



கார்ட்டு ங்டுன வார்ட்டுவ
செயல்திறன் அறிக்கை
PERFORMANCE REPORT

2018

லலித் அதுலத்தமுதலி மகாபுலா உயர் கல்வி தவித்தொகை
அறக்கட்டளை நிதி

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

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01. Award of Scholarships

Among the people who apply for Mahapola Higher Education Scholarships, the annually awarded number of limited Mahapola merit Scholarships are awarded based on the results of G.C.E. A/L examination. Hence, Mahapola merit scholarships are awarded to the students who score high marks at the examination on merit basis while ordinary Mahapola Scholarships are awarded considering the family income giving priority to their rank. Among the total number of annual Mahapola Scholarships, 10% are merit scholarships while the remaining 90% is reserved for ordinary scholarships. Rs. 50/- more is paid for a Merit Scholarship, than an ordinary scholarship.

Mahapola Scholarship The Board of Trustees granted approval to award 14,986 scholarships for the students who obtained university admission for the academic year 2017/18 based on the results of G.C.E. (A/L). Among them, only 1498 are merit scholarships while the balance of 13,490 scholarships are awarded for the students of low income families based on their ranks. Compared with the total number of university admissions; 28,000, 53% has been covered under the award of Mahapola Scholarships. Accordingly, students who got admission for the courses prescribed by the University Grants Commission in 2018 were granted scholarships.

In addition to the number of scholarships recommended by the University Grants Commission, arrangements have been made to award 2051 scholarships for the students who are following degrees in the following Higher Education Institutes.

Operational Review...

Award of Mahapola Scholarships 2014 - 2018

University	2014	2015	2016	2017	2018
1. Colombo	1,387	1,246	1,182	1,521	1,761
2. Peradeniya	1,615	1,381	1,318	1,452	1,757
3. Kelaniya	1,371	1,590	1,551	1,820	1,985
4. Sri Jayawardenepura	1,810	1,859	1,894	2,029	2,288
5. Moratuwa	836	836	775	828	957
6. Jaffna	709	785	1,049	1,129	1,062
7. Jaffna (Ramanathan)	27	130	116	142	40
8. Ruhuna	667	1,015	907	1,009	1,098
9. Jaffna- Vavuniya Campus	48	104	124	109	90
10. Eastern	285	340	583	633	402
Gampaha Wickramarachchi Ayurveda					
11. Institute	34	31	8	7	16
12. Institute of Indigenous Medicine	79	68	66	73	93
13. Colombo Computer School	90	69	83	94	131
14. Colombo- Si Pali	32	92	69	99	63
15. Performing Arts	187	348	330	330	242
16. South Eastern	500	801	908	905	651
17. Rajarata	561	609	673	814	779
18. Sabaragamuwa	339	546	535	556	540
19. North Western	360	358	509	574	683
20. Eastern – Trincomalee Campus	72	109	127	118	135
21. Uva Wellassa	101	167	229	251	175
22. Swami Wipulananda	37	191	140	161	38
Total No. of scholarships	11,147	12,675	13,176	14,654	14,986

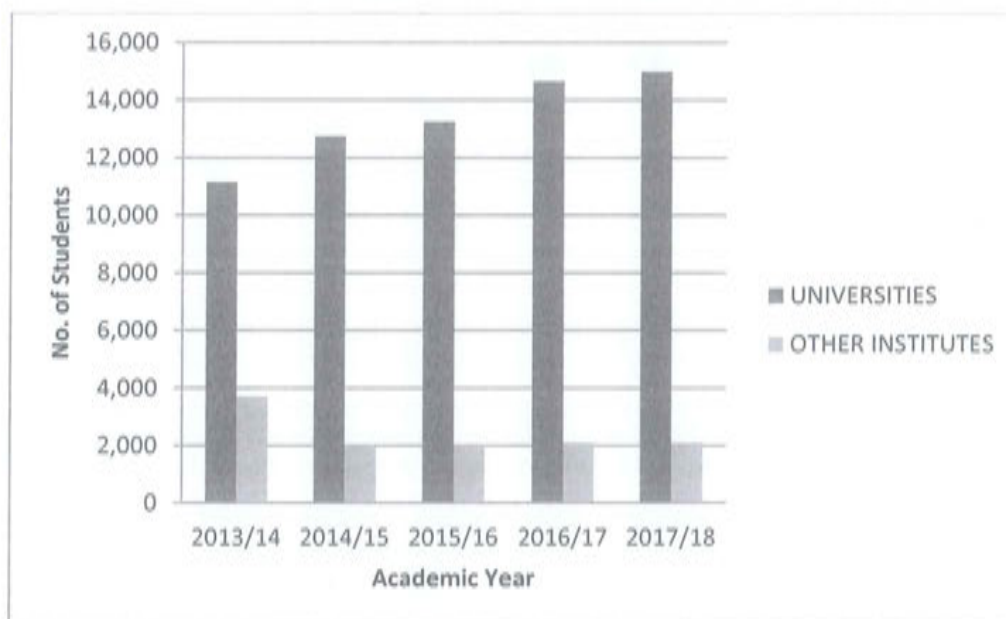
Mahapola Scholarship Awards (Other Institutes)

Institute		No. of students
1.	Sri Lanka Law College	25
2.	National Institute of Technology - Moratuwa	70
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) (There are 15 regional centres)	1500
7.	40 scholarships were allocated for the Open University of Sri Lanka	400
		2051

Comparison of Total Number of University Admissions and Mahapola Recipients

Year	2014	2015	2016	2017	2018
Total number of university admissions	22,687	25,523	28,939	30,000	31,158
Number of students who qualified as per the limit of income	13,500	14,000	15,000	15,000	20,000
Number of Mahapola Scholarship recipients	12,675	13,176	14,654	14,500	14,984
Students qualified for scholarships as per the limit of income as a percentage of the total number of students	59%	54%	52%	50%	64%
Mahapola recipients as a percentage of total number of students	56%	52%	51%	48%	48%
Number of Mahapola recipients among the number of students qualified based on the limit of income	94%	94%	97%	96%	75%

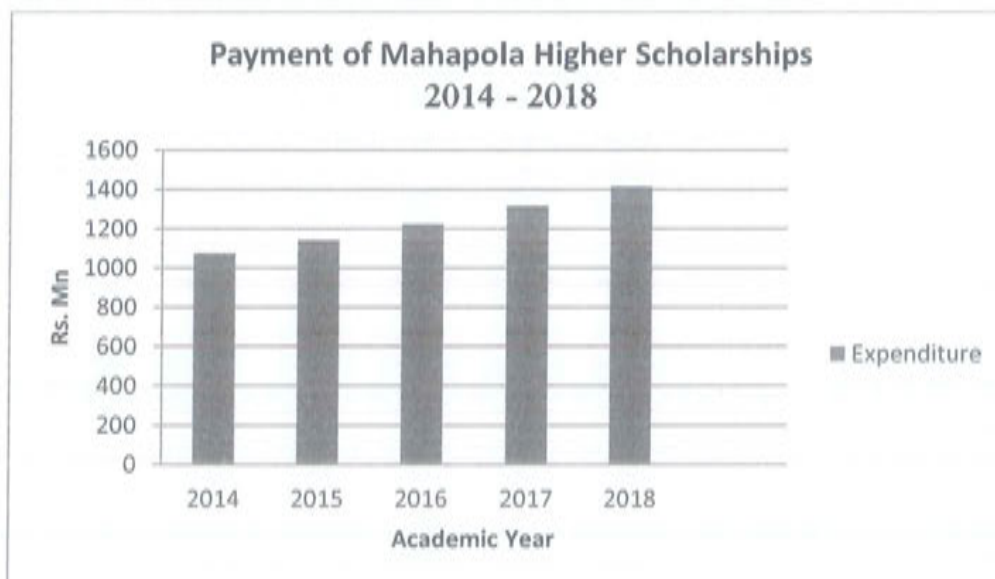
Award of Mahapola Scholarships 2014 - 2018



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.

