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Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources

AIN: 16377

**FINANCIAL AUDIT REPORT OF THE BHUTAN TRUST FUND  
FOR ENVIRONMENTAL CONSERVATION (BTFC)  
THIMPHU**

**PERIOD: 01.07.2018 TO 30.06.2019**

**DECEMBER 2019**



*'Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder'*  
*- His Majesty the King Jigme Khesar Namgyel Wangchuck*

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Website: [www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt) | Email: [info@bhutanaudit.gov.bt](mailto:info@bhutanaudit.gov.bt); [tkezang@bhutanaudit.gov.bt](mailto:tkezang@bhutanaudit.gov.bt)



རྒྱལ་གཞུང་ཚུལ་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY  
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/AR/GGD/CSO(BTFEC-06)/2019 /2935

Date: 06/12/2019

✓ The Director  
Bhutan Trust Fund for Environmental Conservation  
Thimphu, Bhutan.

**Subject: Financial Audit Report of Bhutan Trust Fund for Environmental Conservation (BTFEC), Thimphu for the period 1 July 2018 to 30 June 2019**

Sir,

Enclosed herewith please find the audited **financial statements and auditors' report thereon** in respect of the Bhutan Trust Fund for Environmental Conservation, Thimphu for the financial year ended 30 June 2019. The audit was conducted as required under the Audit Act of Bhutan 2018, and in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

#### **Auditor's Report on the Financial Statement**

As may be noted from the auditors' report, the financial statements are prepared by the Bhutan Trust Fund for Environmental Conservation in all material respects, in accordance with the International Accounting Standard (IAS). Accordingly, the RAA has expressed unmodified (unqualified) opinion on the financial statements.

#### **Audit Findings and Recommendations**

The auditors' review of the accounting records, internal controls and operations of the Bhutan Trust Fund for Environmental Conservation (BTFEC) revealed some deficiencies and lapses. However, all two [2] audit findings issued were settled in view of recoveries made, justifications provided, related documents and evidences furnished subsequently which are transmitted separately in the form of *Management Appraisal Report* for future reference and compliance.

#### **Achievements**

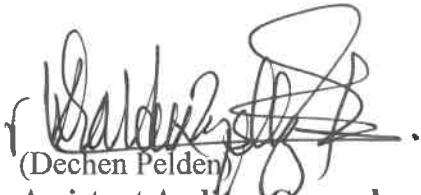
The RAA has also noted achievements made by the Bhutan Trust Fund for Environmental Conservation (BTFEC) during the period under audit, which are detailed in **Annexure B** of this report.

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The Royal Audit Authority acknowledges the kind co-operation and assistance extended to the audit team by the officials of the Bhutan Trust Fund for Environmental Conservation which facilitated the completion of the audit.

Yours sincerely,

  
(Dechen Pelden)  
**Assistant Auditor General**

***Copy to:***

1. The AAG, PPAARD, Royal Audit Authority, Thimphu
2. The AAG, FUCD, Royal Audit Authority, Thimphu

## TITLE SHEET

1.	Title	:	Financial Audit Report of the Bhutan Trust Fund for Environmental Conservation, Thimphu
2.	AIN	:	16377
3.	Head of the Agency	:	Dr.Pema Choephyl, Director CID No. 10709002672
4.	Drawing and Disbursing Officer	:	Dr.Pema Choephyl, Director CID No. 10709002672
5.	Finance Personnel	:	1.Singye Dorji, Chief Finance Officer CID No. 11601002881  2.Yeshey Peldon, Finance Officer CID No.11001001397
6.	Period Audited	:	01/07/2018 to 30/06/2019
7.	Schedule of Audit	:	Planning :21/10/2019 to 22/10/2019 Conducting :23/10/2019 to 08/11/2019 Reporting : 01/01/2020
8.	Composition of teams	:	<b>Team Leader:</b> Rinchen Gyeltshen, Asst.Audit Officer EID No.20150104976 <b>Team Members:</b> 1.Tshering Ngedup Audit officer EID No.2017010799 2.Chimi Yangdon Asst. Audit Officer EID No.20170709526
9.	Supervising Officer	:	Dechen Pelden, Assistant Auditor General EID No.9811009
10.	Overall Supervising Officer	:	Tashi Tobgay, DAG EID No.9811012
11.	Engagement Letter No	:	RAA/GGD/CSO(BTFEC-06)/2019-20/2437 dated 14.10.2019
12.	Focal Person	:	Rinchen Gyeltshen
13.	Date of Exit Conference	:	25/11/2019

