2011

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வருடாந்த அறிக்கையும் கணக்குகளும்

ANNUAL REPORT AND ACCOUNTS

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மஹபொல உயர்கல்வி புலமைப்பரிசில் நம்பிக்கை நிதியம்

Mahapola higher education scholarship trust fund

Index

ANNUAL REPORT OF THE MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND - 2011

Mahapola Higher Education Scholarship Trust Fund was established by the Act of Parliament No. 66 of 1981. In terms of Section 03 of the Act, the management and control of the Fund is vested to the Board of Trustees.

The Board of Trustees consisted of the following members in the year 2011.

01. BOARD OF TRUSTEES

1.	i. The Chief Justice Hon. Ashoka De Silva (To 17.05.2011)	(Hon Chairman)
	ii. The Chief Justice Her Ladyship Dr. Shirani Bandaranayake (From 18.05.2011)	(Hon Chairman)
2.	Minister of Cooperatives & Internal Trade Hon. Johnston Fernando	(Hon Founder Trustee)
3.	Secretary of the Ministry of Higher Education Dr. Sunil Jayantha Nawarathna	(Hon Trustee)
4.	Secretary of the Ministry of Education Mr. H.M. Gunasekera	(Hon Trustee)
5.	Secretary of the Ministry of Cooperatives & Internal Trade Mr. Sunil S. Sirisena	

Nominated :

6.	Mr. S. V. D. Keasaralal Gunsekera	(Hon Trustee)
7.	Prof. Malik Ranasinghe Vice Chancellor, University of Moratuwa	(Hon Trustee)

(These Trustees have not obtained any allowance for attending the Board of Trust Meeting.)

02. VISION

"To create an educated society with the aim of alleviating poverty."

03. 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."

04. AIMS AND OBJECTIVES

Aims and objectives of the Fund are as follows:

i. To provide Higher Education facilities to youths.

ii. To provide assistance to deserving youths enabling them to complete, their academic, industrial or Technical Education in a Higher Education Institution, in consequence of the successful completion of their secondary education.

iii. To setup and assist in the management of Vocational Training Institutes, with a view to improve the skills of the youths.

iv. To setup and to assist schools and other institutions engaged in the furtherance of education.

v. To provide assistance for the improvement and development of the skills of persons who are engaged in the furtherance of education.

05. HISTORICAL BACKGROUND

The "Mahapola" concept introduced by the late Hon. Lalith Athulathmudali (P.C.) in 1980, was initially only a Trade Fair, organized by the Ministry of Trade & Shipping for the primary purpose of channeling the benefits of the open economy to the rural community. The Trade Fair and the educational exhibition were organized in schools and the income generated from the sale of the entrance tickets were utilized to provide basic facilities to these schools.

The Mahapola Trust Fund, which began in 1981 with awarding 422 scholarships has awarded over 197,000 scholarships to the underprivileged students of this country during last 30 year period and the expenditure involved in this exercise is over Rs.835 million for this year.

The administrative activities of this Fund which not belongs to the "Consolidated Fund" extends institutional as well as financial assistance towards higher education and awarding scholarships to youths enabling them to complete their higher education, is implemented under an independent body independently by a Board of Trustee under the Chairmanship of Her Ladyship the Chief Justice.

06. INCOME

The main income source of the Fund is annual interest income received from the investments own by the Fund. A sum of Rs. 538,871,267.69 was received as interest income and Rs. 600,866,585.50 received through the President's Fund as a part of share of profit of the Development Lottery to which the Mahapola Higher Education Scholarship Trust Fund has contributed 50% of its share capital.

The total income for the year amounted to Rs. 1,139,737,853.19 as against the total expenditure of Rs. 752,743,459.52. Granting of scholarships a surplus of Rs. 389,544,499.72 was resulted including income from the Development Lottery for the year was accrued to the accumulated income. As the income of the Fund is exempted form all taxes, the income after tax will remain unchanged.

07. AWARD OF SCHOLARSHIPS

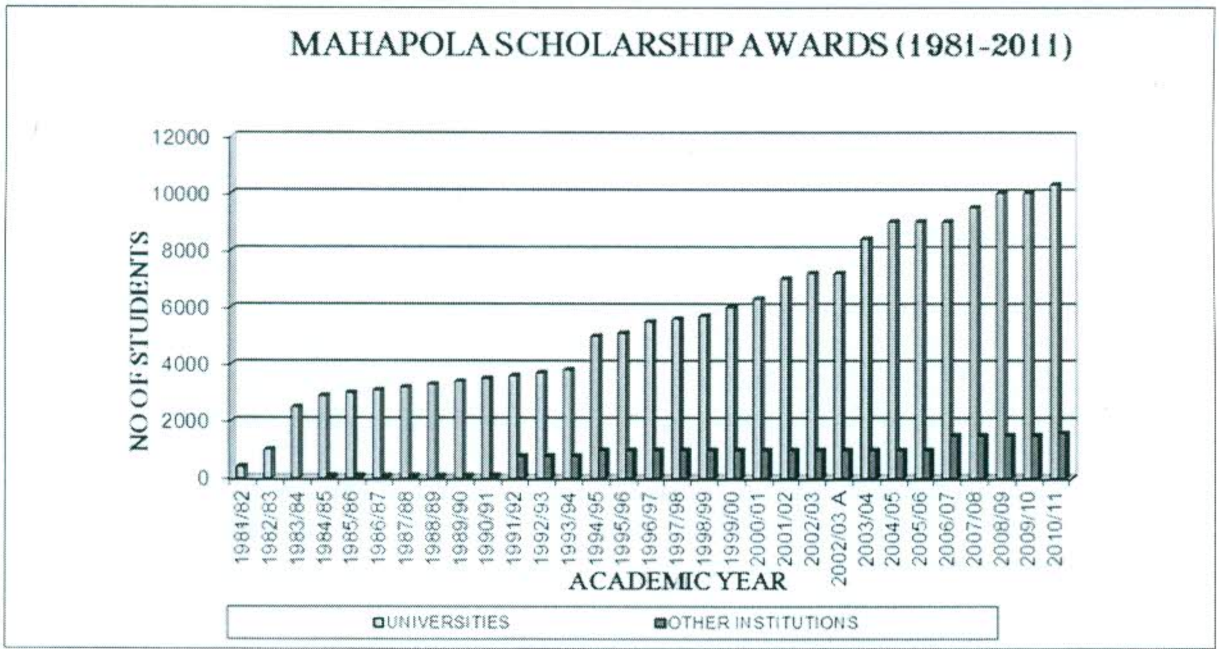
Mahapola Scholarships are awarded in two different basis namely Merit Scholarships and Ordinary Scho-larships. Merit Scholarships are awarded to the students who have scored highest marks at G.C.E. A/L Examination and Ordinary Scholarships are awarded to the students from families of lower income level and on merit basis of the total number of Scholarships 10% will be awarded on Merit basis and balance 90% were Ordinary Scholarships. The difference is maintained by paying additional Rs.50/- to a Merit Scholarship.

Board of Trustees of the Fund approved the awarding of Mahapola Scholarships for 10,300 students of the Academic year 2010/2011 recommended by the University Grants Commission on the results of the G.C.E. (A/L) 2010. Out of that 1030 scholarships were awarded on the Merit basis and the rest of 9270 scholarships were awarded to the students from families of lower income level and on Merit basis. 50.80 % of the total of 20,274 students who intake to the universities were covered by the Mahapola Scholarships. Accordingly, students selected to recommend courses by the University Grants Commission were awarded Mahapola Scholarships in the year 2011.

