

MINUTES OF THE 75TH MEETING OF MAHAPOLA HIGHER EDUCATION
SCHOLARSHIP TRUST FUND

DATE & TIME: 11TH OCTOBER 2019 AT 4.10 P.M.

VENUE: MINISTRY OF CITY PLANNING, WATER SUPPLY
AND HIGHER EDUCATION, NO.18, WARD PLACE,
COLOMBO 7.

PRESENT:

1. HON. RAUFF HAKEEM MINISTER OF CITY PLANNING, WATER SUPPLY AND HIGHER EDUCATION	FOUNDER TRUSTEE
2. MR. M.M.P.K. MAYADUNNE, SECRETARY, MINISTRY OF CITY PLANNING, WATER SUPPLY AND HIGHER EDUCATION	EX OFFICIO TRUSTEE
3. MR. M. NIHAL RANASINGHE, SECRETARY, MINISTRY OF EDUCATION	EX OFFICIO TRUSTEE
4. MR. S.V.D. KESARRALAL GUNASEKARA	APPOINTED TRUSTEE

EXCUSED

HIS LORDSHIP THE CHIEF JUSTICE MR. J. JAYASURIYA, P.C.	EX.OFFICIO TRUSTEE
MR. S.T. KODIKARA, SECRETARY, MINISTRY OF DEVELOPMENT STRATEGIES & INTERNATIONAL TRADE	EX.OFFICIO TRUSTEE

BY INVITATION

- (i) Mr. D.A.W. Wanigasooriya, Additional Secretary/Chief Accountant- Presidential Secretariat (Observer)
- (ii) Mr. M.P. Bandara, Director MTF
- (iii) Ms. R. Arulanandan, representing S S P Corporate Services (Private) Limited, Secretaries

PROCEEDINGS

In the absence of Hon. J. Jayasuriya, P.C. Chief Justice, Hon. Rauff Hakeem, Minister of City Planning, Water Supply and Higher Education was appointed as the Chairman pro tem. to preside over the meeting.

The Chairman pro tem. welcomed the members to the meeting.

1. CONFIRMATION OF THE MINUTES OF THE 74TH MEETING HELD ON 24TH JULY 2019

The Minutes of the 74th Meeting of the Mahapola Higher Education Trust Fund held on 24th July 2019 which had been circulated were approved by the Board subject to the following amendments:

- Proceedings

The representative of the Secretaries informed that the first sentence under the above heading should be amended to read as follows:

“The Board noted that Hon. J. Jayasuriya, P.C. Chief Justice wished to be excused”.

- Confirmation of the Minutes of the 73rd Meeting held on 2nd April 2019

The representative of the Secretaries pointed out that the first line in the above minute should be amended to read as follows:

“The Minutes of the 73rd Meeting of the Mahapola Higher Education Trust Fund held on.....”

- Minute No.7 – Board Paper No.5
Land for Establishment of Mahapola Head Office

Mr. Nihal Ranasinghe, Secretary, Ministry of Education pointed out that the fourth paragraph of the above minute should be amended to read as follows:

“Mr. Nihal Ranasinghe, Secretary, Ministry of Education requested for a copy of the letter sent to the UDA with regard to the above, in order to pursue the matter with Mr. Chandana, **Executive Director** of the UDA.

- Minute No.17.6 – Financial Statements for the financial year ended 31/12/2018

Mr. M.P. Bandara, Director pointed out that the heading of Minute No.17.6 should be amended to read as above having deleted the word “Draft”.

Mr. M.P. Bandara also pointed out that the first paragraph of the minute should be amended to read as follows:

“Mr. M.P. Bandara, Director tabled the **Financial Statements** for the financial year ended 31st December 2018 to be submitted to the Auditor General’s Department”.

Thereafter Mr. S.V.D. Kesarralal Gunasekara, Appointed Trustee signed the minutes as a correct record of the proceedings.

2. MATTERS ARISING FROM THE MINUTES

Appointment of Internal Auditors for Mahapola Higher Education Scholarship Trust Fund (MHESTF)

Mr. M.M.P.K. Mayadunne, Secretary, Ministry of City Planning, Water Supply and Higher Education informed that at the COPE meeting the Auditor General had recommended the appointment of a separate Internal Auditor, for MHESTF.

Hon. Rauff Hakeem, Minister of City Planning, Water Supply and Higher Education requested that a letter in writing be obtained from the Auditor General in this connection.

