

Mahapola Higher Education Scholarship Trust Fund - 2012

1. Financial Statements

1.1 Presentation of Financial Statements

The following observations are made.

- (a) In terms of paragraph 2 of the Public Enterprises Circular No.PE/PF/21 of 24 May 2002, the draft financial statements should be presented to the Auditor General within 60 days after the close of the financial year. Nevertheless, the financial statements for the years 2012 and 2013 had not been presented to audit.

- (b) The Fund had invested the total capital of Rs.373.5 million of the Sri Lanka Institute of Information Technology established in the year 2008 as a company Limited by Guarantee. Even though the financial statements of that Company should be consolidated with the financial statements of the fund, the Scholarship Trust Fund had not prepared consolidated financial statements from the year 2008.

1.2 Audit Observations

1.2.1 Lack of Evidence for Audit

Even though the Trust Fund spends 50 per cent of the cost of Scholarships granted by the Presidents Fund to the students studying in the Advanced Level, the particulars of the basis of selection of students for Scholarships, the method of determining the bursaries and the Scholarships granted annually had not been furnished to audit.

1.2.2 Accounts Receivable

According to clause 5(a)(1) of the Lease Property Agreement with the Sri Lanka Institute of Information Technology, 20 per cent of the net profit of the incorporated company or Rs. 8 million whichever is more should be recovered annually as the lease rent. The annual lease rent income not so recovered from the year 2008 to the year 2012 amounted to Rs.46,625,659.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Mahapola Higher Education Scholarship Trust Fund Act, No. 66 of 1981 Section 12(1)	Despite the legal provisions being made to exempt the Fund from the payment of Customs Duty and Import Duty on any goods imported for the achievement of objectives and goals of the Fund, a motor vehicle had been purchased at the Custom Duty inclusive price of Rs.5,100,000, thus resulting in a financial loss of Rs.3,074,348 to the Trust Fund.
(b) Public Enterprises Circular No. 33 of 19 December 2005	The Trust Fund had invested a sum of Rs.5,885,790 in a Private Bank without the approval of the Treasury.

2. Operating Review

2.1 Performance

Certain information and statistics relating to the grant of Scholarships by the Trust Fund are given below.

Year	Numbers of students admitted to the Universities	Number of scholarships Granted to Universities	Scholarships granted as a percentage of the number admitted to the Universities	Number of Scholarships granted to the Technical colleges and other Institutions of Higher Education	Total Number of Scholarships granted	Expenditure on the grant of Scholarships	Expenditure on the Ceremonies for the grant of Scholarships
						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
2011/2012	26,944	11,300	41.94	2,000	13,300	675,938,770	-

Out of the contribution received from the President`s Fund for the Scholarships Trust Fund and the income from the interest on investments during the period from the year 2008 to the year 2012 the amount utilized for the grant of Scholarships ranged between 51 per cent to 70 per cent.

2.2 Schools Development Fund

The following observations are made.

- (a) The Trust Fund had not formulated the formal methodologies and criteria for the selection of Schools for the School Development Fund established with the objective of incurring capital expenditure on the structural improvement and construction of the Government Schools.
- (b) Out of the interest income amounting to Rs.549,448,935 earned from the investments made from the Schools Development Fund from the year 2005, a sum of Rs.234,005,500 or 43 per cent only had been spent on the development works of 29 schools.
- (c) Even though a provision of Rs.30 million had been made for the improvement of the electronic commerce facilities of schools, that project had been abandoned as it was not practical for the supply to the schools the infrastructure facilities required for the implementation of the electronic commerce facilities and the money had been utilized in the year under review for the construction of an auditorium for a school at Padukka.

2.3 Payments contrary to Objectives

Sum of Rs.49,485,000 and Rs.24,654,000 had been spent in the year under review and the preceding year respectively for the grant of scholarships to the students studying in the Advance Level which does not come under the objectives of the Trust Fund Act.

2.4 Mahapola Scholarships and Merit Scholarships

The following observations are made.

- (a) Instances of retention of Rs.7,287,200 by the Universities and other Institutions of Higher Education over long periods exceeding of 02 months allowed for the returning to the Fund the installments on the Mahapola Scholarship and Merit Scholarships not obtained within the specified period and the installments suspended due to breach of discipline were observed. The Fund had been deprived of the benefits that could have been earned from effective investment of such money due to the failure to issue proper instructions in this connection to the Universities and other Institutions of Higher Education.

- (b) Even though the Mahapola Scholarship installment and the Merit Scholarship installment had been increased to Rs.2,150 and Rs.2,200 respectively effective from 01 April 2006, despite the elapse of over 07 years, attention had not been paid for the revision of the Scholarship payment in relation to the cost of living.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Arrears of Income
- (c) Contract Administration
- (d) Grant of Scholarships