

Consumer Affairs Authority - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Consumer Affairs Authority for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 2021, 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 scepticism 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 Authorities’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 Authorities’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 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 Preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Authority is 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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
Estimate of effective life span of assets with a cost of Rs.166,845,353 belonging to 5 categories of assets which have been fully depreciated but are already in use was not re-reviewed and adjusted in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard No. 03. Similarly, those assets were not disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard No. 07.	It was informed that measures are expected to be taken to review the residual value and effective life span of those assets in terms of the section 65 of the standard 7 during the next reporting period and to account for according to Sri Lanka Public Sector Accounting Standard No. 3.	Sri Lanka Public Sector Accounting Standards should be followed.

1.5.3 Documentary Evidences not made available for Audit

Item	Amount (Rs.)	Evidence not available	Comments of the Management	Recommendation
Fines dismissed as cash receipts from fines receivable as at 01 January 2021	11,389,273	Detailed schedules with case numbers and fines.	The balance fines receivable as at 01 January 2021 has been summarized district wise and the relevant documents have been prepared and the balance fines has been obtained in the end of the year.	Details should be submitted with case number and fine amount.
Amount due for previous years included in the fines due as at 31 December 2021.	247,771	Detail documents	Detail schedules showing fines district wise have been presented.	Care should be taken to submit details with case number and fine amount.
Money for decoy	1,650,010	Balance confirmations	It was also informed that balance confirmations of money for decoy relevant	Balance confirmations on money for decoy

to the districts will be available at head office should be submitted. submitted.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	the Recommendation
Section 16(2) of the National Audit Act No. 19 of 2018	Even though the annual draft performance report should be submitted with the annual financial statements of the year 2021, no measures were taken by the authority to submit the draft performance report.	The annual draft performance report for the year 2020 was submitted.	The draft performance report of the year under review should be submitted along with the financial statements of the relevant year.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 30,227,000 and the corresponding deficit in the preceding year amounted to Rs. 1,298,000. Therefore an improvement amounting to Rs. 31,525,000 of the financial result was observed. The reasons for the improvement are the increase in Recurrent Grant of Rs.27,704,000 in the year under review ,and the decrease of the depreciation for the year by Rs.11,677,000.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Amendment of the Consumer Affairs Authority Act No. 09 of 2003 was commenced in year 2004. Although 17 years had passed by the year under review, the amendment of the Act had not been completed.	Amendment of the Consumer Affairs Authority Act No. 09 of 2003 is being carried out.	Necessary arrangements should be made to complete the amendments of the Act promptly.

3.2 Operational Inefficiencies

Following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Investigations in respect of 318 complaints out of the 1557 complaints received by the Consumer Complaints Division of the Authority, excluding the complaints received to District Offices, during the year under review in terms of the sub section 13 of the Consumer Affairs Authority Act No. 09 of 2003 were not completed as at 31 December 2021.	Only 318 complaints related to the year 2021 are being investigated at present.	Resolving of consumer complaints should be completed promptly.
(b) 767 complaints out of 1,647 complaints registered in the legal department from year 2015 to 2021 were resolved and 194 complaints were withdrawn by 31 December 2021. Investigations related to 291 complaints were not completed. Even though orders were issued for 168 complaints, orders related to 14 complaints were not signed.	There was no situation in the country to achieve the raid targets in the year 2021, which included the period in which the country was closed. There were also difficulties in carrying out field duties.	Investigation of consumer complaints should be completed promptly.

Similarly, 9494 raids had been conducted by the authority during the year under review, and it is a 40 percent drop compared to 15,923 raids conducted within the previous year. Only 6980 raids out of those raids were prosecuted during the year under review.

Similarly, more attention was drawn on inspection and investigation activities than on raids as the authority was not operated for a significant period of the year.

- (c) The 1977 telephone service was established in the year 2013 to submit immediate complaints of the customers. 8,056 public complaints had been received in the year 2021. No action was taken against 2646 complaints by the end of the year under review, and raids were conducted regarding 816 complaints only. Out of the complaints received for the hotline service, the progress of taking action regarding the complaints in 07 districts was between 15 percent and 53 percent.

The complaints received to the phone No. 1977 are investigated, and successful raids refer only to those complaints of which offences were found in the investigations so conducted. There are also cases where other complaints do not fall under the category of offenses mentioned in the Consumer Affairs Authority Act. It should also be mentioned that in many such cases only on-site inspections and investigations should be carried out.