3. AMENDMENT TO THE MAHAPOLA ACT FOR THE REMOVAL OF THE EX.OFFICIO MEMBER/CHIEF JUSTICE FROM THE BOARD

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.01 in connection with the above.

The Board noted that this matter was taken up at the previous meeting held on 24th July 2019 where the Hon. Minister Lucky Jayewardena, Acting Minister of City Planning, Water Supply and Higher Education proposed to request the Hon. Chief Justice to reconsider the decision taken to amend the Act, to facilitate his removal from the Board of Trustees of MTF.

Mr. M.P. Bandara tabled for the information of the Board a copy of the letter forwarded by the Hon. Chief Justice to the Secretary to His Excellency the President and copied to the Secretary, Ministry of City Planning, Water Supply & Higher Education and the letter of request sent to the Hon. Chief Justice by Mr. M.P. Bandara, Director to re-consider the decision taken to amend the Act, as decided at the previous meeting.

The Board having discussed the matter further decided to submit a Cabinet Paper on the basis that the Hon. Chief Justice's nominee, a Supreme Court Judge or a Court of Appeal Judge be appointed as Chairman of the Mahapola Higher Education Scholarship Trust Fund.

4. PRESENT SITUATION OF NWCL/NWSL

Mr. M.P. Bandara, Director tabled Board Paper No.2 in connection with the above.

Mr. M.P. Bandara informed the Board that NWSL Primary Dealer Licence has been suspended with effect from 31st May 2019. He informed the Board that NWSL has had meetings with the Director Supervision of N.B.F.I. of the Central Bank of Sri Lanka and the outcome of the meeting was not reported to MTF. The Board was informed that NWSL makes a loss of approximately Rs.6 Mn to Rs.7 Mn every month since the Company had to pay salaries and meet other administrative expenses without any work.

Mr. M.P. Bandara therefore suggested re-activating the business or winding up the Company avoiding further losses to MTF.

The Board was informed that this matter was taken up at the Investment Committee of MTF and a draft letter to the Governor, Central Bank of Sri Lanka including the proposals to improve the liquidity position of the Company was tabled. A copy of the draft proposal was tabled for the information of the Board.

The Board having noted the contents approved the draft proposal and the letter addressed to the Governor, Central Bank of Sri Lanka to re-activate NWSL which included the following:

- (1) Minimum Core capital requirement of Rs. 1Bn
 - (a) As per the auditors' A/C as at 31/5/2019 the capital base of the Company was Rs. 1,163,000,000/- which is above the minimum core capital requirement.
 - (b) Mahapola Trust Fund agreed to assign Rs. 1 bn worth of T/Bond to NWSL to obtain ILF short term borrowing from CBSL
 - (c) As per the Investment Plan of Mahapola Trust Fund invest the main fund only in T/Bpnd and T/Bill, Bank FD in Government Banks. Even 65% of portfolio of MTF to be invested in Treasury Bonds therefore MTF will be able to participate in the Treasury Bond Auction in order to keep the active market participation of NWSL in CBSL.
- (2) Provision of Default pending tax liabilities
According to the tax assessment issued by the DIR the total liabilities will be Rs. 700mn
- (3) Appointment of Directors for the Board of Directors of NWSL and the CEO of NWSL. Mahapola Trust Fund making arrangements with the Hon. Minister and the Board of Trustees of Mahapola to select the CEO/NWSL and two directors for the Board of Directors of NWSL within a short period of two months and the Director Mahapola will be appointed as a Director to the Board to oversee the operations of NWSL.
- (4) MTF will sign a REPO Agreement with NWSL in order to transfer Rs. 1bn T/Bond for ILF facility of CBSL and letter of undertaking for Rs. 1 bn to improve the liquidity position of NWSL in order to maintain active market participation.
- (5) Hence the Board of Trustees of Mahapola Higher Education Scholarship Trust Fund with the Board of Directors of NWSL invite you kind consideration for the above facts and the arrangements of MTF in order to re-active the business operation of NWSL to avoid further losses to MTF. Therefore, appealing to CBSL to lift the suspension and allow NWSL to re-activate the business as early as possible.
- (6) Once this is achieved, MTF with assistance of the line Ministry will expedite the divesting process of NWSL as approved by Cabinet with the agreement of CBSL.