## GLOSSARY OF ABBREVIATIONS & ACRONYMS

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AAG	:	Assistant Auditor General
AR	:	Audit Report
BTFEC	:	Bhutan Trust Fund for Environmental Conservation
CID	:	Citizenship Identity Number
CSO	:	Civil Society Organization
DAG	:	Deputy Auditor General
EID	:	Employee Identity Number
FAC	:	Federal Administrative Court
GGD	:	General Governance Division
PP&AARD	:	Policy Planning & Annual Audit Report Division
RAA	:	Royal Audit Authority
RGoB	:	Royal Government of Bhutan
SOE	:	Statement of Expenditure
SLMP	:	Sustainable Land Management Programmes (SLMPs)
US\$	:	United States (American) Dollar
HANAs	:	High Altitude Northern Areas

**AUDITORS' REPORT ON THE  
FINANCIAL STATEMENTS**



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ROYAL AUDIT AUTHORITY  
*Bhutan Integrity House*

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



## AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION, THIMPHU FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### Opinion

We have audited the accompanying financial statements of the Bhutan Trust Fund for Environmental Conservation Thimphu (CD.No. 0000017912011) which comprise the Balance Sheet as at 30 June 2019, Statement of Revenue & Expenditure and schedules forming part of financial statements for the year ended 30 June 2019

In our opinion, the financial statements are prepared, in all material respects, in accordance with the International Accounting Standard (IAS)

### Basis for Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of our report. We are independent of the **Bhutan Trust Fund for Environmental Conservation, Thimphu** in accordance with *RAA's Oath of Good Conduct, Ethics & Secrecy of Auditors*, and we have fulfilled our responsibilities in accordance with the requirements outlined in this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for preparation of the financial statements in accordance with the International Accounting Standard (IAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the BT FEC reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists.

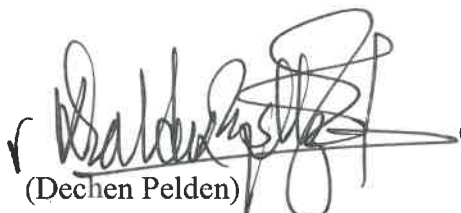
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- His Majesty the King Jigme Khesar Namgyel Wangchuck*

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 our 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 omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 BTFEC's internal control.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

  
(Dechen Pelden)  
Assistant Auditor General  
Date: 06/12/2019 -





## BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

### Statement of Revenue and Expenditure for the Fiscal Year Ending 30 June, 2019

*USD (rounded)*

	<u>Notes</u>	<u>2018-2019</u>	<u>2017-2018</u>
<b>REVENUE</b>			
Interest & Dividend	<i>I</i>	1,135,990	1,172,779
Net Capital Gain/(Loss) Realized		4,623,010	1,463,300
Grant from GEF-World Bank		541,038	635,918
Miscellaneous (Net)		<u>4,506</u>	<u>2,833</u>
<b>TOTAL REVENUE</b>		<b>6,304,545</b>	<b>3,274,830</b>
 <b>EXPENDITURE</b>			
Secretariat	<i>II</i>	502,554	399,330
Program	<i>III</i>	1,032,081	1,551,929
Fund Management/Advisory	<i>IV</i>	12,969	12,913
Depreciation on Fixed Assets	<i>V</i>	47,624	26,187
<b>TOTAL EXPENDITURE</b>		<b><u>1,595,229</u></b>	<b><u>1,990,359</u></b>
<i>Excess Revenue over Expenditure</i>		<u>4,709,316</u>	<u>1,284,470</u>
Opening Accumulated Excess Revenue over Expenditure		33,978,981	32,694,511
<b>Closing Accumulated Excess over Revenue</b>		<b><u>38,688,297</u></b>	<b><u>33,978,981</u></b>

