



லலித் அத்தலத்தமுதலி மஹபொல உயர்கல்வி புலமைப்பரிசில் நம்பிக்கை நிதியம்

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Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

2019

வார்க்கிவ வார்கால கா கிஷுமீ

வருடாந்த அறிக்கையும் கணக்குகளும்

ANNUAL REPORT & ACCOUNTS

**LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION
SCHOLARSHIP TRUST FUND**

ANNUAL REPORT AND ACCOUNTS

2019

MINISTRY OF TRADE

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Vision

“To create an educated society with the aim of alleviating poverty”

Mission

“To provide Scholarships for the underprivileged youth to complete their higher education and creation of equal opportunities through the development of facilities for higher education”

Objectives

- To provide higher educational facilities to youth;
- To provide assistance to deserving youth who have completed their secondary education satisfactorily, so as to enable them to complete their academic, industrial or technical education at a University or technical or higher educational institute,
- To set up and assist in the setting up and management of vocational training institutes for enabling youth to develop their vocational skills and competence;
- To set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education;
- To provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education. (Presently, grant of scholarships has been considered as the major task with priority).

Core Values

Integrity

We are selecting students for Mahapola Higher Education Scholarships following a prescribed methodology with transparency in a fair manner and frequently make efforts to pay Mahapola scholarships to the qualified students within a reasonable period of time

Positive Attitudes

Have to face number of challenges when granting scholarships and working with other institutions and obtaining funds and the employees are committed to successfully face all the challenges.

Effectiveness

Employees of Mahapola Higher Education Scholarship Trust Fund have got a better understanding and faith about their roles and they are frequently making efforts to achieve the set targets in an efficient manner. A small group of employees (10 employees) have achieved in paying around 70,000 scholarships monthly.

Flexibility

The Board of Trustees inclusive of the employees and the Director of the Fund are successfully moving in the competitive financial market looking for novel ideas in order to strengthen the fund.

Team Spirit

Employees of Mahapola Scholarship Fund are working together to achieve cooperate goals with their qualities of openness, friendliness and personal development.

Tendency towards uniqueness

Employees of Mahapola Scholarship Trust Fund are committed to maintain its service to the high standard consecutively.

A Glance at the History of Mahapola Higher Education Scholarship Trust Fund

Late Hon. Lalith Athulathmudali founded “Mahapola” concept in 1980 through a trade fair when he was the Minister of Trade and Shipping with the objective of providing the benefits and knowledge of open economy to the rural community. At the trade fairs and educational exhibitions held in schools the income earned from the sale of tickets at the gates , trade stalls and Mahapola Higher Education Scholarship Trust Fund Lotteries and donations were initially used to uplift infrastructure of those schools and to grant Mahapola Scholarships. The rural people did not receive the opening difference of the commercial economy as soon as the urban community. “Mahapola” is a measure taken by the then Minister of Trade and Shipping with the objective of lessening the gap between the village and the city. Today, it has become a reward of the general public. Mahapola contributes the future generation; live wire of the country that is talented to obtain higher education, but depressed with economic problems.

The first ceremony of granting scholarships was held on 14th November 1984 at BMICH awarding 422 scholarships. From the beginning to 2019 more than 300,000 scholarships have been awarded and around Rs. 15 Bn has been spent on it. Around Rs. 1700 Mn. is annually required for the task of paying scholarship installments.

Sri Lanka Institute of Information Technology initiated its studies in 1999 in Malabe, Kaduwela giving opportunity for the students who were unable to get university admission. Mahapola Fund granted Rs. 373 Mn. and 25 Acres of land for this. This institute offers Information Technology Diplomas and Degree Courses. Around 10,000 students get admissions annually to this institute.

National Wealth Corporation and its subsidiary started in 2003 to manage investments of Mahapola Higher Education Scholarship Trust Fund. The amount of Rs. 3.16 Bn was expanded up to Rs. 8.6 Bn. and transferred back to Mahapola Fund.

Outstanding Landmarks in the History of Mahapola

- A sum of Rs. 58.8 Mn was spent on awarding post graduate scholarships in foreign universities.
- Donations to Education consultancy Service and National English Education were granted in 1986. Rs. 1 Mn. was spent on it.
- Mahapola Project Division was started in 2003. Mahapola student insurance and Dhamma School Teaching Insurance was started spending a sum of Rs. 15.4 in 2003.
- Mahapola Higher Education Scholarship Trust Fund could spend Rs. 202 Mn. to donate development activities (School buildings, swimming pools, playgrounds of 11 schools utilizing interest revenue of school development fund which has been established under Mahapola Higher Education Scholarship Trust Fund in 2004. An initial cost of Rs. 30 Mn was spent on founding Mahinda Rajapaksa National School in Pitipana, Homagama.
- Distribution of Rs. 1.5 Mn for the families of Mahapola recipients who deceased because of Tsunami in 2005.
- To increase Mahapola Scholarship monthly installment from Rs. 2500/= to Rs. 5000/=.
- The income limit to be eligible for Mahapola scholarship has been revised from Rs. 300,000/= to Rs. 500,000/=. It has increased the number of Mahapola Scholarship recipients by 3000.
- Direct banking payment system was introduced in 2019 and thereby scholarship installments are credited directly to the accounts of students and it results in scholarship payment without any delay.
- Increase of scholarship installment of all the students of Technical Colleges by Rs. 1000/- was implemented in 2019.

**Minister in Charge of the Subject of Mahapola Higher Education Trust Fund and
the Minister In Charge from 1981 to 2019**

Ministry In Charge of the Subject		Minister in Charge of the Subject	Duration (Year)
1	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali	1981 - 1983
2	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali (Minister of National Security)	1984 - 1988
3	Ministry of Trade and Shipping	Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1989-1990
4	Ministry of Trade and Commerce	Hon. Minister A.R.Mansoor - Trustee, Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1991 -1992
5	Ministry of Trade and Commerce	Hon. Minister A.R.Mansoor - Trustee, Hon. Minister Lalith Athulathmudali (Minister of Agriculture, Food and Cooperatives)	1993
6	Ministry of Trade and Commerce	Hon. Minister A.R.Mansoor	1994
7	Ministry of Internal & International Trade & Commerce	Hon.Minister Kingsley T Wickramarathne	1995 - 2000
8	Min. of Internal and International Trade & Commerce, Shipping Dev. & Muslim Religious Affairs	Hon. Minister Rauf Hakeem	2001
9	Ministry of Commerce and Consumer Affairs	Hon. Ravi Karunanayaka	2002 - 2004
10	Ministry of Commerce and Consumer Affairs	Hon. Jeyaraj Fernandopulle	2004 May - 2007
11	Ministry of Trade, Marketing Development, Cooperative and Consumer Services	Hon. Minister Bandula Gunawardhana	2008 - 2009
12	Ministry of Cooperative & Internal Trade	Hon. Minister Johnston Fernando	2010 - 2012
13	Presidential Secretariat	Secretary to the President	2013 - 2014
14	Ministry of Food Safety	Hon. Minister Gamini Jayawickrama Perera	2015
15	Ministry of Development Strategies and International Trade	Hon. Minister Malik Samarawickrama	2015 Nov. - 2018
16	Ministry of Higher Education and Cultural Affairs	Hon. Minister Dr. Wijayadasa Rajapaksa	2018 July
17	Ministry of City Planning, Water Supply and Higher Education	Hon. Minister Rauf Hakeem	2018 October - 2019 Nov.
18	Ministry of Higher Education, Technical and Innovations	Hon. Minister Dr. Bandula Gunawardhana	2019 November

Board of Trustees - 2019

Trustee / Trustees	Post	From	To
1. Hon. Nalin Perera	The Chief Justice	2018 Jan.	2019 Nov.
2. Hon. Jayantha Jayasuriya	The Chief Justice	2019 Dec.	
3. Hon. Rauf Hakeem	Hon. Minister of City Planning, Water Supply & Higher Edu.	2018 Oct.	2019 Nov.
4. Hon. Lucky Jayawardena	Hon. Minister of City Planning, Water Supply and Higher Edu. (Actg.)	2019 April	2019 June
5. Hon. Dr. Bandula Gunawardena	Hon. Minister of Higher Edu., Technology and Innovations	2019 Dec.	
6. Mr. M.M.P.K. Mayadunne	Secretary, Min. of City Planning And Higher Education	2018 Oct.	2019 Nov.
7. Mr. Anura Disanayaka	Secretary, Min. of Higher Edu, Technology and Innovations	2019 Nov.	2019 Dec.
8. Mr. Pathmasiri Jayamanna	Secretary, Ministry of Education	2019 Jan.	
9. Mr. M.N.Ranasinghe	Secretary, Ministry of Education	2019 Feb.	2019 Oct.
10. Mr. H.M.Chithrananda	Secretary, Ministry of Education	2019 Oct.	2019 Dec.
11. Mr. S.T.Kodikara	Secretary, Ministry of Dev. Strategies & International Trade	2019 Jan.	2019 Sep
12. Mr. G.K.S.L.Rajadasa	Secretary, Min. of Internal Trade & Food Security	2019 Oct.	2019 Dec.
13. Mr. S.V.D.Kesaralal Gunasekara	Appointed Trustee	2019 Jan.	2019 Dec.
14. Dr. V.K.D. Mathiw	Appointed Trustee	2019 Jan.	
15. Prof. A.L.M.Kadar	Appointed Trustee	2019 Feb.	2019 June
16. Mr. Gulam Rasheed	Appointed Trustee	2019 July	2019 Dec.



Director's Report, Mahapola Higher Education Scholarship Trust Fund

Commencement

Mahapola Higher Education Scholarship Trust Fund is a reward of the students of the country who are obtaining higher education and I make this an opportunity to pay my gratitude to its founder Hon. Late Lalith Athulathmudali. This far sighted noble person understood that the contribution of the youth is a valuable resource and founded Mahapola Higher Education Scholarship with his donation in 2019 to financially assist the youth with less facilities to obtain opportunities for higher education and now 40 years have been passed and Mahapola Scholarships have been granted for more than 3 lakhs of students spending more than Rs. 17 bn. and at present the fund has been strengthened with more than Rs. 11 Bn of assets.

During the past decade, the Mahapola Higher Education Scholarship Trust Fund was backwarded seriously due to various crises and poor management and the growth of the Fund has been severely reduced due to corruption and irregularities. With my appointment in 2015, I could scrutinize all these corruptions and irregularities with the approval of the Board of Trustees with much commitment and thereby it was able to take number of necessary steps to secure the Mahapola Higher Education Scholarship Trust Fund.

Increase of Scholarship Installments

Mahapola Higher Education Student Trust Fund has played a significant role in developing the infrastructure required to upgrade the school system covering all provinces of the country with the objective of enhancing the primary and secondary education of Sri Lankan students in order to achieve the set objectives and objectives and during the year under review, there were some obstacles in achieving said objectives. The number of Mahapola Scholarships was increased specially due to the increase of admissions of students to the university systems of the island. Similarly as per the request of the students of the Sri Lanka Advanced Technological Institutions to increase the scholarship installment and the number of scholarships, the value of a scholarship installment given to the students of Sri Lanka Advanced Technological Institutions was increased from Rs. 1500 to Rs. 2500. The Mahapola Fund had to bear an additional cost for this.

Future Vision

However, as per the 2020-2025 strategic plan of Mahapola Fund, desired plans have been prepared to increase the existing number of scholarships by 30% and the Mahapola installment by 25% ; Rs. 7000/-. I trust that when implementing these plans the available fund will be increased from Rs. 11 Bn to Rs. 20 Bn. and the additional revenue that will be generated thereby could be used to achieve the set objectives.

Related Business Management

The growth of Mahapola Fund was very low in the past due to its poor management and there was a considerable delay in the payment of scholarships. I am pleased to note that in the year 2019, the Mahapola Fund was able to reorganize its subsidiaries NWSL and NWCL by returning the Mahapola Fund to the Bank of Ceylon account and thereby it was able to expand the investment opportunities and bring the Fund's growth to 16% during the year under review.

Further, the Trust Fund made arrangements to change the management of the related businesses and appoint a Board of Directors and a Board of Management capable of bringing the companies to a profitable level and thereby Mahapola Fund could be strengthened.

Strengthening Corporate Good Governance

Mahapola Higher Education Scholarship Trust Fund Act 1981 was passed at the Parliament in 1981 and even though 39 years have already been passed due to the faults and malpractices of the officers and trustees who have been to secure the financial operations and financial administration of the fund and Mahapola Fund was amended in 2019 with the addition of relevant amendments to the Mahapola Higher Education Scholarship Trust Fund in order to minimize the losses occurred to the fund by subjecting all the employees and trustees to the provisions in respect of faults specified in the public property Act.

During the year under review, a Special Fund Management Committee was established to manage the Mahapola Fund with the approval of the Board of Trustees, and all investments and financial activities of the Fund were made possible to be functioned with the approval of this established Investment Committee, enabling the institution to establish strong good governance. The Investment Committee met once in every 03 months in 2019 and all investments are made on the recommendations of the Committee.

Use of New Technology for Scholarship Payment

Because of the current rise in prices and the high cost of meeting the day to day needs of students obtaining higher education, arrangements have been made to pay their scholarships on a specific date. Under this, necessary measures have been taken to completely restructure the previous payment process and Treasury approval has been received for that. Under the existing payment system, students were paid monthly scholarship payment by the universities and the Mahapola Higher Education Scholarship Trust Fund contributions were directed to the universities. This payment process took a very long time and two months or more were late in paying the scholarship installments to the students. Accordingly, the payment system has been completely changed and the Mahapola Higher Education Scholarship Trust Fund has taken steps to credit the monthly installment directly to the students' bank accounts on the 15th of every month and only the recommendations for payments are obtained from the University. Accordingly, around 60,000 students from all universities and institutes are paid directly from the Mahapola Higher Education Scholarship Trust Fund from 2019. I am pleased about being able to implement this programme successfully at present, and I am much grateful all those who gave their approval.

Safeguarding Assets

In the year 2019, it was able to take several steps to form a formal administrative structure for the activities of the Sri Lanka Institute of Information Technology (SLIIT), a related entity affiliated to the Mahapola Fund. Meanwhile, the Auditor General conducted a special audit of the Sri Lanka Institute of Information Technology and submitted the report to the Parliamentary COPE Committee. In the report there were proposals and recommendations on the current administrative problem of SLIIT and obtaining its benefits to pay the scholarship of Mahapola Fund as it is an asset of the Mahapola Fund. These proposals are have been submitted for Cabinet approval and a request has been made by the Ministry of Higher Education, Technology and Innovation to the Chief Assessor of the Government to formally assess the assets of SLIIT. I hope that this institution will be able to carry out activities of this institute in a very systematic manner so that the Mahapola Fund will be able to achieve its set objectives.

Finally, I wish to extend my gratitude to all the Ministers in Charge who were appointed representing the founding trustee and contributed to strengthen Mahapola Higher Education Scholarship Trust Fund and to achieve its set objectives through its good governance and activities, the staff who served with the officers with much commitment, all the officers of the Ministry of Higher Education and all the other higher education institutes and the staff of the University Grants Commission headed by its Chairman.

The coming year 2020 will be a very challenging year for the Mahapola Higher Education Scholarship Trust Fund and I honestly wish that Mahapola Higher Education Scholarship Trust Fund will be a prominent institute that could manage it and provide financial assistance to expand and strengthen higher education opportunities of the youth with fewer facilities that are anticipating higher education.

M. Parakrama Bandara
Director,
Mahapola Higher Education Scholarship Trust Fund.

PERFORMANCE REPORT

Operational Review

01. Grant of Scholarships

The limited amount of Mahapola Scholarships (Merit) awarded annually among the applicants of the Mahapola Higher Education Scholarship is based on the results of the GCE (Advanced Level) Examination. Students who score high marks will be awarded Mahapola Merit Scholarships based on merit and from then onwards Mahapola General Scholarships will be awarded based on merit and family income. 10% of the total number of Mahapola Scholarships allocated annually is for Merit Scholarships and the remaining 90% is reserved for General Scholarships. Rs. 5,000 / - is paid for a general scholarship per month and Rs. 5,050 / - is paid for a merit scholarship.

The Trustee Board of Mahapola Scholarship Trust Fund granted approval to award 15,000 scholarships to the students who got university admission for the academic year based on the G.C.E. A/L examination 2018. Among them, about 1,501 received scholarships on a merit basis, while the remaining 13,500 scholarships were awarded to students of low-income families on a merit basis. Compared to the 30,380 total numbers of students who got university admission, 53% of the students were covered under this Mahapola Scholarship. Accordingly, students who got university admission in the year 2019 for prescribed courses were awarded scholarships.

In addition to the scholarships awarded to students in the courses recommended by the University Grants Commission, 2100 scholarships have been awarded for degrees and professional diploma courses in other higher education institutions.

