,350</u>	<u>2,656</u>
	202,742	114,610
Assets classified as held for sale	<u>324</u>	-
	203,066	
<b>Current Assets</b>		
Inventories / Stocks	1,117	1,168
	18,579	17,600
Other Current Financial Assets	6,492	7,034
Government Debtors	]	21,838
Cash and Cash Equivalents	<u>9,865</u>	<u>23,520</u>
	36,053	71,159
Total Assets	239,120	185,769
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued Expenses	19,651	17,312
Payables & other liabilities	<u>3,321</u>	<u>4,608</u>
	22,972	21,920
Non-Current liabilities		
Provision for gratuity	<u>17,833</u>	<u>14,127</u>
	17,833	14,127
Total liabilities	40,805	36,047
<b>Total Net Assets</b>	198,315	149,723
<b>NET ASSETS/ EQUITY</b>		
Accumulated Fund	63,191	63,191
Deferred Income	69,387	35,409
Reserves	<u>65,736</u>	<u>51,124</u>
	198,314	149,723
<b>Total Net Assets/ Equity</b>	198,314	149,723

Director Finance  
Consumer Affairs Authority

Director General  
Consumer Affairs Authority

Chairman  
Consumer Affairs Authority



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2012

	SLAS as at 01.01.2011 LKR 000'	Re- measurements 2011 LKR 000'	SLFRS as at 01.01.2011 LKR 000'
<b>ASSETS</b>			
Non-current Assets			
Property, Plant and Equipment	29,713	-	29,713
Assets classified as held to maturity	52,992	-	52,992
Other non-current Financial Assets (staff Loan)	10,277	2,512	7,765
Deferred employee cost	-	(2,512)	2,512
	<u>92,982</u>	-	<u>92,982</u>
Assets classified as held for sale		-	
<b>Current Assets</b>			
Inventories/ Stocks	446	-	446
Trade and other Receivables	7,740	(242)	7,982
Other current financial assets	5,985	-	5,985
Government debtors	21,838	-	21,838
Cash and cash equivalents	<u>39,448</u>	-	<u>39,448</u>
	75,458	(242)	75,699
<b>Total assets</b>	168,439	(242)	168,680
<b>LIABILITIES</b>			
Current Liabilities			
Accrued expenses	15,704	-	15,704
Payables & other liabilities	<u>1,893</u>	-	<u>1,893</u>
	17,597	-	17,597
Non current liabilities			
Provision for gratuity	<u>11,564</u>	-	<u>11,564</u>
	11,564	-	11,564
<b>Total liabilities</b>	29,161	-	29,161
<b>Total Net Assets</b>	<b>139,278</b>	<b>(242)</b>	<b>139,520</b>
<b>NET ASSETS/ EQUITY</b>			
<b>Accumulated fund</b>	63,191	-	63,191
<b>Deferred income</b>	37,520	-	37,520
<b>Reserves</b>	<u>38,567</u>	(242)	<u>38,809</u>
	<u>139,278</u>	(242)	<u>139,520</u>
<b>Total Net Assets / Equity</b>	<b>139,278</b>	<b>(242)</b>	<b>139,520</b>



CONSUMER AFFAIRS AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2012

	SLAS as at 01.01.2011 LKR 000'	Re- measurements 2011 LKR 000'	SLFRS as at 31.12.2011 LKR 000'
<b>ASSETS</b>			
Non-current Assets			
Property, Plant and Equipment	29,798	-	29,798
Assets classified as held to maturity	74,420	-	74,420
Other non-current Financial Assets (staff Loan)	10,392	2,656	7,736
Deferred employee cost	-	(2,656)	2,656
	<u>114,610</u>	-	<u>114,610</u>
Assets classified as held for sale		-	
<b>Current Assets</b>			
Inventories/ Stocks	1,168	-	1,168
Trade and other Receivables	17,661	61	17,600
Other current financial assets	7,034	-	7,034
Government debtors	21,838	-	21,838
Cash and cash equivalents	<u>23,520</u>	-	<u>23,520</u>
	71,221	61	71,159
<b>Total assets</b>	<b>185,831</b>	<b>61</b>	<b>185,769</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accrued expenses	17,312	-	17,312
Payables & other liabilities	<u>4,608</u>	-	<u>4,608</u>
	21,920	-	21,920
Non current liabilities			
Provision for gratuity	<u>14,127</u>	-	<u>14,127</u>
	14,127	-	14,127
Total liabilities	36,047	-	36,047
<b>Total Net Assets</b>	<b>149,785</b>	<b>61</b>	<b>149,723</b>
<b>NET ASSETS/ EQUITY</b>			
<b>Accumulated fund</b>	63,191	-	63,191
<b>Deferred income</b>	35,409	-	35,409
<b>Reserves</b>	<u>51,185</u>	<u>61</u>	<u>51,124</u>
	<u>149,785</u>	<u>61</u>	<u>149,723</u>
<b>Total Net Assets / Equity</b>	<b>149,785</b>	<b>61</b>	<b>149,723</b>



