



LALITH ATHULATHMUDALI MAHAPOLA HIGHER EDUCATION SCHOLARSHIP TRUST FUND

TERMS OF REFERENCE (TOR)

**Selection of an Audit Firm to Conduct a Forensic Audit on the Operations of the
Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund
(LAMHESTF)**

Bid No: MT/FIN/16/01/PROC./i

**MINISTRY OF TRADE, COMMERCE, FOOD SECURITY
AND COOPERATIVE DEVELOPMENT
No.492, R.A. De Mel Mawatha
Colombo 03**

October 2025

1.0 Introduction

Lalith Athulathmudali_Mahapola Higher Education Scholarship Trust Fund (the Trust Fund) is an education scholarship Trust Fund, founded by the then Minister of Trade and Shipping, the late Hon. Lalith Athulathmudali, under the Mahapola Higher Education Scholarship Trust Fund Act No. 66 of 1981, (the Act) as amended the Act No. 1 of 2022, which is managed and operated by the Government of Sri Lanka. The general objectives of the Trust Fund are to provide financial assistance to deserving youth to pursue their higher education, as well as to facilitate academic, technical and vocational education. The seed capital of Trust Fund was contributed by the Founder, the Late Hon. Lalith Athulathmudali, as a donation from his own funds and accumulated by interest income, annual contribution of the Development Lottery Board through the President Fund, where the LAMHESTF has invested in the Development Lottery Board, and income from activities of the Trust Fund such as the Mahapola Educational Trade Fairs, Mahapola lottery etc., to date.

The LAMHESTF was operationalized with effect from 29th October 1981 and continues to operate to date, under the administration and management of the Board of Trustees as per the provisions of the Act and the applicable rules and regulations.

The aims and objects of the Trust Fund as outlined by the Act are;

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

1.1 Subsidiaries of the Trust Fund

The Trust Fund has a subsidiary and an Associate Company, established subsequently as follows.

1.1.1 M/s. National Wealth Corporation Limited (NWCL)

M/s National Wealth Corporation Limited was incorporated on March 23, 2003 as a fully owned subsidiary of Lalith Athulathmudali_Mahapola Higher Education Scholarship Trust Fund. The principal business activities of the Company are fund management and investment advisory, subject to the regulatory controls of the Securities and Exchange Commission of Sri Lanka.

1.1.2 M/s. National Wealth Securities Limited (NWSL)

National Wealth Securities Limited was incorporated on June 23, 2003 as a fully owned subsidiary of M/s. National Wealth Corporation Limited. The Company, incorporated for the purpose of carrying out business as a primary dealer in accordance with the Registered Stock and Securities Ordinance No. 7 of 1937 (as amended) and Local Treasury Bills Ordinance No. 8 of 1923 (as amended), subject to the regulatory controls of the Central Bank of Sri Lanka. The Company has obtained a Primary Dealer License on December 01, 2004.

According to the decision to liquidate M/s **National Wealth Corporation Limited and National Wealth Securities Limited** under the approval of the Cabinet of Ministers in the year 2021, all the employees were compensated and terminated from services, but the Company is still in dormant operation as the liquidation process has not yet been completed.

In addition, the Trust Fund has also invested on the Sri Lanka Institute of Information Technology (SLIIT), which is referred to, in some documents as the Institute of Information Technology (IIT).

Sri Lanka Institute of Information Technology (SLIIT)

As per the records, it is noted that in accordance with the approval granted by the Board of Trustees at its 32nd meeting held on May 21, 1999, the Trust Fund has decided to utilize its 25-acre land, located at Malabe for the construction of SLIIT and to allocate Rs. 500 million to meet the capital expenses. A part of the above money was transferred for the above purpose. On September 06, 2000, the Board of Trustees decided further to obtain a loan of Rs. 175 million from the National Development Bank at an interest rate of 1.25% in order to meet the capital expenditure of SLIIT and repayment plan of the above loan was considered at the Trustee Board meeting on May 10, 2001.

1.2 Special projects of the Trust Fund

The Trust Fund has also incurred expenditure in the nature of capital expenditure on the following two projects with the view to raise funds for the sustainability of the Trust Fund.

