

Consumer Affairs Authority - 2010

1. Financial Statements

1.1 Presentation of Financial Statements for Audit

The Consumer Affairs Authority had presented the financial statements for audit on 28 February 2011. The revised financial statements after making adjustments relating to accounting deficiencies amounting to Rs.1,618,144 were presented on 02 August 2011.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Consumer Affairs Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:3 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Consumer Affairs Authority as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

In addition to the crediting of depreciation for the year under review amounting to Rs.6,306,189 to the Provision for Depreciation Account, an equivalent amount had been debited to the deferred Income Account and credited to the Sundry Income Account. This had not been disclosed in the Note to the Accounts on Depreciation.

1.3.2 Accounting deficiencies

The following observations are made.

- (a) In view of the over-provision made in the year 2009 for accrued expenses a difference of Rs.2,901,401 was reflected between the provision and the actual expenditure. That difference had been adjusted to the expenditure accounts of the current year and as such the totals of 22 expenditure accounts had been understated by a sum of Rs.2,901,401.
- (b) Sums totalling Rs.1,246,064 received by the Authority as the fines income for October 2010 had been included in the Provisions for Consumer Protection Fund shown under the balances payable.

1.3.3 Unreconciled Controlled Accounts

Even though the cost of fixed assets sold had been stated in the financial statements as Rs.2,454,630 , the actual cost of the fixed assets sold amounted to Rs.2,442,859 and a difference of Rs.11,771 was observed. Even though the fines income had been shown in the financial statements as Rs.11,823,067 that amounted to Rs.11,416,900 according to the Progress Reports and as such a difference of Rs.406,167 was observed.

1.3.4 Lack of Documentary Evidence for Audit

A Research Unit had been established in the year under review and the expenditure incurred thereon amounted to Rs.400,000. That could not be satisfactorily vouched due to the unavailability of the approval for the establishment of the Research Unit, forward plans and the evidence of performance.

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

The following observations are made.

(1) **Consumer Affairs Authority Act, No. 09 of 2003**

- (i) According to Section 27 of the Consumer Affairs Authority Act, No. 09 of 2003, every trader should register with the Authority on the payment of an annual fee of a sum not exceeding Rs.100,000 as may be determined in consultation with the Minister in charge of the subject of Finance. Nevertheless, the Authority had not taken action up to date for the registration of any trader whatsoever. The Authority informed the audit that it is practically not possible to carry out such registration.
 - (ii) According to the Section 3 (1) of the Act the members of the Authority should be persons who possess recognized qualifications, and experience and have distinguished themselves in the relevant fields. Nevertheless, eight members had not fulfilled the recognized qualifications in the respective fields.
- (2) According to Section 13 (5) (c) of the Finance Act, No.38 of 1971 the minimum internal audit programme of the Authority should be settled in agreement with the Auditor General. Nevertheless, an internal audit was not in operation in the Authority during the year 2010.

(3) **Public Enterprises Circular No. PED/12 of 02 June 2003**

- (i) According to Sections 5.1.3 and 5.2.1 the Authority should incorporate the budgeted Income and Expenditure Statement, budgeted balance sheet, the Cash Flow Statement and the budgeted capital expenditure into the Corporate Plan. Nevertheless, the Authority had not presented the required information with the Corporate Plan.

- (ii) According to Section 9.2 the Corporate Plan should embody the cadre requirements of each of the Divisions of the enterprise, consolidated in the form of a Human Resources Budget. Nevertheless, the Authority had not embodied a Human Resources Budget to the Corporate Plan.
- (iii) According to Section 9.10 any recruitment on contract, casual or otherwise should have the approval of the Secretary to the Treasury. According to information furnished to audit, 05 employees were recruited on contract, casual and daily basis in the year 2009 and while 13 contract employees had been recruited in the year 2010 without the approval of the Secretary to the Treasury.
- (iv) According to Section 9.14.2 the Manual of Procedure should be submitted through the Department of Public Enterprises to the Treasury for its approval. The Manual of Procedure prepared by the Authority had not been submitted for approval.
- (4) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 371 Advances should be settled immediately after the completion of the purpose. Action had not been taken even up to 31 December 2010 to settle the advances amounting to Rs.125,061 granted time to time in the years 2006 and 2010.
- (5) Letter No. DMS/E4/41/5/255/2 dated 08 February 2010 of the Department of Management Services Paragraph 03

Recruitments should be made only after the approval of the Department of Management Services is obtained for the revised Scheme of Recruitment and Promotion relating to the recruitment to posts on the restructure of the cadre of the Authority. Seventy nine employees not so approved had been recruited newly during March to December 2010.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the working of the Authority for the year ended 31 December 2010 had resulted in a surplus of Rs.11,962,185 as compared with the corresponding surplus of Rs.6,014,435 for the preceding year thus indicating an increase of Rs.5,947,750 in the surplus. The increase in Government Contribution for recurrent expenditure and the decrease in the expenditure on depreciation had been the main reasons for the increase in the surplus.