CONSUMER AFFAIRS AUTHORITY

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31  
DECEMBER 2012

	SLFRS as at 31.12.2012	SLFRS as at 31.12.2011
Operating Revenue		
Recurrent Grant	159,222	161,629
Fine income	34,529	30,850
Other income	<u>21,717</u>	<u>17,213</u>
	215,468	209,692
Operating Expenses		
Personal Emoluments	116,122	109,548
Travelling	9,664	9,230
Supplies and consumables	11,055	7,598
Maintenance	4,364	3,108
Contractual services	39,233	36,148
Depreciation	11,680	8,060
Other operating expenses	<u>17,518</u>	<u>22,095</u>
Total operating expenses	209,636	195,788
	=====	=====
Surplus/ (deficit) from operating activities	5,832	13,905
Finance cost	<u>128</u>	<u>84</u>
Total non-operating expenses	<b>128</b>	<b>84</b>
Net surplus / (deficit) before extra ordinary items	5,704	13,821
Other comprehensive income		
Profit for disposal of assets	1,061	-
Profit for revaluation of property, plant & equipment	-	-
Total comprehensive income	6,766	13,821
	=====	=====



CONSUMER AFFAIRS AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 LKR 000'	2011 LKR 000'
Cash Flow from operating activities		
Surplus/ (deficit) from ordinary activities	5,704	12,618
Profit/ (loss) of disposal assets	1,062	-
<b>Adjustment for</b>		
Depreciation	11,680	8,061
Increase in Gratuity Provision	3,706	2,562
Amortization	25	25
<b>Operating profit before working capital changes</b>	<b>22,177</b>	<b>23,266</b>
Increase in payables	1,051	4,324
Increase in other current assets	21,404	(11,692)
Net cash flows from operating activities	44,632	15,898
<b>Cash flows from investing activities</b>		
Purchase of Plant and equipment	(53,014)	(8,172)
Proceeds from sale of plant and equipment	1,831	-
Increase in investments	(50,819)	(21,428)
Increase in long term loans	1,952	(115)
<b>Net cash flows from investing activities</b>	<b>(100,050)</b>	<b>(29,715)</b>
<b>Cash flows from financing activities</b>		
Deferred income	33,978	(2,111)
Consumer Protection Fund/ Reserves	7,785	-
<b>Net cash flows from financing activities</b>	<b>41,763</b>	<b>(2,111)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(13,655)</b>	<b>(15,928)</b>
<b>Cash and cash equivalent at beginning of the period</b>	<b>23,520</b>	<b>39,448</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>9,865</b>	<b>23,520</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 September 2011, Consumer Affairs Authority is categorized under “A” of the sub-category “A” in Regulatory Agencies.

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

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 as 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, which is formed by 1/3<sup>rd</sup> of the fines income which is a direct income to the Authority, is also represented in the equity of the Authority.

1.5 The amount of LKR 21,837,974.52 shown under Government Debtors has been settled by the General Treasury by their letter Ref No BD/356/155/265IR dated 2012.07.09 since allocated treasury funds were not sufficient to meet expenditure relating to target raids and consumer awareness and LKR 14 million has been expended for the same.

- 1.6 Government Grants related to assets and non-monetary grants at fair value have been presented in the Balance Sheet as deferred income. The difference of Rs 6,585,559/- shown between net asset value and deferred income as at 31.12.2011 was transferred to the reserve account.

## **2. General Accounting Policies**

- 2.1 The financial statements of Consumer Affairs Authority (CAA) have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka.

For all period up to and including the year ended 31<sup>st</sup> December 2011, the CAA prepared its financial statements in accordance with Sri Lanka Accounting Standards. These financial statements for the year ended 31 December 2012 are the first the CAA has prepared in accordance with SLFRS.

- 2.2 The Financial statements have been prepared on historical cost basis, except for investments, properties, motor vehicles, and held to maturity financial assets that have been measured at fair value.

### **2.3 Fines Income**

- 2.3.1 Income earnings from the fines were earlier excluded from the income statement 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 Income & Expenditure Account.

2.3.2 There are some instances where the Authority receives money as fines income and as unrecognized at the same time due to the differences between the case numbers given by the relevant raiding officers of CAA and the numbers given by 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 December.

## 2.5 **First-time adoption of IFRS (SLFRS)**

The Financial statements, for the year ended 31 December 2012, are the first that the CAA has prepared in accordance with SLFRS. For period up to and including the year ended 31.12.2011, CAA prepared its Financial Statements in accordance with Public Sector Accounting Standards and Sri Lanka Accounting Standards.

Accordingly, the CAA has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the CAA's opening statement of financial position was prepared as at 01 January 2011, the CAA's date of transition to SLFRS.

SLFRS 1, First time adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

### **Fair value of Property, Plant and Equipment**

A first-time adopter may elect to measure an item of Property, Plant and Equipment at the date of transition at its fair value. It is important to note that this exemption does not take classes of Assets or categories of Assets as its unit of measure, but refers to an item of property, plant and equipment. SLAS 18 does not prescribe the unit of measure for recognition, i.e. what constitutes an item of Property, Plant and Equipment. Thus, judgement is required in applying the recognition criteria to an entity's specific circumstances. A first-time adopter can therefore apply the deemed cost exemption to only some or all its assets.

The CAA has revalued its Motor Vehicles in 2010 and the re-valuation to be made in 5 years time as a policy. Re-valuation of other classes of Assets is not economically beneficial. Therefore, no re-valuation was done at the time of conversion for other classes of Assets, considering economic benefit and nature of Assets. As such other non-current Assets are not converted to fair value mode.