Solving customer complaints should be completed promptly.

- (d) Even though the prices for laboratory tests have been controlled by Gazette No. 2240/30 dated 12 August 2021, Only 03 raids were conducted in 02 districts to survey whether the price control was passed on to the consumer.

03 raids were carried out for laboratory tests.

A sufficient number of raids should be conducted.

- (e) According to the section 8 (h) of the Consumer Affairs Authority Act, undertaking studies ,publishing reports, and provide information to the public relating to market conditions and consumer affairs are mentioned as one task of the Authority. Accordingly, measures were not taken by the authority in year 2021 to create awareness among consumers regarding the current situation on organic agriculture and organic products and on matters revealed in relation to 2 market studies conducted on the percentage of alcohol content of various types of hand washing liquids sold in the market.
- In the future, the National Organic Control Unit (NOCU) operating under the Export Development Board will inform the consumers and other stakeholders of the local organic trade. 11 brands from the list of products in relation to hand washing liquids ,considered as out of identified quality, have been obtained from the market and sent to the Industrial Institute of Technology (ITI) for quality testing. Legal action has been taken against products that have failed to ensure quality. Other products will be tested and action will be taken in due course.
- Necessary measures should be taken promptly to educate and protect the consumers about the facts revealed on the various products sold in the market.
- (f) In terms of the Section 61(3) of Consumer Affairs Authority Act,in the event where it discloses that the goods do not conform to the standards and specifications and that such non conformity has resulted in the goods concerned being rendered unfit for any use or consumption, legal action should be taken to seize and detain taken such goods or stock as the case may be. Even though the cases were filed only against the traders who sold non-standard canned fish, which was revealed according to a sample inspection, Cases were not filed against 05 companies that manufactured those
- According to the reports, it was confirmed that 05 out of the 06 canned fish samples sent by the Ministry of Trade through the Chairman of the Consumer Affairs Authority for testing and obtaining reports were not conform with the standard. However, there is no possibility to file a case since those samples had not been taken from the market
- The Act should be followed.

goods.

according to the Consumer Affairs Authority's methodology.

- (g) A database is maintained by the authority to conduct raids, file case and levy fines. According to the information contained in the database, Rs.13,570,333 ,which is one third of the total fine amount of Rs.40,711,000 as at 31 December 2021, was identified as the fine income in the year 2021. The audit was not satisfied with the accuracy of the fine income calculated on the basis of information in the database as the shortcoming such as not entering the information related to certain fines credited to the authority's fund from the courts in the database, and removal of the receivable balances of fines that were not included in the balance of fines receivable at the beginning of the year under review as fines received for year 2019 and 2020 were observed ,when checking a sample of receipts of fines in the year 2021.
- This database includes all raid information in the form of not only the details of fine income but also summon cases, warrant cases and appeal cases and cases of which fines have already been imposed. However, details of such summons, warrants, and appeal cases will also be available in due course as the fine database is being revised in detail.
- Fine income should be calculated accurately.
- (h) As per the balance confirmations sent from the District Offices regarding the money for decoy at the end of the year, the money for decoy related to the raids for which cases were not filed as at 31 December 2021 has been retained in the districts to file cases. There was money related to the raids done in the year 2010 within it.
- No cases were filed due to destruction of related raid case goods as well as imposition of limitations of acceptance of cases by courts despite the high number of raids were conducted during that time. All district heads have been informed to file cases for actionable raids as soon as
- Measures should be taken timely to file cases for the raids.

possible, and to credit the money for decoy that cannot do so to the head office or to add to the imprest with prior approval.

3.3 Human Resources Management

Audit Observation

The approved cadre of Consumer Affairs Authority is 667, and the actual cadre is 520. Therefore, the number of vacant positions was 147. Director, Finance was appointed on 02 August 2021 for acting in the position of Director General, and no permanent appointment has been made for the post of Director General so far. Similarly, even though there were 450 investigative officers in the approved cadre, there were 93 vacancies as only 357 staff remained in actual cadre, and these posts were remained vacant for over 2 years.

Comments of the Management Recommendation

Even though preliminary measures had been taken for the recruitment of employees by the Cabinet memorandum dated 28.08.2021 regarding the review of state expenditure, recruitment for the post of Director General was delayed as it was informed to delay recruitment for the posts.

Recruitment should have been done since essential posts like investigation officers were vacant more than 2 years.