In addition to the Scholarships recommended by the University Grants commission 1576 Scholarships were awarded to the students who were following Degree or Diploma Courses in Other Educational Institutes.

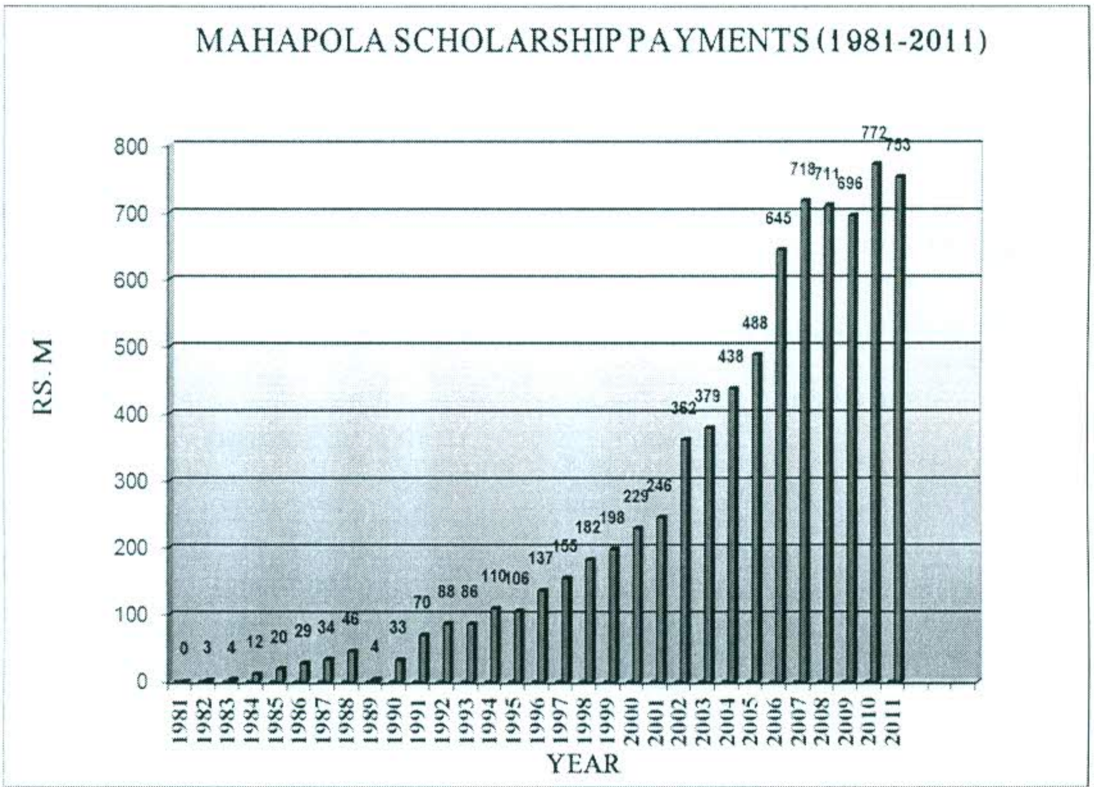
The following institutes' students were awarded.

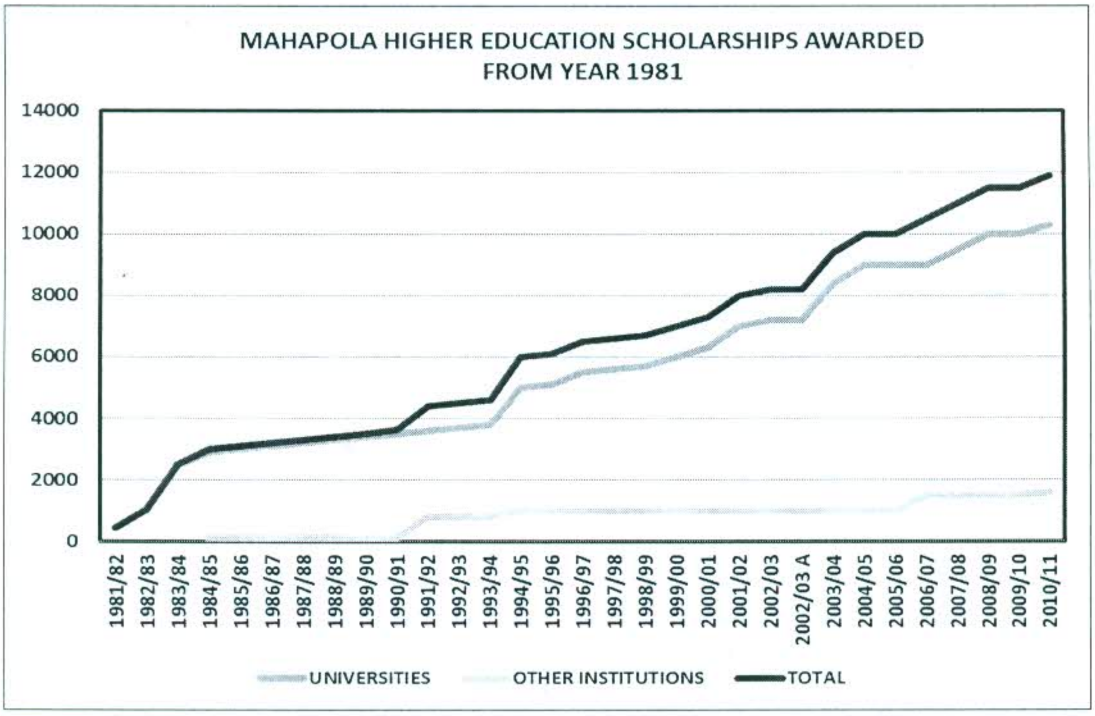
Institution		No. of Students
1.	Sri Lanka Law College	46
2.	National Technology Institute of University of Moratuwa	70
3.	Buddhist & Pali University	22
4.	Buddha Shrawaka Bhikku University	14
5.	National Social Development Institute (Degree 10, Diploma 14)	24
6.	Advanced Technical Education Institute (15 Divisional Inst.)	1000
7.	* 400 Scholarships were allocated to the Open University of Sri Lanka	400
		1576



08. PAYMENT OF SCHOLARSHIPS

Mahapola Scholarship recipient is paid maximum of 10 monthly installments per Academic year. Accordingly, with sum of Rs.350/- paid by the General Treasury, a Scholarship recipient has been paid Rs. 2,550/- for a Merit Scholarship and Rs. 2,500/- for an Ordinary Scholarship.





09. INFORMATION TECHNOLOGY EDUCATION

The Board of Trustees of the Mahapola Higher Education Trust Fund in 1999, decided to establish an Institute for Information Technology studies at 25 acre land at Ranisthanwatte, Malabe belonged to Mahapola Trust Fund for the purpose of directing the students who have not admitted but qualified for University entrance to meet the demand for IT studies in the present economic environment.

Mahapola Trust Fund was at the forefront of forming Sri Lanka Information Technology (Guarantee) Limited, as "Interim Management" for the purpose of the establishment of this Institute in 1999. Mahapola Trust Fund has expended Rs.472 Million for this purpose.