  
 Director  
 Secretariat  
 Bhutan Trust Fund for  
 Environmental Conservation

  
 Chief Financial Officer  
 Secretariat  
 Chief Finance Officer  
 Bhutan Trust Fund for  
 Environmental Conservation



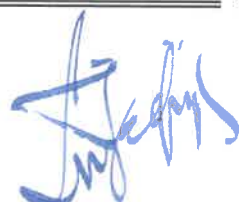
**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**

**Balance Sheet as at 30 June 2019**

*USD (rounded)*

<b>ASSETS</b>	<b>Notes</b>	<b>2018-2019</b>	<b>2017-2018</b>
<i>Current assets</i>			
Cash in Hand & Bank	<b>VI</b>	16,136	380,418
Receivables and Prepayments	<b>VII</b>	101,778	169,933
Fund Balances	<b>VIII</b>	161,935	521,643
<i>Total current assets</i>		279,849	1,071,994
<i>Fixed Assets:</i>			
Fixed Assets (Net)	<b>V</b>	184,500	111,153
<i>Investments</i>			
Investment at cost	<b>IX</b>	58,944,858	53,891,132
Less: RSPN Endowment Fund		(1,735,013)	(1,598,137)
<i>Investment (Net)</i>		57,209,846	52,292,995
<b>TOTAL ASSETS</b>		<b>57,674,195</b>	<b>53,476,142</b>
 <b>LIABILITIES</b>			
<i>Current liabilities</i>			
Expenses Payable	<b>X</b>	17,816	519,989
Recoveries/Remittances	<b>XI</b>	31,426	(5,128)
<i>Total current liabilities</i>		49,242	514,860
<i>Capital &amp; Reserves</i>			
Capital Contributions	<b>XII</b>	21,575,325	21,542,631
Accumulated excess of revenue		33,978,981	32,694,511
Excess of revenue for the Period		4,709,316	1,284,470
Reserves on valuation of Fixed Assets		2	2
Reserves for (Gain/Loss) FOREX Translation		(2,638,671)	(2,560,332)
<i>Total Capital &amp; Reserves</i>		57,624,953	52,961,282
<b>TOTAL LIABILITIES, CAPITAL &amp; RESERVES</b>		<b>57,674,195</b>	<b>53,476,142</b>

  
 Director  
 Secretariat  
 Bhutan Trust Fund for  
 Environmental Conservation

  
 Chief Financial Officer  
 Secretariat  
 Chief Finance Officer  
 Bhutan Trust Fund for  
 Environmental Conservation



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**

**Notes to financial statement**

**30 June 2019**

USD (rounded)

**Schedule I:**

<b>A: Offshore Investment Income</b>	<b>2018-2019</b>	<b>2017-2018</b>
Interest Income Offshore	259,435	196,406
Money Market Income Offshore	4,070	3,586
Dividend Income Offshore	457,440	456,813
<i>Sub-total</i>	<u>720,945</u>	<u>656,805</u>
<b>B: Local Investment Income</b>		
Dividend Income Local	198,725	295,537
Interest Income Local	216,320	220,437
<i>Sub-total</i>	<u>415,045</u>	<u>515,974</u>
<b>Total (A+B)</b>	<u><b>1,135,990</b></u>	<u><b>1,172,779</b></u>
<b>C: Capital Gain Realized</b>		
Capital Gain Realized-Offshore	4,603,423	1,463,300
Capital Gain/loss Realized-Project Equipme	521	-
Capital Gain/loss Realized- Equipments	(246)	-
Capital Gain/loss Realized- Furnitures	116	-
Capital Gain/loss Realized- Vehicles	19,197	-
<i>Sub-total</i>	<u>4,623,010</u>	<u>1,463,300</u>
<b>Total (A+B+C)</b>	<u><b>5,759,001</b></u>	<u><b>2,636,079</b></u>