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

#### **3.1 Property, Plant and Equipment**

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 de-recognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Repair and maintenance costs re recognized in the Income Statement as incurred.

Any re-valuation surplus are recognized in other comprehensive income and accumulated in equity in the asset re-valuation reserves.

3.1.2 The cost of the 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. The invoice value of LKR 48,848,357/- is considered as non monetary grant and accounted accordingly

### 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 follows:-

Office Furniture & Fittings	10%
Office Equipment	10%
Computer Equipment	20%
Motor Vehicles	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 and 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. Subsequent to initial recognition, Fixed Deposits are stated at mortised cost using effective interest method. Gain or losses arising from change in the fair value of fixed deposits are included in the Income Statement in the period in which they rise. Fair values are evaluated based on a discount rate using annual Treasury Bill interest rate.

Since CAA has past experience that Fixed Deposits are not withdrawn within the period and it is assumed that majority of Fixed Deposits will remain at least 3 years.

### **3.7.2 Non Current Assets Held to Maturity**

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.

Since the required liability has not been invested, actuarial gain or losses are not recognized. However, defined benefits liability comprises the present value of the defined benefits obligation using discount rate based on annual Treasury bill interest rate.

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

All employees are eligible for EPF and ETF contribution in line with respective statutes and regulation. Contribution to Provident Fund and the 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 recognized 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 effective interest rate (EIR), which is the rate that exactly discounts the estimated future receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial assets. Interest income is included in finance income in the Income Statement.

#### 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 grant relates to an expense item (recurrent grant) it is recognized as income over the period. When the grant relates to an asset item (capital grant) it is recognized as Deferred

Income and released income in equal amounts over the expected life of the related asset.

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

Notes to the Reconciliation of Equity as at 31.12.2011 and total Comprehensive income for the year ended 31.12.2011

**a. Re-valuation of Property, Plant and Equipment**

Consumer Affairs Authority carries (Year 2011) its motor vehicles at re-valued amounts, with changes in value of Rs 10,622,670/- being recognized in other comprehensive income. Re-valuation surplus of Rs 10,622,670/- had been transferred (credited) to Deferred Income Account. Therefore Rs 10,622,670/- is debited to Deferred Account and credited to other comprehensive income.

**b. Deferred Income**

Value of the property, plant and equipment purchased were transferred to the deferred income account. The value includes in the re-valuations and the depreciation relevant to the year was also remitted to the same account. According to accounting standards net deferred income and the net value of the assets should be equal. Any difference arises due to above will be transferred to the Reserves Account.

**c. Held to maturity Financial Assets**

**Fixed Deposits**

The fair value of fixed deposits is recognized under SLFRS, and was not recognized under SLAS. The fixed deposits which were designated as fixed deposit under Long Term Investments under SLAS, have been designated as at the transition to SLFRS as held to maturity financial assets.



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கணக்காய்வாளர் துறைமமை அதிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இ  
My No.

TC/E/CAA/FA/2012

ඔබේ අංකය  
உமது இல  
Your No

දිනය  
திகதி  
Date

31 October 2013

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 2012 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 2012 comprising the statement of financial position as at ended 31 December 2012 and the comprehensive income statement 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 in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Authority on 16 September 2013.

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  
பத்தரமுல்லை இலங்கை

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1:3 Auditor's Responsibility  
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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. 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  
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My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements  
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2:1 Qualified Opinion  
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In my of opinion, except for the effects of the matters described in paragraph 2.2 of the this report, the financial statements give a true and fair view of the financial position of

the Consumer Affairs Authority as at 31 December 2012 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 Accounting Deficiencies

The following observations are made.

- (a) According to the accounting policy of the Authority, all assets should be revalued once in 05 years. But, except for the revaluation of only the motor vehicles in the year 2010, the assets valued at Rs.30,822,356 had not been revalued in the year under review and as such the fair value of the assets had not been reflected in the financial statements.
- (b) Out of the sum of Rs.133,374,156 appearing as a credit balance as at 31 December 2012 in the Consumer Protection Fund, a sum of Rs.128,570,000 had been shown in the financial statements. As such the balance sum of Rs.4,804,156 had not been disclosed.

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

Instances of non-compliance with the provisions of laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules,  
Regulations, etc.

Non-compliance

- | <u>Reference to Laws, Rules,<br/>Regulations, etc.</u>   | <u>Non-compliance</u>   |
|--|---|
| (a) Section 8.3.5(a) of the Public Enterprises Circular No.PED/12 of 02 June 2003 and the Public Administration Circular No.22/99 of 01 October 1999 | Contrary to the Circular instructions and without formal approval transport allowances of Rs.7,500 per month had been paid with effect from 01 September 2012 to 05 Deputy/Acting Directors of the Authority. |

- (b) Circular No.BD/GPS/130/9/12 dated 07 December 2010 of the Ministry of Finance and Planning Even though the procurement of hired motor vehicles had been suspended, 04 motor vehicles had been procured on hire basis in the year 2012 at a cost of Rs.1,840,000. Even though the Authority had 08 pool motor vehicles, those hired motor vehicles had been in use even by May 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 been a surplus of Rs.6,765,819 as compared with corresponding surplus of Rs.13,821,071 for the preceding year, thus indicating a deterioration of Rs.7,055,252 in the financial result. The operating expenditure of the Authority amounting to Rs.195,786,572 for the preceding year had increased to Rs.209,636,046 in the year under review. The increase of Rs.13,849,474 or 7 per cent had been the main reason for the deterioration.