2.2 Personnel Management

The following observations are made.

- (i) The total number of vacancies of the Authority as at 31 December 2010 had been 168 while the excess employees had been 107.
- (ii) Even though 13 drivers including 01 person appointed on contract basis had been appointed, the Authority had only 08 motor vehicles.
- (iii) Even though the Authority had a library with library books valued at Rs.283,815 the posts of Librarian and the Assistant Librarian had been vacant.
- (iv) A shroff had not been recruited for the Authority.
- (v) Even though a post of Translator is included in the approved cadre, a sum of Rs.160,382 had been paid to other persons as translation fees, without recruiting an officer for the post. In this connection, the Chairman of the Authority informed that it is not practical to recruitment of an officer under the prevailing salary structure.

- (vi) Even though 04 stenographers are in the actual cadre, stenography services had been procured on the payment of a sum of Rs.263,900. With regard to the need for such service and the approval for that purpose, the Chairman of the Authority produced to audit only the approval of the Secretary to the Ministry Trade, Marketing Development, Co-operatives and Consumer Services granted for a period of 01 year with effect from 29 September 2009.

- (vii) It was revealed during the course of audit that 06 employes recruited on contract basis had been deployed in the Nikaweratiya area though there was no Regional Office of the Authority established in that area. The information thereon requested by audit that not been furnished to audit.

2.3 Transactions of Suspense Nature

The following observations are made in this connection.

- (a) District Office Building, Kurunegala
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The District Office, Kurunegala at present is accomodated in a dilapidated building without and sanitation and water facilities and marked for demolition. As such a sum of Rs.1 million had been paid in the years 2009 and 2010 to reserve accomodation for the office in a new building under construction by the District Secretariat, Kurunegala. According to the final accounts for the year 2010, the construction of the building had been completed by the end of that year. Nevertheless, the office remained idle and unoccupied even up to 30 September 2011.

(b) Establishment of a Media Unit

The following observations are made.

- (i) The Authority had established a Media Unit in the year 2010 and a Media Officer, not included in the approved cadre had been appointed on contract basis from 01 June 2010 at a monthly salary of Rs.20,525.
- (ii) Despite the payment of a monthly hire charges of Rs.50,000 for the motor vehicle attached to the Officer and the monthly supply of 120 litres of fuel, the Board had by the Board Paper No. CAA/AHR/47/2010, approved to supply unlimited fuel considering it as a pool motor vehicle.
- (iii) The approval for the overtime paid to the officer had not been furnished to audit. It was observed in audit that 02 drivers connected with media activities had been paid overtime amounting to Rs.49,643 exceeding the monthly salary while it was observed that one of those drivers also had been paid overtime on media work of the Authority.

(c) Payment of Overtime Exceeding the Salary

Overtime totalling Rs.749,465 exceeding the monthly salaries had been paid to 11 employees of the Authority in certain months of the year 2010 while in certain instances overtime totalling Rs.266,244 exceeding 75 per cent of the monthly salaries had been paid.

(d) Payment of Distress Loans to Officers Recruited on Contract Basis

Contrary to the Guidelines on Administrative Procedures prepared by the Authority, distress loans had been granted to 03 officers recruited on contract basis. The response of the Chairman of the Authority in this connection was that the loans were granted after they were absorbed into the permanent service. Nevertheless, the evidence in support of the grant of permanent status to the employees was not furnished to audit.

- (e) Even though it had been decided in terms of the Board of Directors decision No. CAA/HRA/97/2010/AOB-09-04 to transfer a motor vehicle belonging to the Ministry to the Authority, a sum of Rs.3,147,903 allocated for repairs to that motor vehicle had been added to the accrued expenditure without taking action to get the motor vehicle transferred.

3. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Chairman of the Authority time to time. Special attention is needed in respect of the following areas of control.

- (a) Motor Vehicles Control
- (b) Granting of Advances
- (c) Procurement of Motor Vehicles on Hire Basis
- (d) Management of Staff