Students have been admitted for the Information Technology Degree Courses as follows:

Year	No. of Students
2000	389
2001	645
2002	1076
2003	1157
2004	1292
2005	894
2006	1042
2007	1046
2008	1514
2009	1329
2010	1505
2011	1303
Total	**13,192**

This institution is presently conducted courses like Diplomas, Degree Courses as well as Master in Information Technology. There are many job opportunities in the field of Information Technology for the students who follow these courses.

Action has been taken to undertake to introduce new Engineering and Management courses by the Institute.

10. NATIONAL WEALTH CORPORATION LIMITED

National Wealth Corporation Limited was established by Mahapola higher Education Scholarship Trust Fund investing Rs.300 Million for the capital to facilitate the investment and financial activities of the Mahapola Higher Education Scholarship Trust Fund and Fund is invested on Treasury bills, Treasury Bonds, and the other well protected financial activities. In addition "Nat Wealth securities" has been affiliated to the same, as a primary agent, for the securities of Treasury bills and Treasury Bonds of the Central bank of Sri Lanka.

11. SCHOOL DEVELOPMENT FUND

Eleven Schools were facilitated from the interest income of School Development Fund which was established by Mahapola Higher Education Scholarship Trust Fund.

Details of Constructions 2010 & 2011

	Name of the School	Amount (Rs.)
1.	Rajasinghe Central College – Hanwella 400m track	25,000,000.00
2.	Siri Piyarathna Central College – Padukka Construction of Assembly hall with Auditorium	40,000,000.00
3.	S. De S. Jayasinghe Central College – Dehiwala 200m track	5,000,000.00
4.	Lalith Ethulathmudali Vidyalaya – Mt. Lavinia Indoor Stadium	12,696,852.80
5.	Lumbini Maha Vidyalaya – Colombo 05 Indoor Stadium	30,000,000.00
6.	Boys school - Malabe Construction of Auditorium with Class rooms	5,000,000.00
7.	Rahula Balika Maha Vidyalaya – Malabe Complete of three storied school building	5,000,000.00
8.	Junior School - Oruwala Complete of three storied school building	2,500,000.00
9.	Munidasa Kumarathunga Vidyalaya Completion of School Building	2,500,000.00
10.	National School – Seethawaka Complete the work of Auditorium, Seats and Sound system	2,000,000.00
11.	Construct of New Nation School in Homgama	30,000,000.00
	Total	**159,696,852.80**

Construction Details of Previous years Donated by the Fund

Year	Name of the School / Institute	Funded Amount (Rs.)
2002/2003	University of Sri Jayawardenapura Construction of 50 Summer Huts and Illumination of the Sports Complex	4,636,716.50
2003/2004	Janadhipathi Vidyalaya – Rajagiriya Complete the work of Auditorium	2,222,113.33
	St. Josephs Boys School – Nugegoda Construction of the Play-ground	1,000,000.00
	Jayawardenapura Balika Vidyalaya Complete of three storied school building	1,756,426.80
	Hevavitharana Vidyalaya – Rajagiriga Complete of three storied school building	1,603,378.44
	Jayawardenapura Maha Vidyalaya – Kotte Complete of three storied school building	2,843,001.12
	Total	**9,424,919.69**
2004/2005	St. Peter's College – Negambo Complete of three storied school building	28,509,723.32
	Dharussalam Maha Vidyalaya – Kalmunei Complete of storied school building	3,085,000.00
	President's School – Embilipitiya Construction of the Swimming pool	10,325,522.76
	Mahapola Bikku Education Institute - Katugasthota Development works	1,000,000.00
	Total	**42,920,246,08**

Year	Name of the School	Funded Amount (Rs.)
2009/2010	Waddduwa Central College - Wadduwa	1,000,000.00
	Sangamiththa Balika Maha Vidyalaya – Matale	1,000,000.00
	Galigamuwa Central College – Galigamuwa	1,000,000.00
	D. S. Senanayake Central College – Beruwala	1,000,000.00
	S. W. R. D. Bandaranayake National School - Paduwasnuwara	1,000,000.00
	Galenbindunuwewa Central College - Galenbindunuwewa	1,000,000.00
	Sumana Maha Vidyalaya – Niwithigala	1,000,000.00
	Moolatiyana National School – Deyiyandara	750,000.00
	Madduma Bandara Maha Vidyalaya – Weliweriya	750,000.00
	Royal National School – Monaragala	750,000.00
	St. Mary Central College – Mathugama	1,000,000.00
	St. Joseph Vaz Vidyalaya - Wennappuwa	750,000.00
	St. Benedict Maha Vidyalaya – Kanjakkuliya	750,000.00
	Sri Gnanodaya Central College – Divulapitiya	750,000.00
	Batapola National School – Imaduwa	750,000.00
	Total	**13,250,000.00**

12. STAFF

Mahapola Higher Education Scholarship Trust Fund is an institution that operates with a least no of staff members and the Fund was able to maintain the minimum cost and the administration expenses for the staff was 0.26% of the income and 0.40% of the expenditure.

Board of Trustees approved to fill the vacancies internally by promoting the existing staff and the other vacancies by external candidates.

Sgd / Ranjith Thenuwara,
Director,
Mahapola Higher Education Scholarship Trust Fund.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
BALANCE SHEET AS AT 31ST DECEMBER, 2011

	NOTES	31/12/2011		31/12/2010
ASSETS		Rs.	Rs.	Rs.
Non - Current Assets				
Property, Plant & Equipment	01		13,946,601.67	13,361,082.70
Sri Lanka Institute of Information Technology (pvt)Ltd	Sub -02	373,577,392.83		373,577,392.83
National Wealth Corporation	03	200,000,000.00		200,000,000.00
Development Lotteries Board		2,200,000.00		2,200,000.00
			575,777,392.83	575,777,392.83
Mahapola Portfolio at NWCL	02	5,125,204,995.16		5,028,520,635.22
School Development Funds Deposit	Sub -06	615,470,640.59		562,122,660.30
Deposits	Sub -06	419,580,000.00		378,000,000.00
			6,160,255,635.75	5,968,643,295.52
cost of capital (interest) of Investmen	Sub -02		70,110,420.00	73,030,420.00
Current Assets				
Debtors	04	199,368,073.20		199,028,481.00
Interest Receivable	05	354,973,265.20		128,067,356.35
Cash & Cash Equivalents		14,662,095.06		16,756,496.23
			569,003,433.46	343,852,333.58
Total Assets			**7,389,093,483.71**	**6,974,664,524.63**
Liabilities				
Non - Current Liabilities				
Accumulated Fund		6,847,591,573.81		6,413,827,233.42
Net Surplus		389,544,499.72		433,764,340.39
			7,237,136,073.53	6,847,591,573.81
School Development Fund	6	128,724,307.13		78,556,934.33
Current Liabilities				
Creditors	7	3,547,409.23		3,914,614.02
Provisions	8	19,685,693.81		44,601,402.47
			151,957,410.17	127,072,950.82
Total Liabilities			**7,389,093,483.71**	**6,974,664,524.63**

Ranjith Thenuwara
Director, Mahapola Higher Education Scholarship Trust Fund.

Sunil S.Sirisena
Member of the Board of Trustee Mahapola Higher Education Scholarship Trust Fund and Secretary of Ministry of Co-operatives and Internal Trade

H.M.Gunasekera
Member of the Mahapola Higher Education Scholarship Trust Fund and Secretary of Ministry of Education.