  
Director  
Bhutan Trust Fund for  
Environmental Conservation



  
Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation

**Schedule - II**

**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**  
**Notes to financial statement**  
**30 June 2019**

**Expenditure Statement of Secretariat For The Fiscal Year 2018-2019**

*USD (rounded)*

<b>Expenditure Head</b>	<b>2018-2019</b>	<b>2017-2018</b>
<i>Recurrent:</i>		
Personnel Emoluments	126,842	120,992
Other P. Emoluments	10,376	6,355
Medical Benefits	4,530	-
Travel (in-country)	11,199	12,499
Travel (abroad)	66,866	6,546
Utilities-Tele, Fax, etc.	10,867	10,629
Utilities-Postage/Bank Charges	504	282
Utilities- Electricity	768	1,242
Utilities- Water & Sewerage Charges	26	61
Rental of Others	58	109
S & M - Stationery, Printing, Office Supplies	2,871	4,010
S & M - Subscription to International Journals	67	884
S & M - Library	321	-
S & M - Uniform, Extn. Kits	2,748	3,850
Maintenance of Properties-Building	5,946	1,764
Maintenance of Properties-Vehicle	8,280	8,423
Maintenance of Properties-Equipment	539	68
Maintenance of Properties-Computers & Peripherals	1,214	366
Maintenance of Properties-Office Campus	-	6
Operating Expenses - Advertisement	590	1,071
Operating Expenses - Incountry Seminar/W-shop	2,011	4,086
Operating Expenses -Web Hosting	29	-
Hospitality & Entertainment	8,050	9,625
Subscription to International Organization	1,257	517
PF-Employers Contribution	10,378	9,771
Retirement Benefits	-	1,963
<i>Total Recurrent</i>	<u>276,337</u>	<u>205,118</u>
<i>Non-recurrent:</i>		
Write Off-Stock, Loss or Cash/Goods	37,474	-
BT FEC's Environmental Advocacy & Publicity	22,093	29,342
Training - Human Resources Development	875	-
Professional Fees	8,377	-
Silver Jubilee Celebration	-	12,392
<i>Total Non-recurrent</i>	<u>68,819</u>	<u>41,734</u>



*[Signature]*  
 Director  
 Bhutan Trust Fund for  
 Environmental Conservation

*[Signature]*  
 Chief Finance Officer  
 Bhutan Trust Fund for  
 Environmental Conservation

**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**  
**Notes to financial statement**  
**30 June 2019**

**Expenditure Statement of Secretariat For The Fiscal Year 2018-2019**

*USD (rounded)*

**Enhancing the Operational Effectiveness of BTFEC**

Other P. Emoluments	2,417	5,437
Travel In-country)	381	623
Travel (abroad)	4,223	36,915
Utilities-Postage/Bank Charges	1	3
S & M: Office Supplies	140	65
Operating Expenses - Advertisement	94	-
Operating Expenses - Incountry Seminar/W-shop	36,102	42,118
Hospitality & Entertainment	147	-
Write Off-Stock, Loss or Cash/Goods	1,053	-
PF-Employers Contribution	208	431
Expenditure on Structure-Others	2,366	1,139
Training - Human Resources Development	26,764	34,134
Professional Fees	83,318	31,615
BTFEC's Environmental Advocacy & Publicity	184	-
<i>Total Component 1 &amp; 3 of SFBC&amp;NRM</i>	<i>157,398</i>	<i>152,479</i>
<b>Total</b>	<b>502,554</b>	<b>399,330</b>

  
 Director  
 Bhutan Trust Fund for  
 Environmental Conservation



  
 Chief Finance Officer  
 Bhutan Trust Fund for  
 Environmental Conservation

Schedule - III

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Program Expenses For The Year Ending 30 June, 2019

USD (rounded)

