

1.1 Unqualified Opinion

The audit of the financial statements of the Consumer Affairs Authority for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, it is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.3 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

1.4.1 Internal Control over the preparation of Financial Statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 61,157,169 and the corresponding surplus of the preceding year was Rs. 101,561,289. Accordingly, a decline in financial results amounted to Rs. 40,404,120 was observed. Even though the Treasury recurrent receipts had been increased by Rs.12,992,592 during the year under review, increase in personal emoluments, contracted services and other expenditure by Rs. 9,044,998 Rs.14,367,183 and Rs.12,500,418 respectively and decrease revaluation profit of property plant and equipment by Rs. 21,899,972 had mainly attributed to this decline.

3. Operating Review

3.1 Management Activities

Audit Observation	Comments of the Management	Recommendation
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The amendment activities of the Consumer Authorities Act No. 09 of 2003 had been commenced in the year 2004 and even though 16 years had elapsed by the year under review, the amendment of the Act had not been completed. Therefore,	The final Draft was forwarded by the Department of Legal Draftsman's to the Department of Attorney General's on 16.08.2019. After that, a Draft	The amendment activities of the Act should be completed within the stipulated time.

the functions of the Authority could not be carried out in a manner that fits the present.

Cabinet Paper was forwarded by the Authority to the Ministry Again on 03.02.2020 to be forwarded to the Line Ministry on 27.12.2019 by the Department of Legal Drafts with the approval of the new Cabinet due to the change of Secretary and Government. Discussions were held in this regard with the Hon. Minister in charge of the subject on 18.02.2020 and the then Minister in charge of the subject has instructed to appoint a Committee again and consider the new amendments. Accordingly, the Secretary to the Line Ministry has sent a letter appointing a Committee in a letter dated 28.07.2020 .

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The targeted number of raids in the Action Plan 2019 was 29,000 and it was revised monthly for each District and the target had been revised to 26,405. There were 27,216 targeted raids in the year 2017 and it had declined by 357 in 2018 and by 454 in 2019. Despite the fact that 213 investigating officers were recruited to the Authority in the last</p>	<p>The scope for the investigating officers to perform their duties is very wide and raid duties are only one subject area. In addition to the main functions such as conducting consumer and market awareness, resolving consumer grievances, conducting market surveys, conducting court duties related to raids, preparation of documents related to</p>	<p>Raid targets should be set relative to the investigating officers.</p>

year, low raid targets had been given as compared to the year 2017.

those duties and update the database as well are being carried out by the investigation officers themselves in some Districts. Officers are attached to these duties as per the office requirement and the raid targets are simply revised according to the number of officers assigned to the raid duties. Therefore, it has been shown as low raid targets were set for 2018 and 2019 as compared to the year 2017 as per the revised raid targets.

(b) Although a plan had not been prepared for the extent to which awareness programmes should be conducted in each District for the year under review, the Authority had conducted 1,538 awareness programmes during the year under review. Out of these, more awareness programmes were conducted in C and D category Districts with less population and shops as compared to A and B category Districts with more population and shops.

Even though the targets for the year 2019 have not been provided, instructions were given at the progress review meetings held for District Officers to consider the targets set for the year 2018 are also relevant for the year 2019. According to those targets, the number of awareness programmes to be carried out in the year 2019 per District is 23. Although the attention of the officials should be drawn how the population has expanded and how to carry out programmes covering all the Divisional Secretariats, it is stated that, this is further explained by the Section called 'No. 3 Program Organization' in the 2018/01 Internal Circular.

A plan should be prepared for the extent to which awareness programmes should be conducted annually and action should be taken accordingly.

(c) Out of 1476 complaints lodged to the Legal Division of the Authority from the year 2015 to

Complaints received by the Institute are investigated by a Board of Inquiry consisting of the Chairman

There has been a delay in the investigation of 356 complaints from

2019, it had directed into legal actions regarding non-compliance of 112 complaints.

Further, it was stipulated to be lodged for legal action for one complaint regarding non-compliance and 65 complaints had not been resolved on non-receipt of information due from relevant parties. Accordingly, 492 complaints had to be investigated further and out of these, only 136 complaints existed in relation with the year 2019. Out of the complaints received during the period from the year 2015 to 2018, a number of 356 investigations were to be carried out furthermore.