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTES	31/12/2011		31/12/2010
		Rs.	Rs.	Rs.
Income	*9*		1,139,737,853.19	1,112,921,142.26
Donation			100,000.00	
			1,139,837,853.19	
Less: Expenses				
Scholarship Awards	*10*	694,519,600.00		763,746,500.00
Scholarship Awards - Advance Level		46,813,796.80		
Appeal Board member fees		2,000.00		-
Staff Expenses	*11*	2,999,534.57		2,718,704.27
U.G.C. Expenses		623,725.66		671,345.63
Award Ceremony Expenditure	*12*	2,876,998.56		2,035,922.25
Computer Expenses		250,000.00		246,000.00
Administration & Operations	*13*	4,400,047.90		2,614,847.71
Depreciation		243,756.03		51,120.54
Bank Charges		14,000.00		13,757.01
			752,743,459.52	772,098,197.41
Net Income Over Expenditure			**387,094,393.67**	**340,822,944.85**
Other Income	*14*		34,155,452.50	33,742,736.54
NWCL Dividend			-	60,504,134.00
Prior year Adjustment	*15*		(28,785,346.45)	1,614,525.00
Less: Loss & Write Off	*16*		(2,920,000.00)	(2,920,000.00)
Surplus Income			**389,544,499.72**	**433,764,340.39**

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011.

	AMOUNT - Rs.	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus Income		389,544,499.72
Adjustment for:		
Share of profit of Development Lotteries Board	(600,866,585.50)	
Interest Income	(538,871,267.69)	
Depreciation	243,756.03	
Loss & Write Off - Amortised Value of SLIIL Building Cost	2,920,000.00	(1,136,574,097.16)
Net Cash Inflow/Outflow from Operating Activities Before Working Capital Changes		(747,029,597.44)
Working Capital Changes		
Increase/Decrease in Debtors	(339,592.20)	
Increase/Decrease in Creditors	(367,204.79)	
Increase/Decrease in Provisions	(24,915,708.66)	(25,622,505.65)
Net Cash Inflow/Outflow from Operating Activities		(772,652,103.09)
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant & Equipments	(829,275.00)	
Increase/Decrease in School development fund	50,167,372.80	
Increase/Decrease in School Development Fund Deposits	(53,347,980.29)	
Increase/Decrease in Deposits	(41,580,000.00)	
Increase/Decrease in Mahapola Portfolio at NWCL Reinvestment Earning	(96,684,359.94)	
Interest Received from Investment	912,831,944.35	
Net Cash Inflow/Outflow from Investing Activities		770,557,701.92
Net Cash Inflow/Outflow from Finance Activities		-
Net Change in Cash & Cash Equivilent		(2,094,401.17)
Cash and Cash Equivalents as at 01/01/2011		16,756,496.23
Cash and Cash Equivalents as at 31/12/2011		14,662,095.06
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents as at 01/01/2011		16,756,496.23
Cash and Cash Equivalents as at 31/12/2011		
Bank of Ceylon A/C No. 0000001791		14,662,095.06

ACCUMULATED FUND OF THE MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

STATEMENT OF CHANGES IN FUNDS

Balance as at 01.01.2010	6,413,827,233.42
ADD: Surplus income for the year 2010	433,764,340.39
Balance as at 01.01.2010	**6,847,591,573.81**
ADD: Surplus income for the year 2011	389,544,499.72
Balance as at 31.12.2011	**7,237,136,073.53**

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31/12/2011

Note 01 - Property, Plant & Equipments

Details	DATE	Book Value	Addition / (Disposal)	Depreciation Rates %	Cumulated Depreciation	Depreciation/ Amotization for the year	Balance as at 31/12/2011
		Rs.	Rs.		Rs.	Rs.	Rs.
Mahapola Malabe Land (Sub.note-01)		12,460,178.87	-	-	-	-	12,460,178.87
Building and Plant provided to the SLIIT		461,207,812.83	87,630,420.00	3.33	17,520,000.00	2,920,000.00	373,577,392.83
Please see the .(Sub.note-02) & (a) bellow.							
Iron Safe	29-Nov-85	2,750.00	-	10.00	2,750.00	-	-
Double Cab	30-Oct-96	1,100,000.00	-	20.00	1,100,000.00	-	-
Calculators	22-Oct-97	17,360.00	-	25.00	17,360.00	-	-
Laminating Machine	31-Dec-97	40,375.00	-	20.00	40,375.00	-	-
Fax Machine	23-Jul-99	32,500.00	-	20.00	32,500.00	-	-
Cash Box	27-Dec-00	2,450.00	-	20.00	2,450.00	-	-
Steel Cupboards	27-Dec-00	27,090.00	-	20.00	27,090.00	-	-
Computer ^	13-Oct-10	555,360.00	-	25.00	107,686.17	111,918.46	335,755.37
Printer ^	13-Oct-10	548,975.00	-	25.00	97,725.00	112,812.50	338,437.50
Thibus ^	02-Jun-03	33,000.00	-	25.00	33,000.00	-	-
Computers - PD	23-Apr-02	252,375.00	-	25.00	252,375.00	-	-
Fax Machine - PD	05-Aug-02	33,750.00	-	20.00	33,750.00	-	-
CD Writer - PD	09-Feb-03	6,750.00	-	20.00	6,750.00	-	-
Furniture - PD	11-Mar-03	611,715.00	-	25.00	611,715.00	-	-
Colour TV - PD	15-Aug-03	26,720.00	-	25.00	26,720.00	-	-
Fans	16-May-07	9,900.00	-	20.00	7,920.00	1,980.00	-
Kingston Pen Drive	29-Mar-07	4,878.30	-	25.00	4,878.30	-	-
Computer	31-Oct-11	398,109.00	398,109.00	25.00		16,633.32	381,475.68
Calculators	14-Dec-11	5,096.00	5,096.00	25.00		59.34	5,036.66
Steel Cupboards	27-Dec-11	29,500.00	29,500.00	25.00		80.80	29,419.20
Computer	31-Dec-11	298,620.00	298,620.00	25.00		204.53	298,415.47
Multimedia Project	31-Dec-11	82,000.00	82,000.00	25.00		56.16	81,943.84
Scanner	31-Dec-11	15,950.00	15,950.00	25.00		10.92	15,939.08
SUB TOTAL		477,803,215.00	88,459,695.00	-	19,925,044.47	3,163,756.03	387,523,994.50
LESS							
(a) Investment in SLLIT (*)		(461,207,812.83)	(87,630,420.00)		(17,520,000.00)	(2,920,000.00)	(373,577,392.83)
		16,595,402.17	829,275.00		2,405,044.47	243,756.03	13,946,601.67

(a)* Investment in the Sri Lanka Institute Information Technology (gte) Limited has re-setup under a New Agreement on 14.11.2005. Effect of this agreement will be applied from next financial year as 60 years valid Lease Agreement for 30 years two consecutive stages. Since Rs.87,630,420/= to be amortized with next 30 years which is exceeded the value in the Agreement.Therefore Rs.2,920,000.00 will be amortized.(Rs.2,920,000/- x 29 + Rs.2,950,420/- =Rs.87,630,420/-)

Note 02 - Mahapola Portfolio at NWCL

	Rs.
Value of the Mahapola Portfolio at 19.02.2004	3,160,700,000.00
Add : Reinvested Earnings from Previous year 2005	170,097,669.56
Reinvested Earnings in 2006	326,637,809.40
Reinvested Earnings in 2007	343,394,005.73
Reinvested Earnings in 2008	185,407,235.85
Reinvested Earnings in 2009	362,450,755.86
Reinvested Earnings in 2010	479,833,158.82
Reinvested Earnings in 2011	96,684,359.94
	5,125,204,995.16

*The original portfolio balance transferred in 2004 and unwithdrawan Surplus are added to the balance of the capital annually. This portfolio managed under the Fund Management Agreement.