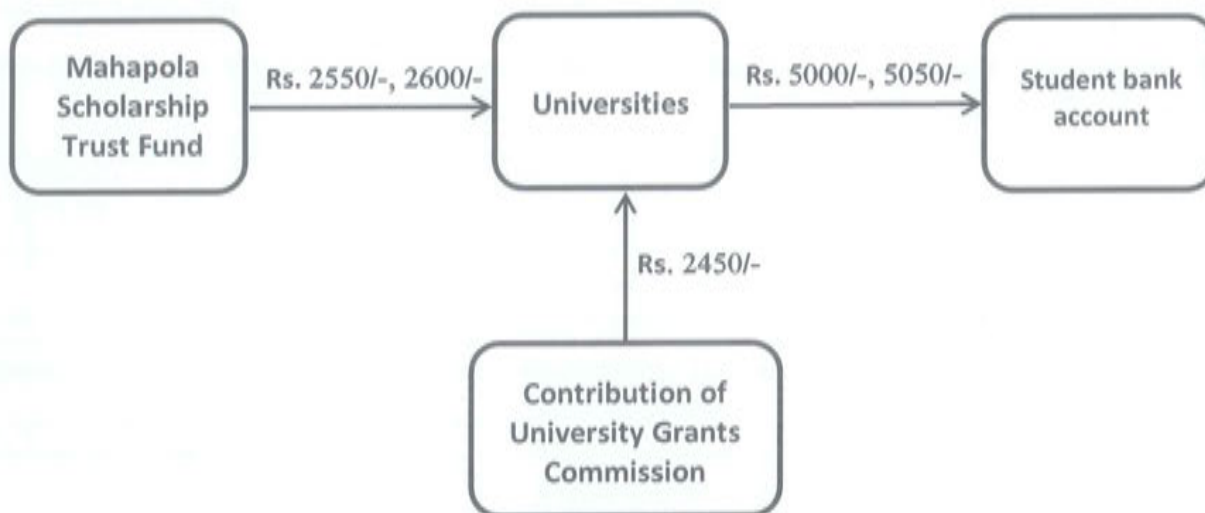
**Payment of Mahapola Higher Scholarships
2014 - 2018**



Operational Review ...

Introducing direct payment system to make efficient the payment of scholarships

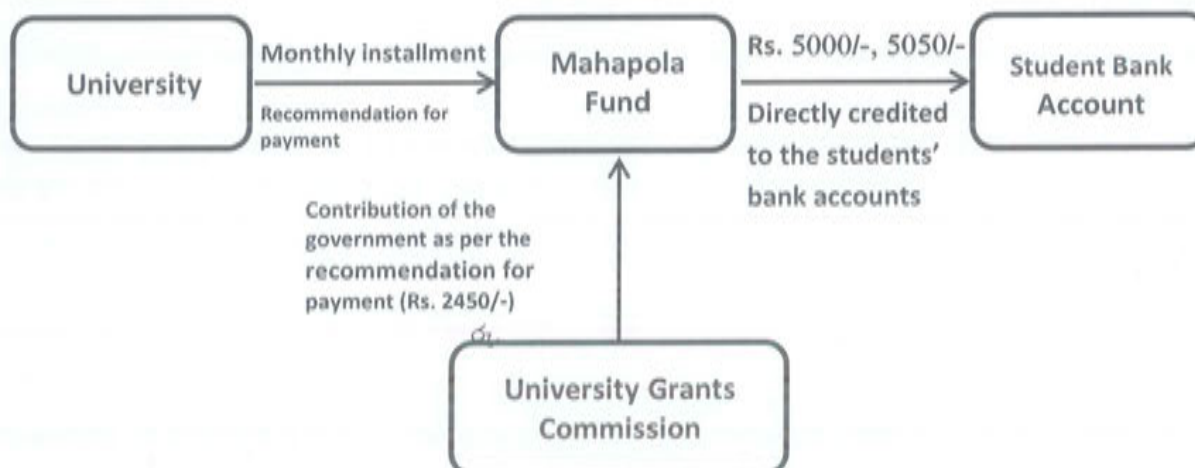
Old Payment System



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 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.

Qualification Criteria for Mahapola Scholarships

Qualification Criteria for Mahapola Scholarship Awards

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

1. Merit Scholarships

Only a limited number of Mahapola scholarships are awarded under the Merit Category based on the performance of the students at G.C.E. A/L examination. Students who pass the examination with colours are awarded scholarships under this category. 10% from the scholarships are granted under the Merit Scholarship Scheme.

2. Ordinary Scholarships

Mahapola Ordinary Scholarships are awarded giving priority to the district rank the student achieves and considering the family's income. Among the total number of scholarships 90% is allocated for general scholarships.

Qualification Criteria for Mahapola Scholarship

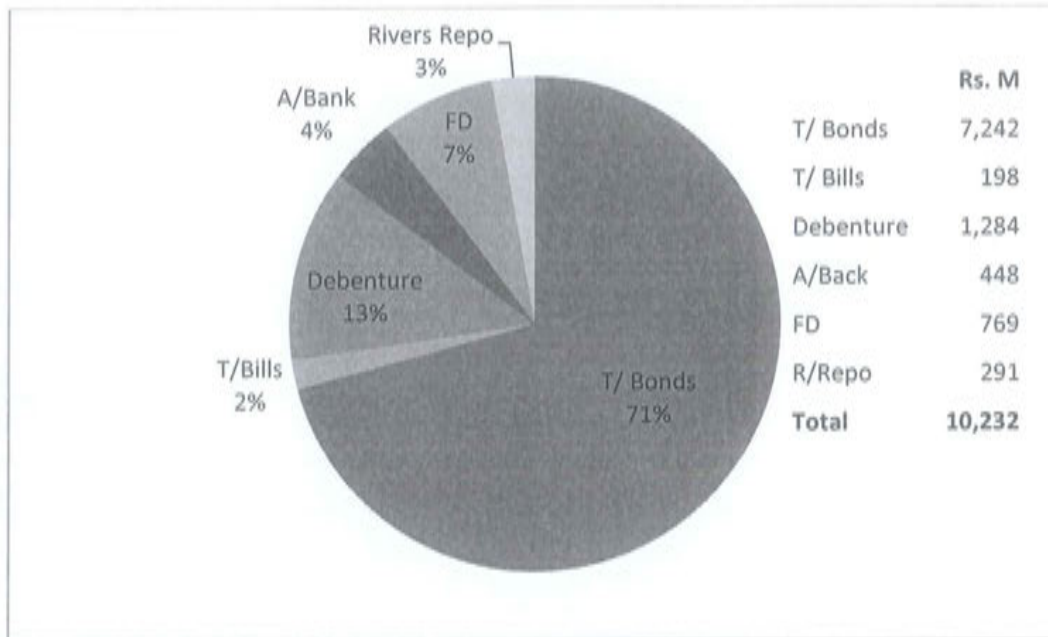
- I. Mahapola Recipient shall be a Sri Lankan.
- II. He / she should be registered as an internal student for a full time course at a university or an affiliated institute of a university.
- III. Parents' Income
 - a) Parents' income shall be equal to less than Rs. 500,000/- effective from 2017/18.
 - b) The above income limit is applicable for the students who have been registered for the academic year 2017/18. However, in case the students who don't get any financial aid as at the effective date of this circular fall into the revised limit of the parents' income, they are qualified to apply for Mahapola Scholarship.
- IV. When selecting students for Mahapola Scholarship, under the circumstance that parents have been legally separated and there is no documentary evidence or not taken any legal action such cases are taken into consideration to decide the income limit after the receipt of Grama Niladhari reports and relevant police reports.
- V. If the student has been employed, his / her income shall be added to the parents' income.