Grant Title	Grant No.	2018-2019	2017-2018
Conservation of Native Tree Species Through Nursery Develp.	MB0134Y14	-	5,214
WBH Recovery Plan. Royal Society for Protection of Nature, T	MB0156Y15	-	99,986
Up-scaling SLM to Combat Land Degradation and CC Mitigation	MB0159Y15	-	53,981
Trial Intro of GLTT and EA of Glulam structures in BHT, R/A	MB0162Y15	-	32,112
Dev of compact and appropriate onsite sanitation technology(CST)	MB0167Y16	95,908	37,248
Fish Fauna Assessment -Nyera Ama Chhu-NCWFC, Haa	MB0168Y16	60,838	55,182
Enhance the management effectiveness of JKSNR	MB0169Y16	81,816	47,623
Strengthening Environmental Auditing-RAA	MB0170Y16	10,522	49,738
Research and Development in Electric Fence Designs	MB0171Y17	14,703	24,708
Conservation and Sustainable Use of Indigenous Flora-Floriculture	MB0172Y17	66,201	17,576
Enhancing community capacity or Biodiversity Conservation-RDTC	MB0173Y17	29,258	23,015
Working towards achieving Land degradation neutral status- NSSC	MB0174Y17	33,263	30,614
Strengthening Natural and Biosecurity and Food Safety	MB0175Y17	-	41,770
Improving Rangeland Governance and Leveraging Yak Value Chains-DOL	MB0176Y17	48,143	44,812
Conservation and Promotion of Native Poultry Breeds of Bhutan	MB0177Y17	10,582	62,213
National Rollout for SMART Patrolling Program	MB0178Y17	-	13,279
Scientific Study on the ecology of small felids in RMNP	MB0179Y17	8,192	30,076
Study the ecology and Conservation of Spotted deer,PWS	MB0180Y17	5,322	13,038
Rehabilitation of degraded watershed-Eutok Gonpa and Dra karmo	MB0181Y17	10,003	11,459
Zero Wate in S/Jongkhar & Trashigang	MB0185Y17	15,785	8,964
Building Socio-Ecological Resilience in SWS	MB0186Y17	19,716	82,809
Introduction of ES in Class XI & XII	MB0187Y17	-	76,397
Samazingkha Agroforestry	MB0188Y17	27,348	185,728
Develop Cons. Mgt. Plan for BC5 & Hotspot Mapping of HWC-P/g	MB0189Y17	44,587	-
Dev. Climate Resilient Communities (Adaptation & Mitigation)	MB0190Y17	133,668	-
Cons. Of Balck Necked Crane in Bumthang-Bumthang Territorial	MB0191Y17	23,817	-
Construction of 3Rs collection Center, Thimphu Thromde	SC0128Y14	-	2,244
Development of Waste Disposal Facilities for Lamgong Town	SC0138Y17	-	3,121
Ensure Health & Hygiene of monks through environment Conservation	SC0144Y17	5,402	-
Sustainbale NWFP Management of Sektana Gakiling Gewog	SC0145Y17	-	5,854
Prevention of Forest fire through Media Advocacy & Awarness	SC0146Y17	-	6,038
4th Annual Research Symposium(BES)	SC0147Y17	-	3,692
Nursery Dev. and Landscaping Edu. Programme for students at	SC0148Y17	4,353	-
Population status and diet of Sympatric Hornbills in Jomotsa	SC0149Y17	2,161	-
School Environment Program,Changangkha Middle Secondary Scho	SC0150Y17	4,187	-
Study and display of Wild Orchid during Flower Exhibition fo	SC0151Y17	2,926	-
Reduced waste and its implication through waste management s	SC0151Y18	5,762	-
Training of Focal leaders for Scout Env. Program from all dz	SC0152Y18	5,396	-
Improving Resilience and Facelift Key touristic Sites of Cho	PF0001Y19	1,970	-
Enhancing social responsibilites on Tiger Conservation-Zhemg	PF0002Y19	2,151	-
Protection of watershed to have reliable drinking water sour	PF0003Y19	2,177	-
<i>Total Program Expenses (BTPEC)</i>		<u>776,157</u>	<u>1,068,490</u>
Strengthening Resource Monitoring, Patrolling & Service Delivery	MB0138Y14	12,544	32,866
Sustainable Mgmt. of Res. Integrated Participation	MB0146Y15	4,516	58,999
Enhance Biodiversity Database in WCP-II	MB0147Y15	-	10,987
Bio-diversity Conservation and Sustainable Use	MB0151Y15	-	22,144
Integrated Wildlife Management for Sustainable Biodiversity	MB0182Y17	77,459	129,195
Antipoaching of Musk Deer-Ensuring their conservation,WCPNP	MB0183Y17	49,701	158,434
Enhancing the conservation of Bhutan Takin, NCD	MB0184Y17	2,304	70,814
GEF fund balance Utilization(NCD & JDNP)	MB0000Y19	109,401	-
<i>Total Program Expenses (HANAs)</i>		<u>255,925</u>	<u>483,439</u>
<b>Total Program Expenses</b>		<b><u>1,032,081</u></b>	<b><u>1,551,929</u></b>