### 4. Operating Review

#### 4:1 Performance

The following observations are made.

- (a) Even though it was expected to conduct 60,588 raids and investigations in the year under review and earn an income of Rs.242.35 million (comprising 1/3 to the Authority and 2/3 for Government revenue), an income of Rs.92.09 million only had been earned by conducting 27,746 raids and investigations. As such the Authority had failed to conduct the targeted raids and investigations and to earn the expected income.
- (b) In terms of Section 18(1) of the Consumer Affairs Authority Act, No.9 of 2003, the goods deemed as essential to the community or a part thereof can be named specified goods and in terms of Section 18(2) of the Act, the retail or the wholesale prices of such specified goods cannot be increased without the prior approval of the Ministry.

Accordingly the Authority had named 15 goods as specified goods and in that connection, the Authority had intervened in the control of the prices of 05 goods namely, cement, petroleum, milk foods, rice and chicken. The Authority had not taken action to intervene in the price control of the other goods. The following observations are made in connection with the goods selected for price control.

(I) Chicken

- \* Even though a maximum price for the sale of deepfrozen chicken with skin had been ordered by a notice published in the Gazette Extraordinary No.164/48 of 18 February 2010 that price control was not effective as that order was not applicable to the sale of dressed chicken and chicken parts.
  
- \* This price control had been removed with effect from 18 October 2012 and the prices of chicken had increased to the ranges of Rs.380 to Rs.450 as reported by the Price Control Division of the Authority. According to Section 19(1) of the Act, the Director General of the Authority should investigate this matter and report to the Consumer Council and in terms of Section 19(2) of the Act, within 2 months from the receipt of such report the Council should furnish its report to the Director General. But it had not been so done.

(II) Milk Food

- \* Full Cream Powdered Milk  
-----  
According to a request made by 04 companies for the increase of prices of powdered milk by producing the cost estimates including the profit margins and taxes the Authority had had approved the increase of the prices of a packet of 400 grammes and a packet of 1 kilogramme of powdered milk by Rs.61 and Rs.163 respectively by the notice published in the Gazette Extraordinary No.1756/32 of 04 May 2012.

Without considering the cost estimates produced by each of the companies separately, a price which exceeded the prices requested had been approved as the controlled price. Accordingly the companies had been allowed to get additional profit margin on a packet of 400 grammes and a packet of 1 kilogramme in the ranges of Rs.9 to Rs.40 and Rs.47 to Rs.110 respectively.

\* Skimmed Milk

Even though milk food had been declared as specified goods by the notice published in the Gazette Extraordinary No.1302/24 of 20 August 2003, the Authority had not fixed a controlled price for skimmed milk. As such the producers and distributors had determined the prices at their discretion without the approval of the Authority.

(III) Infant Milk Food

- \* Even though milk food had been named as specified goods by the notice published in the Gazette Extraordinary No.1302/24 above, the Authority had not intervened in the control of prices of infant milk food despite the elapse of nearly 09 years by 18 June 2012. As such the prices of infant milk food had been determined at the discretion of the producers and the sellers.
- \* However, the Authority had intervened in controlling the prices of infant milk food by the publication of the Gazette Extraordinary No.1763/4 dated 18 June 2012, one company had filed a case against the Authority stating that prices specified are not fair.
- \* Nevertheless, the Authority had not analyzed the market prices and the cost estimates in determining the price control and the assumptions only had been used for the purpose. Those assumptions had also been approved by the Consumer Council. In connection with the case filed, the Attorney General had informed the Authority to cancel the above Gazette Notification as the matter had not been properly investigated by the council and to issue a fresh notification. But no action in that connection had been taken even by 30 September 2013.

(IV) Prices of Cement

Even though all varieties of cement had been declared as specified goods by the notice published in the Gazette Extraordinary No.1468/16 of 26 October 2006, that price was not applicable to bulk cement issued to construction companies.

(V) Wheat Flour

Even though wheat flour had been declared as a specified good by the publication of the Gazette Extraordinary No.1342/11 dated 23 May 2004, the producers had taken action to increase the price without obtaining the permission from the Authority. Nevertheless, the Attorney General had informed that the increase of the price should be made with the prior approval of the Authority as it is controlled under Section 18(2) of the Consumer Affairs Authority Act. Nevertheless the Authority had not exercised its authority for controlling the price of wheat flour.

(VI) Liquefied Petroleum Gas (LPG)

\* The price of gas amounting to US \$1,031 and US \$1,195 per one ton of gas that prevailed in February and March 2012 had dropped to the ranges of US \$993 and US \$996 from April to August 2012 and taking that as the basis the price of LP gas had been reduced by Rs.150 through the intervention of the Treasury. In such instances of price decrease, the Authority had not intervened in that connection.

\* In consequence of a request made by 02 private companies in April 2012, the Authority had allowed the increase of the price of a 12.5 kilogrammes gas cylinder (Colombo Price) by a sum of Rs.350 with effect from 04 May 2012. The prices had been increased based only on the invoices of the gas imported in February and March 2012 by the above 02 companies. In increasing the price, matters such as the purchase of gas from the same supplier by the two companies, the stock of gas available with them up to that date, its free on board value, the balance stocks gas purchased from the Sapugaskanda Refinery etc. had not been considered.