In case the student is employed and married, the student and the spouse shall be considered as a separate family and in terms of the above rule (III), his / qualifications are under estimated.

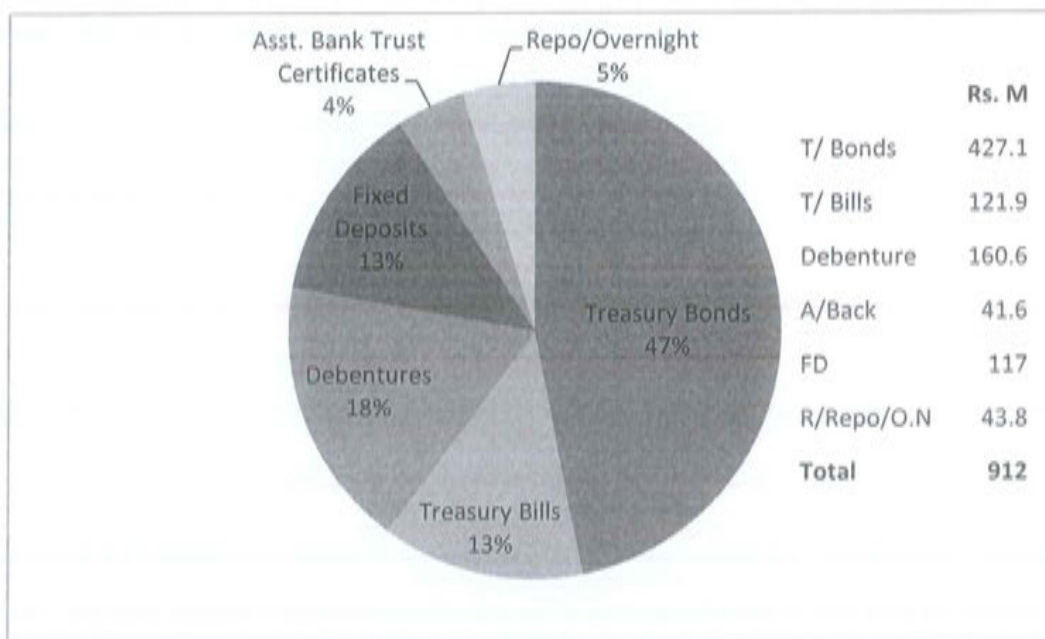
Operational Review

Status of the Mahapola Higher Education Scholarship Trust Fund as at 31.12.2018

Portfolio



Investment Income - 2018



Operational Review ...

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 and one of his representatives is a member of its 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.

Dividend of Development Lotteries Board 2014-2018 in the profit transaction to the Mahapola Higher Education Scholarship Trust Fund through the President's Fund

Year	2014	2015	2016	2017	2018
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Net profit of Development Lotteries Board	2016	1678	1836	507	2187
Profit Share transferred to Mahapola Trust Fund	898	736	767	25*	804

* National Lotteries Board has paid Rs. 1.7 Bn in 2017 as due tax. Hence net profit of Development Lotteries Board decreased by the said tax amount and only a sum of Rs. 25 Mn. could be transferred to Mahapola Trust Fund.

NatWealth 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. acts as an investment manager and the portfolio of Mahapola Trust Fund is 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.

Operational Review...

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 Bn by the end of 2018.

Operating Results of NatWealth Corporation Ltd. and Nat Wealth Securities Ltd. from 2013 to 2018

Year	Profit / Loss		Total (Rs. Mn.)
	NatWealth Corporation Rs. (Mn.)	National Welth Securities (Rs.(Mn.))	
2013	(1.4)	127.5	126.1
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)
Net Result	120.5	(134.4)	(13.8)

Approval was received for the Cabinet Memorandum submitted by Hon. Wijedasa Rajapakse, then Minister of Higher Education and Cultural Affairs on 23th August 2018 to rescind the investment management agreement with the NWCL Ltd., to transfer the management fund to Mahapola Account in the Bank of Ceylon and to select an appropriate buyer and sell the shares of NWSL Company. Accordingly, procurement has been started to sell the shares of NWSL.

Operational Review...

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. The Institute of Information Technology has been established a Parliamentary Act and Sri Lanka Institute of Information Technology was established as a guarantee limited. Subsequently, Sri Lanka Institute of Information Technology was established under the Act No. 17 of 1982.

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 Multi-National 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.

SLIIT signed a lease agreement and an asset transfer agreement with Mahapola Fund in 2015, SLIIT is paying a rental of Rs. 20 Million annually to the Mahapola. It has been noted that proper approval of Mahapola Trust Fund has not been received in this regard and investigations were in process at the Commission to Investigate Allegations of Bribery or Corruption and Special Presidential Commission of inquiry and the investigations were completed by December 2018.

Operational Review ...

Management Accounts of the first 6 months in 2019 Comprehensive Income Statement for the Year ended as at 30th June 2019

Income	Notes	30.06.2019 Rs.	30.06.2018 Rs.	Growth
Interest Income – Treasury Bonds	1	358,345,357	296,552,771	21%
Interest Income – Treasury Bills	2	18,134,052	7,157,882	
Interest Income – Asset backed security	3	17,248,300	20,800,755	
Interest Income – Fixed Deposits	4	119,987,950	32,348,746	
Interest Income - Debentures	5	78,179,374	80,336,568	
Interest Income – Commercial papers		-	15,855,705	
Interest Income – short term deposits / Reversal of short term deposits	6	27,714,313	18,944,020	
Fulfillment of capital profits		1,973,079		
Total Investment Income		621,582,425	471,996,447	32%
Direct Expenses				
Management Finance - NWCL		-	(14,805,079)	
Trustee Fees – Bank of Ceylon (NWCL)		-	(1,056,122)	
Trustee Fees - Bank of Ceylon (MTF)		(932,000)	-	
Financial Expenses – Treasury bond premium		(970,768)	(3,732,110)	
BOC loan interest expenditure		(35,331,626)	-	
Net investment income		584,348,031	452,403,136	29%
Other Income				
DLB Dividend		500,782,697	293,735,280	
SLIIT Rental		10,000,000	10,000,000	
Other Income		50,425	1,876,730	
Total other income		510,833,122	305,612,010	
Total Income		1,095,181,153	758,015,146	
Expenditure				
Scholarship Payments		(344,445,136)	(662,783,395)	
Salaries		(7,174,260)	(6,352,755)	
Other administrative expenses		(8,186,462)	(6,941,196)	
Depreciation		(28,829,022)	(28,019,523)	
Total expenditure		(388,634,880)	(704,096,869)	
Net income exceeding expenses		706,546,273	53,918,277	
Net profit / loss before taxation		706,546,273	53,918,277	
Income Tax Provisions		(98,916,478)	-	
		607,629,795	53,918,277	
After – tax income		607,629,795	53,918,277	

Operational Review ...