Operational Review

Award of Mahapola Scholarships 2015 – 2019

University	2015	2016	2017	2018	2019
1. Colombo	1,246	1,182	1,521	1,761	1,815
2. Peradeniya	1,381	1,318	1,452	1,757	1,852
3. Kelaniya	1,590	1,551	1,820	1,985	2,001
4. Sri Jayawardenepura	1,859	1,894	2,029	2,288	2,372
5. Moratuwa	836	775	828	957	952
6. Jaffna	785	1,049	1,129	1,062	962
7. Jaffna (Ramanathan)	130	116	142	40	34
8. Ruhuna	1,015	907	1,009	1,098	1,043
9. Jaffna- Vavuniya Campus	104	124	109	90	104
10. Eastern	340	583	633	402	391
11. Gampaha Wickramarachchi Ayurveda Institute	31	8	7	16	29
12. Institute of Indigenous Medicine	68	66	73	93	116
13. Colombo Computer School	69	83	94	131	125
14. Colombo- Si Pali	92	69	99	63	49
15. Performing Arts	348	330	330	242	216
16. South Eastern	801	908	905	651	598
17. Rajarata	609	673	814	779	812
18. Sabaragamuwa	546	535	556	540	477
19. North Western	358	509	574	683	654
20. Eastern – Trincomalee Campus	109	127	118	135	129
21. Uva Wellassa	167	229	251	175	189
22. Swami Wipulananda	191	140	161	38	37
Total No. of scholarships	12,675	13,176	14,654	14,986	14,957

Operational Review

Mahapola Scholarship Awards (Other Institutes)

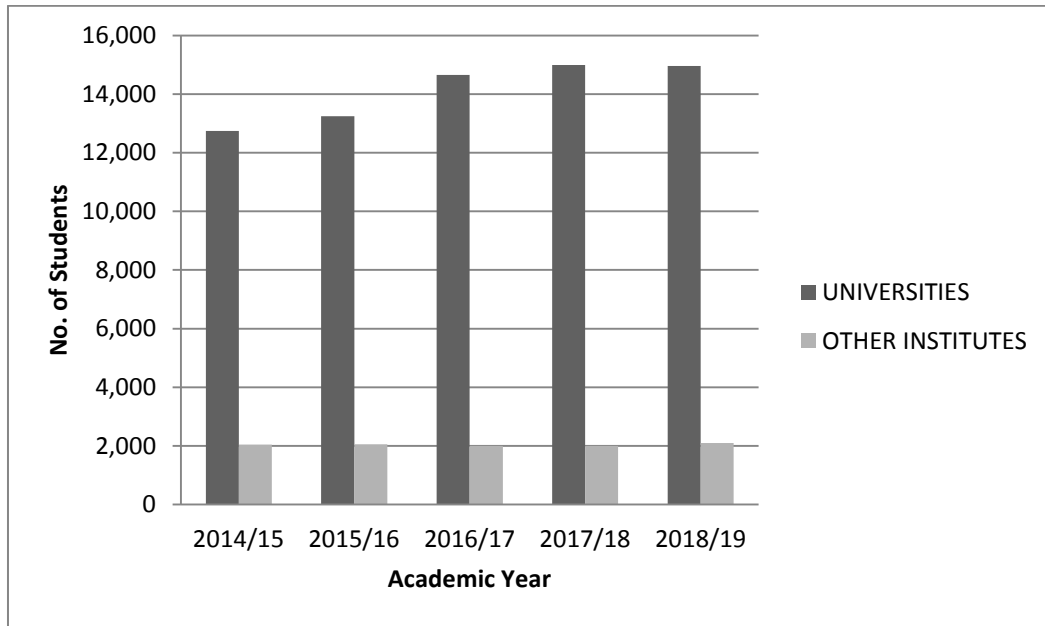
Institute		No. of students
1.	Sri Lanka Law College	25
2.	National Institute of Technology - Moratuwa	170
3.	Buddha and Pali University	26
4.	Buddasravaka Biksu University	20
5.	National Social Development Institute (10 Degrees 14 Diplomas)	10
6.	Sri Lanka Institute of Advanced Technological Education (SLIATE)	1500
7.	Open University of Sri Lanka	400
Total		2151

Comparison of Total Number of University Admissions and Mahapola Recipients

Year	2015	2016	2017	2018	2019
Total number of university admissions	25,523	28,939	30,000	31,158	34,161
Number of students who qualified as per the limit of income (Less than 5 Lakhs)	14,000	15,000	15,000	20,000	17,890
Number of Mahapola Scholarship recipients	13,176	14,654	14,500	14,984	15,001
Students qualified for scholarships as per the limit of income as a percentage of the total number of students	54%	52%	50%	64%	52%
Mahapola recipients as a percentage of total number of students	52%	51%	48%	48%	44%
Number of Mahapola recipients among the number of students qualified based on the limit of income	94%	97%	96%	75%	84%

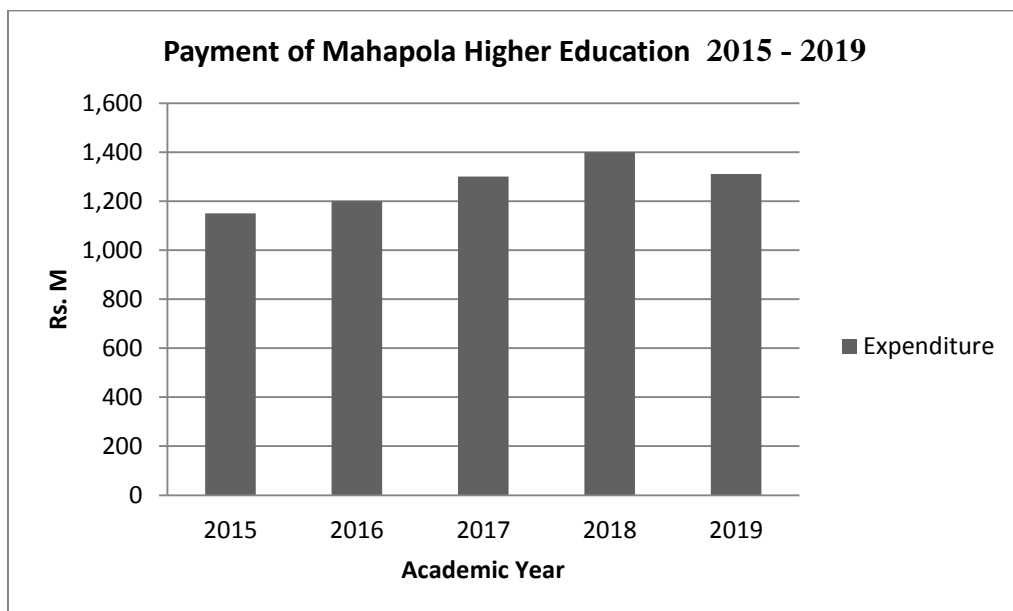
Operational Review

Award of Mahapola Scholarships 2015 – 2019



02. Payment of Scholarships

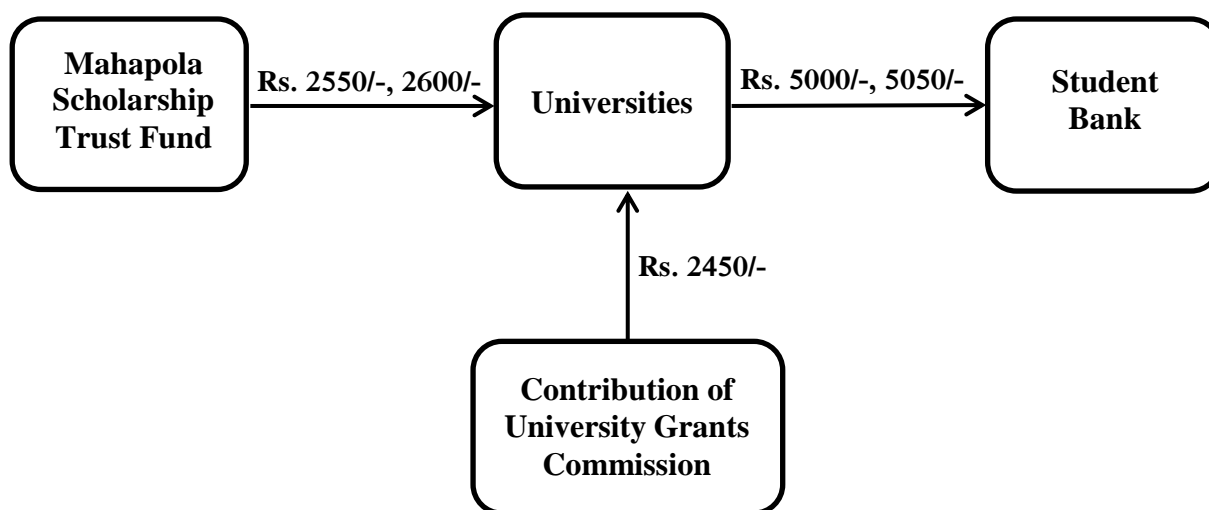
A Mahapola recipient is paid 10 scholarship installments annually as an installment per month. Accordingly, including the sum of Rs. 2,450/- monthly provided by the General Treasury, every Mahapola Scholarship Recipient is paid Rs. 5,050/- for merit scholarships and Rs. 5,000/- for ordinary scholarships.



Operational Review

Introducing direct payment system to make efficient the payment of scholarships

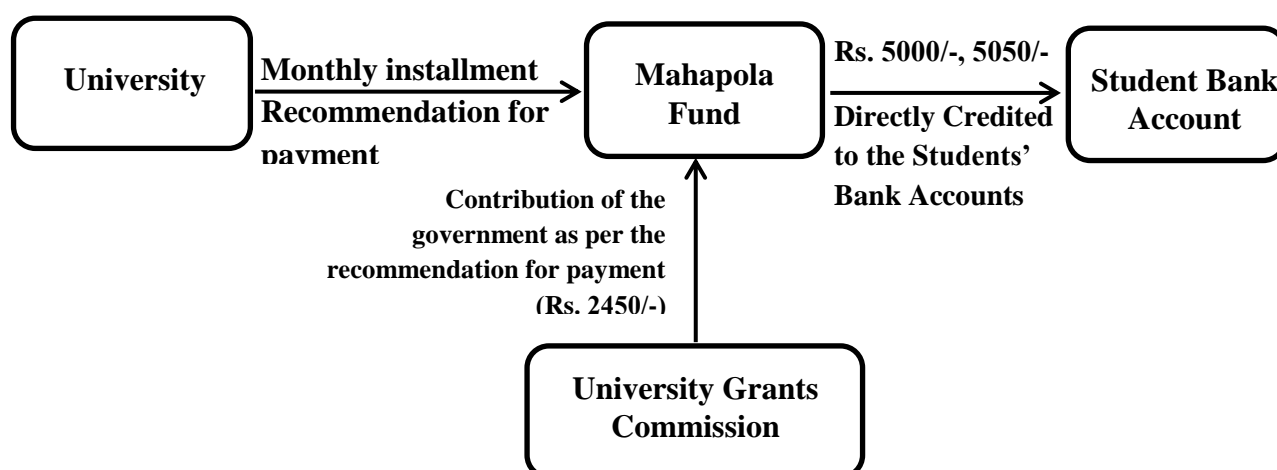
Old Payment System



Students' payments were made using signature sheets by the universities. It occurred a long delay and students got their scholarship installments after a delay of 03 to 04 months.

A payment scheme was proposed to directly credit scholarship installments to avoid this delay and implemented from 2019 with the concurrence of the General Treasury.

New Payment System



Accordingly, scholarship installments are paid at present under a direct bank payment scheme for 70, 000 students of altogether 22 universities and other institutes. Universities are not directly involved in making payments and the Mahapola Fund credits the monthly installments Rs. 5,000/- and Rs. 5,050/- to students' accounts. This is successfully continued and students get their scholarship installments on time without any delay.

Operational Review

Number of Annual Mahapola Scholarships and Allocations

Qualification Criteria for Mahapola Scholarship Awards

Lalith Athulathmudali Scholarship Trust Fund awards scholarships under two categories as merit scholarships and ordinary scholarships.

Merit Scholarships

A limited number of Mahapola Scholarships will be awarded under the merit category based on the performance of the students at the GCE Advanced Level Examination. Scholarships are awarded to students who obtain high results in the examination under this category. Among the annually allocated scholarships 10% of the scholarships allocated annually are awarded under the merit scheme.

General Scholarships

Mahapola General Scholarships are awarded on the basis of the district merit of the student and the family income. 90% of the total number of Mahapola Scholarships is reserved for General Scholarships.

Qualification Criteria to Obtain a Mahapola Scholarship

The students with following qualifications are eligible for scholarships.

The student should be a Sri Lankan citizen.

He / she should have been registered as an internal student for a full time course in a university or an institute affiliated to a university.

- Parents' income should be equivalent to Rs. Rs. 500,000/- or less than that with effect from 2018/19.
- The above income limit will be applicable to students registered for the 2018/19 academic year. However, students who do not receive any financial assistance on the effective date of this circular are eligible to apply for the Mahapola if their parents' income falls within the revised limits.
- In selecting students for the Mahapola, if there is no documentary evidence to prove that the parents of the students are legally separated or no legal action has been taken regarding that separation, the income limit will be determined after receiving the Grama Niladhari and the police report of the relevant area.
- If the student is employed, the income from that job should be added to the parents' income. If the student is employed and married, the student and spouse should be treated as a separate family and his / her eligibility for Mahapola will not be considered as per the above criteria.

Operational Review

Conditions to be Considered when granting Mahapola Scholarship Installments

During the year under review, special criteria were taken regarding the payment of Mahapola scholarships and the suspension of scholarship installments. According to all these criteria, the payment of scholarship installments will be decided by the respective universities after confirming the payments and informing the Mahapola Fund.

Scholarship installments are paid monthly as recommended by the University, based on the academic progress of the scholarship recipient in the course for which the scholarship has been awarded.

- Scholarships are paid for university scholarships subject to a maximum of 10 installments per academic year.
- All the scholarship recipients must regularly participate in the course activities such as lectures, dissertation classes and practical classes of the course and eligibility of the students to receive scholarship installments having qualified for semester exams should be certified by the Dean of the relevant faculty and approved by the Vice Chancellor and should be sent to the Mahapola Fund and installments will be paid continuously for the next 06 months on that certificate. If not, the scholarship will be suspended as per the recommendation of the University. The University should inform the Mahapola Fund that the students have qualified for the second semester examinations of the year in order to reactivate their payments.
- Even if a student does not qualify for the first semester exams, his or her suspended installments will be considered for reactivation after the Dean recommends that he or she qualifies for the second semester.
- Only one scholarship installment per month during the course period will be paid to the scholarship recipient by the Mahapola Higher Education Scholarship Trust Fund.
- The names of the scholarship recipients are recommended by the University for Payment of scholarship installments and if not, the university should be referred.
- After accepting this scholarship, the student is not permitted to take this course or any other course or any other scholarship or bursary. A student who is entitled to another scholarship may, at his / her own discretion, stay on the first scholarship only or cancel the first scholarship and obtain a new scholarship. **In such cases the student should immediately inform his / her university.**

Operational Review

Scholarships will be cancelled under the following circumstances. Appeals submitted in this regard will not be considered.

- Not participating the course.
- Not participating the course for a long time.
- Being unsuccessful at annual exams.
- Quitting the course.
- Suspension of classes on undisciplined action
- Punishment on ragging

- When the University conducts disciplinary inquiries and convicts for offenses of misconduct or involvement in cases of abuse, or in cases where other offenses are punishable by a court.
- Being punished on damaging university property or public property.
- Being employed in a business, service or job in order to earn income will also result in non-receipt of these scholarship installments and entitlements.

If the student intends to obtain this scholarship in the relevant year at the time of postponement of his / her studies due to unavoidable circumstances beyond the control of the student and in order to be eligible for his / her scholarship even during such periods, he / she should first obtain his / her Scholarship Certificate at the time of awarding the scholarship. The recommendation in this regard should be made by the University to the Mahapola Fund.

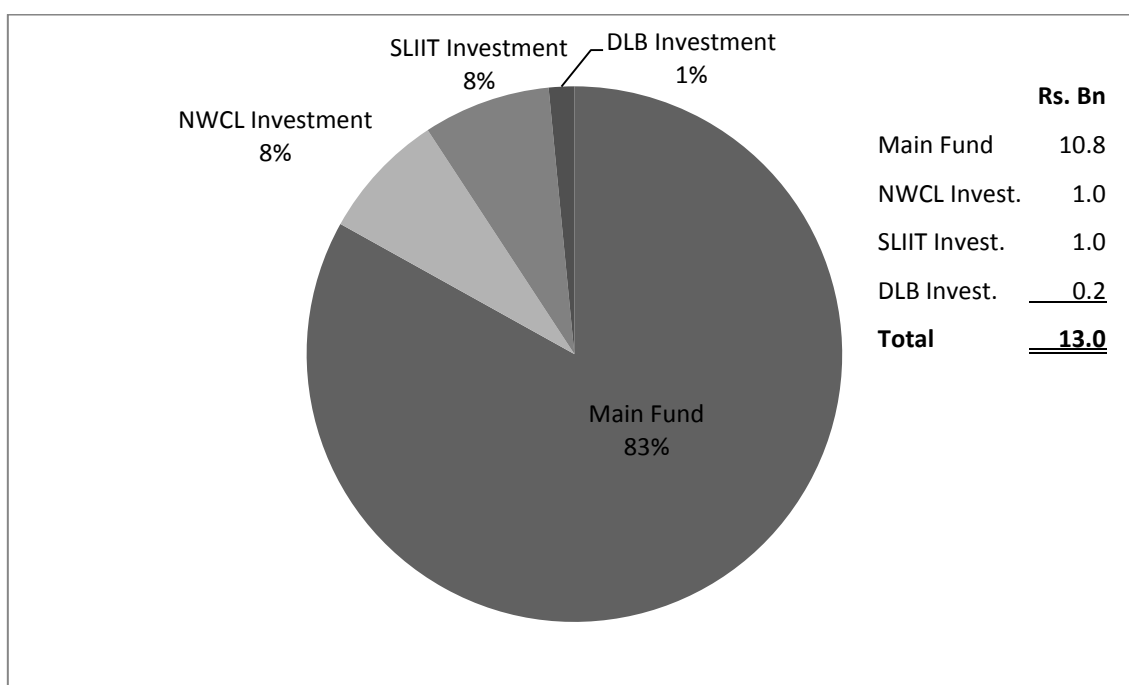
If the student's current university course will be changed later, such student will be awarded a new scholarship on the recommendation of the University Grants Commission if he / she is found to be eligible for a scholarship under the new course according to the marks obtained. The University must recommend for such scholarship.

Decision of Mahapola Trust Fund on scholarships or scholarship payment will be the final.