Hon. Rauff Hakeem, Minister of City Planning, Water Supply and Higher Education at this stage stated that he has requested the present board members to submit a Report on the status of NWSL and invited the Directors of Natwealth Securities Ltd (NWSL) to discuss the status of the Company. Mr. Nirosh De Silva, Chairman, NWSL presented a Paper on the Status Report on

Natwealth Securities to the Hon Minister and the Board. The contents of the Status Report was duly noted.

Mr Nirosh De Silva, Chairman, NWSL highlighted that the previous Boards in 2013 and 2014 had discovered certain relationships between the Senior Management of NWSL and clients such as Trillion Securities and Virtual Investment and Trading. On these discoveries the Boards at that time had held back payments that appeared to be due to these two clients. Forensic audits had been conducted on these matters at that time but the Boards at that time had not taken appropriate action to investigate and find guilty the employees involved in this collusion. As such today the Board of NWSL is faced with a situation where these clients Trillion and Virtual are claiming their monies from the company and NWSL is defending itself in court.

The lawyer handling the Trillion case is confident that he can win the case on a Technicality in the Supreme Court. However the written opinion of the lawyer handling the Virtual trading case submitted along with the Status report is advocating a settlement as the case is not looking good as NWSL had not submitted any evidence of value when the case had to be defended in the lower court.

Mr Kishan Karunaratne, Director NWSL highlighted that the Virtual Trading balance is accruing interest at the rate of approximately 36% per day and needs to be decided on urgently for this reason.

In August 2018 the former Minister Hon. (Dr.) Wijeyadasa Rajapaksa, P.C., had submitted a cabinet memorandum to sell NWSL and liquidate the owning company NWCL. The funds invested by MTF was also withdrawn. Given this background and that fact that NWSL had about Rs 959 mil of net capital (Rs 41 Mil below what is required) the Central Bank had sent a letter on January 25th 2019 urging the company to clarify how it would operate in this scenario. Subsequent to this as the New Board was reconstituted in May the CBSL suspended the NWSL licence.

The Board noted that the status report recommends that Mahapola Trust Fund considers a sale, a part sale or a strategic sale of NWSL to an SOE such as Insurance Corporation or if an attractive price is obtained even to a third party. This is within the previous MTF decision and the Cabinet decision. The new shareholder and their business plan will have to be pre approved by the CBSL. It is recommended that the MTF Board approves this process so that it can be communicated to the CBSL which is awaiting a decision on these matters prior to the 16th of October.

5. LAND FOR ESTABLISHMENT OF MAHAPOLA HEAD OFFICE

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.03 in connection with the above.

The Board was informed of the following steps as per the decision taken at the previous Meeting of the Board of Trustees:

(i) Request a piece of land from the UDA

Mr. Kessaralal Gunasekara, Trustee of MTF had a meeting with Mr. Chandana Ranasinghe, Working Director of UDA and discussed the matter. The Board was informed that the UDA had informed that there is a 1 Acre land at Battaramulla and that it can be allocated to MTF, on the condition that the Project shall be developed according to the Mega Polis Plan which has already been designed.

A copy of the letter requesting information and the project proposal were submitted for the information of the Board.

- (ii) Publish a paper advertisement in all three languages in the Daily and Weekend newspapers for those who are willing to donate a land in Colombo
A draft of the Paper Advertisement was submitted for the approval of the Secretary, Ministry of City Planning, Water Supply and Higher Education.
- (iii) A request letter was submitted to the Public Trustee through the Secretary, Ministry of City Planning, Water Supply and Higher Education on the above.

Mr. Kessaralal Gunasekara, Appointed Trustee informed the Board of a land available at Mattakkuliya which could be considered by the Board for the establishment of the Mahapola Head Office.

The Board of Trustees having discussed the above decided to defer the decision on the above matter to the next Meeting of the Board of Trustees.

6. MINUTES OF THE 2ND AND 3RD MEETING OF THE INVESTMENT COMMITTEE WHICH WERE HELD ON 10TH JULY 2019 AND 2ND AUGUST 2019

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.04 in connection with the above.

The Board having noted the contents of the Minutes of the 2nd and 3rd Meeting of the Investment Committee held on 10th July 2019 and 2nd August 2019 approved same having obtained a confirmation from the Chairman of the Committee.

The Board having noted the recommendation of the Investment Committee approved the Investment Plan and the Terms of Reference of MTF.

7. EXTENSION OF THE SERVICE PERIOD OF THE DIRECTOR MTF

Mr. S.V.D. Kesaralal Gunasekara, Director, MTF tabled Board Paper No.05 in connection with the above.