Schedule IV:

Fund Management Expenditure

Custodian Fees

Total Fund Management Expenditure

2018-2019	2017-2018
12,969	12,913
<u>12,969</u>	<u>12,913</u>

Director  
Bhutan Trust Fund for  
Environmental Conservation



Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation

**Bhutan Trust Fund for Environmental Conservation**  
*Schedule V*

Depreciation Table for FY18-19 (amount in USD)

ROE/\$ 68,9180

Particulars of Assets	Gross Block as on 30.6.18	Addition during the Year	Adjustments during the Year	Ex. Rate Gain/(Loss)	Gross Block as on 30.6.19	Accumulated as on 30.6.18	During the Year	Depreciation		Accumulated as on 30.6.19	Net Block as on 30.6.19	Net Block as on 30.6.18	Estimated Scrap Value
	US\$				US\$			US\$	US\$				
Land: (No Depreciation):	1	-	-	0	1	-	-	-	-	-	1	-	-
Buildings: (2%, 50 years, 10%):	67,504	-	-	336	67,169	6,285	1,209	-	(31)	7,463	59,706	61,219	6,717
Equipment (20%, 5 years, 5%):	94,171	20,978	15,215	364	99,570	65,900	16,295	(7,723)	(6,028)	68,445	31,126	28,271	4,979
Computer Software (20%, 5 years, 0):	64,802	-	-	322	64,480	53,232	9,689	-	(265)	62,655	1,824	11,571	-
Furniture (20%), 5 years, 5%:	19,113	4,029	3,264	115	19,763	14,745	2,302	(2,993)	(154)	13,900	5,863	4,368	988
Vehicle (20%), 5 years, 10%:	57,231	94,902	22,315	4,804	134,623	51,508	18,129	(20,083)	(911)	48,643	85,980	5,723	13,462
<b>Total</b>	<b>302,823</b>	<b>119,910</b>	<b>40,794</b>	<b>3,668</b>	<b>385,606</b>	<b>191,670</b>	<b>47,624</b>	<b>(30,799)</b>	<b>(7,389)</b>	<b>201,106</b>	<b>184,500</b>	<b>111,153</b>	<b>26,146</b>



*[Signature]*

Director  
Bhutan Trust Fund for  
Environmental Conservation

*[Signature]*

Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation

**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**  
**Notes to Financial Statement**  
**30 June 2019**  
*USD (rounded)*

**Schedule VI:**

<b>Cash in Hand/Bank</b>	<b>2018-2019</b>	<b>2017-2018</b>
Petty Cash Account	103	147
Bank Account 17912011	11,872	15,864
Bank US\$ Account 17912003	4,161	4,161
GEF CD0000066928016	-	360,246
<b>Total</b>	<b>16,136</b>	<b>380,418</b>