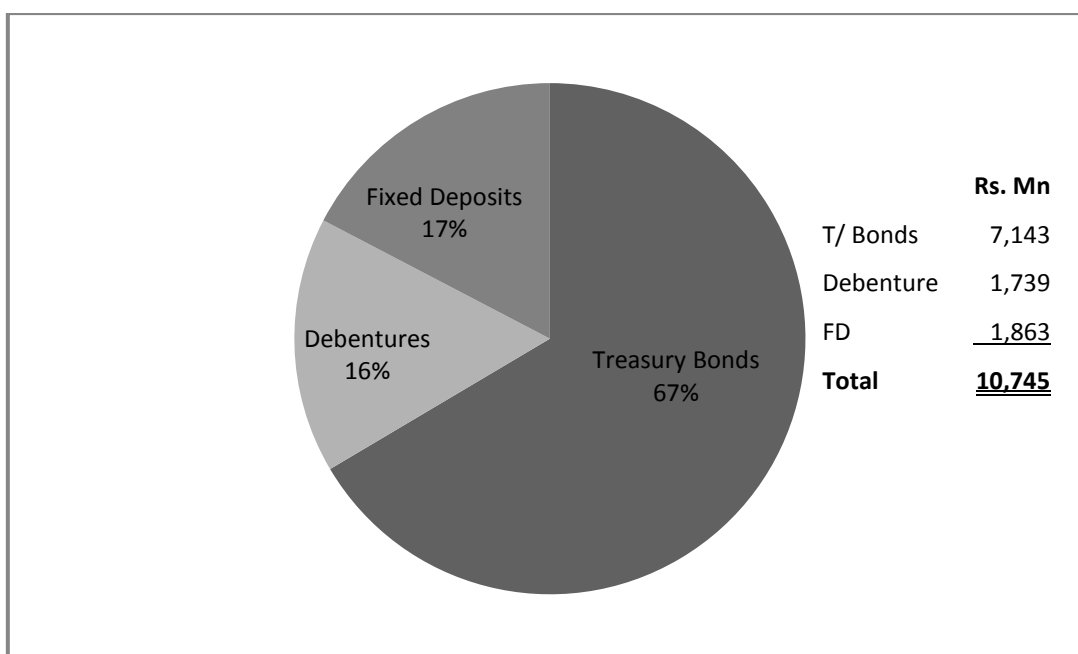
Operational Review

Financial status of Mahapola Higher Education Scholarship Trust Fund as at 31.12.2019

Total Fund

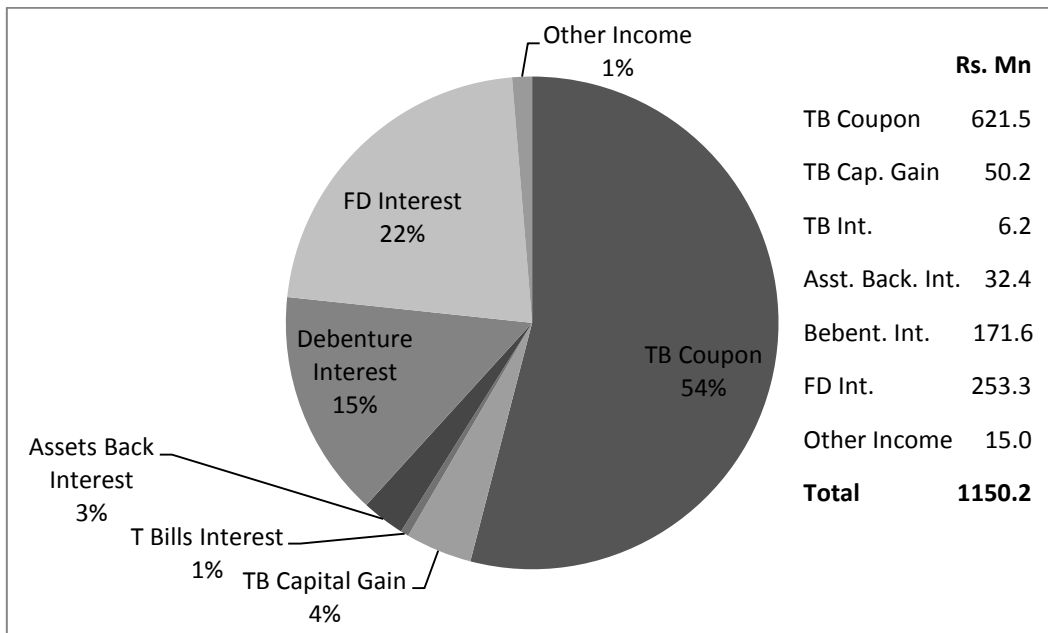


Portfolio – Major Fund

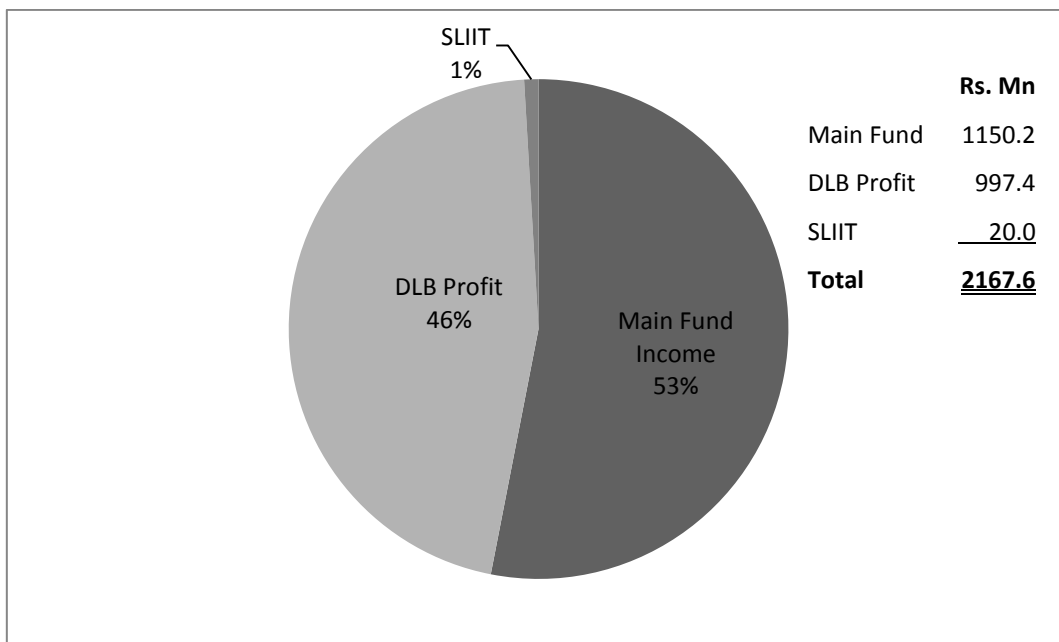


Operational Review

Portfolio – Major Fund



Total Income 2019



Operational Review

Management Accounts for first six months of 2020 Comprehensive Income Statement as at the period ends on 30th June 2020

Income	30.06.2020	30.06.2019	Growth
	Rs. Mn.	Rs. Mn.	
Interest Income – Treasury Bonds	367.1	358.3	
Interest Income – Treasury Bills	-	18.1	
Interest Income – Asset backed security	-	17.2	
Interest Income – Fixed Deposits	241.0	120.0	
Interest Income - Debentures	85.8	78.0	
Interest Income – short term deposits	3.4	28.0	
Capital profits on Treasury Bonds	127.0	2.0	
Total Investment Income	824.3	621.6	32%
Direct Expenses			
Trustee Fees - Bank of Ceylon (MTF)	(1.2)	(0.93)	
Financial Expenses – Treasury bond premium	(44.0)	(0.97)	
BOC loan interest expenditure		(35.3)	
Net investment income	779.1	584.4	33%
Other Income			
DLB Dividend	334.1	500.8	
SLIIT Rental	12.5	10.0	
Total other income	346.6	510.8	(32%)
Total Income	1125.7	1095.1	
Expenditure			
Scholarship Payments	(439.0)	(344.4)	(27%)
Salaries	(7.0)	(7.1)	
Other administrative expenses	(8.0)	(8.1)	
Depreciation	(28.8)	(29.0)	
Total expenditure	(482.8)	(388.6)	
Net income in excess of expenses	642.9	706.5	(9%)
Net Profit / Loss before taxing	642.9	706.5	
Income tax provisions (14%)	(90.0)	(98.9)	
Total post tax income	552.9	607.6	(9%)

Operational Review

2019 Budget Review

Description	Budget 2019	Actual Cost 2019.12.31	Variation	%
Income				
Interest revenue of main fund	950.00	1,150.20	200.20	21.70%
Profits of Development Lotteries	900.00	997.30	97.30	10.81%
SLIIT rental	20.00	20.00		
Total income	1870.00	2167.50	297.50	16%
Expenditure				
Recurrent	1246.10	1343.00	96.80	7.78%
Scholarship payments	1212.2	1310.0	97.7	
Employee salaries	17.9	16.1	(1.8)	
maintenance)	1.9	0.4	(1.5)	
Agreed Services	10.4	9.8	(0.6)	
Other recurrent	1.5	4.9	3.3	
Vehicle rental	2.0	1.8	(0.2)	
Other	0.2	-	(0.2)	
Capital expenditure	21.0	16.5	(4.5)	(21.43%)
Office equipment	2.0	0.05	(1.99)	
Motor vehicles	17.0	16.2	0.8	
Computer software	2.0	0.3	(1.7)	
Total revenue	1267.1	1359.5	92.4	7.29%
Net balance	602.9	808.0	205.2	34.02%

Corporate Governance

Board of Trustees

The top level authority of Mahapola Higher Education Scholarship Trust Fund is the Board of Trustees and it is responsible for carrying out operations as appropriate and managing funds. The Chief Justice of the Supreme Court acts as its Chairman and the Minister in charge handles the affairs of the Board of Trustees representing the Founder Trustee. The Board of Trustees consists of ex-officio trustees and the trustees appointed by the Minister in – charge and its composition is under mentioned.

1. Hon. Chief Justice of the Supreme Court is the ex-officio Chairman of the fund.
2. Minister in-charge of the subject of Higher Education acts as a trustee representing the founder trustee.
3. Secretary, Ministry of Higher Education is an ex-officio trustee.
4. Secretary, Ministry of Education is an ex-officio trustee.
5. Secretary, Ministry of Trade is an ex-officio trustee.
6. Two members appointed by the Minister in-charge represent the Board of Trustees.

Chairman / Board of Trustees

1. The Board of Trustees including the Chairman is responsible for ensuring good governance within organizational administration.
2. Should chair the Board of Trustees meetings and ensure that a proper method is followed.
3. All the trustees should be equally considered and they should be encouraged to give fullest contribution in the expertise areas and play effective roles.
4. The chairman should certify that taking final decisions in respect of the Board of Trustees is vested with the Board of Trustees
5. To certify clear devolution of responsibilities and to assist for balancing power and authority are responsibilities of the Chairman.

Corporate Governance

Role of the Board of Trustees

Mahapola Board of Trustees is vested with the duties of leading the institution progressively towards the identified destination in order to achieve the objectives and goals of Mahapola Higher Education Scholarship Trust Fund and to ensure the successful management of its operations. The Board of Trustees is responsible to utilize resources with transparency, to maintain accounts accurately and to maintain precise reports to meet all the statutory regulatory needs. The Board of Trustees is responsible to ensure the following tasks.

1. To ensure targets have been set on the strategies of the institute.
2. To guide and lead to achieve strategic goals.
3. To ensure that the chief officer and the staff possess all required skills and knowledge.
4. To ensure an efficient administrative and a risk management system.
5. To ensure successful supervision of the management activities of the institute.
6. To ensure sufficient reporting and needful disclosure on financial transactions as stakeholders.
7. To ensure assumption of resources and assets as liabilities.
8. To appoint and supervise Investment Committee and Audit Committee by the Board of Trustees.
9. To introduce policies and a code of conduct and organizational administrative strategy.
10. To discharge all the duties comply with the relevant statutory provisions, guidelines and circulars is a responsibility of the Board of Trustees.

Corporate Governance

Investment & Management Committee Meetings

Meetings of the Board of Trustees

At the Board of Trustees Meetings, the Board of Trustees engages in close observation and supervision of organizational operations and results as per the approved budget and relevant standards. The Board of Trustees pays attention on a standard agenda and the other matters discussed in the meetings. All the minutes of the meetings of the Board of Trustees are approved and certified by the chairman. The Board of Trustees meets once in two months and Special Meetings of the Board of Trustees are called as and when required. The meetings of the Board of Trustees held in the year ended as at 31st December 2019 and the information of participation of the trustees are given below.

	Trustee / Trustees	Post	Number of Meetings				
			1	2	3	4	5
			(72)	(73)	(74)	(75)	(76)
1	Hon. Nalin Perera	The Chief Justice (2019/11)	--	--	--	--	--
2	Hon. Jayantha Jayasuriya	The Chief Justice (2019/12)	--	--	--	--	--
3	Hon. Rauf Hakeem	Minister of City Planning, Water Supply and Higher Edu.	√	--	--	√	--
4	Hon. Lucky Jayawardena	Actg. Minister of City Planning, Water Supply and Higher Edu.	--	√	√	--	--
5	Dr. Bandula Gunawardena	Minister of Higher Education, Technology and Innovations	--	--	--	--	√
6	Mr. M.M.P.K. Mayadunne	Secretary, Ministry of City Planning, Water Supply and Higher Education	√	√	√	√	--
7	Mr. Anura Dissanayaka	Secretary, Minister of Higher Education, Technology and Innovations	--	--	--	--	√
8	Mr. Pathmasiri Jayamanna	Secretary, Ministry of Education	√	--	--	--	--
9	Mr. M.N. Ranasinghe	Secretary, Ministry of Edu.	--	√	√	√	--
10	Mr. H.M. Chithrananda	Secretary, Ministry of Edu.	--	--	--	--	√
11	Mr. S.T.Kodikara	Secretary, Ministry of Dev. Strategies and Int. Trade	√	√	√	√	--
12	Mr. G.K.S.L.Rajadasa	Secretary, Ministry of ,Internal Trade and Food Security	--	--	--	--	√
13	Mr. S.V.D.Kesaralal Gunasekara	Appointed Trustee	√	√	√	√	√
14	Dr. D.Mathiw	Appointed Trustee	√	--	--	--	--
15	Prof. (Mr.) A.L.M. Kadar	Appointed Trustee	--	√	--	--	--
16	Mr. Gulam Rasheed	Appointed Trustee	--	--	--	--	√

- √ - Number of meetings attended
 -- - Left from the Board OF Trustees.

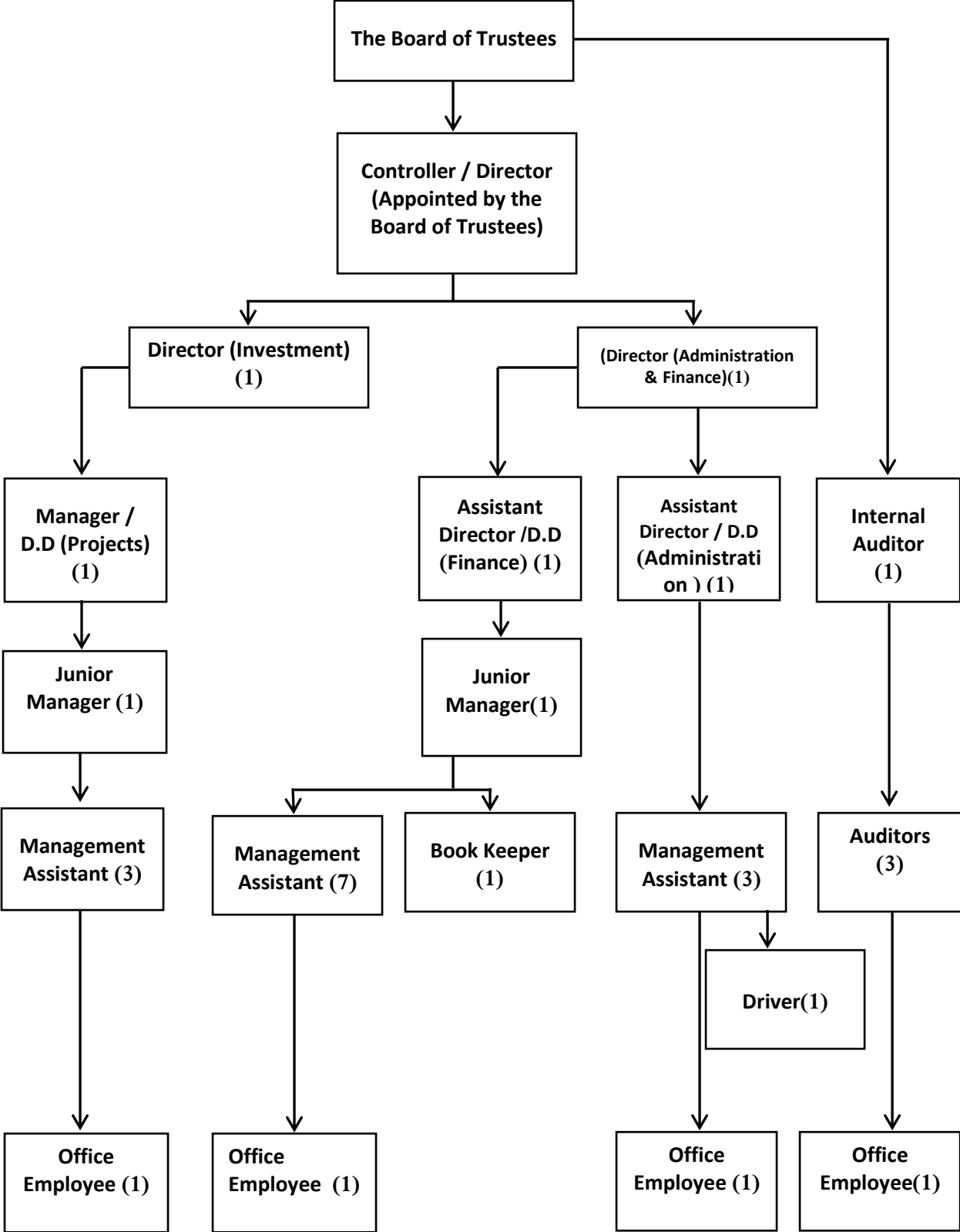
Corporate Governance

Investment Committee Meetings

	Name	Post in the Committee	Designation	No. of meetings held			
				1	2	3	4
1	Mr. M.P.K. Mayadunna	Chairman	Secretary, Ministry of City Planning, Water Supply and Higher Education	√	√	√	√
2	Mr. S.V.D. Kesaralal Gunasekara	Member	Trustee / Mahapola Fund	√	√	√	√
3	Mr. Manjula De Silva	Member	Chief Executive Officer / Insurance Trust Board	√	√	√	√
4	Mr. M.P. Bandara	Member	Director Mahapola Fund	√	√	√	√

Corporate Governance

Organizational Structure



Corporate Governance

Staff

Staff (2019 Revised)

Service Category	Approved Cadre	Existing vacancies	Vacancies
Senior	1	1	
Secondary	6	2	4
Tertiary	19	8	11
Prominent	5	2	3
Total	31	13	18

Mahapola Higher Education Scholarship Trust Fund bears a limited cost on its staff and from the onset it has been running with a limited staff. Administrative expenditure on the staff could be maintained at a very low level as **0.26%** of the income and **0.40%** of the expenditure.