Meetings of the Board of Trustees

At the 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 2018 and the information of participation of the trustees are given below.

	Trustee/Trustees	Designation	No. of Meetings				
			1	2	3	4	5
1	Hon.Priyasad Dep PC	The Chief Justice	√	√	√	√	√
2	Hon. Malik Samarawickckrama	Minister of Development Strategies, Investment Promotion & International Trade	√	---	--	---	--
3	Hon. Dr. Wijedasa Rajapakse PC	Minister of Higher Education & Cultural Affairs	--	√	√	√	√
4	Mrs. Chandani Wijewardhane	Secretary, Ministry of Development Strategies, Investment Promotion & International Trade	√	---	--	---	--
5	Mr. J.J.Rathnasiri	Secretary, Minister of Higher Education & Cultural Affairs	--	√	√	√	√
6	Mr. D.D.Dissanayaka	Secretary Ministry of Higher Education & High Ways	√	---	--	---	--
7	Mr. S.S.Hettiarachchi	Secretary, Min. of Higher Educ.	√	√	--	--	--
8	Mr. S.V.D.Kesaralal Gunasekara	Appointed Trustee		√	√	√	√
9	Dr. Wickrama Weerasooriya	Appointed Trustee	√	---	--	---	--
10	Dr. D.K.D.Mathiw	Appointed Trustee		√	√	√	√
11	Mr. Anil Rajakaruna	Appointed Trustee	√	---	--	---	--

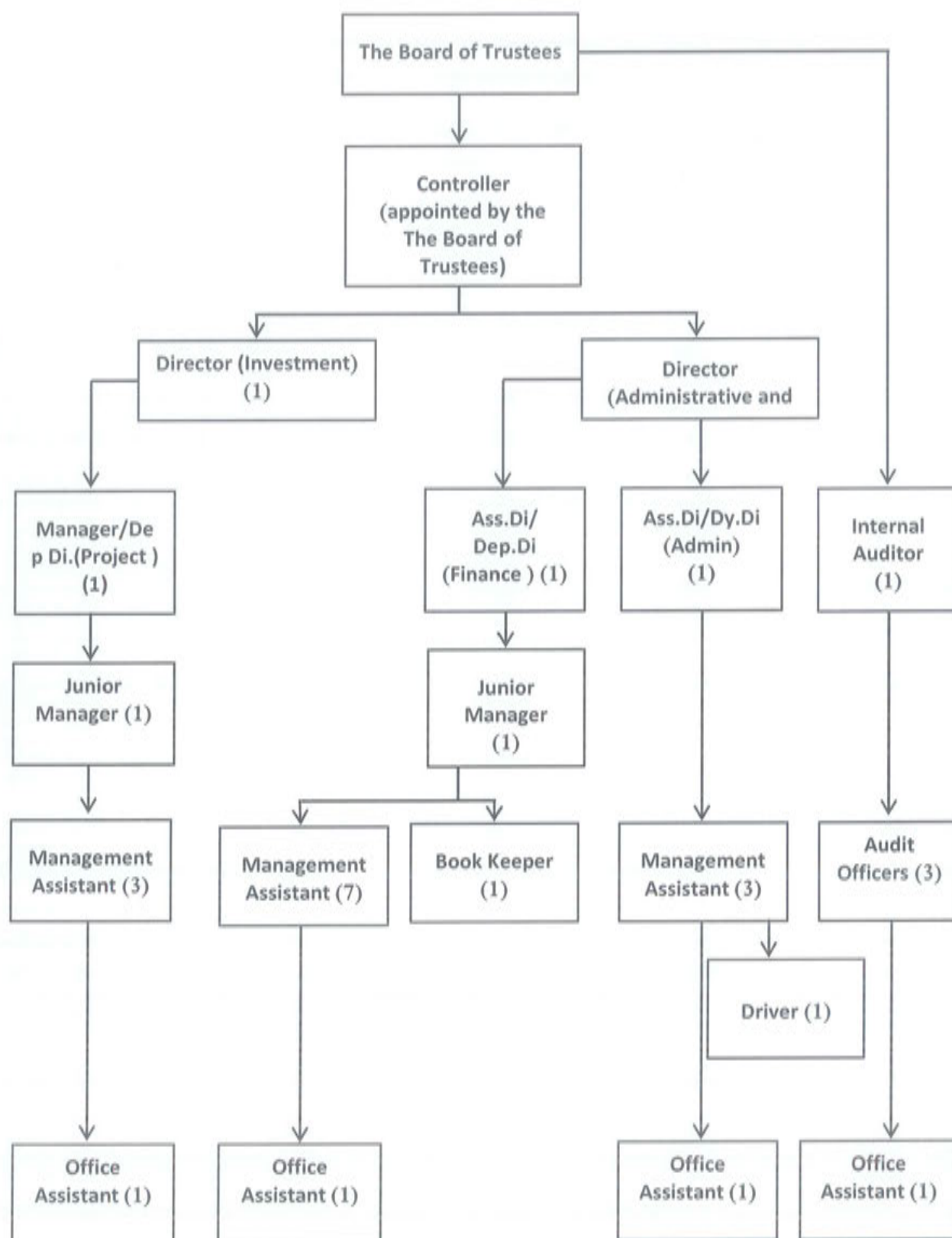
√ - No. Of Meetings Participated

---- - Withdrawn from the Board of the Trustees

Committees of the Board of Trustees

1. Audit and Management Committee
2. Investment Committee
3. Tender Board Committee
4. Employee Welfare Board Committee

Organizational Structure



The Staff

Staff Category	Approved Cadre	Existing Cadre	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.

AUDITOR GENERAL REPORT

2018

Letter No. TCM2/F/MTF/6/18/14 dated 31 October 2019 from the Auditor General addressed to the Chairman of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Chairman

Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2018 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 Mahapola Higher Education Scholarship Trust Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, the statement of changes in equity for the year then ended and the statement of cash flows for the year then ended and notes to the financial statements, a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions in 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 section of basis for the qualified opinion, the statement of financial position as at 31 December 2018 and its financial performance and cash flows for the year then ended give true and fair view of the financial position in accordance with Sri Lanka Accounting Standards.