Note 03- Share of National Wealth Corporation Ltd.

National Wealth Corporation Ltd (NWC) set up as fully owned subsidiary of Mahapola Fund, investing Rs.200 M as its issued capital on 30 June 2003 as object of management of funds.

Subsequently NWC has issued Rs.100 M fully paid ordinary shares as bonus shares to the Mahapola Trust Fund increasing it issued capital up to Rs.300 M utilizing it's earnings. This value has not taken into Mahapola books since it has not realized.

	Rs.
Issued Capital (20,000,000 x Rs.10/-)	200,000,000.00
Bonus Share issue (10,000,000 x Rs.10/-)	100,000,000.00
No of shares (30,000,000 x Rs.10/-)	**300,000,000.00**

NWCL has set up NWSL (Nat Wealth Securities Ltd) investing its own funds in 2004 for primary dealer operations under CBSL. Total investment for Share Capital of this company is Rs.300 M.

Note 04 - Debtors

	Rs.
Vehicle Insurance	2,940.00
Staff Loan & Advances	545,810.00
Balance of 50% Share of Profit of as reported by President Fund.	198,819,323.20
	199,368,073.20

Note 05 - Interest Receivable

	Rs.
Deposits	22,760,778.08
Fund Manager (NWCL)	329,072,016.00
School Development Fund Deposit	3,140,471.11
	354,973,265.19

Note 06 - School Development Fund

		Rs.
Balance as at 01.01.2011		78,556,934.33
Add :		
Interest Received	47,026,901.69	
Interest Receivable	3,140,471.11	
		50,167,372.80
		128,724,307.13

Demarcated Funds allocated as capital for the School development Fund of Schools development .Expenditure will be incurred only out of the interest generated on Capital as current balance .On completion of Development work expenditure will be adjusted with the Fund Account.

Board of Trustees decided to postpone committed for expenditure in 2008 for SJP. Playground, Anticipated expenditure Lalith Athulathmudali Memorial Centre work is pending for this.

The Board of Trustees approved to allocate Rest. 32.8M excluding taxes for the proposed playground and swimming pool St. Annes college, Kurunegala for next year.

Note 7 - Creditors

	Rs.
Retention A/C	3,547,409.23
	3,547,409.23

Note 8 - Provisions

		Rs.
Gratuity *		723,675.00
St.Peter's College Negombo		90,276.68
Embilipitiya Swimming Pool Expenses		585,449.00
Water Bill, Electricity Bill & Cleaning Ser.		8,245.72
Postage & Communication		14,811.51
School Development Fund		
Rajasinghe Central College, Hanwella - Playground & 400 m track	417,633.01	
Siri Piyarathana Central College, Padukka - Auditorium	1,784,099.99	
Homagama National School - (New)	1,025,064.53	
Lumbini Maha Vidyalaya, Colombo - Indoor Stadium	5,290,922.88	
Lalith Athulathmudali Vidyalay, Mt.Lavinia - Indoor Stadium	278,488.05	
Boys School, Malabe - Auditorium with classes	633,162.19	
Rahula Balika Maha Vidyalaya, Malabe - Complete the work of three storied building **	5,000,000.00	
Junior School, Oruwala - Complete the work of three storied building **	2,500,000.00	
Munidasa Kumarathunga Vidyalaya, - Complete the work of building	1,244,375.25	
National School, Seethawaka - Complete the work of Auditorium & Seats & Sound System	89,490.00	
	18,263,235.90	18,263,235.90
		19,685,693.81

* Gratuity provided as per the Labour Law.

** Commitments for two schools not yet authorised.

Note 9 - Income

		Rs.
Interest Income	a)	538,871,267.69
Share of profit from Development Lottery	b)	600,866,585.50
		1,139,737,853.19

a) Net Interest on Portfolio managing by NWCL and other interest.

	Rs.
NWCL - Portfolio Interest from Fund Manager	499,072,016.00
MTF - Fixed Deposits handled by MTF	39,278,860.27
MTF - Call/Short Term Deposits	520,391.42
	538,871,267.69

b) The President Fund office has informed that the above amount remitted as 50% share of profit of DLB Capital. However that income caculated after expenses incurred on the President scholarships payment to needy students in Advance Level. That expenditure had been shared with Mahapola Trust Funds earning. Mahapola Share for the expenditure were as follows.

Scholarship Payment for A/L students in 2010 and 2011 Rs. 71,467,796.80

Note 10 - Scholarship Awards

	Rs.
University Students	649,361,200.00
Other Higher Education Institute	45,158,400.00
	694,519,600.00

Note 11 - Staff Expenses

	Rs.
Salaries	2,182,149.43
Attendance Allowance	135,750.00
Over Time & Payments	479,978.04
Allowance to duty	36,000.00
E.P.F.	138,047.50
E.T.F.	27,609.60
	2,999,534.57

Note 12 - Award Ceremony Expenditure

	Rs.
Special Incentive Allowance	148,210.00
Ceremony Expenses	2,465,027.84
Over Time & Payments	92,642.72
Cheque Printing	171,118.00
	2,876,998.56

Note 13 - Administration & Operational Expenses

		Rs.
Postage & Communication		255,523.88
Welfare Expenses		66,501.40
Gratuity		97,335.00
Printing Charges		79,885.71
Fuel & Transport		127,471.20
Water Bill & Electricity Bill & Cleaning Ser.		282,067.44
Stationery & Office Expenditure		
Stationery	274,553.50	
Maintenance of Office Equipments	231,685.19	506,238.69
Rent (CWE)		2,256,278.25
Vehicle Maintenance		
Vehicle Insurance	30,596.00	
Vehicle Maintenance	190,310.61	220,906.61
Sundry Expenses		230,575.42
Traveling		1,487.50
Lalith Athulathmudali Memorial Ceremony		275,776.80
		4,400,047.90

Note 14 - Other Income

	Rs.
Recovered Money	386,925.00
Scholarship Payments Refunds	19,058,367.60
Institute of Information Technology Ltd *	14,695,735.00
Staff Loan Interest	14,424.90
	34,155,452.50

* This amount is received on the condition of the agreement singed in 2005 between MTF & SLIIT.

Note 15- Prior Year Adjustment

	Rs.
Staff Loan	1,705.00
Ceremony Expenses and other	49,814.95
50% Share of profit adjusted by DLB	4,079,826.50
President Fund - A/L Scholarship	24,654,000.00
	(28,785,346.45)

Note 16 - Loss & Write Off

	Rs.
Amortized value of the SLIIT Building cost (Note 1)	2,920,000.00
	(2,920,000.00)

SUB NOTE 01- Mahapola Malabe Land.

	Rs.
Kaduwela, Malabe Land	12,460,178.87
Mahapola Lands	**12,460,178.87**

This land including buildings has leased to Sri Lanka Institute of Information Technology (Pvt) Ltd on Agreement for 30 years which can be extended up to 60 years.

