

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Consumer Affairs Authority ( “Authority”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified opinion.

**1.3 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 intend 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, the Authority 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.

#### **1.4 Audit Scope (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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 Company'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 Company 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 Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the preparation of the Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	<b>Non Compliance with reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	As per paragraph 95 of Sri Lanka Public Sector Accounting Standards No. 01, the values of the items namely capital reserves, recurrent reserves, consumer protection fund and accumulated profit/loss which requested to be disclosed on the face of the statement of financial position of Rs.10,102,000, Rs.17,048,000, Rs.63,190,913 and Rs. 514,903,552 respectively, had been stated as capital and reserves total of Rs.605,244,465 without being disclosed separately on the face or in the notes.	Instructions have been given to present capital and recurrent reserves separately in the Statement of Financial Position in accordance with Sri Lanka Public Sector Accounting Standards No. 01.	According to Sri Lanka Public Sector Accounting Standards, capital reserves and recurrent reserve should be disclosed separately on the face of the statement of financial position or in the notes.
(b)	Although the expenses relating to the year shall be accounted for in that year as per paragraph 99 of Sri Lanka Public Sector Accounting Standards No. 01, the legal expenses amounting to Rs. 1,216,750 relating to the 4 years from 2020 to 2023, which had been paid in the year under review, had not been recognized in the relevant years and had been accounted for as an expense of the year under review, and the deficit for the year had been	Since the Attorney General's Department issues invoices based on the year in which legal proceedings were completed, the legal fees paid in 2024 have been accounted for as an expense in that year. The existed lease agreement had expired on 30	In accordance with Sri Lanka Public Sector Accounting Standards, all expenses related to the year must be identified accurately and accounted .

overstated by that amount. Furthermore, the building rental expense for the last quarter of the year under review had not been recognized as an expense of the year under review, resulting in a decrease in the expense by Rs. 8,716,125, and deficit for the year was understated by that amount.

September 2024 and since there was no valid lease agreement for the upcoming period and no notification of the specific rent amount, provision was not made for that period.

(c) Recurrent grants of Rs. 1,745,832 received during the year had been presented as deferred income without been recognized as income from non-exchange transactions in accordance with Sri Lanka Public Sector Accounting Standards No. 11. The value of Rs. 61,735,225 relating to assets purchased under Treasury grants in previous years as at 01 January 2024, and although the relevant value should have been recognized as income of the previous year, it had not been done. The balance of Rs. 39,178,817 had been presented as deferred income in the statement of financial position as at 31 December 2024 after adjusting the amortized value for the year under review of Rs.24,302,242 relating to the said grants.

This error has arisen due to the fact that the grants received for the year under review were presented as deferred income in the financial statements, and it will be taken actions to correct it.

Grants should be accounted as revenue from non-exchange transactions according to Sri Lanka Public Sector Accounting Standards.

(d) The post-employment benefit obligation relating to gratuity provisions amounting to Rs. 166,977,190 and the present value of the related current service cost had not been disclosed in the accounts in accordance with paragraph 76 of Sri Lanka Public Sector Accounting Standards 19.

Instructions have been given to make the gratuity allocation as per the audit recommendations.

The present value of gratuity allocation should be disclosed in the accounts, according to Sri Lanka Public Sector Accounting Standards.

**1.5.2 Accounting Deficiencies**

Audit Issue	Management Comment	Recommendation
Since fuel expenses amounted to Rs.417,470 incurred during the year under review being shown as	This error was occurred due to a failure of entering accounting	Income and expenses relating to the year should be

a fuel imprest instead of being accounted for as expenses, the deficit for the year was understated and current assets were overstated by that amount.

entries. Instructions have been given to enter correct accounting entries.

identified and adjusted accurately in the financial statements.

### 1.5.3 Documentary Evidences not made available for Audit.

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
Advances for operations	5,168,527	Schedules for the amount of decoy money in hands of employees and at courts and the outstanding advances in the district offices	If there are any outstanding balances of advance payments, instructions have been given to settle each advance to the head office at the end of the financial year.	Schedules for advances should be maintained in a systematic manner and submitted for audit.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
The total amount of distress loans given to 23 employees of the Authority, amounting to Rs. 694,576, had not been recovered for a period of 01 to 15 years. Out of those employees, 04 were interdicted officers, and action had not been taken to recover the distress loan and interest due from them amounting to Rs. 384,693, 02 officers had released without recovering the balance of distress loan and interest due amounting to Rs. 13,888 from them who had left the service.	As 15 out of these 23 employees, are still in service recovering loan instalments are being ongoing. Since the investigation of the interdicted employees has not been completed, the outstanding balance will be collected after the investigation is completed. The balance of one person who has left the service has been collected from the gratuity and the other officers have been informed to pay the arrears.	When employees leave the service the loan balances to be recovered should be identified. Interest should be collected continuously for the period during which the loan balances are outstanding.