1.2 Basis for the Qualified Opinion

The following observations are made.

(a) Deviation from the Accounting Standards

In terms of paragraph 4.1.1 of the Sri Lanka Accounting Standard (SLFRS 09), the financial assets should be classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss etc. to present in the financial statements, nonetheless the financial assets amounting to Rs. 10,232,401,250 had not been presented so.

(b) Deficiencies in Accounting

The following observations are made.

- (i) The Consolidated Financial Statements of the Fund and its 02 subsidiaries, namely National Wealth Corporation and NatWealth Securities Limited, to which the Trust Fund has the full ownership, had not been prepared from 2013 onwards to the year under review and had not been submitted to audit.
- (ii) An agreement on lease basis had been reached with the Sri Lanka Institute of Information Technology (SLIIT) in respect of a land to an extent of 25 acres owned by the Trust Fund located at Malabe, which was valued at Rs. 12,460,179 in 2005 and it had not been revalued for present value and taken into financial statements even by the year under review.
- (iii) In terms of the depreciation policy specified in the financial statements of the fund, the land, property and equipment should be depreciated from the date of acquisition, but the property and equipment which had been bought in 2018, had been depreciated for the entire year without considering the date of acquisition of the said items and thereby an overvalue of Rs. 181,457 had been recorded in the accounts.
- (iv) Even though the medical and accidental insurance cost relevant to the year under review was Rs. 87,500, it was presented in financial statements as Rs. 448,072 inclusive of the advance payment of Rs. 360,752.

- (v) Pursuant to the section 11 (I) (b) of the Development Lotteries Board Act, the proceeds of lotteries as proportionate to the percentage of investment made by the Trust Fund towards establishment of the Development Lotteries Board should be remitted. Of the total proceeds, the amount owned by the Trust Fund was Rs. 1,093,798,978, but it was mentioned in the financial statements as Rs. 904,600,387 thus understating an amount equivalent to Rs. 189,198,591.
- (vi) Action had not been taken to bring into books an amount equivalent to Rs. 835,766,892 which had not been remitted by the President's Fund to be receivable by the Trust Fund as the proceeds due from Development Lotteries Board.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities on financial statements under the said Auditing Standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of this report. I believe that the audit evidence I have obtained was sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 financial reporting process of the fund.

In terms of Sub Section 16(1) of the National Audit Act, No. 19 of 2018, the Fund shall require to maintain proper books and records of all its income, expenditure, assets and liabilities to enable preparation of annual and periodic financial statements of the Fund.

1.4 Auditor's Responsibility 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 the auditor's report that includes my opinion. Although reasonable assurance is a high level of assurance, but it is not a guarantee to the effect that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect material misstatement when they exists. Misstatements can be arisen to a quantitative extent due to the effects of fraud and error on individual or aggregate basis, and it is expected to influence on the economic decisions taken by the users on the basis of these financial statements.

I undertook the audit in terms of Sri Lanka Auditing Standards with professional judgment and professional scepticism. I also:

- Identify and assess the risks of material misstatements 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 or the override of internal control.
- Obtain an understanding of internal control relevant to the fund 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 internal control.
- Evaluate the reasonableness of the accounting policies and accounting estimates adopted and appropriateness of the 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 evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have communicated with those charged with governance regarding the significant audit findings, major internal control deficiencies and other matters that have been identified 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 (i) to (v) under paragraph 1.2 (b) 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

Paragraph 6.5.1 of the Public Enterprises Circular No. PED12 dated 02 June 2003

Even though draft annual report and financial statements should be submitted to the Auditor General within 60 days after the closure of the financial year, the financial statements of 2018 was submitted to the Auditor General on 31 July 2019.

- 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) A sum of Rs. 3,832,875 as payable to construction works carried out in several schools from the School Development Fund was presented in the financial statements from 2013. However, since no one has presented claims in this respect, it had not been able to identify it as a definite payable amount.
- (b) In terms of guideline 4.2 of the Government Procurement Guidelines, each procurement entity should prepare a procurement plan inclusive of proposed procurement activities

for at least upcoming 03 years to be listed in the main procurement plan, a procurement plan had not been prepared by the Trust Fund.

- (c) Pursuant to the paragraph 5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, it was required to formulate a corporate plan, neither a corporate plan nor an action plan had been prepared during the year under review.

(d) **Review of Activities**

- (i) The Fund had not taken into consideration to fulfill 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.
- (ii) In terms of the agreements entered on 14th November 2005 and 12th May 2015 with the Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT) and in pursuant to the approval of the Cabinet of Ministers for the Cabinet Memorandum presented by the H.E. the President, the ownership that the Trust Fund had on SLIIT had been revoked. Two investigations into the illegitimacy of the agreement entered in 2015 were investigating at the Commission to Investigate Allegations of Bribery or Corruptions and the Special Presidential Commission of Inquiry. Even though the Committee on Public Enterprises (COPE) at its meeting held on 12 July 2019 had instructed the Secretary to the Ministry of Higher Education and the Chairman of the Trust Fund to submit a report within one month in respect of how to act on SLIIT, the said report had not been submitted even by the date of this report.
- (iii) In pursuant to the decision of the Cabinet of Ministers dated 05 September 2018 on CP No. 18/1873/824/020, the Investment Management Agreement entered into with the National Wealth Corporation Ltd by the Trust Fund had been revoked. Accordingly, the investment portfolio managed by the National Wealth Corporation was transferred to the main account of the Mahapola Trust Fund at

Corporate Division of the Bank of Ceylon on 28 February 2019. Further, the liquidation of the National Wealth Corporation and selling of the Natwealth Securities Limited should be undertaken, it had not been done so far.

- (iv) Despite not implementing the activities in (III) above, Mahapola Trust Fund has obtained a loan of Rs. 1.11 billion under a loan facility of Rs.4 billion from the Bank of Ceylon. The treasury bonds and bills of Natwealth Securities Limited were purchased on 26 March 2019 by the Trust Fund from the said loan amount and subsequently sold on 27 March 2019 at Rs. 1.113 and it was deposited in fixed deposits. Thereafter, the loan was settled on 27 June 2019.
- (v) In terms of Section 6.2 (a) (b) (d) of the Act, the Trust Fund has entrusted with the mandate to expect 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. However, without taking any action to collect money by the said sources, total contribution for the Mahapola Higher Education Scholarship intended for university students was borne initially by the Mahapola Trust Fund, but subsequently steps have been taken to provide 49% contribution by the government.

Sgd. W.P.C.Wickramarathne
Auditor General

ANSWERS TO THE AUDITOR GENERAL'S REPORT

1.3.1 1.3.1 Non-compliance with Sri Lanka Accounting Standards

Appendix 1

Non-compliance with applicable standards	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	The measures taken and the current situation
Although financial status should be stated Classifying as financial asset Amortization cost, Fair value through other comprehensive income, Fair value through profit or loss etc., in the financial status description, Financial assets which are in value of Rs. 10,232,401,250 have not been stated as such, according to the Sri Lanka Financial Reporting Standard 09	Existing	The system should be introduced	Necessary action will be made in preparation of financial statements in year 2019	Accounts should be prepared in terms of the Sri Lanka Accounting Standards	Accounting activities have been commenced in the year 2019 and they will be prepared in terms of the Sri Lanka Accounting Standard.