The Board of Trustees has decided to fill vacancies in the staff by internal promotions and the remaining vacancies by the external applicants.

During the year under review, the Ministry in Charge of the Subject, Ministry of Urban Planning, Water Supply and Higher Education reviewed the staff and structure of the Mahapola Fund and recommended the institutional structure and staff of the Mahapola Fund. It has been approved by the Board of Trustees.

Accordingly, the newspaper advertisement for filling the vacancies in the Mahapola Fund had been submitted to the Ministry in charge of the subject for approval and it had not been approved by 31.12.2019.

Minister of Higher Education, Technology and Innovations informed that all the positions of the cadre of Mahapola Fund should get approved from the Department of Management Services in January 2020 and the relevant request has been sent to the Ministry of Higher Education and the relevant request has been referred to the Ministry of Higher Education. But, approval has not been received for such posts by 20th June 2020.

Other Investments of Mahapola Trust Fund

Development Lotteries Board

Rs. 2.2 Mn of Mahapola Trust Fund has been invested in Development Lotteries Board and the chairman of the Mahapola Higher Education Scholarship Trust Fund or one of his representatives will be appointed by Ex-officio power to the board of Development Lotteries Board.

Development Lotteries Board directly transfers its income to the President's Fund and subsequently, the dividend is transferred to Mahapola Higher Education Trust Fund by the President's Fund.

Having discussed with the President's Fund in 2019, it was agreed to definitely receive the sum to be received to Mahapola Fund from the Development Lottery and accordingly, it was agreed to grant 50% of the annual net income to Mahapola Fund through President's Fund. As per the policy of the present new government, it was decided to increase the value of a scholarship up to Rs. 7000/- and Cabinet Approval has been granted to obtain 60% of the income of Development Lotteries Board to the Mahapola Fund for additional financing.

Profit of Development Lotteries Board during 2015- 2019 and the dividend transferred by the Development Lotteries Board to the Mahapola Higher Education Scholarship Trust Fund .

Year	2015	2016	2017	2018	2019
	Rs. (Mn.)	Rs. (Mn.)	Rs. (Mn.)	Rs. (Mn.)	Rs. (Mn.)
Net profit of the Development Lotteries Board	1678	1836	507	2187	2669
The share transferred to the Mahapola Trust Fund	736	767	25*	804	997

* A sum of Rs. 1.7 Bn. has been paid as tax payable by the Development Lotteries Board. Hence, only Rs. 25 Mn. has been transferred to the Mahapola Trust Fund.

Other Investments of Mahapola Trust Fund

National Wealth Corporation Ltd. (NWCL)

Mahapola Trust Fund has invested Rs. 200 Mn in its solely owned company NatWealth Corporation Ltd. and incorporated it as a limited company on 23rd March 2003. NatWealth Corporation Ltd. acted as an investment manager and the portfolio of Mahapola Trust Fund was managed with the objective of obtaining benefits to the maximum with low risk. As per a Cabinet Approval, the financial fund which was handled by NatWealth Corporation Ltd. was transferred to the Mahapola main account in the corporate division of the Bank of Ceylon and the Fund Management Agreement which was with NatWealth Corporation Ltd. was cancelled effective from 28th February 2019.

National Wealth Securities Ltd. (NWSL)

National Wealth Securities Ltd. was incorporated on 23th June 2003 as a Limited Company. This company has been registered under Securities and Exchange Commission and Local Treasury Bills Ordinance and as a primary buyer as per the directives of Central Bank of Sri Lanka.

NatWealth Corporation has founded Nat Wealth Securities Ltd. in 2004 investing its own funds and the total investment for the company's share capital is Rs. 300 Mn and it was increased up to 1.1b Bn as at 31st December 2019 along with the additional capital of Rs. 685 Mn.

Operational results of NWCL and NWSL from 2014 to 2019

Year	Profit / Loss		Total (Rs. Mn.)
	NWCL (Rs. Mn.)	NWSL (Rs. Mn.)	
2014	60.9	516.6	577.5
2015	112.2	(200.2)	(88.0)
2016	(65.8)	(499.2)	(564.9)
2017	5.7	163.4	169.0
2018	8.9	(242.5)	(233.5)
2019	7.2	224.5	231.7
Net Result	129.1	(37.4)	91.8

Other Investments of Mahapola Trust Fund

However, participation in Treasury bond auctions was minimal from 2015 to 2018 due to losses incurred by the company and the lack of working capital required to function the company. Due to these management weaknesses and changes in the Board of Directors, the Central Bank of Sri Lanka temporarily suspended NWSL's Primary Buyer's License for a period of six months. As it was operational till November 30, 2019, it directly affected the performance of the company and resulted a loss of revenue as well.

As per the Cabinet Memorandum submitted by the then Minister in charge of Higher Education and Cultural Affairs on 23rd August 2018 Cabinet Approval was received to terminate the Investment Management Agreement with NWCL and to transfer Mahapola Fund to the Bank of Ceylon Mahapola Account and to select a suitable buyer by NWSL and to sell its shares. Accordingly, procurement for the sale of shares in NWSL had commenced.

However, as it is not the policy to sell state-owned enterprises as per the new Government Policy 2019, it was decided to re-establish NWSL and a Cabinet Memorandum in this regard was submitted by the Hon. Minister in charge of the subject on 31.12.2012. Cabinet approval had not been obtained for that by June 30, 2020.

Sri Lanka Institute of Information Technology (SLIIT)

Trustees of the Mahapola Trustee Board has granted permission to start a college named SLIIT in the land in Malabe, Colombo District in the extent of 25 Acres. Master Degrees , Diplomas and courses in Information are conducted by SLIIT. At the beginning the following courses were proposed.

- Bachelor of Science Degree in Information Technology
- Post Graduate Diploma in Information Technology
- Bachelor Degree in Information Technology –with transfer option
- Diploma courses in Information Technology
- Diploma courses in Information Technology Marketing
- Short term certificate courses

Accordingly, trustees of Mahapola the Board of Trustees decided to invest Rs. 500 Mn. in 1999 to provide infrastructure and construct Buildings for the SLIIT. Accordingly, the Institute of Information Technology has been established a Parliamentary Act and Sri Lanka Institute of Information Technology was established as a guarantee limited.

Other Investments of Mahapola Trust Fund

Commencement of Studies

The Information Institute of SLIIT was established in January 2000 with the participation of 400 students at BOC Merchant Tower Building.

More than 7000 local and international students have successfully completed degrees and post graduate degrees in the SLIIT. Further, more than 9000 Business, Computer and Engineering degrees have been offered.

Further, SLIIT is directing its students to leading Multinational Companies and Sri Lankan Institutes for their internships. It paves the way for them to improve professional Individual specialties and to practical use of their knowledge.

Deficiencies in the Management Assignment Agreement and COPE Committee Observations

SLIIT and the Mahapola Fund entered into a lease agreement in 2015 and an asset transfer agreement worth Rs. SLIIT agreed to pay Rs. 20 million as rent to the Mahapola Fund. It is stated that the Mahapola Trust Fund has not given its proper approval regarding this agreement and the Commission of Inquiry into Fraud and Corruption and the Presidential Special Investigation Commission of Inquiry have carried out investigations and the final reports of those investigations have been handed over to the former President in 2019 and the Mahapola Fund has been informed about it. A special audit was conducted on SLIIT by the Auditor General and Secretary to the Ministry was informed to submit a report on the measures to be taken in respect of the SLIIT (Guarantee) Ltd. taking into account the matters on the investment management of the Mahapola Higher Education Scholarship Trust Fund discussed at the Committee on Public Enterprises (COPE) meeting on the Mahapola Fund held on 12th July 2019 specified in the above special audit report to the COPE. Accordingly, observations and recommendations given to the COPE are given below.

Observations of the Secretary In Charge of the Ministry

The Mahapola Higher Education Scholarship Trust Fund was established by Act No. 66 of 1981. With the approval received for the joint Cabinet Memorandum submitted by the Ministry of Internal Affairs, International Commerce and Food and the Ministry of Higher Education, Sri Lanka Information Technology (Guarantee) Ltd. was established with an initial investment of Rs. 373.5 million from the Mahapola Fund in a land in the extent of 25 Acres located in Malabe owned by Mahapola Fund.

The Sri Lanka Institute of Information Technology (SLIIT) (Guarantee) Limited has entered into two management agreements in the year 2003 and 2005 for the administration and management of the company. It has been clearly stated that this Sri Lanka Information Technology (Guarantee) Limited is an asset belonging to the Mahapola Trust Fund.

Other Investments of Mahapola Trust Fund

- A proposal on transfer of ownership of assets between Mahapola Higher Education Scholarship Trust Fund and Sri Lanka Information Technology (Guarantee) Limited and a long term lease agreement was submitted to the 56th Board of Trustees Meeting held on 29.04.2015 (Board of Trustees) Leaflets 56.10).
- Neither the draft of the relevant asset transfer agreement nor the draft of the lease agreement has been submitted to the Board of Trustees for approval and the valuation of the assets relevant to the agreements has not been done by the Government Valuation Department and the amount of Rs. 373.Mn as a loan and the interest is calculated under a certain percentage of interest and Rs. 408.50 Mn. as a final payment to the Mahapola Trust Fund and waive the ownership of the assets. However, I observe that the sum of Rs. 408.5 million has been used to repay the Mahapola Trust Fund, which is the surplus profits of SLIIT (Guarantee) Limited, which was to be credited by SLIIT to the Mahapola Trust Fund.
- Those two agreements are agreements without the approval of the Board of Trustees. Further, the Board of Trustees does not authorize the signatories to enter into and sign these agreements.
- It is observed that the Memorandum of Understanding between the Mahapola Higher Education Scholarship Trust Fund and the Sri Lanka Institute of Information Technology (Guarantee) Limited of Sri Lanka was signed by the Trustee Board of Mahapola Higher Education Scholarship Trust Fund on 12 May 2015.
- I observe that certain information in the Cabinet Memorandum No. CS / 1/37/3 submitted by His Excellency the President on 04th May 2017 is incorrect. The Cabinet Memorandum has sought Cabinet approval to accept Malabe SLIIT (Guarantee) Ltd. as a state-owned independent and sovereign entity and not to bring it under any ministry.

Other Investments of Mahapola Trust Fund

- At the time of presenting this Cabinet Memorandum, Dr. Wickramasena Weerasooriya had acted as the Presidential Adviser and I observe that the contents of the above Agreement dated 12.05.2015 are included in this Cabinet Memorandum. I further observe that false information has been submitted to His Excellency the President through the relevant Cabinet Memoranda.
- Further, I observe that even though the Mahapola Trust Fund was under the Ministry of Development Strategies and International Trade at that time, the Ministry of Development Strategies and International Trade, the Ministry in charge of the subject, had not been called for the Cabinet Memorandum.
- Besides, I observe that copies have not been forwarded to the Ministry of Development Strategies and International Trade as an institution to implement the Cabinet decision on the Cabinet Memorandum.
- It has been announced that Sri Lanka Institute of Information Technology (Guarantee) Limited, which was gazetted under the Ministry of Higher Education and Highways by the Extraordinary Gazette Notification No. 2026/35 dated 06th July 2017, will not be brought under any Ministry by 16th May 2017 .
- However, it is observed that this does not affect the ownership of the Sri Lanka Institute of Information Technology (guarantee) Limited Company of Sri Lanka to the Mahapola Higher Education Scholarship Trust Fund.
- The Mahapola Trust was established to protect the right to free education of children in this country and I observe that the Mahapola Trust Fund has been prejudiced by this process.
- When the Institute of Information Technology of Sri Lanka was established as a limited company by guarantee in 1989, its founding directors were appointed as persons holding official positions in the following government institutions.
 - Mr. Anton Alfred, Secretary/Ministry of Internal and International Trade
 - Mr. Samarajeewa Karunarathna, Vice Chancellor/University of Moratuwa
 - Prof. Lakshman Rathnayaka, Dean/University of Moratuwa
 - Mr. Thilan Mahajith Wijesinghe, Chairman/Board of Investment
 - Mr. Nandasiri Leelarathna, Advisor - Minister of Internal and International Trade
 - Dr. Lalith Deepthi Kumara, Director/Computer Service Division, University of Moratuwa
 - Mr. Ronald Amand Paul Gunathilaka, Chairman/Export Development Board
 - Mr. Ranjith Thenuwara De Silva, Deputy Director/ Mahapola Trust Fund
 - Prof. S. Thilakarathna, Chairman/University Grants Commission

Other Investments of Mahapola Trust Fund

Among the members who held top level posts by December 2014 Mr. Lal Gunasekara (Trustee), Mr. Ranjith Thenuwara (Director, Mahapola Fund) and Mr. Sunil Jayantha Nawarathna (Secretary, Ministry of Higher Education) were among the Directors and they had been removed from the Director Board without the approval of the Board of Trustees.

Even though the offices were terminated among the members who were officially appointed at the beginning, I observe that the following officers have become directors of the Guarantee Ltd.

- Mr. Thilan Mahajith Wijesinghe
- Prof. Lakshman Rathnayaka
- Dr. Gamage Lalith Deepthi Kumara

Recommendations

- Since it has been observed that the Cabinet Memorandum No. CS/1/37/3 dated 04th May 2017 has been prepared based on false information given by Dr. Wickramasena Weerasooriya, the then President's Counsel and a Member Mahapola Higher Education Scholarship Trust Fund to inform HE the President through Secretary to the President to rescind the Cabinet Decision No. අමප / 17/0956/701/0 II and 27th May 2017
- Taking legal action against the Asset Transfer Agreement and the Long Term Lease Agreement entered into on 12 May 2015, giving the Board of Directors the independent right to make decisions regarding the assets of Sri Lanka Institute Information Technology (Guarantee) Limited, Malabe, which belongs to the Mahapola Scholarship Fund.
- Arrangements have been made to enter into agreements signed without legal permission. Taking legal action against all parties who supported it, including the then Member of the Mahapola Board of Trustees Anil Manthri Padmadeva Rajakaruna.

Other Investments of Mahapola Trust Fund

- I recommend re-establishment of the Board of Directors of the Sri Lanka Institute of Information Technology (Guarantee) Limited, which was made up of official representatives prior to 2015, and that the Board of Directors should consist of the following Government Officials.
 - Secretary to the Ministry of Higher Education
 - An officer not lower than the office of the Additional Secretary, Presidential Secretariat
 - A Deputy Treasury Secretary of the Ministry of Finance
 - Two members of the Board of Trustees of the Mahapola Higher Education Trust Fund
 - Vice Chancellor, University of Moratuwa
 - A representative from the University Grants Commission

- To draft an appropriate legal framework for the Sri Lanka Institute of Information Technology (Guarantee) Ltd. after the establishment of the said Governing Board and make it sole state owned company.

Sgd/

M.M.P.K.Mayadunne

Secretary

Ministry of City Planning, Water Supply and Higher Education

Secretary, Ministry In Charge of the Subject of Mahapola, Official Trustee of Mahapola Trust Fund and Chief Accounting Officer

ACTION PLAN

2020

Action Plan 2020

Action Plan on the implementation of the approval granted for the Cabinet Memorandum on increase of Mahapola Fund from Rs. 10 Bn to Rs. 20 Bn. And the value of a scholarship up to Rs. 7000/- submitted by the Hon. Minister of Higher Education.

Strategies

- Objective 1** To earn a considerable income with effective and reliable investment of the funds of Mahapola Trust Fund (MTF) within the financial market.
- Objective 2** To earn an extra income by increasing the income received from the Development Lotteries Board up to 60%. (At present 50% is reserved for MTF while 50% is reserved for the President's Fund.
- Objective 3** To earn an extra income by introducing a new method of earning income implementing Mahapola bonanza in collaboration with Mobitel Company.
- Objective 4** To strengthen Mahapola Fund introducing a special Online Lottery and conducting a programme to increase its sale together with university lecturers, undergraduates and the general public. This may lead for an extra income.
- Objective 5** To earn an extra income with the remittance of 25% out the finance earned by the paying courses and awareness programmes introduced by the national universities of Sri Lanka.
- Objective 6** To recover the amount approximately of Rs. 1.7 Bn fraudulently deprived from the MTF due to the investments within the stock exchange and improve the capital.
- Objective 7** To strengthen the capital of the MTF through the remittance of 10% of the annual trade turnover of the SLIIT which is an asset of the MTF monthly.
- Objective 8** To strengthen the capital of MTF through a special fund promotion programme implemented targeting more than 3 lakhs of scholarship recipients who are employed locally and internationally.
- Objective 9** To strengthen the capital of the fund by conducting programmes targeting the well doing persons and well wishers who are willing to assist the students of low income generative families who get opportunity for higher education.

Action Plan 2020

Strategic Objective 1

To earn a considerable income with effective and reliable investment of the funds of Mahapola Trust Fund (MTF) within the financial market.