## 1.6.2 Payables

Audit Issue	Management Comment	Recommendation
03 payable balances totaling Rs.275,295 which had been outstanding from 4 to 6 years as at 31st December of the year under review, were held in payables without being settled.	Instructions have been given to release these balances to the relevant parties.	Formal and expedite actions should be taken to settle the retained balances.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Special direction issued under Section 10(1)(b)(ii) of the Consumer Affairs Authority Act, No. 09 of 2003, by Extraordinary Gazette No. 2231/24 dated 11th June 2021	Although the Warehouses in various districts of Sri Lanka were required to register from 15 June 2021, a systematic procedure had not been implemented for the registration of all Warehouses in Sri Lanka.	Answers have not been submitted.	Action should be taken to register all warehouses located in the country.
(b) Sections 22.4 and 27.13 of Chapter 48 of Part II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	(i) Even after the conclusion of the court proceedings, disciplinary investigations should be continued until disciplinary orders are issued, but after the conclusion of the court proceedings regarding 04 employees who had been interdicted, those employees were reinstated without completing the disciplinary	Since it is stated under XVII of Part I of Chapter I of the Establishments Code that “an employee of a State Corporation/Statutory Body shall not be considered as a Public Officer”, this section does not apply to the employees of this Authority who are not Public Officers. It is not mandatory for the	According to the section 2.3 of the Operation Manual for State owned Enterprises published by the public Enterprises Circular No 01/2021, dated 16 November 2021, all State owned Enterprises are required to adopt their own Administrative and Financial manuals approved by the Board of Directors, but since the

<p>investigations conducted against them.</p> <p>(ii) A preliminary investigation was conducted regarding the irregularities in the recruitment of investigation officers in the year 2018 and a charge sheet was issued against the Director (Administration and Human Resources) and his service was temporarily suspended from 03 February 2021. Although a disciplinary investigation officer had been appointed on 23 March 2021 for the relevant formal disciplinary investigation, the investigation had not been completed even after 02 years and 06 months, and the said disciplinary investigation officer had been removed and a new disciplinary investigation officer had been appointed again on 31 October 2023. Before concluding the said</p>	<p>employees of the Authority to conduct an independent disciplinary investigation and in accordance with the High Court decision, the Board of Directors, the disciplinary authority of the Authority, had decided at the meeting held on 28.06.2023 to reinstate these employees and not to pay them the arrears of salaries for the period of suspension as a punishment based on the evidence available regarding the bribery allegations.</p>	<p>Authority has not approved such manuals, the provisions of the Establishments Code should be followed. Disciplinary investigations should be continued and completed even after the completion of judicial proceedings.</p>
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disciplinary investigation, it was stopped and the said employee was reinstated in service on 24 May 2024 according to decision of the Board of Directors.

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

(i) Financial Regulations 66(2)(c) and 66(3)(b)

During the year under review, Rs. 1,745,833 of the money received from the Treasury for recurrent expenditure had been spent on the purchase of fixed assets without obtaining the approval of the Secretary to the Treasury or any other officer authorized by him.

The relevant amount had been credited from the Recurrent Expenditure Account to the Capital Expenditure Account with the intention of requesting grants from the National Budget Department. The relevant note for the transfer need to be corrected due to the notification that the transfer can not be made.

Approvals should be obtained Properly when the government funds are utilized for other purposes than they were provided.

(ii) Financial Regulation 373

The fuel advance balance of 07 district offices totalling Rs. 951,575 and the decoy money cash advance of 8 district offices totalling Rs.151,578 had not been settled to the

Instructions have been given to settle the advance balances at the end of the year to the head office.

A sound system should be introduced to settle advance balances on due dates in accordance with financial regulations.

head office as of 31 December of the year under review.

(d) Guidelines on Corporate Governance for State owned Enterprises published by public Enterprises Circular No. 01/2021 dated 16 November 2021	Although annual reports should be tabled in Parliament, the annual reports for the years 2023 and 2024 had not been tabled in Parliament by 30 August 2025.	The 2023 report has been submitted to the Ministry. The 2024 report is being translated.	Prompt actions should be taken to table the 2023 and 2024 annual reports in Parliament.
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## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 23,699,000 and the corresponding surplus in the preceding year amounted to Rs.66,085,000. Therefore deterioration amounting to Rs. 89,784,000 of the financial result was observed. The main reasons for the deterioration are decrease in government grants by Rs. 43,419,000, fine income by Rs. 29,359,000 and other income by Rs. 20,128,000.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Although the amendment of the Consumer Affairs Authority Act No. 09 of 2003 had been initiated in the year 2004 and 20 years have passed by the year under review, the said amendments had not been completed.	Various recommendations and approvals have been submitted to the Legal Draft man’s Department, the Attorney General’s Department, and the Ministry of Trade, Commerce and Food Security for the amendment of the Act, as required. A meeting was held at the Ministry on 29.04.2025 with the participation of Ministry officials and the Authority in this regard. Accordingly, further actions relating to the amendment of the Act is being carried out.	Prompt actions should be taken to amend and finalize the Act to suit the current situation.