1.3.2 Accounting Policies

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	The measures taken and the current situation
. Although, property, plant and equipment should be depreciated from the date of commencement of use of said asset, as stated under the 3.1.6 depreciation policy of the important accounting policies of the Fund's financial statements, since the plant and equipment purchased in 2018 are depreciated for the entire year not considering the date of purchase, Rs.181,457 had been accounted in excess	New	Should be compatible with the existing system.	Over Provision for depreciation for plant and equipment purchased in year 2018, is correct as Rs.181,457 and it will be adjusted to the accounts in year 2019	Accounting policies must be followed.	Accounts have been initiated in 2019 and correct accounting policies are followed concerning of depreciation reserve.

1.3.3 Accounting Deficiencies

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	The measures taken and the current situation
(a) Although the medical and accident insurance expenditure relevant for the year under review was Rs.87,500, the total payment of Rs.448,072 which Rs. 360,572, made for forward, is included, has been accounted as expenditures in the year under review	New	Existing system should be developed	Mistake. will be corrected the year 2019.	Only the expenditure for the year should be taken in the financial performance statement.	Only the expenses relevant to the year 2019 have been accounted.

<p>(b) According to the Development Lottery Board's accounts, although the profit share of the Trust Fund is Rs 1,093,798,978, the trust fund have not properly calculated and accounted it and accordingly, the profits had been accounted reducing Rs. 189,198,591.</p>	Existing	Existing system should be developed	The value mentioned in the statement send from the Presidential Fund is calculated.	The correct value should be accounted and the basis for calculating the share of the Mahapola Trust Fund should be determined.	The definitive profit share which should be received to the Mahapola Fund from the Development Lotteries Board has not been currently determined by the Development Lotteries Act or decision of the Board of Trustees of the Mahapola Fund. Accordingly, necessary action will be taken to make that agreement in the future and action will be taken to, amend the Development Lotteries Board Act and to determine how the profit share will be divided, if necessary.
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1.3.4 Improper evaluation or estimating

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
The 25 acre plot of land situated in Malabe owned by the Trust Fund, which had been valued at Rs. 12,460,179 in 2005, had not yet been brought to the books at current value even in the year under review	Existing	Should be compatible with the existing system	. The sum of Rs. 12,460,179 shown in the accounts is the money used to purchase this land and At the time of the lease agreement is signed on May 12, 2015, the valuation had not been obtained from the Chief Valour of the government. Since two final investigations were carried out by the Bribery and Corruption Commission and the Presidential Commission of Inquiry, at the time of preparing the final accounts 2018 concerning of said lease agreement and it was	The Connection with the institute of SLIT is a lease agreement concerning of the land. Since the land is owned by Mahapola, and the land can be assessed, action should be taken to assess the land and to take value into the books.	Since it was revealed that the lease agreement and the agreement of transfer of ownership in connection with the institute of Sri Lanka Information Technology, have been made fraudulently without the approval of the Mahapola, it has been get known that the investigations of the Bribery and Corruption Commission and the Presidential Special Investigation Commission have been commenced and final report has been handed over to the president by now and the said final report is due to be referred to the

			<p>unable to value the said land since/on not giving annual accounts or any other information to the Mahapola Fund by the present board of director of institute of SLITE .</p> <p>Once the ownership of the SLIIT is settled, a valuation report will be obtained from the Chief Valuer of the Government and the relevant values will be taken into the books.</p>		<p>attorney general by his excellency president. Accordingly, further action will be taken on the instructions of the Attorney General. Currently, the above agreements do not allow the trustees of the Mahapola Fund or any other person to enter to the premises. However, it is due to be submitted a request to the Chief Valuer of the Government to submit the valuation report regarding land valuation under the approval of the Board of Trustees.</p>
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1.3.5 Consolidation

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	The measures taken and the current situation
The consolidated financial statements with National Wealth Corporation and NatWealth Securities, two wholly owned administrative companies of the Trust Fund, have not been prepared and submitted to audit since 2013.	Existing	System should be introduced	. Action will be taken to submit consolidated accounts in the future	Consolidated financial statements should be submitted for auditing expeditiously	Preparation of consolidated accounts of the Mahapola Trust Fund and its subsidiaries has been granted to E&Y under the approval of the Board of Trustees and has agreed to provide the relevant consolidated drafts by the end of December 2019. Accordingly, the consolidated accounts in 2019 are due to be submitted for audit.

Accounts Receivable and Payable

1.3.6 Cash Receivable

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	The measures taken and the current situation
The profit share of Rs. 735,066,766, which has not been sent by the President's Fund but should have been received from the profits of Development Lotteries Board from 2012 to December 31, 2018, had not been accounted by the Trust Fund .	New	Existing system is necessary to be improved	According to the description sent by the President Fund will be accounted for. Action should be taken to obtain the definite basis of determining of profit share sent from the President's Fund to the Mahapola Trust Fund from the President's Fund in writing.	Action should be taken to obtain the definite basis of determining of profit share sent from the President's Fund to the Mahapola Trust Fund from the President's Fund in writing.	The Mahapola Board of Trustees has decided to have a final agreement in this connection, having discussion with the President's Fund. Accordingly, arrangements will be made to have said agreement in the future and The Development Lotteries Board Act will be amended, If necessary and action will be taken to determine how to divide the profits,

Amounts payable

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
A sum of Rs. 3,832,875 has been stated in the financial statements from the year 2013 as expenditures which should be paid from the school development fund for the construction work carried out in several schools and Since no one had applied in connection with that, it could not be identified as a definite payment.	Existing	Existing system is necessary to be improved	Although the final balance payable for these constructions has been stated as Rs. 3,832,875 in the accounts of the Fund, neither the company under the CWC nor any other contractor has been appeared in that connection. Accordingly, it is impossible to identify whether this is a specific amount to pay. Action will be taken to submit a report in this regard with the 2019 accounts	Making inquiry from the relevant institutions, action should be taken to settle whether it is payable	Although the amount to be paid to the contractors for the construction of the school development fund established under the Mahapola Fund has been stated as a balance payable, the payment recommendations of the contractors in this regard had been made by a company owned by Sathosa and the company is not functioning at present. accordingly, no further action could be taken in this regard. However, the Mahapola Fund will take action further to settle this balance payable.