1.2.1 Mahapola Education and Trade Fairs

Since its inception, the Trust Fund has conducted annual education and trade fairs with the view to raise funds to ensure the sustainability of the fund and to meet its objectives without financial constraints. Nevertheless, many concerns have continuously been raised by the authorities on the organization and conclusion of the latest Mahapola Education and Trade Fair, which was held at Ja-Ela during the period of December 17 to 23, 2023 and the recruitment of staff for the organization of the Trade Fair. Records have revealed that this Trade Fair had incurred a loss of Rs. 40 Mn approximately, instead of making surplus / net contribution to the Trust Fund, as expected. Further, the institutional arrangements to organize the said Mahapola Education and Trade Fair had been ad-hoc and it has been observed that this had been the key factor behind the failure of the Trade Fair. In addition, preliminary steps were taken and expenditure was incurred to organize another Mahapola Education and Trade Fair in Anuradhapura, which had been abruptly abandoned.

1.2.2 Mahapola Online Lottery

The Trust Fund has also taken decision to introduce and implement "Online Lottery" scheme in three different occasions, i.e., in 2004, 2013 and 2023 to raise funds. However, no such online lottery scheme is in operation to date but there are pending cases against the Trust Fund at various Judicial and Quasi-Judicial authorities. It is alleged that the said online lottery initiatives have also caused financial burdens on the Trust Fund, instead of financial contributions as intended.

1.2.3 The land at Millewa watte, Horana, of which the Mahapola Trust Fund has a 99-year lease-hold right, intending to be utilized for the proposed International University Village project

In 2021, based on a decision of the Board of Trustees, Mahapola Trust Fund has purchased the lease-hold right of a land, from the Urban Development Authority (UDA) under a 99-years lease agreement, intending to use the land for the proposed International University Village project.

However, several issues have since arisen regarding the ownership of the land and the non-utilization / non-development of the land after the transfer of its physical possession to the Trust Fund.

In addition, the Urban Development Authority has claimed charges for the infrastructure development to be paid by the Trust Fund. The latest position of the matter is that the UDA has recently undertaken to refund the amount paid by the Mahapola Trust Fund, in exchange of the possession of the land, based on a request made by the Mahapola Trust Fund to this effect. However, this arrangement has not materialized to date.

2.0 The Expected Outcomes of the Forensic Audit

- i. Clear understanding of the financial management of the Trust Fund over two decades.
- ii. Confirm whether the investments of the Trust Fund have been done on value for money-basis with transparency, accountability and equity
- iii. Identification of any fraud, mismanagement, financial irregularities misuse of funds & resources and the persons responsible.
- iv. Strengthened governance, accountability, and transparency mechanisms.
- v. Recommendations for ensuring proper use of funds for future educational initiatives as well as for the conducting of fund-raising activities in a profitable manner.
- vi. Legal and regulatory pathways to address identified irregularities.

3.0 The objectives of the Forensic Audit

The Objectives of the Forensic Audit is to examine the operations / activities including projects of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund, M/s National Wealth Corporation Limited and M/s. National Wealth Securities Ltd. during the period of 2003 to December 2024.

With the view to achieve the aforesaid objectives, the following tasks and responsibilities shall be undertaken by the Audit Firm:

- i. Examine records of financial transactions of the Trust Fund from 2003 to 2024 for accuracy, completeness, and compliance with applicable laws and regulations.
- ii. Conduct investigations to detect potential mismanagement, fraud, misappropriation of funds, or any irregularities in the financial transactions of the Trust Fund. In particular, the investments made in the Sri Lanka Institute of Information Technology, M/s National Wealth Corporation Limited and in M/s. National Wealth Securities Ltd as well as the expenditure on Mahapola Education and Trade Fairs and on any other special projects should be investigated, with special attention to the following:
 - (a) Examine the financial records with regard to the payments made / received when implementing the decisions of the LAMHESTF to invest its money and utilize its land with the setting up of SLIIT from 21st May, 1999.
 - (b) Examine the records, ledgers, and any other document including agreements entered into by LAMHESTF with regard to the conduct of online lotteries.
 - (c) Scrutinize the prudence in the investment decisions taken by the Trust Fund and its subsidiaries.
- iii. Assess whether the Trust Fund's resources were used in alignment with its stated aims and objectives specified by Section 8 of the Act.
- iv. Identify responsible persons or entities, including the members of the Board of Trustees, for any misuse of authority and / or misuse of resources of the Trust Fund.
- v. Evaluate the governance and internal control mechanisms of the Trust Fund, including decision-making, accountability, and reporting structures.
- vi. Identify gaps, weaknesses, and risks in financial and operational management.
- vii. Provide recommendations for corrective action and measures to strengthen governance, accountability, and transparency in future operations
- viii. Advise the Trust Fund of the optimal legal, regulatory and administrative recourse available to recover any losses incurred (financial or otherwise) and to penalize the persons responsible for such losses.