**Schedule VII:**

<b>Receivables and Prepayments</b>	<b>2018-2019</b>	<b>2017-2018</b>
Advance to Employees	48,735	86,670
Advance to Suppliers	557	618
Advance to Others	52,486	82,631
Prepaid Expenses	-	15
<b>Total</b>	<b>101,778</b>	<b>169,933</b>

**Schedule VIII:**

<b>Fund Balances with Implementing Agencies</b>	<b>2018-2019</b>	<b>2017-2018</b>
Ministry of Education	-	6,951
Dept. of Forestry Services MoA	-	6,194
MB0179Y17 Scientific Study on Ecology of small field RMNP .	1	1,235
Gross National Happiness Secretariat	-	23,024
Royal Society for Protection of Nature	11	11
MB0180Y17 Scientific study of spotted Deer & others PWS .	8	2,966
MB0167Y16 Dev. of Wastewater Treatment Technology CST .	19,446	116,870
MB0168Y16 Fish Fauna Assessment Central & Western region .	291	27,560
MB0169Y16 To enhance Management effectiveness of JKSNR.	50,595	55,046
MB0170Y16 Strengthening Environmental Auditing RAA	4,118	14,845
MB0173Y17 Enhancing Community capacity for Biodiversity Cons	5,904	16,137
MB177Y17 Conservation and Promotion of Native Poultry	23,304	2,261
MB176Y17 Improving Rangeland Governance and Leveraging Yak	26,781	44,958
MB174Y17 Working towards achieving land degradation neutral	7,319	2,373
MB189Y17 Develop cons. mgt. plan for biological corridors	7	-
MB172Y17 Cons. & Sustainable Use of Indigenous Flora.	4,643	8,201
MB0171Y17 Research & Development in Electric Fence Designs	1,503	-
MB182Y17 Integrated Wildlife Mgt. for Sus.Bio. Cons. BWS	0	52,084
Mb184Y17 Enhancing the Cons. of Bhutan Takin WCD	-	1,322
MB188Y17 Samazingkha Agroforestry project	6,767	34,308
MB185Y17 Zero Waste Project S/jongkhar & T/gang Lhomon Socie	5	1,852
MB187Y17 Introducing EVS in Cl. XI & XII REC	-	5
SC144Y17 Ensure health & Hygiene through conservation Beylang	-	4,418
SC151Y17 Study and display wild orchid during Flower Show	-	2,917
MB190Y18 Dev climate resilient communication Tarayana Foun.	8,256	-
MB191Y18 Cons. of Black Necked Crane in Bumthang	2,975	-
SC150Y17 School Environment Management Program	-	3,383
SC149Y17 Population status and Diet of Hoenbill in JWS	-	1,750
SC148Y17 Nursery Development and Landscaping Royal Academic	-	3,500
MB0132Y13 Estbl. of Rural Live stock Insurance Scheme WCD .	-	14,583
MB0138Y14 SMART Patrolling & Service delivery of JDNP.	-	12,607
MB183Y17 Release of Anti poaching of Musk Deer WCNP	-	14,759
MB0146Y15 Release for Sustainable mangement	-	30,121
MB0149Y15 Estbl. of knowledge base for invertebrates in Bhut	0	0
MB/2015 16/05/0159 Up Scaling Sustainable land mgt. to combat	-	15,408
MB/2015 16/05/0156 White Bellied Heron Recovery Plan	-	(5)
<b>Total</b>	<b>161,935</b>	<b>521,643</b>

  
**Director**  
 Bhutan Trust Fund for  
 Environmental Conservation



  
**Chief Financial Officer**  
 Bhutan Trust Fund for  
 Environmental Conservation



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION**  
**Notes to Financial Statement**  
**30 June 2019**  
*USD (rounded)*