Strategies	Action Plan	Time Shedule
<p>The following strategies will be selected to achieve the objectives.</p> <p>1) To recognize all the funds of MTF.</p> <p>2) The main fund is Rs. 10.5 Bn.</p> <p>a) MTF has already appointed an Investment Committee with expertise knowledge on fund management in order to manage the main fund and it grants approval for all the investments of the fund.</p> <p>(b) To take action to increase the number of employees in the fund and to recruit a manager with expert knowledge in investment.</p> <p>(c) To invest the funds obtained on the transfer of shares of NWCL which is a subsidiary company of MTF and shares received from restructuring NWSL which is a primary buyer of the Central Bank of Sri Lanka to an appropriate investor in the MTF based on market values. Herein measures are taken to minimize the losses which have been occurred to the MTF considering the probable downfall in the financial market in the future and to protect the fund minimizing the employee cost.</p>	<p>1) To appoint Mahapola Investment Committee and to appoint members with expertise knowledge to the committee.</p> <p>2) To appoint an investment subcommittee for regular investments.</p> <p>3) To obtain treasury approval to appoint an experienced manager to manage investment affairs of MTF.</p> <p>4) To carry out an audit in order to calculate the present value of NWCL and NWSL. (Due diligence Audit)</p> <p>5) To take the decision on selling NWSL Company having discussed with the Hon. Minister as per the cabinet decision.</p>	<p>Investment Committee meets monthly and necessary decisions are taken at such meetings.</p> <p>Investment subcommittee has been appointed and relevant investments are made under the supervision of that company.</p> <p>Measures are taken to fill all the vacancies of MTF before the end of September 2020. It has been sent for the approval of DMS.2020</p> <p>E & Y Audit Firm has been appointed for due diligence auditing and the audit reports will be submitted in May 2020.</p> <p>Procurement has been commenced to sell shares of NWSL and it could be completed by July 2020.</p>

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 2

To earn an extra income by increasing the income received from the Development Lotteries Board up to 60%. (At present 50% is reserved for MTF while 50% is reserved for the President's Fund.)

Strategies	Action Plan	Time Schedule
1) It has been already discussed to obtain 60% of the profit of Development Lotteries Board to MTF and to amend the Development Lotteries Board Act No. 20 of 1997 to directly receive the said profit to the MTF.	1) Initial discussions have been held with the president's fund and the bill is being drafted to amend the Development Lotteries Board Act in this regard.	The relevant bills on amendment of the Act could be submitted to the cabinet by the end of July 2020.
2) To start a printed lottery named Mahapola to promote sale of lotteries.	To appoint an investment committee for MTF and a committee consists of the members of the Director Board of Development Lotteries Board and prepare the strategic plan having discussed with all the parties.	This committee could be appointed in July 2020 and the committee report should be completed in September 2020. Accordingly, it could be implemented September 2020 onwards.
3) To start a promotion programme to commence a promotion programme for super markets and Sathosa outlets island wide to promote the sale of lotteries and appoint the super markets as lottery agents.		
4) To sell lottery tickets at super markets and provide facilities to buy them through card payments.		

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 3

To earn an extra income by introducing a new method of earning income implementing Mahapola bonanza in collaboration with Mobitel Company.

Strategies	Action Plan	Time Schedule
To popularize Mahapola brand name by selling Mahapola Bonanza lottery ticket with the contribution of Telecom, Mobitel and Dialog Companies with the view to promote the name of Mahapola.	This could be planned under the same committee which will be appointed to commence Mahapola printed lottery in collaboration with Development Lotteries Board.	This could be completed in July 2020 and implement September 2020 onwards.

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 4

To strengthen Mahapola Fund introducing a special Online Lottery and conducting a programme to increase its sale together with university lecturers, undergraduates and the general public. This may lead for an extra income.

Strategies	Action Plan	Time Schedule
1) To appoint Sri Lanka Telecom, Mobitel and Dialog as lottery agents. 2) To establish a separate computer unit under the Development Lotteries Board (DLB) for the continuation of this online lottery and get the assistance of external person with the knowledge of lotteries. 3) To invest initial capital jointly by Mahapola Fund and DLB.	1) To carry out required procurements appointing a procurement committee jointly by DLB and Mahapola Fund. 2) To obtain approval for Mahapola Fund to spend initial capital and sign the agreement with DLB.	Could be completed in September 2020. To form computer systems from July to September 2020 and implement from October 2020 onwards.

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 5

To earn an extra income with the remittance of 25% out the finance earned by the paying courses and awareness programmes introduced by the national universities of Sri Lanka.

Strategies	Action Plan	Time Schedule
1) To discuss with all the Vice Chancellors and the Governing Authorities of the Universities regarding remittance of 25% of income earned by each university to the MTF and get their concurrence.	1) To appoint a committee consists of an officer of the Ministry of Higher Education, an officer of the General Treasury, a member from UGC and a member of Governing Committee of each university.	To appoint the committee in July 200 and submit the initial report in July 2020.
2) To hold the said discussion with the representation of Ministry of Higher Education, General Treasury, University Grants Commission (UGC) and all the Universities.	2) To obtain the approval of all the universities and the Treasury for the said committee report.	To obtain treasury approval in August 2020 and issue the Treasury Circular in September 2020.

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 6

To recover the amount approximately of Rs. 1.7 Bn fraudulently deprived from the MTF due to the investments within the stock exchange and improve the capital.

Strategies	Action Plan	Time Schedule
1) A complaint has been lodged at the Criminal Investigation Division of the Police and to expedite the relevant investigations.	1) An audit firm has already undertaken the forensic audit. It has been agreed to obtain the report within two months.	The Audit Report is to be submitted to the CID in September 2020. Future actions are taken based on it.
2) To estimate the definite loss through a forensic audit.	The final report is delayed due to COVID endemic and it has been agreed to complete and issue it within next two months.	
3) To file a case when a fraud is detected to recover the relevant amount.		

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 7

To strengthen the capital of the MTF through the remittance of 10% of the annual trade turnover of the SLIIT which is an asset of the MTF monthly.

Strategies	Action Plan	Time Schedule
1) To make a request through the Ministry of Higher Education to be credited 10% of the annual turnover of SLIIT as per the Cabinet approval.	1) To send the request on sending the copies of cabinet approval to the SLIIT through the Ministry of Higher Education. Arrangements have been made to send the draft of the letter to the Ministry of Higher Education.	The request could be made in July 2020 and will be implemented September 2020 onwards.
2) To send a comprehensive report on all the courses being conducted in SLIIT, details of all the students and their course fees to the SLIIT through the Ministry of Higher Education in order to calculate its revenue and obtain a gross estimate of annual revenue.	2) To direct the Government Audit Office to conduct a complete audit on SLIIT and implement it through Ministry of Higher Education. (Audits were conducted on SLIIT by 31.12.2018 and the Auditor General submitted the final report to the COPE and it was examined.	Should be started in July 2020 and completed in September 2020
3) To study the accounts reports audited during the last 5 years with the view of determining annual income and come to an agreement with the SLIIT obtaining all other required information.	3) Measures have been taken send the request of obtaining a valuation report from the Government Chief Valuer through the Secretary, Ministry of Higher Education.	The valuation report on assets should be obtained before the end of September 2020.
4) To obtain a government valuation report on all the assets of SLIIT including lands and buildings.	4) To terminate old agreements and come into new agreements before appointing a new Governing Board for SLIIT.	To take action as per the agreement with effect from September 2020.
5) To appoint a committee consists of suitable officers of the General Treasury, Ministry of Higher Education and 2 members of investment committee of MTF to discuss the said matters and come to an agreement.	5) To obtain a valuation report from a Chief Government Valuer. 6) To appoint a special committee under the approval of Mahapola Trust Fund.	Before the end of July 2020. July 2020 and submission of the final report Sept. 2020. Implementation January 2021 onwards.

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 8

To strengthen the capital of MTF through a special fund promotion programme implemented targeting more than 3 lakhs of scholarship recipients who are employed locally and internationally.

Strategies	Action Plan	Time Schedule
1) MTF has granted more than 3 lakhs of scholarships and to prepare a database including details of all the Mahapola recipients.	To call open bids and hand over designing of data base to appropriate institutes.	To hand over the preparation of the data base in July 2020. It will be completed by September 2020.
2) To design a propagation and awareness programme covering all the Mahapola recipients who are employed locally and internationally. To use electronic and print media to achieve it.	To assign affairs related to propagation to advertising firms.	Propagation should be continued July 2020 upwards.
3) To make aware on the Mahapola scholarships being granted and that will be granted in future through MTF web site and Mahapola face book page.	Mahapola Website is being designed and Face book page is being created.	Measures have been taken to update the web site and the face book page regularly once a week.
4) To design a documentary on the importance of Mahapola Scholarship and achieving objectives by granting Mahapola Scholarships giving opportunity for the students of low income generated families who are qualified for higher education to enter universities and taking measures to distribute its copies among the scholarship recipients.	To get the assistance of advertising firm and create a drama or cinema director or a producer.	To conclude procurements by July 2020 and come into agreements and start propagation from September 2020.
5) To obtain Online Payments Gateway facility enabling to credit the donations of scholarship recipients to the MTF locally and internationally under the approval of the Central Bank of Sri Lanka and open a foreign currency account facilitating to make donations in foreign currencies as well.	It has been already discussed with the Bank of Ceylon for online payment and a written request has also been submitted. The request is being examined.	Measures have been taken to obtain approval for online payment in September 2020. To start propagation and awareness programmes from October 2020 and get donations under new system of making payments.

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

Action Plan 2020

Strategic Objective 9

To strengthen the capital of the fund by conducting programmes targeting the well doing persons and well-wishers who are willing to assist the students of low income generative families who get opportunity for higher education.

Strategies	Action Plan	Time Schedule
<p>1) To strengthen the capital of the fund by conducting programmes targeting the well doing persons and well-wishers who are willing to assist the students of low income generative families who get opportunity for higher education.</p>	<p>1) To publish a newspaper advertisement.</p>	<p>To start propagation in July 2020.</p>
<p>2) To form a Foster Scholarship Fund. Herein scholarships are granted for the students of low income generative families who are studying in the higher education centres other than universities.</p>	<p>2) To get the assistance of government electronic and print media.</p>	<p>To commence propagation from September 2020.</p>
<p>3) In case a local or foreign institute wishes to raise a scholarship fund, to establish a separate unit by MTF to facilitate IT.</p>	<p>3) To publish advertisements on the website or the face book page.</p>	<p>To commence awareness from September 2020 and establish a unit for the other scholarships of the MTF.</p>
<p>4) To act under MTF for proper management of all the scholarship programmes implemented at universities and under University Grants Commission.</p>	<p>4) To hold a discussion jointly with the Ministry of Higher Education to make aware UGC and all the universities.</p>	<p>To start discussions with UGC and universities from July 2020 and enter into agreements on scholarships and implement them.</p>

Monitoring and Supervision: Monitoring and Supervision are carried out by the Board of Trustees and the Investment Committee that has been established under it.

FINANCIAL STATEMENTS

31 DECEMBER 2019

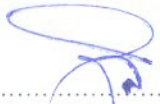
Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

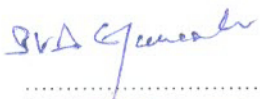
Statement of Financial Position


As At 31 December 2019

	Notes	2019 Rs.	2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	900,600,030	913,888,938
Intangible Assets	13	708,209	-
Investment Property	14	12,460,179	12,460,179
Investment in Subsidiary	15	985,000,000	985,000,000
Other Investments	16	2,200,000	2,200,000
Financial Assets	17	10,747,181,046	10,230,227,708
		12,648,149,463	12,143,776,825
Current Assets			
Other Assets	18	5,724,867	4,461,271
Advances and Prepayments	19	1,658,029	1,579,729
Receivables	20	767,566,984	155,363,740
Cash and Cash Equivalents	21	138,160,020	140,608,323
		913,109,900	302,013,063
TOTAL ASSETS		13,561,259,363	12,445,789,888
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund		10,147,376,951	10,147,376,951
Retained Earnings		2,947,863,461	2,148,934,763
Total Equity		13,095,240,412	12,296,311,714
Non Current Liabilities			
Retirement Benefit Obligation	22	3,835,329	3,172,760
		3,835,329	3,172,760
Current Liabilities			
Accruals & Other Payables	23	462,183,622	146,305,414
		462,183,622	146,305,414
TOTAL EQUITY AND LIABILITIES		13,561,259,363	12,445,789,888

The Board of Trustees are responsible for the preparation and presentation of these financial statements
Signed for and on behalf of the board by:


.....
Mr. Anura Dissanayake
Secretary
Ministry of Higher Education, Technology
and Innovations
Ex-officio Trustee of Mahapola Trust Fund


.....
Mr. S. V. D. K. Gunasekara
Appointed Trustee
Mahapola Higher Education
Scholarship Trust Fund


.....
Mr. M. Parackrama Bandara
Director
Mahapola Higher Education
Scholarship Trust Fund

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.



Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

**Statement of Comprehensive Income
For the year ended 31 December 2019**

	Notes	2019 Rs.	2018 Rs.
Revenue	7	2,167,588,794	1,854,746,428
Direct Expenses (Scholarship Payments)	8	<u>(1,311,706,136)</u>	<u>(1,325,566,790)</u>
		855,882,658	529,179,638
Other Income	9	<u>77,727</u>	<u>3,753,459</u>
Total Income		<u>855,960,385</u>	<u>532,933,097</u>
Administrative Expenses	10	(63,253,113)	(81,372,485)
Finance Cost	11	<u>(36,734,476)</u>	<u>-</u>
Total Expenses		<u>(99,987,589)</u>	<u>(81,372,485)</u>
Surplus/(Deficit) Before Tax		755,972,796	451,560,612
Income Tax Expenses		<u>-</u>	<u>-</u>
Net Surplus/(Deficits)		<u>755,972,796</u>	<u>451,560,612</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income For The Year		<u>755,972,796</u>	<u>451,560,612</u>

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Statement of Changes In Equity For the year ended 31 December 2019

	Accumulated Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2018	10,147,376,951	1,697,374,151	11,844,751,102
Net Surplus /(Deficits) for the year	-	451,560,612	451,560,612
Balance as at 31 December 2018	10,147,376,951	2,148,934,763	12,296,311,714
Net Surplus /(Deficits) for the year	-	755,972,796	755,972,796
Prior Year Adjustments	-	42,955,902	42,955,902
Balance as at 31 December 2019	10,147,376,951	2,947,863,461	13,095,240,412

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Statement of Cash Flows For the year ended 31 December 2019

	2019	2018
	Rs.	Rs.
Cash Flow From Operating Activities		
Net Surplus/ (Deficits)	755,972,796	451,560,612
Adjustment For;		
Depreciation	29,715,489	56,039,045
Profit on Disposal of Fixed Assets	-	(3,457,750)
Gratuity Expense	662,569	999,218
Prior Year Adjustments of Investment Porfolio	42,955,902	-
Operating Surplus/(Deficits) Before working capital changes	<u>829,306,757</u>	<u>505,141,125</u>
Working Capital Changes		
Increase/Decrease in Receivables	(613,545,140)	(97,986,980)
Increase/Decrease in Payables	315,878,208	95,810,833
Cash from Operations	<u>(297,666,932)</u>	<u>(2,176,148)</u>
Net Cash Inflows/Outflows from Operating Activities	<u>531,639,825</u>	<u>502,964,977</u>
Cash Flows From Investing Activities		
Acquisition of Property Plant & Equipments	(16,426,582)	(2,002,645)
Acquisition of Intangible Assets	(708,209)	-
Sales Proceeds from Disposal of Fixed Assets	-	3,457,750
Investment / (Withdrawal) in Financial Assets	<u>(516,953,338)</u>	<u>(370,961,860)</u>
Net Cash Inflows/(Outflows) from Investing Activities	<u>(534,088,129)</u>	<u>(369,506,755)</u>
Cash Flows From Financing Activities		
Dividend Paid	<u>-</u>	<u>-</u>
Net Cash Inflows/(Outflow) from Finance Activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,448,303)	133,458,222
Cash & Cash Equivalent as at 01.01.2018	<u>140,608,323</u>	<u>7,150,101</u>
Cash & Cash Equivalent as at 31.12.2019	<u>138,160,020</u>	<u>140,608,323</u>

The accounting policies and notes on pages 05 through 24 form an integral part of the financial statements.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

Corporate Information

1.1 General

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund (Trust Fund) is a Trust Fund established in 1981 under the Act of Parliament No. 66 of 1981 and the management and control of the Trust Fund is vested to the Board of Trustees. It is located at 4th Floor, J R Jayewardene Centre, 191, Dharmapala Mawatha, Colombo 07.

1.2 Principal Activities and Nature of Operations

The fund awards Scholarships for the unprivileged youth to obtain higher education and to create equal opportunities for higher education through the improvement of facilities.

1.2.1 Mahapola Trust Fund

The aims and objects of the Fund shall be -

- (a) to provide higher education facilities to youths;
- (b) provide assistance to deserving youths who have completed their secondary education satisfactory, so as to enabling them to complete their academic, industrial or technical education at a university or technical or higher education institute, as the case may be;
- (c) to set up and assist in the setting up and management of Vocational Training Institutes for enabling youth to develop their vocational skills and competence;
- (d) to set up and assist in the management and conduct of schools, institutes, foundations and similar institutions engaged in the furtherance of education; and
- (e) to provide assistance for the development and improvement of the skills and competence of lecturers, teachers, and such persons engaged in the furtherance of education.

1.3 Date of Authorization for Issue

The Financial Statements of Lalith Athulathmudali Mahapola Scholarship Trust Fund for the year ended 31 December 2019, were authorized for issue, in accordance with a resolution of the Board of Trustees on 28/02/2020.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes as at 31 December 2019 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka.

2.2 Basis of Measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention unless otherwise stated.

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

2.3 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation as specifically disclosed in the accounting policies.