SUB NOTE 02 - Building

	Rs.
Institute of Information Technology (Pvt) Ltd	461,207,812.83
Less : Exceeded value of the Agreement	87,630,420.00
	373,577,392.83

The land at Malabe own by Mahapola Trust Fund, value of Rs.12,460 M (Sub note 01) has allocated for the above project. A sum of Rs.373,577,393/- was incurred as expenditure for the construction work of the project. However due to disagreement on Auditor General's Report this amount amortised.

* The total interest cost of a sum of Rs.87,630,420/- for Rs.175 M, NDB Loan amortized as per the lease Agreement dated 14.11.2005 for 30 years period of time. It is indicating as separate item next to Non Current Assets.

SUB NOTE 06

1 *DEPOSITS -- 2011*

BANK	AMOUNT	FROM	TO	RATE	2011	2012	2011	2012
Bank of Ceylon	419,580,000.00	25-May-11	25-May-12	9.0%	220	145	22,760,778.08	15,001,421.92
TOTAL	**419,580,000.00**						**22,760,778.08**	**15,001,421.92**

2 *School Development Fund Deposit -- 2011*

BANK	AMOUNT	FROM	TO	RATE	2011	2012	2011	2012
Bank of Ceylon	504,109,589.04	15-Dec-11	16-Apr-12	10.00%	16	106	2,209,795.46	14,639,894.91
Bank of Ceylon	105,916,287.30	15-Dec-11	16-Apr-12	10.00%	16	106	464,290.57	3,075,925.06
NDB Bank *	5,444,764.25	27-Jan-11	27-Jan-12	9.25%	338	26	466,385.08	35,875.78
	-							
TOTAL	**615,470,640.59**						**3,140,471.11**	**17,751,695.75**

MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND
FINANCIAL STATEMENTS - 31/12/2011

Accounting Policies.

1. Financial Statements are prepared in conformity with generally accepted accounting principles and Sri Lanka Accounting Standards with the followed practices.

2. Investment on Treasury Bonds / Bills are taken in to account as reported by Fund Manager of the National Wealth Corporation Limited (NWCL) at cost or on realizable value at maturity.

3. Interest income is recognized on an accrual basis as reported by Fund Manager of NWCL.

4. The Share of Profit from the Development Lottery is recognized on declaration and taken in to account under the respective financial years. This income credited direct to the Accumulation Fund as much as possible.

5. Funds utilized for earnings excluding Call & Short Term Deposits are categorized under investments which are itemized according to the period at their cost.

6. Investment policy is based on the criterion of low risk and highest interest income. Therefore, investments of funds floats along Bank Deposits and Treasury Investments according to the trend of interest rates. However after handing over the funds to the NWCL on the basis of bench mark income earning efficiency will be measured.

7. Receipt of the Fund is exempted from all taxes vide section 12 of Mahapola Higher Education Scholarship Trust Fund (MTF) Act No. 66 of 1981.

8. Depreciations have been provided at the following rates on straight line method, which is based on the estimated useful life span of the assets.

Vehicles	20.00%	per annum
Office Equipment	20.00%	per annum
Box File	25.00%	per annum
Computer Equipment	25.00%	per annum

9. Fully depreciated vary few items are not revalued since that value will not make material impact or effect for the true and fair view of the balance sheet.

10. Mahapola Expenditure is categorized under two Divisions as approved by the Board of Trustees namely Treasury Division & Projects Division. Even after Project Division has been closedown in March 2004, that clarification continued until end of the Project Division commitments are completed.

11. i. Donations received by the Fund in the form of material for project work are not shown in the balance sheet of the Fund and the Assets List which are reallocated, as they do not generate income for the MTF.

ii. Donations and Grants given by the Fund in the form of a capital nature to other institutions which may not have effect on earning capacity of the Fund were written down as expenditure during the year. The list of capital nature such expenditure for the last year are indicated in the notes.

12. Interest paid on Rs.175 M NDB loan obtained for the investment in SLIIT project has been capitalized as investment expenditure since the value of the investment has been appreciated. How ever under the new Agreement this investment will converted to the form of asset allocated by MTF as leased out to the SLIIT. Therefore practice has been changed. The balance of the NDB liability was settled. However interest paid are unauthorized for 30 years.

13 Fund for the setting up of SLIIT Malabe project, have been paid to the Sri Lanka Institute of Information Technology (Get) Ltd (SLIIT).Accumulated expenditure on this project has been accounted as an investment in the Balance Sheet to cost of investment in the lease agreement with SLIIT for management.

14 (a) MOU signed with SLIIT for Mahapola campus of Malabe for eight years, has been replaced by new Agreement signed on 14.11.2005 by both parties for 30 years which can extend up to 60 years in two consecutive stages.

The Salient features.

i. SLIIT have to pay a sum of Rs. 8 M or 20% of net profit which ever is higher to the MTF for annum.

ii. Award of 25 Mahapola scholarships per annum for SLIIT Degree course.

iii. Five members from MTF will represent the Board of Directors of SLIIT. As one third of member of the Board.

As per the above agreement relevant modifications were implemented.

(b) On this Agreement accounting policy on followings were changed with effect from 01.01.2006

i. Value of the investment in SLIIT will be the amount indicated in the Agreement as Rs.373,579,392/- from 01.01.2006.

ii. Interest for loan balance of Rs.175 M will consider as expenditure.

iii. 25 Scholarships to be awarded to the student intake from year 2007 by SLIIT on their cost.

iv. The excess value of the cost of buildings in Mahapola Campus were amortized from the year 2006.

v. Previous MOU will consider as inactive arrangement.

15. Mahapola Portfolio handed over to the NWCL which is fully own subsidiary of MTF on 19.02.2004 under the signed agreement to manage the fund. Net earning delivered by NWCL takes in to MTF books as earning from the portfolio, after charging all expenses as accrual basis. The net earnings excluding remittance to MTF is also added as Surplus Income to the portfolio which are not withdrawn.

16 Under Fund Management Agreement, NWCL agrees to maintain two types of portfolios are not required since handed over all Treasury Bills and Bonds were matured.

17 Net result on portfolio management is added and continued in NWCL as return in the Mahapola portfolio.

18 Consolidated Financial statements are not prepared due to dissimilar activities and nature of them.

19 Total income received on Aththidiya Land sold and other capital receipt are allocated for School Development Fund. Out of the interest income of the capital, activities for school development will be carried out.

20 "Mahapola" started again in October 2009 and it was held at Beliatta and operated on commercial basis for promotion of trade and education purpose under the approval of the Cabinet of Minister to generate income for school development work by the Ministry of Trade. If there is a surplus income out of that operation has to be remitted to the School Development Fund by the Ministry of Trade. However that Surplus has not yet identified by the Ministry of Cooperatives & Internal Trade and informed thare are no revenue from that Beliatta Mahapola for School Development Fund.

TC/E/MHESTF/FA/2011 03 January 2013

The Chairman

Mahapola Higher Education Scholarship Trust Fund

Report of the Auditor General on the Financial Statements of the Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2011

The audit of financial statements of the Mahapola Higher Education Scholarship Trust Fund comprising the balance sheet as at 31 December 2011 and the income statement , statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, as at 31 December 2011 was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10(4) of the Mahapola Higher Education Scholarship Trust Fund Act, No.66 of 1981. My comments and observations which I consider should be published with the Annual Report of the Fund appear in this report.