3.1 Operating inefficiencies

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Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
(a) During the year under review, the Fund have not paid attention for establishment and management of schools, institutions, foundations and such institutions which engage in education and establishment and management of vocational training, institutions, so as to improve vocational skills and competencies or giving assistance to establish and manage them, providing of aid to enhance and improve the skills and talents of lecturers, teachers and such others engaged in providing of education, the objectives set out in Section 6.1 of the Trust Fund Act.	Existing	The existing system should be improved.	It is intended to take action in this regard in future		(a) Attention should be paid for achieving these objectives of the Act The Mahapola Trust Fund and Trustees have always work to meet the established objectives of the Mahapola Fund and the number of students enrolled annually for universities has increased significantly in recent years. Accordingly, the number of scholarships offered by the Mahapola Fund has been increased in relative to this. Accordingly, about an amount of additional Rs. 400 million has increased for scholarship payments, according to the current income level of the Fund. Similarly, the value of a scholarship has been increased during the period from 2015 to 2019. Specially, since the increasing of the monthly

					scholarship premium from Rs. 1,500 to Rs. 2500 / - for students of Technical Colleges in the year 2019, an additional cost has to be incurred for that also. The Mahapola Scholarship Trust fund intervened to establish the institute of Information Technology Sri Lanka, a full investment, in 1999, and future investment opportunities have been lost in not receiving of money receivable thereby and The Fund will take action to achieve the objectives of the Act by introducing new investment opportunities in the future
(b) Existing The right to the institute of SLIIT for the Trust Fund has been dispossessed in terms of the agreement reached with the Sri Lanka Information Technology (collateral) Limited company (SLIIT). on 14 th November 2005 and 12 th May 2015 and the Cabinet Decision for the Cabinet Memorandum submitted by His Excellency the President		The existing system should be improved.	Action is being taken	Necessary action should be taken immediately.	(b) Under it was revealed that the lease agreement and asset transfer agreement entered into regarding of the institute of Information Technology Sri Lanka on 12 th May 2015 have been made without a proper approval of the Board of Trustees, investigations of the Bribery and Corruption Commission was held and The final report is due to be handed over to the Hon. Attorney General by His Excellency the

<p>in 2017 Further, two investigations are being investigated under the Bribery and Corruption Commission and the President's Special Investigation Commission for agreement reached in 2015 was wrong . At the meeting of the Public Enterprises Accounting Committee held on 12th July 2019, the Secretary of the Ministry of Higher Education and the Chairman of the Trust Fund had been informed by the chairman to submit a report within a month on how to work with regarding of SLIT</p>					<p>PresidentFuture action is due to be taken in that regard after receiving the said final reports , observation of the Attorney General to the Ministry of Higher Education and the Mahapola Fund. It has been discussed in this regard at the Cope Committee held on 12.07.2017 and it was approved to cancel this two agreements on the recommendations of Cope committee and to re-establish the management structure which was existed at the beginning of the Institute of Information Technology Sri Lanka. Accordingly, A Cabinet Memorandum has already been handed over to the Secretary to the President by the Ministry of Higher Education, making request to amend the Cabinet Memorandum submitted by His Excellency the President in 2017 And to establish the new administrative structure.</p>
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					Immediately after receiving the Cabinet approval, future action is due to be taken The Committee of accounts has informed to the Secretary of Higher Education to submit a report on the institute of Information Technology Sri Lanka within one month. The said report has been submitted to the Committee of Accounts on 06.09.2017.
35 (c) The Trust Fund had cancelled the Investment Management Agreement with National Wealth Corporation in accordance with the Cabinet Decision No. 18/1873/824/020 dated 05th September 2018. Accordingly, the investment portfolio managed by the National Wealth Corporation was transferred to the main account of the Mahapola Trust Fund of the Bank of Ceylon Corporate Branch. Further, according to the	New	The existing system should be improved..	Action is being taken.	Necessary action should be taken immediately.	(c) According to the cabinet decision of 5th September 2018 on NetWealth Corporation company and NetWealth Securities Company, which had been established under the Mahapola Fund, the main fund of the Mahapola Fund was transferred to the account oh Bank of Ceylon Corporate Branch on February 28, 2019 and the investment management agreement was concludedUnder the said cabinet approval, NetWealth

<p>cabinet decision, although the National Wealth Corporation should be liquidated and Natwealth Securities Company should be sold it has not yet been made.</p>					<p>Securities is carrying out the procurement activities relevant to transfer of shares and it is expected to be completed by December 2019. A Cabinet Appointed Procurement Committee has been appointed under the Ministry of Higher Education for this purpose However, the License issued by the Central Bank of Sri Lanka to the NetWealth Securities as a primary buyer, has been suspended for Six months with effect from 31st of May 2019.. Therefore procurement activities can be somewhat delayed. However, after the sale of the shares of NetWealth Securities, NetWealth Corporation can be liquidated.</p>
<p>(d) The license obtained by the NatWealth Securities from the Central Bank to act as a primary dealer was also suspended from 31st of May to 30th November 2019 , as</p>	<p>New</p>	<p>The existing system should be improved.</p>	<p>This was done to maintain the activities of NatWealth company.</p>	<p>Action should be taken as per the Cabinet decisions regarding of the NatWealth company.</p>	<p>As per the cabinet decision of 5th September 2018 regarding of NetWealth Corporation and NetWealth Securities Ltd, main fund of The Mahapola Fund was transferred to the Corporate Branch Account of</p>

<p>the company's capital was less than Rs. 1 billion. Under the 4 billion loan facility obtained from Bank of Ceylon by the Mahapola Trust Fund, Treasury Bonds and Bills were purchased on 26th of March 2019 from NatWealth Securities Ltd, obtaining a loan of Rs.1.111 billion and It was sold again on 27th March 2019, for Rs. 1.113 billion and the money was invested in fixed deposits and the said loan was settled on 27th of June 2019.</p>					<p>Bank of Ceylon on 28th February 2019 and the Investment Management Agreement was concluded. Under the said cabinet approval, NetWealth Securities is making procurement activities relevant to transfer of shares and It is expected to be completed by December 2019. A Cabinet Appointed Procurement Committee has been appointed under the Ministry of Higher Education for this purpose. However, the License issued by the Central Bank of Sri Lanka to the NetWealth Securities Company as a a primary buyer, has been temporally suspended for Six months with effect from May 31, 2019 and therefore procurement activities can be somewhat delayed However, after the sale of the shares of NetWealth Securities, NetWealth Corporation can be liquidated.</p>
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<p>(e) Although the authority had received the power to accept grants, gifts or donations from local or foreign sources and to hold lotteries with the approval of the government to raise money in terms of the section 6.2 (a) (b) (c) of Trust fund Act, action has not been taken to obtain the funds by such ways . Although the full contribution for Mahapola Higher Education Scholarship which granted for university students was carried out by the Mahapola Trust Fund at the beginning, later on the government had made a 49% contribution.</p>	<p>Excising</p>	<p>The existing system should be improved.</p>	<p>. Attention will be given in this regard in future.</p>	<p>By making money as stated in the Act, action should be taken to fulfil objectives expected from the Trust Fund.</p>	<p>New lottery activities have been commenced in the year 2013 in terms of the provisions of the Mahapola Trust Fund Act and On the failure on agreements and on non-payment of agreed amounts the conducting of lottery was stopped In 2016, and the lottery agreement was cancelled. In connection with the termination the Lotteries obtained a court order and referred to arbitration as per the agreement. This was not ended even by November 2019 and the commencement of the new lottery has been temporarily suspended. Action is being taken under the approval of Board of trustees to obtain money Under the Direct Bank System that required for obtaining of Donations to the Mahapola Fund from Local and Foreign Sources. As th first step, the Mahapola website has been developed</p>
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					<p>and it will be implemented from December 2019.</p> <p>With regarding of increasing of the Mahapola Scholarship premium, according to the income status of the Mahapola Fund, it was increased by Rs.400-/ in year 2015 and The contribution of the General Treasury was increased by Rs 2,100 By a 2019 budget proposal Since the said increase was made by government funds, The Mahapola Fund cannot take action in this regard For that reason as the contribution of the Government increased from Rs.350 / - to Rs.2,450/- The contribution rate was 49%.</p>
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3.2 Procurement Management