(VII) Drugs

- \* The Authority had prepared a programme for the determination of the maximum prices of Western drugs and had decided to implement that under a separate unit. Even though a cost estimate of Rs.3,616,000 had been prepared for that purpose, a satisfactory progress of the planned programme had not been achieved.
  
- \* The Authority had conducted a preliminary investigation of the drug trade in the year 2011 and according to the report thereon, the retail prices of certain western drugs had exceeded the cost, insurance and freight in the ranges of 276 per cent to 787 per cent. According to that investigation report, the Consumer Council had presented 10 recommendations on western drugs and informed that the Authority should implement 06 of those. The following matters were observed in that connection.
  - The Consumer Council had recommended that the prices of western drugs should be kept at a range of 80 per cent to 85 per cent of the cost of insurance and freight. But no action had been taken thereon.
  - The failure to take action for the cancellation of the then Gazette Notification on price control on 22 October 2002 and the failure to issue a notification again on the control of prices after the establishment of the Authority in 2003, had resulted in a huge increase in the prices of drugs. Taking advantage of the situation, the importers and manufacturers of drugs had started fleecing the consumer by determining exorbitant prices and the Authority had not taken a proper action in that connection.
  - Out of the 06 recommendations from the 10 recommendations of the Consumer Council, that should be implemented by the Authority, the recommendation relating to marking the maximum sale price of all drugs on the surface and inside of the packing or containers in indelible ink only had been implemented in the year. The Chairman had informed that the assistance of the Ministry of Health and the Ministry of Finance and Planning has to be obtained in the implementation of the recommendations.

- (c) A large number of manufactures had shown a tendency for the production of the bottled potable water in Sri Lanka and there is a heavy demand at present for that from the consumers. Even though there should be a compulsory standards certificate on quality for an item with a sale of about 05 million bottles per day, it had not been made compulsory. The following observations are made in this connection.
- (i) As the Standards Certificate is not compulsory a situation where even discarded bottles are collected and packed with unpurified water had arisen.
  - (ii) According to an investigation conducted by the Authority in the year 2012 it had been recommended that the bottled water should be subjected to compulsory quality tests, that is should be brought under the purview of the Authority to protect the health condition of the consumer and that obtaining the Standards Certificate of the Sri Lanka Standards Institution should be made compulsory.
  - (iii) Nevertheless, action had not been taken to exercise the powers vested by the Consumer Affairs Authority Act, to control this industry lacking in standards through a Gazette Notification.
- (d) The “model shops” concept had been introduced with the primary objective of creating good and lawful businesses. Accordingly targets had been set for the identification of 324 such shops representing all districts. But this concept had been implemented only in Anuradhapura District concurrently with the Deyata Kirula Exhibition 2012 and identified only 66 shops.
- (e) Even though the conduct of 280 workshops covering all districts in the Island had been targeted for creating a good competitiveness in the market, 80 per cent out of the workshops conducted had been limited to cover the Colombo, Trincomalee and Matara Districts.
- (f) Even though a Consumer Affairs Council had been established in terms of Section 39 of the Consumer Affairs Authority Act, No.9 of 2003, the Authority had failed to appoint qualified members as specified in Section 39(2) of the Act.

#### 4.2 Idle and Underutilized Assets

Action had not been taken even up to 30 September 2013 for the valuation and disposal of 82 items identified in the Board of Survey Report for the year 2012 as unusable.

#### 4.3 Resources of the Authority given to other Government Institutions

Even though the Authority had spent a sum of Rs.3,361,475 from its funds for carrying out repairs to and servicing of a Jeep belonging to the Ministry in the year 2011, the Ministry had rejected the reimbursement of the entire amount.

#### 4.4 Transactions without Authority

The transfer of the balance of Rs.21,837,975 in a Fund created during the period of Department of Internal Trade and the Fair Trading Commission in operation to the Consumer Affairs Authority had been approved by the Director General of State Accounts on 18 January 2005.

When this money was released by the Treasury to the Authority through the Ministry it had been noted that "There is no objection for the utilization of the money for the objectives based for the establishment of the Consumer Services Fund." Instead of utilization of the sum of Rs.14,000,000 for the consumer education and promotion, which is the objective of the Fund, that money had been utilized for the payment of hire charges to the suppliers of private motor vehicles used for market investigations.

#### 4.5 Staff Administration

The position of the staff of the Authority as at 31 December 2012 is given below.

Category of Staff	Number Approved Staff	Actual Staff	Number of Vacancies
Senior Manager	08	07	01
Manager	25	07	18
Junior Manager	40	07	33
Non-Executive Grades	265	193	72
Primary Level	<u>32</u>	<u>23</u>	<u>04</u>
	<u>370</u>	<u>237</u>	<u>133</u>

The following observations are made in this connection.

(a) The Authority had not taken action to fill the above 133 vacancies.

(b) The Authority had recruited employees on contract basis for 11 posts and the Senior Media Officer, a Driver and two Office Aides had been released for service in the line Ministry. But the Authority had paid a sum of Rs.684,660 as their monthly salaries.

5 Accountability and Good Governance

5.1 Non-implementation of Directives of the Committee on Public Enterprises

The Committee on Public Enterprises had at the meetings held on 14 and 15 November 2011 directed that the Authority should regularize the Internal Audit Unit of the Authority and to fill the posts of the officers appointed on acting basis within 03 months. But action for regularizing the Internal Audit Unit and to fill the acting posts had not been taken even by 31 December 2012.