2.4 Comparative Information

The accounting policies have been consistently applied by the Trust Fund with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Trust Fund in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise is indicated.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

3.1 Property Plant and Equipment

3.1.1 Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and cost of the assets can be measured reliably.

3.1.2 Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as assets is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and cost incurred subsequently to add to, or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the items and restoring at the site on which they located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property Plant and Equipment.

The trust fund applies the cost to model to property Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.1.3 Subsequent costs

The cost of replacing a part of an item Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the fund and its cost can be measured reliably. The cost of day today servicing of property, plant and equipment is charged to the statement of profit or loss as incurred.

3.1.4 Repairs and Maintenance

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. The cost of major renovation is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently replace an identifiable part of the assets. Major renovations are depreciated during the remaining the remaining useful life of the related assets.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

3.1.5 De-recognition

Property, Plant and Equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is recognised in “Other operating income” in the statement of profit or loss in the year the assets is de-recognized.

3.1.6 Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflect the expected pattern of consumption of the future economic benefits embodies in the assets.

The estimated useful lives are as follows;

Buildings and Fixtures	40 years
Furniture and Fittings	05 years
Office Equipment	05 years
Computer and Accessories	04 years
Motor Vehicle	05 years

The depreciation rates determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

3.1.7 Intangibles Assets

Accounting Policy

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the fund and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Notes to the Financial Statements

Intangible assets with finite useful lives

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

The estimated useful lives for Intangible Assets are as follows:

Item	Useful Life
Computer software	5 years
Web Site	5 years

De-recognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the statement of profit or loss when the asset is de-recognised.

3.2 Investment Property

3.2.1 Basis of Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at cost.

3.2.2 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Notes to the Financial Statements

3.2.3 Subsequent transfer to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change use, Evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the company as an owner occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under the property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

3.2.4 Impairment of Non-Financial Assets

The Trust Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.3. Investment in Subsidiaries and Other Investment

Investment in Subsidiaries and other investment are initially recognized at cost in the financial statements of the company. Any transaction cost relating to acquisition of subsidiaries are immediately recognised in the income statement, following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

3.4 Foreign Currencies

a) Functional and Presentation Currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Monetary assets & liabilities balances are translated at year end exchange rate.

3.5.1 Taxation

3.5.1 Current taxation

Current Income Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

The basis of the provision for income tax for the Trust Fund is as follows;

a) Mahapola Trust Fund

Trust Fund is exempt from Income Tax as per the Act No 66 of 1981 of Mahapola Higher Education Scholarship Trust Fund.

3.5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

3.6 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts are shown under current liabilities on the balance sheet.

4 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

4.1 Financial Assets

4.1.1 Classification and Measurement of Financial Assets

From 1st January 2018 as per SLFRS 9, the Trust Fund classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

4.1.2 Financial assets measured at Amortised Cost

As per SLFRS 9, financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.1.3 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Notes to the Financial Statements

4.1.4 Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and ECL and reversals are recognised in profit or loss. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. These instruments comprise Government Securities that had previously been classified as available for sale under LKAS 39.

4.1.5 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 “Financial Instruments: Presentation” and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of de-recognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

These instruments comprise unquoted shares that had been previously classified as Available for sale under LKAS 39.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

4.1.6 Financial Assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

As per LKAS 39, financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

4.2 Financial Liabilities

4.2.1 Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the financial liabilities are classified as follows.

- Financial liabilities at fair value through profit or loss, and within this category as
 - Held for trading or
 - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

4.2.2 Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities that are not designated at FVTPL are classified as financial liabilities at amortised cost.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

4.3 De recognition of Financial Assets and Financial Liabilities

4.3.1 Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on de-recognition of such securities as per SLFRS 9.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Company has retained.

4.3.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

4.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

5. LIABILITIES AND PROVISIONS

5.1 Liabilities

5.1.1 Retirement Benefit Obligations

5.1.2 Defined Benefit Plan – Retirement Gratuity

Provision has been made for retiring gratuities which is a defined benefit plan from the first year of service for all employees in conformity with Sri Lanka Accounting Standard for SMEs. However under the Payment of Gratuity Act No 12 of 1983, liability to an employee arises only on completion of five years of service. The liability is calculated on the basis of half a month's salary for each year of service. The item is stated under Employee Benefit Liability in the Statement of Financial Position.

The gratuity liability is not externally funded.

5.1.3 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

The Trust Fund contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

The Trust Fund and Employees contribute to provident fund at 15% and 10% respectively on gross salary.

Employees' Trust Fund

The Trust Fund contributes 3% on gross salary to the Employees' Trust Fund.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

5.2 Provisions

Provisions are recognised when the Trust Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

6. INCOME AND EXPENSES

6.1 Revenue Recognition

From 1st January 2018 as per SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on Revenue LKAS 11 on Construction Contracts and IFRIC 13 on Customer Loyalty Programmes.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. Entities are required to apply five step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfer control of goods and services to a customer at the amount at which the entity expects to be entitled and when it is probable that the economic benefits will flow to the Trust Fund and the revenue and associated costs incurred or to be incurred can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

6.1.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

6.1.2 Other Income

Other income is recognised on an accrual basis.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

6.2 Expenses

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

7 Revenue	2019 Rs.	2018 Rs.
Net Interest Income (NWCL and MTF) -Sub Note 7.1	1,150,242,194	930,146,041
Share of Profit from Development Lotteries Board	997,346,600	904,600,387
Lease Rental from SLIIT	20,000,000	20,000,000
	2,167,588,794	1,854,746,428
7.1 Net Interest on Portfolio Managed by NWCL and Other Interest	2019 Rs.	2018 Rs.
NWCL Portfolio- Investment Income	-	758,219,849
MTF -Investment Income (Sub Note 7.2)	1,150,242,194	171,926,192
	1,150,242,194	930,146,041
7.2 MTF -Investment Income	2019 Rs.	2018 Rs.
Treasury Bonds -Coupon (Sub Note 7.3)	621,446,796	109,772,203
Treasury Bonds -Capital Gain Net of Premium	50,165,824	-
Treasury Bills -Interest	6,270,403	-
Assets Bank Income	32,401,919	-
Debenture Interest	171,570,098	-
Fixed Deposits Interest Net of WHT	253,265,898	52,401,309
REPO Income	9,191,949	5,660,517
Overnights Income	5,683,277	3,786,337
Sweeper Income	246,030	305,826
	1,150,242,194	171,926,192
7.3 Treasury Bond Coupon	2019 Rs.	2018 Rs.
Treasury Bonds -Coupon	664,811,515	123,619,110
Less : Treasury Bond Premium & Discount	(43,364,719)	(13,846,907)
	621,446,796	109,772,203

Note :

Wealth Corporation Ltd (NWCL) has been transferred to Mahapola Trust Fund on 28.02.2019.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

8 Direct Expenses

	2019	2018
	Rs.	Rs.
Scholarship Award Expenses		
Scholarship Payments -Universities (Sub Note 8.1)	1,253,782,384	1,269,525,962
Scholarship Payments -Technological Colleges	50,727,500	47,040,200
Scholarship Payments - Other Higher Education Institutes	5,524,996	6,693,400
New Scholarship Award Expenses	1,671,256	2,307,228
	1,311,706,136	1,325,566,790

	2019	2018
	Rs.	Rs.
8.1 Scholarship Payments -Universities		
Scholarship Payments -Universities	2,197,988,134	1,269,525,962
Less :Treasury Contribution (UGC Grants)	(944,205,750)	-
	1,253,782,384	1,269,525,962

9 Other Income

	2019	2018
	Rs.	Rs.
Staff loan Interest	56,382	45,384
Donations	15,000	15,000
Recovered Money	-	229,500
Sundry Income	6,345	5,825
Profit on Disposal of Fixed Assets	-	3,457,750
	77,727	3,753,459

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

10 Administrative Expenses	2019	2018
	Rs.	Rs.
Salaries	11,806,066	9,233,460
Attendance Allowance	1,319,000	457,125
Overtime & Weekend Payments	685,260	466,319
E.P.F	895,192	1,911,540
E.T.F	201,678	393,295
Leave Encashment	272,261	243,771
Depreciation	29,715,489	56,039,045
Amortization	166,292	-
Postage & communication	94,859	612,556
Gratuity	662,569	999,218
Welfare Expenses	195,806	191,467
Telephone	579,819	41,694
Audit & Management Committee Fees	287,782	42,000
Board of Trustees Members Fees	325,104	218,741
Fuel, Travelling & Subsistance	513,115	260,073
Water	10,956	-
Electricity	553,199	518,056
Cleaning Expenses	64,600	70,566
Security Charges	310,000	269,000
Printing & Stationeries	913,215	578,928
Maintaince Expenses	128,459	148,151
Building Rent	4,185,851	3,863,862
System Maintenance & IT Expenses	-	27,566
Donations	1,345,218	74,550
Insurance	262,499	448,072
Advertisement Expenses	-	181,844
Subscription Fees	291,950	25,750
Sundry Expenses	137,439	92,519
Web Site Development Cost	285,500	155,000
Vehicle LeaseRental	1,819,225	1,828,500
Vehicle Maintenance	294,472	34,830
Professional Fees	2,971,133	1,909,503
Bank Charges	1,959,106	35,485
	63,253,113	81,372,485
	63,253,113	81,372,485
 11 Finance Cost	2019	2018
	Rs.	Rs.
Loan Interest	36,734,476	-
	36,734,476	-
	36,734,476	-

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

12 Property, Plant & Equipment

12.1 Gross Carrying Amounts	Balance As at 01.01.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Buildings	1,064,520,695	-	-	1,064,520,695
Furniture and Fittings	7,935,353	-	-	7,935,353
Office Equipment	1,479,585	31,500	-	1,511,085
Computer & Accessories	6,869,830	27,000	-	6,896,830
Motor Vehicles	-	16,190,000	-	16,190,000
Total Value of Depreciable Assets	1,080,805,463	16,248,500	-	1,097,053,963

12.2 Accumulated Depreciation and Impairment

	Balance As at 01.01.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Buildings	159,678,105	24,455,205	-	184,133,310
Furniture and Fittings	3,089,702	1,432,976	-	4,522,678
Office Equipment	560,030	280,173	-	840,203
Computer & Accessories	3,410,607	1,178,516	-	4,589,123
Motor Vehicles	-	2,368,619	-	2,368,619
Total Depreciation	166,738,444	29,715,489	-	196,453,933

12.3 Net Book Values

	2019 Rs.	2018 Rs.
Buildings	880,387,385	904,842,590
Furniture and Fittings	3,412,675	4,845,651
Office Equipment	670,882	921,976
Computer & Accessories	2,307,707	3,278,721
Motor Vehicles	13,821,381	-
Total Carrying Amount of Property, Plant & Equipment	900,600,030	913,888,938

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

13 Intangible Assests

13.1 Gross Carrying Amounts	Balance As at 01.01.2019 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Computer Software	-	177,000	-	177,000
Mahapola Web site	-	697,500	-	697,500
Total Value of Depreciable Assets	-	874,500	-	874,500

13.2 Accumulated Amortisation and Impairment	Balance As at 01.01.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.12.2019 Rs.
Computer Software	-	34,818	-	34,818
Mahapola Web site	-	131,473	-	131,473
Total Depreciation	-	166,291	-	166,291

13.3 Net Book Values	2019 Rs.	2018 Rs.
Computer Software	142,182	-
Mahapola Web site	566,027	-
Total Carrying Amount of Intangible Assets	708,209	-

14 Investment Property	2019 Rs.	2018 Rs.
Free Hold Land (at Malabe -Leased out to SLIIT)	12,460,179	12,460,179
	12,460,179	12,460,179

Note : This land which is at Malabe leased out to Sri Lanka Institute of Information Technology Guranty Ltd.

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2019

15 Investment In Subsidiaries	2019 Rs.	2018 Rs.
National Wealth Corporation *	985,000,000	985,000,000
	985,000,000	985,000,000
* National Wealth Corporation Ltd (NWCL) set up as a fully owned subsidiary of Mahapola Trust Fund		
16 Other Investments	2019 Rs.	2018 Rs.
Capital Investment of Development Lotteries Board	2,200,000	2,200,000
	2,200,000	2,200,000
17 Financial Assets	2019 Rs.	2018 Rs.
Financial Assets at Amortized Cost		
Treasury Bonds	7,143,199,654	7,241,977,335
Treasury Bills	-	198,387,726
Debentures	1,738,600,000	1,284,047,982
Assets Back Trust Certificates	-	448,227,563
Fixed Deposits	1,863,000,000	766,490,959
Financial Assets at FVPL		
Reverse Repo	-	290,111,232
BOC- Sweeper Account -4079	2,381,392	984,911
	10,747,181,046	10,230,227,708
18 Other Assets	2019 Rs.	2018 Rs.
Retirement Benefit Assets (Fixed Deposit)	3,172,760	2,173,542
Stationery Stock	391,597	291,919
Rent deposit Jayawardna Centre	1,811,700	1,647,000
CWE Rent Deposit	348,810	348,810
	5,724,867	4,461,271

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

19 Advances and Prepayments	2019 Rs.	2018 Rs.
Staff Loan & Advances	1,259,029	1,180,729
University Grant Commission	399,000	399,000
	1,658,029	1,579,729
20 Receivables	2019 Rs.	2018 Rs.
UGC Receivables (Treasury Contribution)	214,501,100	-
DLB Profit Share Receivables	75,000,000	100,700,127
Fixed Deposit Interest	185,380,223	10,809,227
Treasury Bond Coupon	229,230,149	43,827,663
Debenture Interest Receivables	63,431,406	-
Overnight Income	24,105	26,723
	767,566,984	155,363,740
21 Cash & Cash Equivalent	2019 Rs.	2018 Rs.
BOC- Current Account -1791	866,899	992,000
BOC - Current Account -83302834	145,766	2,616,323
BOC -Current Account -83867162	47,355	-
BOC - Overnight Investment -1791	137,100,000	137,000,000
	138,160,020	140,608,323
22 Retirement Benefit Obligation	2019 Rs.	2018 Rs.
Balance as at the beginning of the year	3,172,760	2,173,542
Provision for the year	662,569	999,218
	3,835,329	3,172,760

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Notes to the Financial Statements For the year ended 31 December 2019

23 Accruals & Other Payables	2019	2018
	Rs.	Rs.
Scholarship Payables -Universities	441,644,815	109,966,050
Scholarship Payables - Technical colleges	15,632,400	27,785,500
Scholarship Payables - Higher Education Institutes	326,600	3,535,940
Softlogic Information Technologies (Pvt) Ltd	-	556,200
Vertual Hosting	23,328	25,347
Telephone Bill	19,728	20,761
Payables for Overtime	52,617	22,632
Payables for Attendance Allowance	98,000	174,125
School Development Activites	1,074,097	1,074,097
Payables for Salalries & Wages	94,000	74,250
Retention A/C	1,547,409	1,547,409
Retention A/C St.Anne's College	382,417	382,417
Retention A/C Sir.John Kothalawala College	243,503	243,503
Retention Embilipitiya Swimming Pool Expenses	585,449	585,449
Security Charges	48,000	39,132
Annual Leave Encashment	272,261	235,207
Electricity & Water	43,482	37,395
Translation Fees Payables	40,275	
Staff Expenses	55,242	-
	462,183,622	146,305,414

AUDITOR GENERAL'S REPORT

Chairman
Mahapola Higher Education Trust Fund

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lalith Athulathmudali Higher Education Trust Fund for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lalith Athulathmudali Higher Education Trust Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31st December 2019 and the statement of comprehensive income statement of 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 to be read in conjunction with provisions of the National Audit Act No. 19 of 2018 . My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st December 2019 and of its financial performance and its cash flows for the year then ended.

1.2 Basis for Qualified Opinion

My qualified opinion is stated below based on following matters.

1.2.1 Deviation from the Accounting Standards

- (a) The total amount of debentures specified under the financial assets at amortized cost in the Notes 17 of the Financial Statements was Rs. 3,601,600,000/- and the fixed assets were not stated at the amortized cost in terms of Sri Lanka Financial Reporting Standards (SLFRS).
- (b) In terms of the Sri Lanka Accounting Standards (SLAS) paragraph 49 of No. 08, even though the nature and amount in respect of the earlier adjustments should be revealed with the financial statements, total adjustments of Rs. 42, 955,902 which were made earlier had not been revealed.

- (c) Although the transactions with the related parties should be stated in the financial statements in terms of SLAS No. 24, Mahapola Higher Education Scholarship Trust Fund had not revealed its transactions with its related parties; Sri Lanka Institute of Information Technology (SLIIT) (Guarantee) Ltd. , NatWealth Cooperation Ltd. , NatWealth Securities Ltd. (NWSL) and Sri Lanka Lotteries Board.

1.2.2 Accounting Deficiencies

- (a) Even though cooperate financial statements should be made with the NationalWealth Corporation Ltd. and NatWealth Securities Ltd. Which are two subsidiaries with the sole ownership of the Trust Fund for the year under review, they had not been prepared.
- (b) The 25 Acres of the Trust Fund located in Malabe that had been accounted as Rs. 12,460,179/- in 2005 has not been assed to the present value even by the year under review and not entered into the books.
- (c) Mahapola Trust Fund had spent an amount of Rs. 408,500,000 to construct SLIIT building in Malabe. And SLIIT had reimbursed that amount to the Mahapola Trust Fund in 2015. However, the Fund had stated the value of buildings as Rs. 1,064,520,695 without assuring the ownership of buildings and without a correct assessment of the present value.
- (d) Even though the balance in the savings account of a state bank as at 31st of December 2019 is Rs. 2,381,392 as per the financial statements, as per the confirmation of account balances it was Rs. 2,407,963.
- (e) Even if the dividend for the Trust Fund from the profit of Development Lotteries Board in the year 2019 was Rs. 1,160,977,603 as per the letter No. PS/PF/5/36/Vol-ix/2020 dated 01st June 2020 of the President's Fund, the annual income was stated as Rs. 997,346,600 in the income statement of Trust Fund. Accordingly, the annual income in the income statement was Rs. 163,631,003 less than the actual income.
- (f) Even though the President's Fund had stated that the due income dividend from the Development Lotteries Board as at 31st of December 2019 was Rs. 185,289,003, it was stated in the financial statement as Rs. 75,000,000. Hence the profit was stated as Rs. 16, 426,582/- less than the due profit.
- (g) Although the value on acquisition of property, plant and equipment was Rs. 16,426,582 its actual value was Rs. 16,248,500.