### 3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
According to the Section 27 of the Act, every trader is required to register with the Authority on payment of an annual fee not exceeding one hundred thousand rupees as determined by the Minister. But the authority had not registered the traders.	Work is underway to register traders, and the procurement process is currently underway to select an institution to develop the software and data system required for registering traders.	Actions should be taken to register every trader with the Authority according to the provisions of the Act.

### 3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
An agreement was entered into on 24 January 2014 with a company in Switzerland to prepare a safety system for several identified products to protect consumers from unsafe and inferior products. Due to the issuance of an interim order preventing the implementation of the directive by the High Court for the application filed by several product manufacturing companies against the Authority to nullify the directive No.49 issued in that regard, It had been impossible to proceed with the project in accordance with the agreement reached with the Swiss company.	On the instructions of the Attorney General's Department, the Authority has filed the case CHC 626/2023 on 07 July 2022. As per the orders given from the meeting of the Committee on Public Enterprises (COPE) held on 07.05.2024, the Authority has appointed an Investigation Panel to investigate whether any irregularities have occurred in the implementation of the agreement. Although a preliminary investigation officer had been appointed as per the decision taken at the meeting held in the Ministry to conduct a preliminary investigation to find out and report whether any irregularities or misconduct have occurred in the signed agreement, due to the delay in conducting the preliminary investigation, another preliminary investigation officer has now been appointed. A request was made to the Criminal Investigation Department to conduct an	After confirming the feasibility of implementation, agreements should be signed and the responsible party should be identified through an internal investigation and steps should be taken to recover damages.

Due to the non-implementation of the agreement, the company had filed a case against the

authority in the year 2018 in the International Court of Arbitration demanding that the agreement be unilaterally cancelled and the full investment amount of Rs.2.716 billion be paid as per the agreement. According to the order given on 10 May 2022, the final award for the arbitration case given by the Authority to the company was Rs.2.716 billion and as arbitration fee of U.S Dollars 325,000 was also to be paid. The Authority had filed a petition in the Commercial High Court of Colombo against the final award of the arbitration case on 7 July 2022. The Authority had not conducted an internal investigation and identified the responsible parties in this regard and it was still pending. Furthermore, although the Parliament's Committee on Public Enterprises meeting held on 07 May 2024 had ordered to conduct an internal investigation regarding the agreement and disciplinary and legal actions to take against the responsible parties, the Authority had not conducted an internal investigation and identified the responsible parties.

investigation in this regard and it has been informed that the case has been transferred to the Bribery and Corruption Investigation Unit, because of that it is not relevant to their scope.

**3.4 Human Resources Management**

Audit Issue	Management Comment	Recommendation
As at 31st December of the year under review, the	The recruitment of employees was delayed as per the National	Steps should be taken to efficiently fulfill the

approved carder of the Authority was 667, out of that 223 posts remained vacant. Out of these, 03 were at the senior management level, 19 Assistant Director positions were at the middle management level and 132 Investigation Officer positions were at the operational level.

Budget Circulars of the Presidential Secretariat and the Ministry of Finance regarding the control of public expenditure.

objectives of the Act by filling the necessary vacancies at the upper management and operational levels.

However, the assistance of the Investigation Officers has also been obtained to ensure the efficient and continuous performance of duties as per the institutional requirement.

#### 4. Accountability and Good Governance

##### 4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
Three activities included in the Authority's action plan for 2024 to achieve the objectives of the Act had not been implemented, and the progress of six activities was between 23 and 50 percent.	Due to the shortage of officers, the progress mentioned in the action plan could not be achieved. This error will be corrected after recruitment for the vacancies.	Plans should be made realistically and actions should be taken to achieve the tasks as planned.

##### 4.2 Internal Audit

Audit Issue	Management Comment	Recommendation
Although an effective mechanism should exist to conduct an internal audit functions in accordance with Section 38(f) of the National Audit Act, No. 19 of 2018, internal audit activities had not been carried out for the year under review.	The Authority has requested approvals from the relevant institutions through the Ministry to fill the vacancies in the approved Internal Audit position and two positions of the Audit Officer for the Internal Audit Division of the Authority.	Appropriate actions should be taken to ensure the continuity of internal audit activities in accordance with the provisions of the National Audit Act, No. 19 of 2018.