5.2 Meetings of the Board of Directors

The following observations are made.

(a) Twelve meetings of the Board of Director had been held in the year 2012 and three members of the Board had not attended any of those meetings.

(b) Even the participation of other members at the meetings had been at a weak level and one of the members had not attended any meetings since the date of appointment. The participation of 04 members had been in the ranges 4 per cent and 25 per cent.

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) Assets Control
- (c) Human Resources Management
- (d) Identification of Special Goods and process of Price Control

W.P.C Wickramaratne  
Acting 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 31.12.2012, in terms of Section 14(2)(c ) of the Finance Act No 38 of 1971**

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

a. Regarding revaluation, Accounting Policies of the Authority is taking the assets as a segment and revalue it currently. While we did a revaluation only for the motor vehicles accordingly, which shows a large variance in the book value and the market value, in future steps will be taken to revalue other assets in addition to motor vehicles and to make other accounts.

b. Rectified in 2013

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

a) Paragraph 8.3.5 (a) Dept of Management Services Circular No PED/12 dated 02 June 2013 and dept of Public Administration Circular No 22/99 dated 01.10. 199

We have paid the relevant allowance to the officers according to para 1.3 of the Public Administration Circular No 22/99 and its amendments under para 7 of 13/2008 for State Corporations and Statutory Boards. We paid this amount to the Deputy Director level officers who are entitled for the group transport; and the allowance of Rs 7,500.00 is a lesser cost for the Authority than providing group transport.

According to paragraph 1.3 of the Public Administration circular and para 7 of its amendment No 13/2008, Deputy Director level Executive officers of State Corporations and Statutory boards for not exceeding 50 KMs it is possible to group transport to and from home. Accordingly although the Deputy Directors of the Authority have requested a group transport system, due to the limited vehicles, it is not practical to give group transport to various areas, as it is very expensive. Accordingly the Board has approved to pay a sum of Rs 7,500/00 each for 05 officers of the level of Deputy Director in the Authority. As paying an allowance is cheaper than providing group transport, by Board Papers No CAA/HRA/60/2012AOB-0606 and CAA/HRA/60/2012/AOB-09-02, the Board has given its approval. Also we are taking necessary steps to obtain further approval.

b) Circular No BD/GBS/130/9/12 dated 07 December 2010 issued by the Ministry of Finance and Planning

For the Chairman and the 03 Full Time Members were provided rented vehicles according to the orders of the Consumer Affairs Authority Act No 9 of 2003. At present the Authority has requested to obtain suitable vehicles for the above officers, and as soon as we receive them, we will remove these rented vehicles.

### 3.1 Financial Results

Due to widen the activities of the Institution, increase in recruitments of new employees and the operational expenses compared with the previous year has been decreased by a sum of Rs 7,055,252.00.

## 4 Operating Review

### 4.1 Performance

#### a. Market raids and investigations

When preparing targets for market raids and investigations from the 2nd quarter of 2013, we presumed that new investigation officers will be recruited for the district offices. Accordingly it was assumed that the following number of employees would be engaged to carry out raids for each district from the beginning of the 2<sup>nd</sup> quarter.

District	No of Officers
Colombo	03
Gampaha	01
Kalutara	04
Galle	04
Matara	03
Hambantota	03
Kandy	02
Nuwara Eliya	02
Jaffna	04
Vavunia	02
Mannar	03
Kilinochchiya	03
Mulativu	03
Trincomalee	02
Ampara	03
Batticolo	03
Kurunegala	01
Puttlam	03
Badulla	04
Moneragala	02
Anuradhapura	01
Polonnaruwa	01
Ratnapura	04
Kegalla	02

But due to the new Investigation Officers were recruited in December 2012, it was unable to get their services in investigating duties during 2012. This is a reason in decreasing the estimated raids and fines.

We could not reach up to the relevant targets due to the following reasons also:

- Due to the targeted and continuous market investigations and raids from the year 2010, more traders are now aware of the consumer rules and regulations.
- Also traders are aware of the consumer rules and regulations from the awareness programmes conducted for them by the Authority (through enforcement of consumer societies).
- With the increased activities of the Consumer Affairs Authority, the Investigation Officers are attending to special raids. Through these special raids our Investigation Officers have to appear in Courts against those errant traders spending more human hours and strength mostly due to the following:
  - Anti-competitive practices
  - Collection goods on large scale
  - Changing the expiry dates and re-sending to the market
  - Reducing the supply through hiding the goods; eg:
    - checking the prescribed packing when transporting vegetables
  - examining the stocks of rice, potatoes, onions, garlic, dried fish etc whether they are suitable for human consumption
  - Whether the coconut oil is mixed with palm oil (have to send these to the relevant laboratories and to take legal action)
  - Raids on iron which are used for the cement and building construction
  - Checking the quality of the drinking water bottles whether they contain any pesticides.
  - More time and strength have to engage for raids in connection with the canned fish which are not fit for human consumption. Here although the amount of raids are lesser, can identify the market problems and by removing the relevant stocks from the market, it confirms the consumer protection

(I) Chicken

While from gazette notification No 1641/48 dated 18 February 2010 it was prescribed a Maximum Retail Price for the chicken meat with skin, but was not controlled a price for the other chicken meat without skin and for parts of the chicken meat. As soon as we received the prescribed amounts for the general weight of the removed skin and the weight regarding the without skin and chicken parts from the Ministry of Livestock, we will take steps to recommend a MRP on this also. (CAA will adhere to the instructions of the treasury.)

ii Although you have stated in your report that the Director General of the Authority has not reported the reasons for the increase in price of chicken during the period that the prices of chicken were removed, it was reported by the Chairman.