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 Accounting Standards statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, it is the responsibility of the management to assess the Fund's ability to continue as a going concern and it is also the responsibility of the management to prepare the accounts on the going concern basis and to disclose the matters related to going concern, unless it either intends to liquidate the fund or to cease the operational activities when there is no other alternative.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 fund.

1.4 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 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 use of going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions in respect of the following requirements.

- Except for the effects from the matters described under the basis for the qualified opinion in my report, I have obtained all the information and explanations for the purpose of audit and as per revelations from my examination, proper financial records have been maintained by the Fund as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018.

- The financial statements presented are consistent with that of the preceding year as per the requirement of Section 6(1) (d) (III) of the National Audit Act, No. 19 of 2018.
- Any observation made by me on the financial statements in the preceding year had been included in financial statements presented in the year under review except for the observations under paragraph 1.2.2 (a), (b), (c) of this report as per the requirement of Section 6(1) (d) (IV) of the National Audit Act, No. 19 of 2018,

Based on the procedures which had been adopted and the evidence obtained which limited to matters that are material, nothing has come into my consideration to express following statements.

- As per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018, whether any member of the governing body of the Trust Fund has any direct or indirect interest in any contract entered into by the Trust Fund beyond the normal course of business.
- Except for the below mentioned observation, whether Trust Fund has not complied with any applicable written law or other general or special directions issued by the governing body of the Trust Fund as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.

Reference to law/ direction

Description

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

I. Financial Regulations 103(1)(a) and 104 (3), (4)

Even though a car owned by the fund met an accident on 20.05.2020, action had not been taken in terms of these regulations.

(b) Audit and Management circulars

Circular No. DMA/2009/(I) dated 09th June 2009

An Internal Audit Division had not been established as per the circular and an audit was not conducted even by the Internal Audit Unit of the Line Ministry on the transactions and functioning of the Trust Fund.

- As per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018, whether the Trust Fund has not performed according to its powers, functions and duties.

- As per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018, whether the resources of the Trust Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

3. **Other Audit Observations**

- (a) The deposit of Rs. 348,810 made to obtain Cooperative and Wholesale Establishment (CWE) building on rent had not been recovered even after three years of shifting from that building.
- (b) A sum of Rs. 3,832,875 as payable to construction works carried out in several schools from the School Development Fund was stated in the financial statements from 2013. However, measures had not been taken to write off it under the Treasury approval since no one has submitted claims in this respect.

4. **Review of Activities**

- (a) The Fund had not taken into consideration to fulfil the aims and objects specified under section 6.1 in the Trust Fund Act such as setting up and management of schools, institutes, foundations and such institutions engaged in providing education, setting up and management or assistance to set up and management of vocational training institutes enabling vocational skills and competencies, provide assistance for the development and improvement of skills and competencies of lecturers, teachers and such persons engaged in educational activities during the year under review.
- (b) In terms of Section 6.2 (a) (c) (d) of the Act, the Trust Fund has entrusted with the mandate to accept grants, gifts or donations in cash or kind whether from local or foreign sources and to conduct lottery draws subject to the approval of the government for the purpose of collecting money, funds had not been earned through such resources.
- (c) Cabinet Approval had been granted for the Cabinet Memorandum No. 98/955/11/052 dated 08th July 1998 to establish an Information Technology Institute with the contribution of the Fund in order to give opportunity of Higher Education for the students who are incapable of entering universities. Accordingly, it was decided at a meeting held at the Ministry of Internal and International Commercial Affairs to establish Sri Lanka Institute of Information Technology (SLIIT) (Guarantee) Ltd. to perform interim activities and to take over under the University of Moratuwa at the end of interim period. Thus, SLIIT (Guarantee) Ltd. was established including the name “Sri Lanka” under the Companies Act No. 17 of 1982 and entrusted the responsibility of generating required funds and providing resources to the Mahapola Higher Education Scholarship Trust Fund. The following observations were made in this regard.

- (i) As per the agreement signed with the SLIIT (Guarantee) Ltd. on 19th March 2003, the university established in a land of 25 Acres in Malabe belonging to the Trust Fund was transferred to the SLIIT for management for a period of 8 years. The Trust Fund signed an agreement again with the SLIIT on 14th November 2005 and the original agreement had been amended by removing and revising the following conditions which were favourable to the Trust Fund.

Removed Conditions

- Section 4(e) – All assets and revenues of Mahapola Higher Education Scholarship Trust Fund should not be used directly or indirectly for any other commercial purpose that is not consistent with the objectives of the Trust Fund or other branches of the Sri Lanka Institute of Information Technology (SLIIT);
- Section 4(h) – All activities being done for improvement of the University should be conducted with the concurrence of the Trust Fund;
- Section 4(i) – Collection of revenues receive by conducting educational courses and incur expenditure required for the benefit of the University is a liability of the Sri Lanka Institute of Information Technology (SLIIT);
- Section 4(o) – The Sri Lanka Institute of Information Technology (SLIIT) should know that the Trust Fund has obtained a substantial loan from the National Development Bank (NDB) for the purpose of setting up the university and the Sri Lanka Institute of Information Technology (SLIIT) assures that every effort will be made to pay premiums when the institution is financially viable;
- Section 4(t) – The Board of Trustees has the right to appoint qualified teams of highly skilled and qualified staff to evaluate the new introductory courses and the right to appoint an independent group of skilled managers and auditors to check and evaluate the management and accounts of the university.
- Section 4(⊖) - According to the decision of the Board of Trustees, naming the Malabe Campus as the Mahapola Campus, naming the new auditorium as the Lalith Athulathmudali Auditorium and display these name boards clearly in the premises should be done.
- Section 4(⊕) – The assets which were financed by the Trust Fund must be existed as property of the Trust Fund in the event of end of this agreement due to time out or any other way.

Amended Conditions

- The surplus revenue generated through the activities of the university after deducting of agreed management fees should be credited to the Trust Fund before 30th June in the ensuing year and other investment should not be done without the prior approval of the Board of Trustees of the Trust Fund according to Section 4 (i) of the legal agreement dated 19 March 2003. However, it could be requested approval of the Board of Trustees of the Trust Fund by the board of directors of the Sri Lanka Institute of Information Technology (SLIIT) for maintain a reserves account for future development of the university and it had decided to rent the premise own by the Trust Fund through the new agreement on rent basis to the Sri Lanka Institute of Information Technology (SLIIT) instead of need money for such development activities can be provided from this reserve account by the Fund. It was agreed that to be paid higher value from both value such as annual rent income of Rs. 8 million as per Section 5(a)(i) or 20 per cent of annual net profit of the Sri Lanka Institute of Information Technology.
 - According to the Section 4(h) of the agreement which was made on 19th March 2003 between Trust Fund and the Sri Lanka Institute of Information Technology (SLIIT), the right to recommend about development procedures relating to universities was directed to the Board of Trustees and all activities done for betterment of the university should be done on the concurrence of the Trust Fund. According to the Sections 4(e) and 4(f) of the second agreement was made among Trust Fund and the Sri Lanka Institute of Information Technology (SLIIT) on 14 November 2005, it was agreed that the operational activities of this university are done as per decision of its Board of Director, prepare circulars accordingly, arrangement for conduct examinations, enrolment of students, employment of academic staff, management and maintenance of infrastructure facilities on the order of the Board of Director of Sri Lanka Institute of Information Technology (SLIIT) and the major constructions only should be made under the approval of the Trust Fund.
- (ii) It was entered to two agreements on 12 May 2015 as in between Mahapola Higher Education Trust Fund and Sri Lanka Information Technology (Guarantee) Ltd. on behalf of the land of the Sri Lanka Institute of Information Technology (SLIIT) had built and the money give back to the Fund equaling to the value of investment expenditure of Rs.373,579,392 were made in Sri Lanka Information Technology (Guarantee) Ltd. by the Mahapola Higher Education Trust Fund and to establish the Sri Lanka Information Technology (Guarantee) Ltd. as independent organization separate from Trust Fund.

The favourable conditions to the Trust Fund that are established from initial agreement entered on 19 March 2003 and agreement entered on 14 November 2005 were further removed through above two agreements and the following new conditions had been included.

- A sum of Rs. 408,500,000 will be given to Trust Fund for cover a sum of Rs. 373,579,392 as value of investments made by the Trust Fund, the value of scholarships given in the name of Mahapola and other incidental expenses. After that there will be no any financial interest in between Mahapola Fund and the Sri Lanka Institute of Information Technology (SLIIT). The Sri Lanka Institute of Information Technology (SLIIT) will be acting as independent organization from Mahapola Fund.
 - The Sri Lanka Institute of Information Technology (SLIIT) will not be surrendered to any Accounting Standards, Sri Lanka Financial Reporting Standards or International Accounting Standards and released from the requirements such as submit of accounts to the Mahapola Fund or consolidate the accounts since year 2015/2016.
 - Lease out the land of the Sri Lanka Institute of Information Technology (SLIIT) situated in Malabe for 60 years period since 15 May 2015 to 14 May 2075 in the basis of increase the annual lease rent once every 5 years and accordingly it will bind to be paid lease as Rs.20 million annually for 5 years ended on 14 May 2020 and Rs.40 million annually for 5 years ended since 15 March 2070 to 14 March 2075.
 - It will not needed any written consent of the Mahapola Fund to mortgage, sub lease the land or a part of it situated in Malabe was leased to Sri Lanka Institute of Information Technology (SLIIT) owned by the Mahapola Fund.
 - The approval was given to the Sri Lanka Institute of Information Technology (SLIIT) to the activities such as to construct buildings in the relevant land premises, fixing machineries or reconstruction, improvement of the land by their own expenditure.
- (iii) According to the agreement signed on 14 November 2005, it had signed a new lease agreement with the company on 12th May 2015 despite the lease in arrears as at 12th may 2015 was Rs. 98,642,356 and the lease amounting to Rs.45,358,379 could have obtained to the Trust Fund in year 2015 as per initial agreement had reduced up to Rs. 20,000,000 as per conditions of the new agreement. Even though enter in to such disadvantaged agreements to the Trust Fund relating to the Sri Lanka Institute of Information Technology was established by a Cabinet decision should be done by an approval of the Cabinet, it had not been done accordingly.

- (iv) According to the Cabinet decision No. CP/17/0956/701/011 dated 04th May 2017, an approval had been given to recognized the state-owned assets of Sri Lanka Institute of Information Technology (SLIIT) as an independent decision-making entity, which does not belong to the government and to remove the name of this institute from gazette notification relating to assigning duties of the Ministers as it does not come under the purview of any Ministry.
- (v) Further, two investigations were in process under the Commission to Investigate Bribery or Corruption and Special Presidential Commission of Inquiry stating that the agreement entered in 2015 was illegal and at the COPE meeting held on 12th July 2019 the Secretary, Ministry of Higher Education and the Chairman, the Trust Fund had been informed to produce a report on the actions should be taken in respect of SLIIT. Even though the report had been submitted to the Parliament on 02nd August 2019, its recommendations could not be implemented.
- (d) As per the Cabinet Decision No. අම/18/1873/824/020 dated 05th September 2018, the Trust Fund had cancelled the Investment Management Agreement entered with the National Wealth Corporation. Accordingly, the portfolio managed by the National Wealth Corporation was transferred to the major account of the Mahapola Trust Fund in the Corporate Branch of BOC on 28th February 2019. Further, as per the said Cabinet Decision, even though National Wealth Corporation should be liquidated and the NatWealth Securities Ltd. should be sold they have not been carried out yet.

W.P.C.Wickramarathana
Auditor General

**ANSWERS TO THE AUDITOR GENERAL'S
REPORT**

1.4.2 Non-compliance with Sri Lanka Accounting Standards

Non Compliance with reference to the relevant standard	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
(a) The total of Rs.3,601,600,000 debentures and fixed assets stated under the Financial Assets at Amortized Cost under Notes No. 17 of Financial Statements have not been stated at the amortized cost as per the Sri Lanka Financial Reporting Standards 09 (SLFRS 09)	New	The system should be introduced.	As per the Public Sector Accounting Standards it is not compulsory to be presented at the amortized cost.	In terms of the Accounting Policies of the Trust Fund, accounts of the fund should be prepared as per the Sri Lanka Accounting Standards (SLAS).	Since it has been stated that it is not compulsory to be presented at the amortized cost as per the Public Sector Accounting Standards – 10, such loans and fixed deposits have not been entered into accounts as per the Sri Lanka Accounting Standards 9. Adjustments will be made in future as per the Sri Lanka Accounting Standards.
(b) In terms of Chapter 49 of SLAS 08, even though the nature and quantity of the adjustments applicable to the previous times which adjustments are made should be revealed with the financial statements, the total amount of Rs.42,955,902 adjusted by the Trust Fund had not revealed the relevant adjustments of previous times.	New	The system should be introduced.	Measures will be taken in future to submit a report on the errors made in the previous year and their nature and quantity.	As per the Sri Lanka Accounting Standards, adjustments to the previous periods should be disclosed in the financial statements.	This includes the difference of Rs.41,410,638 / 02 which is the difference between the investment value received by the Mahapola Fund in the transfer of investments received by NWCL and the actual

					<p>return on investment by NWCL to the Mahapola Fund within the adjustment of Rs. 42,955,902 / - in the trust fund accounts and the main reason is that the NWCL confirms the balance in the past years without taking into account the interest income earned on the investment. We do not agree to point out that this is a mistake committed by the Mahapola Fund in previous years and in future we will submit a report on the nature and extent of the offenses committed in the previous year.</p>
<p>(c) As per the SLAS No.24, even though the transactions made with the associated parties should be disclosed in the financial statements the Trust Fund had not disclosed the transactions made with the Sri Lanka Institute of Information Technology (Guarantee) Ltd., NationalWealth Cooperation Ltd., NatWealth Securities Ltd. and Development Lotteries Board.</p>	<p>New</p>	<p>The system should be introduced.</p>	<p>All the institutes that have been affiliated to the Trust Fund are subsidiaries of the Trust Fund. Hence, such transactions cannot be classified as a</p>	<p>As per the SLAS, transactions with the affiliated parties should be disclosed in the financial statements.</p>	<p>All the institutes that have been identified as associated parties of the Trust Fund are Subsidiaries of the Mahapola Trust Fund. The Mahapola Trust Fund do not make transactions with the Development Lotteries Board and Sri Lanka</p>

			<p>transaction with the associated parties.</p>	<p>Institute of Information Technology and only the dividend of such institutions are remitted to the Mahapola Fund. These Receivables are clearly stated in the accounts statements. Direct transactions had not been made with NWCL and NWSL in 2019. The Mahapola Fund had purchased Treasury Bonds while procurement will be done from the primary buyers who submit best prices by calling bids from other primary customers. Hence, money is credited directly to the Mahapola Account, it cannot be classified as a transaction.</p>
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1.4.3 Accounting Deficiencies

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>a) The land of 25 Acres in Malabe belonging to the Fund and accounted as Rs. 12,460,179 in 2005 has not been assessed to the present value and recorded in books even by the year under review and the government Chief Valuer was requested on 24th May 2020 to submit a valuation report on the land and all the buildings located thereof. Herein, value of the buildings was stated as Rs. 1,064,520,695/- by the Trust Fund neither settling the ownership of these buildings nor obtaining a correct valuation report on the present value.</p>	Existing	Existing system should be improved.	Present value of the buildings will be entered into accounts once the report of the government chief valuer will be received.	Accurate amounts should be recorded in books on the receipt of a valuation report having settled the ownership of the buildings.	By the year under review, the 25 Acres land in Malabe and the building owned by the Mahapola Trust Fund had been given on a lease agreement and a Management Agreement (for a period of 60 years) with the Governing Body of the Sri Lanka Institute of Information Technology. The said asset transfer agreement and the long term lease agreement with the Sri Lanka Institute of Information Technology had been signed without proper approval of the Trustee Board of Mahapola Trust Fund and it was decided to obtain a valuation report from the government chief valuer for this land and the buildings as discussed at the Committee on Public Enterprises since a valuation report had not been taken for the land. So it is not right to consider it as an

<p>b) Even though the balance of a savings account as at 31st of December 2019 was Rs. 2,381,392, as per the confirmation of account balances as at the said date was Rs. 2,407,963.</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>The bank has stated the balance as at 28th December 2019.</p>	<p>Adjustments should be made having examined reasons for the difference.</p>	<p>Transactions made with the bank account No. 4079 of Bank of Ceylon from 28.12.2019 to 31.12.2019 have been ignored by the bank and bank balance as at 28.12.2019 has been stated as the balance as at 31.12.2019. This mistake made by the bank was corrected later.</p>	<p>accounting deficiency. 11.10.201- Ministry of Higher Education, Technology and Innovations has sent the request to the Valuation Department to get a valuation report.</p>
<p>c) As per the letter of PS/PF/ 5/36/Vol-ix/2020 of the President's Fund dated 01st June 2020, even though, the profit share of the of the Trust Fund from the profit of Development Lotteries Board for the year 2019 was Rs. 1,160,977,603, the Trust Fund had stated the income for the year as Rs. 997,346,600 in the Income Statement Accordingly, the income for the year had been accounted Rs. 163,631,003 less than the real value.</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>Since the profit share of the Trust Fund from the profit of the Development Lotteries Board had not been verified by the President's Fund by 28.02.2020, the income could not be properly accounted.</p>	<p>Arrangements should be made to verify and calculate the profit share of the Mahapola Trust Fund before preparing the financial statements.</p>	<p>President's Fund had sent a letter on 07.01.2020 to get confirmed the balance to be received to the Mahapola Higher Education Scholarship Trust Fund from the Development Lotteries Board as at 31.12.2019 and it was not confirmed even by 28.02.2020.</p>	