1:2 Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

I believe that the audit evidence I have obtained in sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Mahapola Higher Education Scholarship Trust Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2:2 Comments on Financial Statements

2:2:1 Presentation of Financial Statements

Even though the Fund had been subjected to the Control under the Presidential Secretariat since 01 November 2011, the financial statements for the year 2011 had been certified by the Secretary to the Co-operative and Internal Trade as a member of the Trust Board. The draft financial statements of the year 2011 had been presented to audit on 29 February 2012 and the revised draft financial statements had been resubmitted on 27 April 2012.

2:2:2 Accounting Standards

In terms of Sri Lanka Accounting Standard No.26 the Consolidated Financial Statements incorporating the National Wealth Corporation Ltd. which is a fully owned subsidiary of the Fund should be prepared. Nevertheless action had not been taken to consolidate the Financial Statements from the year 2003 to the year 2011 by the Fund.

2:2:3 Accounting Deficiencies

The following observations are made.

(a) The surplus income of Rs.3,270,082 receivable from the Mahapola Trade Exhibition conducted by the Ministry of Corporative and Internal Trade in the year 2009 had not been brought to accounts.

(b) According to the Financial Statements, the amount of investment made in the Sri Lanka Institute of Information Technology (SLIIT) was Rs.461,207,812 but according to the Financial Statements of the Institute of Information Technology it was shown as Rs.373,577,393 thus indicating a difference of Rs.87,630,420. However it was disclosed in the note 01 that this difference would be written off in the long run.

2:2:4 Non-compliance with Laws, Rules, Regulations etc.

Non-compliance with laws, rules, regulations,

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) F.R. 264	Even though every payment should be supported by a receipt from the payee, such requirement had not been complied with in respect of payment of scholarships totalling Rs.49,414,250.
(b) F.R. 396(d)	Action in terms of financial regulations had not been taken in respect of 3 cheques valued at Rs.2,628,700 issued but not presented for payments.

3. Financial Review

3:1 Financial Results

According to the financial statements presented the surplus of the Fund for the year ended 31 December 2011 before prior year adjustments and before written offs losses amounted to Rs.421,249,846 as compared with the surplus of Rs.435,069,815 in the preceding year before prior year adjustments and before written offs thus deterioration of financial results by Rs.13,819,969. Non receipt of dividend income had been the main reason therefore.

4. Operating Review

4.1 Performance

Information regarding the Award of scholarship by the fund and certain significant data are given below.

Year	No. of Student enrolled to Universities	No. of Scholarships Awarded to Universities	No. of Scholarships Awarded as a per Cent age of Students entered to Universities	No. of Scholarships Awarded to Technical Colleges and Other Higher Educational Institutions	Total No. of Scholarships Awarded	Expenditure incurred on Scholarships Awarded	Expenditure on Scholarships Awarding Ceremonies
			%			Rs.	Rs.
1999/2000	11,324	5,958	52.6	550	6,508	229,443,550	5,118,665
2000/2001	11,717	6,275	53.5	601	6,876	245,651,650	2,982,856
2001/2002	11,380	6,206	54.5	417	6,623	362,024,850	3,690,075
2002/2003	23,568	12,246	52.0	522	12,768	379,473,500	4,622,591
2003/2004	12,623	8,147	64.5	550	8,697	437,707,100	785,597
2004/2005	13,653	9,000	65.9	847	9,847	487,929,950	516,476
2005/2006	15,478	8,009	51.7	1,335	9,344	644,682,550	941,490
2006/2007	15,996	7,799	48.8	1,045	8,844	717,665,900	3,050,987
2007/2008	18,714	9,500	50.7	1,663	11,163	711,135,000	1,328,963
2008/2009	19,340	10,000	52.0	1,500	11,500	695,747,550	2,057,249
2009/2010	20,111	10,000	49.72	1,564	12,574	763,746,500	2,035,922
2010/2011	20,274	10,300	50.80	1,500	11,800	694,519,600	2,876,999

4:2 Operating Inefficiencies

The following observations are made.

(a) Awarding Scholarships

Particulars of awarding scholarships and the payments thereon from the Fund during

the year 2011 are given below.

Academic Year	2007/2008	Academic Year 2008/2009	2009/2010
No. of students entered to Universities	18,714	19,340	20,111
No. of Scholarships allocated to universities by the Trust Board of the Fund	9,500	10,000	10,000
No. of Scholarships awarded	8,787	9,006	8,868

The following matters were observed in this regard and payments.

(i) Although the universities had been instructed to pay the money to the scholarship holders in determining a specific last date of each month by the Fund, those instructions were not followed and as such action had not been taken to get back the balance money after being paid the instalments without delay.

(ii) According to a test check, the payment of Scholarship instalments in 5 universities had been outstanding for periods ranging from 01 to 10 months.

(b) School Development Activities

The following matters were observed.

(I) A sum of Rs.4,366,838 had been given to the Malambe Boys School for the construction of a Auditorium building with class rooms by 21 June 2011 and the physical examination carried out on 21 June 2011 observed the following.

(i) According to the agreement entered into with a private contractor by the Ministry of Education on 18 January 2011, the construction works of the 1st Stage of the above building had been completed by obtaining funds from the Secondary Education and Modernization Project. The contractual amount was Rs.4,022,269 (without VAT). However according to the letter No.ED/07/99/07/12/10 dated 28 October 2010, it was stated that a sum of Rs.4,366,838 had been utilized from the Mahapola Fund as well to construct the 1st Stage of the above building, but its construction works had not been done from the Mahapola Fund.

(ii) Although the above Rs.4,366,838 had been received by the Ministry on 08 December 2010, it had been retained in the deposit account. It was proposed that this money would be utilized for the payment of outstanding, payable by that time for the other school construction work.

(iii) The old buildings in this place had been demolished and removed on 06 February 2010 and the students in the class rooms had been located in a temporary building. Although the students should have transferred to the new building after being completed immediately, the construction works had been stopped by June 2011.

(II) A sum of Rs.22,317,500 had been allocated for the modernization of Hanwella Rajasinghe Vidyalaya Sports ground.

The following matters were observed in this connection.

(i) A sum of Rs.20 million had been provided for this project by the Trust Board Paper No.50/05 but it had been increased to Rs.25 million subsequently. Although a sum of Rs.24,046,747 had paid as at 31 December 2010, the construction work of the bath rooms and toilet system had not been commenced even by 20 June 2011, the date of audit verification.

(ii) According to the above estimate No.2, a sum of Rs.13,247,500 had been paid for earth filling, it had not been properly done and as such the sports ground was badly damaged. Therefore inter house sports meets of the school could not be held and the school had faced unfavourable situations such as incurring an additional expenditure for other training activities.

4:3 Irregular Transactions

A multi-purpose computer printer had been hired with a condition of ascertaining a minimum monthly copies 3000 at Rs.2.30 per copy (including VAT) for a period of 4 years from 07 April 2008 by the Fund and the amount paid to it up to August 2011 was Rs.364,369. As the monthly minimum copies could not be ascertained as per the agreement, a sum of Rs.14,142 had been overpaid for 6144 copies not obtained.

4.4 Matters of Contentious Nature

The following observations are made.

(a) In terms of Trust Board Paper No.39/03 dated 13 May 2002, a private company had been established on 23 March 2003, with an initial capital contribution of Rs.200,000,000 with an expectation of fund management to be able to earn higher income by investing the surplus money belonging to the Fund in the competitive money market. However the approval of the Minister of Finance had not been obtained for this investment in terms of Section 8.2.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003. The total amount handed over by the Fund to the company as at 31 December 2011 for management was Rs.5,125,204,995.