4.0 Scope of Forensic Audit

The forensic Audit shall cover the areas specified under items 4.1 to 4.5 hereto.

The period under review shall apply to the transactions of the entities and projects as follows: (as per the decision taken at the 114th Board meeting)

- a) The Trust Fund and the two subsidiary companies (NWCL and NWSL): 2003 to 2024
- b) Mahapola Online lottery: 2015 to 2024
- c) Sri Lanka Institute of Information Technology (SLIIT): 2015 onwards
- d) Mahapola Trade Fair: 2023 and 2024
- e) Purchase of 99-year leasehold right of a land in Millewa watte, Horana, for the proposed International University Village project: 2021-2024

4.1 Financial Examination

- (a) Verification of income sources, donations, endowments, grants, and other contributions.
- (b) Review of expenditures against the Trust Fund's objectives.
- (c) Examination of bank accounts, investments, and financial instruments used.

- (d) Verification of financial statements, ledgers, vouchers, receipts, and supporting documents.
- (e) Identification of unrecorded, irregular, or unauthorized transactions.

4.2 Governance and Compliance

- (a) Assessment of compliance with the Mahapola Trust Fund Act (as amended) and the Trust Deed, governing regulations, and legal obligations.
- (b) Review of decision-making processes of Trustees and management.
- (c) Examination of adherence to procurement, investment, and disbursement procedures.
- (d) Assessment of compliance with statutory reporting and Audit requirements
- (e) Evaluate the internal control system and procedures of Trust Fund
- (f) The legality of the process of establishment of the subsidiaries of the Trust Fund.

4.3 Program and Objective Alignment

- (a) Review of funds allocated and utilized for scholarships, educational support, vocational training, and institutional development.
- (b) Verification that beneficiaries received intended support, and evaluation of transparency in selection processes.
- (c) Assessment of alignment between financial allocations and the Trust Fund's stated aims.

4.4 Investments and Purchase or Transfer of Assets / Properties

- (a) Examine key investments or asset procurements or sale or transfer of assets or properties of the Trust Fund as follows
 - (i) Investment on Institute of Information Technology / Sri Lanka Institute of Information Technology
 - (ii) Investment on Incorporation of M/s National Wealth Corporation Ltd
 - (iii) Investment on National Wealth Securities Ltd
 - (iv) Sale or Transfer of Institute of Information Technology / Sri Lanka Institute of Information Technology, particularly during the period of 2003 to 2024
 - (v) Investment on Mahapola Education and Trade Fairs during the period of 2015 to 2024

4.5 Fraud and Irregularities

- (a) Identification and investigation of suspected fraud, corruption, misappropriation, or conflicts of interest.
- (b) Tracing of funds where misuse is suspected.
- (c) Examination of related party transactions, if any

5.0 Legal and Regulatory Implications

- (a) Any findings of fraud, corruption, misappropriation, or regulatory non-compliance shall be reported to the relevant statutory bodies, including regulatory, judicial, and law enforcement agencies, as applicable.
- (b) The final report should clearly indicate breaches of trust law, financial management regulations, or fiduciary duties by trustees, officers, or management.
- (c) The Auditors shall recommend potential legal remedies, including recovery of funds, initiation of disciplinary action, or legal proceedings.
- (d) The Trust Fund shall cooperate with regulatory agencies in pursuing corrective or punitive action where malfeasance is established.

6.0 Methodology

The forensic Auditors are expected to:

- (a) Review available documentation, financial statements, and records of the Trust Fund and its subsidiaries.
- (b) Conduct interviews with Trustees, management, staff, key stakeholders and any other persons / parties.
- (c) Perform forensic accounting techniques, including data analytics, tracing of funds, and verification of transactions.
- (d) Liaise with regulatory authorities where required.
- (e) Document all findings with clear evidence for potential legal or regulatory follow-up

7.0 Deliverables

The Auditors will provide:

- i. **Inception Report** – within three (03) weeks of commencement, outlining detailed Audit approach, timelines, and data requirements.
- ii. **Progress Updates** – periodic briefings to the Trustees and to the Secretary to the Ministry of Trade, Commerce, Food Security and Cooperative Development.
- iii. **Draft Forensic Audit Report** – with detailed findings, irregularities identified, and preliminary recommendations as per the expected outcomes and objectives specified hereto.
- iv. **Final Forensic Audit Report** – incorporating stakeholder feedback, including:
 - (a) Executive summary of key findings.
 - (b) Detailed analysis of financial irregularities, if any.
 - (c) Assessment of governance and compliance weaknesses.
 - (d) Recommendations for corrective actions, governance reforms, and risk mitigation.
 - (e) Evidence as appendices to support findings.
 - (f) Any other relevant findings.