- (d) Out of complaints lodged from the year 2015 to 2019 to the Legal Division of the Authority, the Board of Inquiry had decided to issue orders to the respondent on not reaching into a settlement by both parties in the investigations carried out on 202 complaints. Accordingly, out of these 202 complaints, orders were issued for 127 and those orders were informed to the relevant parties. However, the orders issued regarding 20 complaints had not been communicated to the relevant parties and the

and the Board of Directors and awareness has been made to the Director General through the Internal Memo dated 14.02.2019 regarding customer complaints regarding delays in conducting inspections only up to the future dates which are allowed to be cancelled and postponed from time to time due to the reasons such as the changing of Chairman and the Board of Directors of the Institute from time to time, receiving new appointments and sometimes not appointing the Board for a long time.

There were 185 complaints that were decided to be issued from the year 2015 to 31 December 2019, out of these, orders pertaining to 140 complaints have been referred to the relevant parties. Formal investigations have been commenced relating to another 30 files and only 14 files that have not been referred to the parties are remaining at present.

the year 2015 to 2018.

Orders providing for complaints should be communicated to the relevant parties without delay.

Board of Inquiry had not issued orders on 55 complaints even by the date of audit.

(e) After hearing a complaint received to the Authority, the Authority is required to specify in writing to the manufacturer or dealer to pay compensation or to refinance certain goods or to refund the amount paid for those goods or services to the dissatisfied party occasionally. However, the respondents were ordered to pay a total compensation of Rs.717,993 to the complainant in the years 2017, 2018 and 2019 in relation to 08 examined investigation files. The orders had not been submitted to the relevant parties by the date of the audit and due to the lack of signatures of the members of the Board of Inquiry, the orders given in 06 files had not been submitted to the relevant parties.

(f) The complaints received by the Authority take a long time for investigations after are referring for investigation and more than six months had passed between two rounds of discussions or investigations. Although the plaintiff, the

The orders with regard to 12 files related to this have already been referred for the signatures of two full-time members who have resigned from posts. However, the attention has been drawn on the next steps to be taken in this regard based on the unavailability of their signatures so far. Similarly, the approval of the Board of Directors have been received for 02 more orders in the year 2020. Accordingly, these orders are to be issued to the relevant parties on a future date. Another order has been submitted to the relevant parties in July 2020.

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respondent and the officers of the Authority had devoted a great deal of time to the investigation, the Authority had failed to perform duties in terms of Sections 13 (5) and 13 (6) of the Consumer Affairs Authority Act No. 09 of 2003 because of failure to sign the orders issued at the inquiry by the Board of Inquiry and those orders were limited to files due to failure to communicate the relevant parties.

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- (g) It had been mentioned that the undertaking studies, publish reports and provide information to the public on market conditions and consumer affairs was one of the functions of the Authority in terms of Section 8 (d) of the Consumer Affairs Act No. 09 of 2003. Accordingly, 05 reports had been issued during the year under review with regard to the market studies carried out by the Authority. Appropriate actions had not been taken to draw attention of the Authority regarding issues that have been identified in the market study carried out on edible oils that are harmful to consumer safety and health and to make that information available to the public.

Because the Authority has identified that the issues recognized in the study were the matters harmful to consumer safety and health, necessary steps were taken to make the public aware of this. That is;
Conducting 1538 awareness programmes covering the entire island with the participation of 124,082 persons in the year 2016.
Communicating the manufacturers about the quality of the packaging and the ingredients on the label to be existed at the event of packaging and releasing of coconut oil to the market with labels are being carried out jointly by the Consumer Affairs Authority with the Coconut Development Authority. With this, the consumers are enabled to choose the healthiest quality coconut oil.
Carrying out raids against vendors who are selling

Actions should be taken to make aware the public in respect of the information identified in market studies.

cooking oils in a manner that is harmful to the health and misleading of the consumer and filing court cases and make aware the traders about it, conducting sample test checks on palm oil and coconut oil in respect of the complaints relevant to the year 2019.

(h) Sending of problems identified in studies which were carried out on cement blocks and steel wire and the reports containing proposals to resolve those issues had only been made to the Ministry and actions had not been taken to provide that information to the public or to inform the institutions that should be functioned in this regard.

The reports on the problems identified in the studies on cement blocks and steel wires and the proposals made to solve those problems had been sent to the Ministry at the request of the Ministry and it was observed that it was appropriate to make the public aware of certain facts revealed in that study.

Actions should be taken to communicate the public the in respect of the details identified in market studies.