II. Milk Food

- Full Cream Powdered Milk

To the Audit Query forwarded to us by the Auditor Generals Department under reference EC/E/CAA/2013 AQ 02 dated 28 January 2013 we have replied on 12.04.2013. But for further information regarding the Milk Powder the Audit Query forwarded to us, the details are as follows:

Company	Milk Powder	Quantity	Requested price by the company (1)	Tax included in the requested price	Price approved by the Authority (2)	Tax include in the price (3)	Price approved by the Authority (w/o tax) (4)=(2)-(3)	Difference between the approved and requested price (5)=(4)-(1)
Fonterra	Anchor	400 G	316.00 763.00	No No	325.00 810.00	36.80 92	288.20 718.00	27.80 45.00
Nestle	Nespray	400 G	308.00 749.00	No No	325.00 800.00	36.80 92	288.20 708.00	19.80 41.00
Maliban	Maliban	400 G	298.73 738.33	No No	325.00 810.00	36.80 92	288.20 718.00	20.00
Lanka Milk Foods	Lakspray	400 G	285.00 700.00*	No No	325.00 810.00	36.80 92	288.20 718.00	3.20 18.00 *

- Non Fat Milk Powder

While accepting that it was not controlled the prices of the Non Fat Milk Powder, we are taking necessary steps to do so.

### III. Infant Milk Powder

- It is unacceptable that from 20.08.2003 – 18.08.2012 for nearly 9 years period we have not intervene to control the prices of milk powder. After publishing Gazette Notification No 1302/24 dated 20.08.2003 we have given determinations for the infant milk products of M/S J L Morrison and Sons Company and Nestle Lanka Ltd in the year 2007 (Same answer for Audit Query No 3 which you have forwarded to us earlier).
- By extra ordinary gazette No 1763/4 dated 18 June 2012, we prescribed a control price for the infant milk powder owned by the 06 companies. But only one company out of these six companies has filed a case against the CAA on the grounds that the price imposed was not reasonable.
- It is not correct to say that when working out the control price, the Authority analyse the cost estimation of each company with the market price and studying the same turnover as a percentage, using the built up formula.
- Further by extra-ordinary gazette No 1763/4 dated 18.08.2012 we published a control price for the infant milk food, and according to the legal instructions we had to rescind this by gazette notification No 1818/11 dated 10 July 2013.

### IV. Prices of Cement

It is not impossible to monitor the price of bulk cement as it is not use by the general public in packed form and it is not available at the open market. But bulk cement is directly delivery to the construction purpose. As 50kg bag of cements are available at the open market and it can be implemented the price regulations.

Bulk purchases of cement are use for large scales of constructions and this price affects to the general price of cement, if it is necessary Consumer Affairs Council will investigate it.

## V. Wheat Flour

We have taken legal action against when increasing the prices without the permission of the Consumer Affairs Authority.

## VI. Liquefied Petroleum Gas (LPG)

The raids are done and file cases when a price reduction has done and selling the gas at the old price, when the price is going down in the world market, by using the price formula when computing the selling price, the last selling price is also going down. Therefore under Section 19 (2) of the Act there is no need to forward to the Consumer Affairs Council.

At present gas prices are done according to the:

- price formula ordered by the Courts for Laugfs Company
- price formula agreed with the Shell Company for the Litro company. These two formulas have been made without matching of the stocks. For a period of previous 2 months for the quantity of sold gas using the quantity of obtained from the Sapugaskanda Refinery earlier, and for the balance quantity by adding the expenses to the quantity of imported gas.

Accordingly no balance stock of gas obtained from the Sapugaskanda Oil Refinery.

According to the said formula no need of matching the stocks

## VII. Drugs

Although we prepared a programme for determination of the Maximum Retail Price under a separate unit, and the estimated cost for this, we have not received the relevant approval from the Department of Management Services.

However, it is not correct to state that no progress made in pricing of drugs. At present a gazette notification has been issued giving the responsibility in marking the Maximum Retail Price to the importers and the producers under this programme.

To implement the recommendations of the Consumer Affairs Council, while making the practical precautions, controlling the price of drugs is done by the Ministry of Health. We had several discussions with them in this regard and as a first step we are taking steps to mark the price, obtaining those price lists and identifying the drugs registered but not available in the market.

Further according to recommendation 10 of the Consumer Affairs Council when implementing the above we have to obtain the assistance from the Ministry of Health and the Ministry of Finance.

(i, ii, iii) For bottles of water when examining and issuing Standard certificates by the Sri Lanka Standards Institution they has to confirm about the relevant officials and the laboratory facilities. At present we have inquired about this.

### d. Introducing Model Shops

Selection of model shops is conducted through specific criteria on based on evaluation process. Our officers scrutinize the shops according to the given criteria. This task takes a number of man-hours.