				<p>The profit share of the Mahapola Trust Fund should be verified and calculated before preparing the financial statements.</p>	<p>Accordingly Mahapola Scholarship Trust Fund has accounted only the dividend of Development Lotteries Board; Rs. 997,346,600/- received as at 31.12.2019. However, in the report of the President's Fund dated 01st June 2020, the income to be received to the Mahapola Fund for the year 2019 was stated as Rs. 185,289,003/50.</p> <p>Since the confirmation was received after the preparation of the Final Account in 2019, the income of Rs. 110,289,003/- could not be entered into accounts. Adjustments of the accounts will be made in future.</p>
<p>(d) Although as informed by the President's Fund, the dividend to be received from the Development Lotteries Board as at 31st December 2019 was Rs.185,289,003, it was stated as Rs. 75,000,000 and the profit was accounted Rs. 110,289,003 less than the actual value.</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>The balance of receivables could not be accurately accounted as the President's Fund has not yet confirmed the dividend of the Development Lotteries Board as at 31.12.2019</p>	<p>Arrangements should be made to calculate the share of profits not received from the President's Fund to the Mahapola Trust Fund before preparing the financial statements.</p>	<p>Even though it was requested to confirm the Dividend due from the Development Lotteries Board as at 31.12.2019, the President's Fund failed to confirm it even by 28.02.2020. So it could not be properly accounted. That is an amount of Rs.75,000,000 was credited to the Mahapola Account by the Auditor General's Account before 28.02.2020 and as the President's Fund informed that it is applicable for the year 2019, it was accounted that the said amount was the receivable amount as at 31.12.2019.</p>

<p>(e) Although the value of property, plant and equipment acquisition during the year under investment activities of the Cash Flow Statement was Rs.16,426,582 , its actual value was Rs.16,248,500.</p>	<p>New</p>			<p>Existing system should be improved.</p>	<p>Agreed. This is an accounting error that occurred during the previous year's adjustments and is removed from the adjustments in the cash flow statements. Efforts will be made to minimize such accounting errors in the future</p>	<p>Accurate values should be included in the preparation of cash flow statements.</p>	<p>Agreed. This is an accounting error in the previous year adjustments and it is removed in financial flow statements. Arrangements will be made in future to minimize accounting errors as much as possible.</p>
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1.4.4 Consolidation

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>The consolidated financial statements of the two companies fully owned by the Trust Fund; National Wealth Corporation and Natwealth Securities, had not been prepared and submitted for audit from 2013 to the year under review.</p>	<p>Existing</p>	<p>Existing system should be improved .</p>	<p>As per the approval received at the COPE meeting held on 12th July 2010 to prepare consolidated funds 2019 onwards, preparation of accounts has been handed over to an audit firm .</p>	<p>Consolidated financial statements from 2013 should be prepared and submitted to the audit immediately.</p>	<p>Financial Statements of NatWealth Corporation and Nat Wealth Securities Ltd. Fully owned by the Trust Fund have been consolidated and these statements consolidated with the accounts of the Mahapola Trust Fund and consolidated financial statements have been submitted up to 2012.</p> <p>The delay in preparing consolidated accounts from 2012 to 2018 occurred due to the major reason of not providing financial statements of Sri Lanka Institute of Information Technology (Guarantee) (Ltd.) to the Mahapola Trust Fund.</p> <p>The Auditor General had been informed in this regard. This was taken into discussion at the COPE held on 12.07.2019 for the year 2018 and it was decided to</p>

					<p>prepare consolidated financial statements 2019 onwards. However, preparation of consolidated accounts with SLIIT was quitted and approval was received in 2019 to prepare consolidated accounts with of National Wealth Corporation Ltd. and Natwealth Securities Ltd.</p> <p>Accordingly, preparation of consolidated accounts has been handed over to an Audit Firm under the approval of the Trust Fund. Arrangements have been made to submit as soon as possible.</p>
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1.5 Receivable and Payable Accounts

1.5.1 Receivables

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>Although three years have been already passed shifting from the Co-operative and Wholesale Corporation Building which was on rent, the deposit of Rs. 348,810 paid on that behalf has not been recovered.</p>	<p>Existing</p>	<p>Existing system should be improved.</p>	<p>Although written requests were made to the CWE on 29.11.2017 and 04.04.2018, the rent deposit had not been refunded.</p>	<p>Action should be taken to recover the deposit promptly.</p>	<p>The Mohapola Trust Fund had obtained the CWE building of 1661 sqft² on annual rent of Rs. 70 for each in 2011 and the said deposit of Rs. 348,810 had paid to the CWE as advance for three months through the BOC cheque dated 26.06.2011. Mahapola Office was shifted from CWE building to the JR Jayewardene Center, Colombo 07 in 2017 and two written requests were made on 29.11.2017 and 04.04.2018 for the repayment of the above advance and the CWE has not repaid it in the year under review. However, all necessary information in this regard has been produced to the CWE and necessary steps are being taken to obtain this advance.</p>

1.5.2 Payables

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>The total of Rs. 3,832,875 to be paid from the School Development Fund on behalf of the constructions carried out in several schools had not been stated in the financial statements 2013 onwards and no action had not been taken in this regard in the year under review.</p>	<p>Existing</p>	<p>Existing system should be improved.</p>	<p>Since CWE Construction and Engineering (Pvt) Ltd., which was set up under the CWE, has been closed and there is no contract agreement between the Trust Fund, payments to that company cannot be made by the Trust Fund. Accordingly, with the approval of the Board of Trustees, this balance will be written off from the accounts in future.</p>	<p>Action should be taken to withdraw from the accounts expeditiously with the approval of the Board of Trustees.</p>	<p>School development activities were carried out by the School Development Fund under the Mahapola Fund and all contracts in this regard were done through CBE Construction and Engineering (Pvt) Ltd., which was established under the CWE. Relevant contractors had submitted required bills in this regard, but they were incomplete bills. In addition, a report of the work completed on these payments and reports on engineering recommendations and quantities should be obtained. At present since the said contract coordinating agency which was under the CWE had been closed, taking future measures on making these payments is impossible.</p>

					<p>Relevant parties have not submitted written requests to the Mahapola Fund for the payment of these bills during the year under review. However, no agreement has been signed with the Mahapola Fund regarding this contract and by the contractor and Mahapola Fund is unable to make payments for such institutes. will not be able to make payments to those institutions.. Accordingly, measures will be taken in future to write off the said balance of Rs. 3,832,875/- from the accounts.</p>
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2. Financial Review

2.1 Financial Outputs

The operating result for the year under review was a surplus of Rs.755,972,796 and the corresponding surplus for the previous year was Rs.451,560,612. Accordingly, an increase of Rs. 304,412,184 was observed in the financial results. This growth was mainly due to the increase in investment income by Rs. 978,316,002 compared to the previous year.

3. Operational review

3.1 Operational Inefficiencies

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>(a) The Fund had not taken into consideration to fulfil the aims and objects specified under section 6.1 in the Trust Fund Act such as setting up and management of schools, institutes, foundations and such institutions engaged in providing education, setting up and management or assistance to set up and management of vocational training institutes enabling vocational skills and competencies, provide assistance for the</p>	<p>Existing</p>	<p>Existing system should be improved.</p>	<p>This objective will be achieved in the future when the financial position of the Fund is stable.</p>	<p>Attention should be paid to achieve these objectives stated in the Act.</p>	<p>The matters mentioned in the Audit Inquiry under the objectives mentioned in Section 06 (i) of the Mahapola Trust Fund Act are correct and the relevant actions to be taken to achieve those objectives are always taken by the Mahapola Fund. Accordingly, it is not correct to refer to this as the inefficiency of the fund. Sri Lanka Institute of Information Technology was established in 1999 and today it has successfully become a degree awarding institution in the field of Information Technology. At present, the number of scholarships awarded has to be increased annually in line with the increase in the number of students enrolled in universities. Further, a large number of requests have been made to increase the number of scholarships and the</p>

<p>development and improvement of skills and competencies of lecturers, teachers and such persons engaged in educational activities during the year under review.</p>					<p>value of scholarships offered by technical colleges and other Higher Education Centres.</p> <p>The current balance of the fund and the fact that all investments are invested only in government treasury bonds and fixed deposits had some limitations on investment.</p> <p>In 2019, operating activities of the Fund and revenue increased by around 16%. However, at present it is difficult to set up or maintain new vocational training institutes depending on the financial position of the fund. When the financial position of the Fund stabilizes in the future, action will be taken to achieve the established objectives of the Fund under 6 (i).</p>
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<p>(b) In terms of Section 6.2 (a) (c) (d) of the Act, the Trust Fund has entrusted with the mandate to accept grants, gifts or donations in cash or kind whether from local or foreign sources and to conduct lottery draws subject to the approval of the government for the purpose of collecting money, funds had not been earned through such resources.</p>	<p>Existing</p>	<p>Existing system should be improved.</p>	<p>Actions are being taken.</p>	<p>Necessary action should be taken immediately.</p>	<p>In terms of Sections 6.2 (a), (c), (d) of the Trust Fund Act , the Trust Fund regularly receives major gift donations from local and foreign sources and materials in order to raise funds and the following actions were taken year under review on the approval of the Board of Trustees.</p> <p>(i) The purchase of a plot of land or a building for the establishment of the Head Office of the Mahapola Fund as a donation from a patron and arrangements have been made to publish the relevant newspaper advertisement. The relevant advertisement will be published soon and action will be taken to obtain it. This will save about Rs. 5 Mn. Of the present rent paid annually.</p> <p>(ii) Around Three Hundred Thousand (300,000.00) Mahapola recipients received scholarships 1982 to date and they are employed in different professions while most are employed overseas.</p>
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<p>During the year under review, as per a decision of the Trustee Board, initial steps were made to get donations from each of them to strengthen the fund and started to create and update a database feeding their information. It is expected to make aware them through paper advertisements, media and letters within a short period of time and obtain donations. Measures are being taken to get the facility of online payment in this regard having discussed with BOC and People's Bank.</p>					
<p>(iii) Lotteries could be drawn by the Mahapola Trust Fund on the approval of the Cabinet of Ministers and the online lottery started in 2013 was run for a short period. The lottery was cancelled since the lottery agent did not act as per the agreement. The lottery agent has taken legal action in this regard. Since this case is being heard in the court, start of a new lottery has been suspended until judiciary action will be ended. However, initial</p>					

<p>(c) As per the agreements signed with the SLIIT (Guarantee) Ltd. on 14th November 2015 and 12th May 2015 and approval for the Cabinet Memorandum signed by HE the President ownership of the SLIIT borne by the Trust Fund was deprived. Further, two investigations were conducted at the Bribery and Corruption Investigation Commission and the Special Presidential Commission on Inquiry and Secretary to the Ministry of Higher Education and the Chairman of the Trust Fund were informed at the COPE</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>The Cabinet has been made aware on the actions to be taken on the SLIIT.</p>	<p>Necessary steps should be taken immediately.</p>	<p>measures were taken to start Mahapola e-Lottery under the Development Lotteries Board and to credit its income directly to the Mahapola Fund.</p> <p>Agreed. A Cabinet Memorandum on the actions to be taken in this regard has been submitted to make aware the Cabinet and the report of the Presidential Commission on Inquiry conducted on the judiciary nature of the agreement signed with the SLIIT had not been submitted to the Cabinet or the Mahapola Fund.</p> <p>SLIIT pays an annual rental of Rs. 20 Mn to the Mahapola Fund on behalf of its lands and buildings and SLIIT අයනය විසින් මහපොළ අරමුදලට අයක් ඉඩම් හා ගොඩනැගිලි since it should be accounted in the accounts of Mahapola Fund as per the audited accounts of SLIIT in 2015 balance of assets has been taken into the However, after receiving the report of the Chief Government Valuer, the value of the building will be adjusted with the current accounts.</p>
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<p>meeting held on 12th July 2019 to submit a report on the actions to be taken in respect of SLIIT. The said report was submitted to the Parliament on 02nd August 2020, but the recommendations could not be implemented.</p>					
<p>(d) As per the Cabinet Decision No. 40/18/1873/824/020 dated 05th September 2018 the Investment Management Agreement of the Mahapola Fund with the National Wealth Corporation had been cancelled. Accordingly, on 28 February 2019, the portfolio managed by National Wealth Corporation was transferred to the main account of the</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>The Minister in charge of the subject submitted a Cabinet Memorandum on 31.12.2019 in this regard and action will be taken in future as per the decision of the Cabinet Ministers.</p>	<p>Necessary actions should be taken immediately.</p>	<p>As per the approval of the Cabinet of Ministers, an opinion had to be obtained from the Hon. Attorney General regarding the cases pending in NWSL and an audit report on the net value of the assets of the two companies had to be obtained. All these activities had commenced and the Central Bank suspended the trading license of NWSL due to non-compliance with certain regulations imposed by the Central Bank. Further, the final decision to liquidate the company was delayed due to a change NWSL board of directors in NWSL. However, the Mahapola Fund had commenced the procurement process for the</p>

<p>Mahapola Trust Fund of the Bank of Ceylon Corporate Branch. Further, even though the Cabinet also decided to liquidate National Wealth Corporation and sell Natewealth Securities, this has not yet been done.</p>					<p>sale of shares in these companies and could not complete the process by 31st December on the above grounds. In addition, it was decided to continue these two businesses under the Mahapola Fund as per the proposal made by the Minister of Higher Education to the Board of Trustees on the policy of not selling or liquidating government or government related businesses in accordance with the policies of the government newly appointed in 2019. Accordingly, the Minister in charge of the subject submitted a Cabinet Memorandum on 31.12.2019 and the future activities will be decided according to the Cabinet decision received for that.</p>
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3.2 Procurement Management

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>In terms of the Section 4.2 of the Government Procurement Guidelines, every procurement entity is required to prepare a procurement plan and procurement activities for at least three years are expected to be listed in the master procurement plan. But the Trust Fund had not prepared a procurement plan.</p>	<p>New</p>	<p>Existing system should be improved.</p>	<p>A plan has been prepared and submitted for the procurement activities of the Mahapola Fund for the next 3 years from 2020.</p>	<p>Should abide by the Section 4.2 of the Public Procurement Guidelines.</p>	<p>Considering the procurement activities of the Mahapola Scholarship Trust Fund, there is no large scale procurement activities other than the procurement activities related to the purchase of stationery and other items required for regular activities. Arrangements have been made to prepare a plan for procurement activities related to operations, comply with Section 4.2 of the Procurement Guidelines,</p>

3.3 Human Resource Management

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>Even though the approved cadre of the fund was 31 as at 31st December 2018, since the actual staff was 13 there were 18 out of which 06 senior level posts, 06 secondary level posts and 06 primary level posts were vacant. No action had been taken in the year under review to fill those vacancies.</p>	<p>Existing</p>	<p>Existing system should be improved.</p>	<p>Measures will be taken for new recruitments in future.</p>	<p>Measures should be taken to recruit the required number of employees to run the organization efficiently.</p>	<p>Recruitment of Employees of the Mahapola Higher Education Scholarship Trust Fund was done with the approval of the Board of Trustees and since the relevant procurement procedures should be approved in terms of 06/2016 and the posts should be approved by the Department of Management Services, the required posts have been referred to the Department of Management Services for approval. Necessary recruitments will be made as soon as the approval is received.</p>

4. Accounting and cooperate governance

4.1 Corporate Plan

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
Even if a corporate plan had been prepared for 2014-2017, no corporate plan had been prepared for subsequent periods.	New	Existing system should be improved.	It is intended to take measures in this regard in future.	Plans should be prepared specifying aims quantitatively and financially.	Corporate Plan 2020/25 has been prepared.

4.2 Annual Action Plan

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
An Action Plan based on the corporate plan for the year under review had not been prepared as per the 5.1.3 of the Public Enterprise Circular PED 12 dated 02 nd June 2003.	Existing	Existing system should be improved.	Will be prepared for coming years.	Annual action plan should be prepared.	Action Plan of 2020 was prepared and implemented.

4.3 Internal Auditing

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
<p>In Internal Audit had not been prepared as per the Management Audit Circular No. The DMA / 2009 / (1) dated 09th June 2009 and the Financial Regulations No. 133 of the Democratic Socialist Republic of Sri Lanka in accordance with Circular 133 dated June 09, 2009 had not established an Internal Audit Unit and the Internal Audit Division of the Line Ministry had not conducted an audit on the transactions and activities of the Fund.</p>	<p>Existing</p>	<p>The system should be introduced.</p>	<p>Measures will be taken in future to establish an Internal Audit Division.</p>	<p>Measures should be taken in terms of the circulars and auditing should be carried out by the Internal Audit Division of the Ministry.</p>	<p>Approval of the Mahapola Fund has been received for the recruitment of an Internal Auditor and staff required to establish the Internal Audit Unit of the Mahapola Fund and it has been referred to the Department of Management Services for approval. Relevant recruitments will be made soon the approval will be received. The recruitment will be completed by the end of 2020 and the Internal Audit Unit will be established.</p>

4.4 Audit Committee

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
The Government Auditor had not called audit committee meetings in the year under review.	New	Existing system should be improved.	Measures will be taken in this regard in the future meetings.	The government auditor should be invited as an investigator for audit and management committee meetings.	The government auditor will be invited as an investigator for audit and management committee meetings of Mahapola Fund in future.

4.5 Budget Control

Audit Observation	Whether a new observation or an existing observation	Control risk detection	Comments of the Management	Recommendation	Actions taken and present status
Even though, annual budget should be prepared as per the Public Enterprise Circular No. PED 12 dated 02 nd June 2003 budget for the year under review had not been prepared.	Existing	Existing system should be improved.	Prepared for the next year.	Annual Budget should be prepared for each year.	Budget of Mahapola Fund has been prepared for 2018 and 2019 years. As per the resolved budget, disbursement of the coming year has been done and all these approved audit has been submitted for auditing.

K.K.V. Dharmasiri
Deputy Auditor General
For Auditor General