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
(a) A procurement plan must be prepared by each procurement body, In terms of the Section 4.2 of the Government Procurement Guidelines and Procurement activities for a minimum period of three years should be listed in the main procurement plan and a procurement plan had not been prepared by the Trust Fund	New	The existing system needs improvement	A plan is being prepared relevant to the procurement activities of the Mahapola Fund for the next 3 years from 2020 and it is expected to be submitted to the approval of the Trust Fund with the budget.	. Shall comply with Section 4.2 of the Government Procurement Guidelines	When considering the Procurement activities of Mahapola Scholarship Trust Fund, heavy procurement activities other than the procurement relevant for purchasing of stationery and other items required for day to day activities, are not carried out and arrangements have been made to carry out a plan regarding of procurement activities relevant to operational activities, in terms of the Section 4.2 of the Procurement Guidelines.
(b) Carrying out the procurement activities and after selecting the most appropriate supplier to establish a system with 30 internal telephones as per an estimate of Rs. 850,000	New	The existing system should be improved.	Firstly, the Wikiub Network Solutions phone company was selected to buy 30 phones and as it has	Identifying the requirement correctly, action should be taken to call quotations.	.In future, Mahapola Scholarship Trust Fund will take action to obtain estimates from someone who expertise regarding of purchasing that

	prepared by a project consultant, making cancellation it, quotations were called back from other supplier to establish a system with 30 internal telephones Accordingly, a supplier with the lowest quotation of Rs. 231,804 was selected It was observed that the procurement process was carried out without proper identification of requirements.			been observed that the said amount is not required for the current activities of the Fund, Inviting quotation back, Lanka Bell Solutions was selected again for the purchase of 10 phones. Around Rs. 500,000 has been saved to The Trust Fund.		required, and the relevant procurement will be planned accordingly.
(c)	Although, not less than 5% of the estimated value should be kept as performance protection to protect procurement instability, if the contractor violates the contract in certain contract for work in terms of the Section 5.4.8 (a) of the Government Procurement Guidelines Code, The trust fund had not taken action to obtain performance security in establishment of the internal calling system and a web system for the Scholarship trust Fund	New	Should be compatible with the existing system	This procurement was carried out by the University Grants Commission and agreement and all related matters and all other matters were done by the University Grants Commission. The Mahapola agreement in this regard was firstly payments should be made through the University Grants Commission and	If the contractor breaches the contract, performance security should be kept to protect the fund.	Action has been taken to always keep a performance guarantee when awarding contracts of the Mahapola Fund

			50% of the total cost should be done by the Mahapola Scholarship Fund, Accordingly, there was no need for the Trust Fund to obtain performance security for this procurement.		
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3. 3 Human Resource Management

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Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
Although the fund has 26 approved carder as at December 31, 2018,since the actual staff was 14,12 posts were remained vacant and out of them 6 vacancies in tertiary level, 03 in secondary level and 03 in primary level were remained vacant. No action has been	Existing	It is necessary to improve the existing system	Action will be taken For new recruitments in the future	Action should be taken to recruit the number of employees that required to carry out the functions of the organization efficiently.	Steps have been taken constantly to fill the existing vacancies in the Mahapola Fund and Some difficulties are arisen when recruiting staff, since the staff is very small and it is not directly a government institution and some of the benefits given by the government are not available to the employees of the fund. However, action was taken to

<p>taken to fill those vacancies.</p> <p>In the year under review</p>					<p>recruit 8 employees based on the results of the Government Management Examination 2018 and only one of them accepted the appointment and all the others did not accept the appointment because they received the government management employments Action will be taken to recruit two Assistant Managers and an Internal Auditor in the year 2019 and arrangements have been made to recruit Management Assistants for 06 Secondary Level posts.</p>
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4. Accountability and good governance

4.1 Submission of Financial Statements

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
In terms of the paragraph 6.5.1 of the Public Enterprises Circular No. PED 12 dated 2 nd of June 2003, if the Draft Annual Report and Financial Statements should be submitted to the Auditor General within 60 days of the end of the financial year, the financial statements for 2018 were submitted to the Auditor General on July 31, 2019.	Existing	Should be compatible with the existing system	Action will be taken to submit financial statements on due date in the next years.	Action should be taken in terms of the circulars	All arrangements have been made To submit Financial Statements for 2019 before 28 th February 2020 according to the Public Enterprises Circulars

4.2 Corporate Plan

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
Although a Corporate Plan had been prepared from 2014 – 2017, No corporate plan was prepared for subsequent periods.	New	It is necessary to improve the existing system..	It is intended to work in that regard in the future	Plans should be prepared, indicating the Goals Quantitatively and Financially	The Corporate Plan for 2020/25 has initiated and, It has already been completed and submitted to the approval of the Board of Trustees.

4.3 Annual Action Plan

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
In accordance with the Public Enterprises Circular 5.1.3 PED 12 dated 2 nd June 2003, action plan based on the Corporate plan has not been prepared for the year under review.	Existing	It is necessary to improve the existing system.	Will be Prepared for the coming years.	An annual action plan should be prepared.	Arrangements have been made to prepare the action plan for the year 2020 as soon as the above Corporate Plan is approved.

4.4 Internal Audit

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
An Internal Audit Unit had not been established in terms of the Management Audit Circular No. DMA / 2009 / (1) dated 9 th June 2009 and the Financial Regulations 133 of the Democratic Socialist Republic of Sri Lanka and The transactions and activities of the Fund have not been included in the Internal Audit Plan of the Ministry and no audit has been done by the said unit also.			Action will be taken to establish an internal audit unit in the future	Action should be taken in terms of circulars	Since the approval of Mahapola Fund has been received to recruit an Internal Auditor and Staff that required to establish the Internal Audit Unit of the Mahapola Fund, necessary steps are being taken and by the end of 2019, the recruitment will be completed and the Internal Audit Unit will be established.

4.5 The Audit Committee

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
Two audit committee meetings were held in the year under review and no government auditor was called.	New	The existing system should be improved.	Action will be taken in that regard in upcoming meetings.	The Government Auditor should be called as an observer of the Audit and Management Committee meetings.	The government auditor is due to be called as an observer for the Audit and Management Committee of the Mahapola Fund in the future.

4.6 Budgetary control

Audit Observation	Is a New Observation / Existing Observation	Control Risk Disclosure	Comments of management	Recommendation	Measures, taken and Current situation
Although the annual Budget was prepared in terms of 5.2 of PED 12 Public Business Circular dated 12 th June 2003, budget for the year under review had not been prepared.	Existing	The existing system needs improvement	Has been prepared for the next year	The annual budget should be prepared for each year.	The Budget relevant for 2018 and 2019 years for Mahapola Fund has been prepared and they have been approved by the Board of Trustees of Mahapola. According to the adopted budget the expenditure for the year has been incurred and all these approved budgets have been submitted for audit.