However, simultaneous to the Deyata Kirula Exhibition the Authority has inspected 2,641 shops and identified 66 model shops in Anuradhapura district. In future the Authority will take steps to implement this programme in other districts, in which the Deyata Kirula exhibition will be held

e. Workshops for the traders

- (i) The Authority has taken action to hold 177 awareness programmes during the year 2012 and these programmes were held in Colombo, Matara, Kandy, Trincomalee, Nuwara Eliya, Puttlam, Vavunia, Jaffna, Ratnapura, Matale, Batticaloa, Hambantota. Anuradhapura, Anuradhapura, Polonnaruwa, Badulla, Kurunegala and Kegalle.
- (ii) Instructions were given to the officers in Gampaha, Kalutara, Galle, Moneragala districts to hold these workshops in the future.
- (iii) As a result of the requests of the Government Agents in Jaffna and Vavunia Districts, the Authority has taken steps to hold the awareness programmes and workshops in these 2 districts.

During the year 2012 The Consumer Affairs Authority has taken steps to establish Consumer Societies as follows:

District	No of Consumer Societies established
Colombo	06
Matara	01
Jaffna	01
Vavunia	34
Kegalle	01
Batticaloa	07
Ratnapura	03
Gampaha	01
Trincomalee	06

Accordingly during the year 2012, Consumer Affairs Authority has established 60 Consumer Societies representing the Districts. Due to the limited officers in one district and they have to attend to all the duties (market investigations and raids) settlements for consumer complaints, consumer/trader awareness, establishment of consumer society, market survey, updating of the data in the district offices) In addition to this vehicle facility and limitation of fuel has resulted to delay in establishing the consumer societies. However, instructions were given to the relevant officers to take necessary action to establish consumer societies in the said districts in the future.

(ii) Establishing of Consumer Societies

Establishing School Consumer Circles is a newly started project initiated by the Consumer Affairs Authority. Although during the year 2012 we primarily expected to establish 4 School Circles in the Colombo District, we were able to establish 13 School Circles in the Colombo District. In addition to this during the same year we were able to establish 27 School Consumer Circles in the Trincomalee District. However, according to the resources available we are taking action to establish Consumer Circles in other districts also.

f. Appointment of Members to the Council is

Subject Minister has the powers to appoint members for the Council according to the Section 39 (2) of the Consumer Affairs Authority Act.

4.2 Idle and Underutilized Assets

We have forwarded these assets to an assessment company registered with the government to assess same. After receiving the report will take necessary action to disposing of these items.

4.3 Resources of the Authority given to other Government Institutions

The Ministry had rejected the reimbursement of the entire amount is unacceptable. It has been agreed to pay this amount within limits of the prevailing resources by letter under Ref CIT//2/m%\$1\$16 dated 12.03.2013.

4.4 Transactions without Authority

Consumer Affairs Authority Act states in Section 1 that the establishment of the Consumer Affairs Authority is for the promotion of effective competition and the protection of consumers, regulation of internal trade, establishment of a Consumer Affairs Council, repeal of the Consumer Protection Act No 1 of 1987 and the Control of Prices Act (Chapter 173) and for all matters connected therewith or incidental thereto.

Accordingly, while repealing all the Acts that were imposed, should be activated the powers vested in the Consumer Affairs Authority Act No 9 of 2003. It could be paid by the Fund as stated in Section 49 (2) (c) of the Consumer Affairs Authority Act. Under this Act this money means, the expenses for which the Authority and the Council has to bear when operating self powers and taking actions when finalizing the cases. .

Accordingly from Rs 21,837,975.00 which money has been transferred to the Consumer Affairs Authority by the Director General of State Accounts on 08 January 2005 we have spent Rs 14,000,000.00 according to the Act. Especially we use this money for the main aims of the Authority, ie, market raids, consumer awareness and providing transport facilities for its relevant duties (attending to courts).

Accordingly, when establishing the Consumer Services Fund for the aimed purposes “no objection in using this money from the Treasury” means as stated earlier the objectives and the powers of the said two Acts are operative from the new Act. Therefore it is not fair to introduce these as a transaction without authority by the CAA.

#### 4.5 Staff Administration

- a. When filling the relevant posts the Authority has taken steps to act according to the procedures of the Establishment Code as per the requirements of the officers, for which the approval obtained letter No DMS/E4/41/5/2551-Vo 1 dated 04.01.2013. Up to this instance to fill 108 vacancies called for applications and has held interviews. Accordingly 73 applicants have been appointed with the approval of the Board of Directors. As no qualified officers have been present for 15 posts, those posts are being still vacated. Interviews held for 09 posts, results have to be issued. also have been requested approval from the Dept of Management Services to absorb 11 Nos of officers for Assistant/ Deputy Director Zonal/ Consumer Affairs & Information. For the other posts which are still vacant, according to the priority of the requirements of the services for the Authority we are taking steps to fill the said vacancies after obtaining approval from the Dept of Management Services.

- b. The contracts have been terminated for Senior Media Officers who were recruited on contract basis. The services of a driver and the services of the Office Aides will be terminated as soon as they finalize the duties allocated to them.

5. Accountability and Good Governance

5.1 Non-implementation of Directives of the Committee on Public Enterprises

5.2 Meetings of the Board of Directors

We have been made aware of the subject Minister regarding the participation of the members to the Monthly Board Meetings, as he is appointing the Board Members.

6. Systems and Controls



Romy Marzook  
Chairman