The Board having noted the contents of the Board Paper approved

- (i) Extension of the service period of the Director MTF, Mr. M.P. Bandara for a period of 01 year with effect from 5th September 2019
- (ii) The extension of the service period with the same terms and conditions as per the service contract entered on 1st November 2017 with the subsequent approval for the amendment of salaries and other allowances with effect from 1st January 2019.
- (iii) Approval of the service extension for 03 months with effect from 4th September 2019 to 3rd December 2019 as acting Director until approval of the Cabinet of Ministers for 01 year extension of the service for the post of Director MTF is granted.

(iv) Payment of all inclusive allowance of Rs.100,000/- with the fuel allowance and the communication allowance now being paid for the Director MTF and using the official vehicle until the extension of 01 year period is granted with the approval of the Cabinet.

8. FILLING OF THE VACANCIES OF MTF STAFF MANAGEMENT ASSISTANT GRADE III AND DRIVER, KKS

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.06 in connection with the above.

The Board of Trustees decided that as per the Circular a fresh Paper be tabled for approval of the Board of Trustees.

9. PERFORMANCE REPORT OF THE MTF FOR THE PERIOD OF 06 MONTHS 1ST JANUARY 2019 TO 30TH JUNE 2019

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.07 in connection with the above.

The Board was informed that as approved by the Board of Trustees and the Cabinet of Ministers the main fund which was managed by NWCL (fund management company fully owned by MTF) has been transferred to MTF with effect from 28th February 2019. NWCL total fund of Rs.12 Bn is managed by MTF.

Director, MTF, Mr. M.P. Bandara tabled a performance report for the six months period (1st January 2019 to 30th June 2019) ended 30th June 2019 and the fund position as at 31st August 2019.

The Board noted the contents of the Performance Report and Fund Position as at 31st August 2019.

10. SPECIAL INCENTIVE PAYMENT FOR THE NEW SCHOLARSHIP AWARDS (2017/18)

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.08 in connection with the above.

The Board having noted the contents of the Board Paper approved the payment of incentives on the new scholarship awards for the year 2017/18 (15000) at the same rate of Rs.25/- per Scholarship which was paid in 2018 in respect of the year 2016/17.

Hon Rauff Hakeem, Minister of City Planning, Water Supply and Higher Education stated that the Trust should look at digitalizing the above,

11. MANAGEMENT REPRESENTATION FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS OF MTF AS AT 31/12/2018

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.09 in connection with the above.

Mr. M.P. Bandara informed the Board that the Auditor General has completed the Audit Examination of the Financial Statements for the financial year 2018 (31/12/2018). The Auditor General had raised two Audit queries for the respective periods (2018) and MTF submitted the answers to those audit queries.

Accordingly the Auditor General is prepared to issue the Final Report on the receipt of the Management Letter (Management representation of MTF).

The Board having noted the draft of the Management representation on the financial statements of MTF for the year ended 31st December 2018 approved same to be submitted to the Auditor General.

12. ADDITIONAL SPACE FOR MTF OFFICE AT J.R. JAYEWARDENE CENTRE, 191, DHARMAPALA MAWATHA, COLOMBO 7

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.10 in connection with the above.

The Board having noted the contents of the Board Paper

Resolved

“That the Board be authorized to lease out additional space, 540 square feet in extent at the J.R. Jayewardene Centre, 3rd level at the rate of Rs.175/- per square foot for a period of 2 years and that two Trustees be authorized to sign the Lease Agreement with J.R.Jayewardene Centre on behalf of the Board”

13. EXEMPTION OF THE WHT AND CORPORATE TAX ON THE REVENUE OF THE MTF

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.11 in connection with the above.

The Board was informed that under the Mahapola Higher Education Scholarship Trust Fund Act No.66 of 1981 with the subsequent amendment the MHEST is exempted from any form of taxes (i.e. WHT, Corporate Tax etc.) under Section 12 of the Mahapola Act.

The Board was informed that the following exemptions were also granted to MTF:

- (i) The payable of custom and import duty
- (ii) Income Tax or Wealth Tax
- (iii) Payable of Gift Tax
- (iv) Donation to the fund shall be deemed to be approved expenditure for the purpose of the Inland Revenue Act No.28 of 1979 and the donor shall be entitled to relief under the Act in respect of the total value of the donation.
- (v) The payable of any rates and taxes

The Board was informed that when the new Inland Revenue Act No.24 of 2017 came into effect from 1st April 2018, the provisions of Inland Revenue Act No.10 of 2006 (28 of 1979) was cancelled. Accordingly the above exemptions were removed.