The following matters were observed in that connection.

(i) Any dividend whatsoever had not been received for Rs.200,000,000 invested by the Fund as the Initial Capital for 5 years from 2003 to 2007 and the dividend amounting to Rs.5 million Rs. 4.8 million and Rs. 60.5 million had been received for the years 2008, 2009 and 2010 respectively.

Although according to the Trust Board Paper No.52/09 of the year 2011 the profit of the above company as at 31 December 2011 amounted to Rs.74,161,271 but no dividend what so ever had been received by the Fund.

(ii) Although an interest income of Rs.508,742,060 had been earned by investing funds amounting to Rs.5,125,204,995 of the Fund as at 31 December 2011 only a sum of Rs.499,088,615 had been paid to the Fund after deducting a sum of Rs. 7,911,887 as assets management fees of the Company and a sum of Rs.9,653,445 as trustees fees. As the Fund is exempt from income tax Rs.9,653,445 could have been saved if the above money been directly invested.

(iii) The above company had become inoperative after 2004, a lesser interest than the competitive interest rates had been received by the Fund as the company was in operation without competitiveness.

(b) Sri Lanka Institute of Information Technology

(i) In terms of Section 4(b) of the agreement entered into between the Sri Lanka Institute of Information Technology and the Mahapola Trust Board on 14 November 2005, Secretary to the Mahapola Fund, Chief Accountant and 3 other persons with educational and professional qualifications should be appointed to the Board of Directors of the Sri Lanka Institute of Information Technology. Nevertheless 5 persons comprising 2 members from the Fund and 3 members outside the Fund had been appointed.

(ii) In terms of Section 5(a) (ii) of the agreement, action should be taken to award 25 scholarships for the Sri Lanka Information Technology Degree in the name of the Fund, but action had not been taken to award such scholarships up to now.

(iii) According to the Section 4(l) of the agreement, the land which had been leased out by the Fund should be developed within 10 years by the Sri Lanka Institute of Information Technology and if it is not so done the Fund had the right to use the property to some other project. However 5 years had elapsed within 10 year period, development projects had not been commenced even by 18 December 2012.

4:5 Personnel Administration

According to the information made available for audit the cadre of the Fund as at 31 December 2011 is given below.

	Approved	Actual	Vacancies
Staff	05	04	01
Non-staff	11	04	07
Junior	03	02	01
	19	10	09

The following observations are made in this regard.

(a) Although it was stated that the approved Cadre was 19, the approval of the Department of Management Services had not been obtained in terms of Section 9.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.

(b) Three staff grade posts of the Fund had been filled with one officer on contract basis who was more than 60 years of age and 2 acting posts.

(c) The Director of the Fund who was the Chief Executive Officer as well was also more than 60 years of age and drawing a monthly acting allowance of Rs.12,000.

(d) Even the two employees at junior level had also been recruited on casual basis and the approval in terms of Paragraph 9.10 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 had not been obtained for those employees and the officer who was recruited on contract basis.

5. Systems and Controls

Weaknesses in systems and controls had been brought to the notice of the Chairman of the Fund from time to time. Special attention is needed in respect of the following areas of control.

(a) Accounting

(b) Fund Management

(c) Scholarships

(d) School Development Fund

(e) Personnel

H.A.S. Samaraweera

Auditor General

Comments on the Auditor General's Observations of Mahapola Higher Education Scholarship Trust Fund for the year ended 31.12.2011

This refers to the report No.TC/E/MHESTF/FA/2011 and dated 03.01.2013 of the Auditor General

2. Financial Statements

2.2.1 **Submission of Financial Statements**

Dividends of the Development Lotteries Board for the year 2011. Which should be included compulsorily to the financial statements of the year 2011 had been obtained after preparing the final accounts of the said institution and thereafter statements have been updated and resubmitted.

2.2.2 Accounting standards

Action will be taken in due course in respect of this matter.

2.2.3 Accounting Deficiencies

a) Secretary to the Ministry of Co-operative & Internal Trade by his letter No.2-9/MTF/2009 dated 24.02.2011 has informed that they don't have money to pay for the fund. They have established their inability to pay the relevant amount. Therefore it cannot be brought to accounts.

b) As per the observations of the Auditor General, interest of Rs.87,630,420 for the loan amount of Rs.175 Million, which was capitalized within 30 year contract period from 2006 has been written off from the books of Mahapola Fund.

2.2.4 **Non compliance with laws, rules, regulations etc**.

a) Government departments and corporations should comply with Financial Regulations. The fund only follows those regulations when necessary .

Every cheque issued for the payment of scholarships are supported by a receipt from the payee and as it is implemented under due control, there cannot be seen any defect in the procedure.

b) This has been corrected.

3. **Financial Review**

3.1 **Financial Results**

This is an explanation

4. **Operating Review**

The number of scholarships varies depending on the number of scholarships allocated and the number of scholarships awarded. In the event the adequate numbers are available, total scholarships allocated are awarded. Even such number of scholarships depends on the academic progress achieved by the students and the vacation of the relevant courses.

4.2 Operating Inefficiencies

a) Awarding Scholarships

i) These weaknesses have been shown only few universities and the said institutions have taken steps to correct the said mistake. In each month, universities have been instructed to send the balance money after being paid the instalments without delay.

ii) Administrative matters and protests of the universities caused this situation

b) **School Development Activities**

i) This fund is under the control of the Ministry of Education. Regularly, action has been taken to follow up those activities and to correct the mistakes.

ii) It has been reported that these funds are being utilized for the construction work of the school.

iii) Construction work has been commenced by the Provincial Education Ministry.

II. i) Arrangements have been made to grant the approved amount for the relevant construction. Additional amount necessary for the completion of the construction will be granted by the Ministry of Education.

ii) After completion the construction of the sports ground, it should be properly maintained, because it is eroding away day by day due to soil erosion.

4.3 **Irregular Transactions**

Our payments have not been made. As per the agreement, monthly royalty of Rs.3000/- should be paid, whether copies are obtained or not. No investor will lease a multi purpose computer printer without any income. This is the minimum cost that should be incurred by the institution. If we had to purchase the said item the opportunity cost will be higher than that. Therefore this method is effective.

4.4 **Matters of contentious nature**

a) Dividend amounting to Rs.36 Million for the year 2011 has been granted later.

b) As this is a company, this is not exempted from income tax.

c) Sri Lanka Institute of Information Technology

i) Agreed

ii) These scholarships have been awarded annually

iii) Development projects have been commenced

4.5 **Personal Administration**

a) As per the Act, the appointing authority of its staff is the Mahapola Board of Trustee. These appointments have been duly approved by the Board of Trustee of the Mahapola Scholarship Trust Fund at its meeting conducting under the chairmanship of the hon. Chief Justice.

b) These appointments have been made on the exigencies of the service.

c) Board of Trustee needs the services of an experienced officers with wide knowledge in the relevant field to conduct its activities in a smooth manner. Therefore those officers have been appointed on the exigencies of their services.

d) This is not a public enterprise as this fund is not coming under the consolidated fund. Therefore, the fund is not under the control of the said Department. Salaries and allowances of the staff members have been decided on the discretion of the Board of Trustee under the guidance of the Salaries and Cadre Commission.

5. **Systems and Controls**

Comments noted

Sgd./ Ranjith Thenuwara,

Director,

Mahapola Higher Education Scholarship Trust Fund.