8.0 Required qualification of the Audit Firm

The forensic Audit Firm of the Audit Firm should comprise professionals with:

- Proven expertise in Forensic Accounting and Auditing.
- Experience in trust fund/NGO/Educational Fund Audits.
- Knowledge of applicable trust, charity, and financial management laws.

- Ability to prepare legally admissible evidence and reports as appropriate.

In particular, the professionals who will be deployed by the Audit Firm as the team to conduct the Forensic Audit must also fulfill the following:

- (a) Professionally qualified Chartered Accountant of Sri Lanka (CASL) or the Association of Chartered Certified Accountant (ACCA) with minimum 10 years of experience after being thus qualified, including professional forensic Audit experience and practical experience in the field of investigation, asset / inventory management.
- (b) Having being an active member of a team which completed at least one Forensic Audit Assignment during the last five (05) years.
- (c) The ability to demonstrate and apply special skills in Accounting, Auditing, Finance, Quantitative Methods, Certain areas of Law, Research, and Investigative skills to collect, analyze and evaluate evidential matter, and to interpret and communicate findings.
- (d) In addition to the aforesaid qualifications and experience, it is desirable that the Head of the team shall possess a Doctor of Philosophy (Ph.D.) in a relevant subject area, with at least 50% of the members possessing postgraduate degrees / diplomas.

9.0 Duration of Assignment and Duty Station

The period of consultancy will be five (05) months from the date from the signing of the Contract Agreement. The Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund, Colombo 02 will provide office space for the space for the Audit Firm and if assistant he / she need may and all other equipment, Internet communication facilities should be borne by the Audit Firm.

10.0 Timeline for Submission of the Forensic Report

Deliverable	Anticipated Date
Inception Report	21 Days from the Date of Signing of the Contract Agreement
Audit Field Work	90 Days from the date of Signing of the Contract Agreement
Draft Report	130 Days from the date of Signing Contract of Agreement
Final Report	150 Days from the date of Signing Contract of Agreement

11.0 Terms of payment

The Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund will pay the Contact Amounts as per the following schedule. All the payments will be made after the approval of the Review Committee (to be appointed as per the item 12 hereto), to review and accept the relevant deliverables.

No. of Installment	Report	Payment percentage of contract price	Milestone	Date of payment
Installment 1	Inception Report	25% of the contract amount	Submission of Inception Report	After 15 Days from the submission of the Inception Report.

Installment 2	Draft Report	40% of the contract amount	Submission of Draft Report	After 15 Days from the submission of the Draft Report.
Installment 3	Final Report	35% of the contract amount	Submission of Final Report	After 15 Days from the submission of the Final Report.

In case of a delay in the submission of deliverables, the Audit Firm shall be liable for a penalty, amounting to a maximum amount of up to 10%, which would be deducted at a rate of 0.5% per week, from the amount payable for the respective Report, until the day of submission.

12.0 Procedures for Acceptance of the Forensic Audit Reports

A Review Committee will be appointed by the Board of Trustees of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Board.

The Review Committee shall review all deliverables and provide comments, observations, recommendation on the Inception Report, Draft Report and Final Report, or approve the same, within five (05) working days from the submission of each Report to the Committee.

13.0 Contact Point of Reporting Requirements

The Audit Firm is required to report to/ communicate with the Chairman of the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund, who shall function as the point of contact and communication, for the purposes of this Contract.

14.0 Provisions for the Audit Firm regarding transparency and Ownership of Materials

- i. The Audit Firm will be expected to have no conflict of interest with other assignments or with its own corporate interests and to act without any consideration for future works.
- ii. The Audit Firm shall have no personal business relationship with senior management of procuring entity.
- iii. It must be established that the Audit Firm and an individual in its employment have not been sanctioned by the Government.
- iv. The Audit Firm shall not, during the term of this Contract and after its expiration, disclose any proprietary or confidential information relating to the services, this Contract or the Client's business or operations without the prior written consent of the Client.
- v. Any studies, reports or other materials prepared by the Audit Firm for the Client under the Contract shall belong to and property of the Client. The Audit Firm may retain a copy of such documents, software and any use of documents, only if permission was granted by the Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund for such usage.

15.0 Confidentiality

All information obtained during the Forensic Audit Process and this Terms of Reference shall be treated as confidential. The Audit Firm shall not disclose information to third parties without prior written authorization of the Trust Fund, except as required by law.