Accordingly under the new Inland Revenue Act MTF is liable to pay taxes with effect from 1st April 2018. A copy of the letter issued by the Commissioner General of Inland Revenue in this regard was tabled for the information of the Board.

Mr. S.V.D. Kesarralal Gunasekara, Appointed Trustee stated that the MTF should exempt itself and suggested submitting a Cabinet Paper to include MTF in to the Exemption List.

14. AWARD OF NEW SCHOLARSHIP FOR THE STUDENTS SELECTED FOR THE A/Y 2018/19 AND THE STUDENTS SELECTED ON APPEALS COMMITTEE RECOMMENDATION

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.12 in connection with the above.

The Board having noted the contents of the Board Paper approved the following:

- (i) The award of 15000 scholarships including 10% merit scholarships for the students in the new A/Y 2018/19 and inform the UGC for selection.
- (ii) The decision of the Appeal Committee of Mahapola Trust Fund which was held on 29th August 2019 at the UGC.
- (iii) The award of 33 new scholarships on the recommendation of the Appeal Committee for the A/Y 2014/15 – 2017/18 as mentioned in the Annex 1 of the Board Paper tabled.

15. HEALTH INSURANCE COVERAGE FOR THE STAFF OF MAHAPOLA TRUST FUND

Mr. M.P. Bandara, Director, MTF tabled Board Paper No.13 in connection with the above.

Having noted the contents of the proposal Mr. M.M.P.K. Mayadunne, Secretary, Ministry of City Planning, Water Supply and Higher Education inquired as to why the Trust was not contributing to the Government Fund. Mr. M.P. Bandara responding stated that since the Trust has only 11 employees it was not possible to contribute to the Government Fund.

Mr. M.M.P.K. Mayadunne, Secretary, Ministry of City Planning, Water Supply and Higher Education suggested to propose a scheme to be in line with the Agrahara Insurance Scheme rather than contributing to the MTF Staff Welfare Society Account.

16. OTHER BUSINESS

16.1 Donation for the Lalith Athulathmudali Commemorative Foundation Centre

Mr. M.P. Bandara, Director tabled Supplementary Board Paper No.01 in connection with the above.

Mr. Kesarralal Gunasekara, Appointed Trustee briefed the Board that this has been in operation for the last 23 years and sought the approval of the Board to make a contribution.

The Board approved a contribution of Rs.750,000/- for the book distribution programme conducted by the Lalith Athulathmudali Commemorative Foundation Centre for children of economically handicapped families in rural schools.

16.2 Procurement of Legal Advisory Services for Mahapola Trust Fund

Mr. M. P. Bandara, Director tabled Supplementary Board Paper No. 02 in connection with the above.

The Board having noted the contents approved the procurement of Legal advisory services for MTF and the appointment of the selected Legal firm or individual legal consultant to MTF and the Legal advisor to be paid on assignment basis.

16.3 Approval for the Procurement of Computer Software Package for Mahapola Trust Fund Office

Mr. M. P. Bandara, Director tabled a Supplementary Board Paper No. 03 in connection with the above.

The Board having noted the recommendation of the Technical Report submitted by the IT Officer of MTF approved the following:

- (i) Procurement of 15 no of Software Licenses MS Office Packages and 01 no of MS Project Software Package on the estimated cost of the Rs. 575,000/-+ including VAT for MTF office.
- (ii) Purchase of 15 no of Software Licenses MS Office package from Softlogic Information Technologies (Pvt) Ltd for Rs. 221,552/-+ VAT who was submitted the lowest substantial bid for the supply ofv MS Office Software Package.
- (iii) Purchase of 01 no of Software Licenses MS Project Software Package from Abans PLC for Rs. 263,200/-+ VAT who was only supplier submitted quotation for same which was recommended by the IT office of MTF.

The Board decided according to the National Procurement Guidelines to appoint a Technical Evaluation Committee and a Procurement Committee including a Member of the Ministry.

16.3 Project Proposal Establishment of Mixed Development Cum Public Office Complex

A Project Proposal for the Establishment of a Mixed Development Cum Public Office Complex was tabled.

CONFIRMED TRUE RECORD

CHAIRMAN

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