**Schedule VI:**

	<b>2018-2019</b>	<b>2017-2018</b>
<b>Cash in Hand/Bank</b>		

**Schedule IX:**

**BTF Portfolio**

**Foreign Investment**

	<b>2018-2019</b>	<b>2017-2018</b>
Money Market US Bank Money Market Mmda It&c	436,623	378,742
Fixed Income Vanguard Short Term Bond Index Inv	5,442,600	5,332,539
Fixed Income JP Morgan Short Duration Bond SI	8,888,609	8,723,953
Equity Mutual Funds Jensen Portfolio Inc Fund	4,091,567	3,614,258
Equity Mutual Funds Dodge & Cox Stock Fund	4,396,276	3,789,112
Equity Mutual Fund Matthews Asian Growth & Income Fund	5,801,992	5,301,713
Equity Mutual Fund Matthews Pacific Tiger Fund	5,308,713	5,043,706
Equity Mutual Fund Matthews China Fund	2,258,241	1,961,564
Equity Mutual Fund Voya Midcap Opportunitys W	6,776,055	5,877,505
Equity Mutual Fund Primecap Odyssey Growth Fd	1,058,013	4,244,341
Equity Mutual Fund Vanguard Health Care Adm	890,640	804,582
Equity Mutual Fund Red Oak Technology Select	849,214	805,461
Others Driehaus Emerging Mkts Growth Fund	603,348	575,987
U.S. Equities Vanguard Small Cap Indexed Fund	2,962,170	2,914,045
International Equities Dodge & Cox Stock Fund	635,014	614,416

*Total Offshore Portfolio* **50,399,075** **49,981,924**

**Local Investment**

Ngultrum Trading Account	5,892,756	951,572
Royal Insurance Corpn. of Bhutan Ltd.	73,972	74,342
Penden Cement Authority Ltd.	85,470	85,897
State Trading Corpn. of Bhutan Ltd	19,052	19,147
Bhutan Calcium Carbide Ltd.	234	236
Bhutan National Bank Ltd.	1,217,840	1,223,926
Dungsam Plymers Ltd.	77	77
Druk PNB Bank Limited	74	74
T Bank Limited	1,049	754
Fixed Income D PNB Bank Bond 7yrs	-	291,650
Fixed Income RICBL Bond Series III 7 yrs Jan 14 2021	725,500	1,232,222
Fixed Income RICBL Bond Series IV 7 yrs May 27 2022	29,165	29,311
Fixed Income RSA private Bond Series I 7 Year 25Jan'24	500,595	-

*Total Local Portfolio* **8,545,783** **3,909,208**

**Total BTF Investment Portfolio**

**58,944,858** **53,891,132**

**Schedule X:**

**Accrued Expenditure & Other Payables:**

	<b>2018-2019</b>	<b>2017-2018</b>
Accrued Expenses Paybles	17,816	20,813
GEF-WB Fund, GEF GRANT-SFBCNRM-COMPONENT-1	-	193,294
GEF-WB Fund, GEF GRANT-SFBCNRM-COMPONENT-2	-	317,410
GEF-WB Fund, GEF GRANT-SFBCNRM-COMPONENT-3	-	(11,529)

**Total**

**17,816** **519,989**

**Schedule XI:**

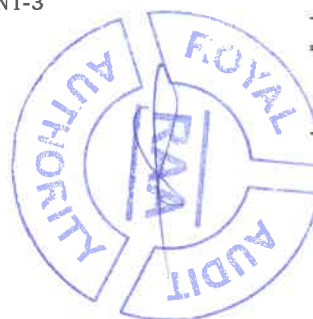
**Recoveries/Remittances:**

	<b>2018-2019</b>	<b>2017-2018</b>
Tax Deducted at Source	54	54
Earnest Money Deposits	22	22
Retention Money	2,806	2,820
NRED Fund	2,969	2,984
Sustainable Development Secretariat GNHC	-	(82)
Climate Investment Fund CIF	452	(10,926)
Green Climate Fund GCF	6	-
Adaptation Fund AF	25,117	-

**Total**

**31,426** **(5,128)**

  
**Director**  
**Bhutan Trust Fund for**  
**Environmental Conservation**



**Chief Finance Officer**  
**Bhutan Trust Fund for**  
**Environmental Conservation**

## Notes to financial statement

### Schedule XII.

#### Statement of Capital Contribution as of 30 June 2019 (US\$ rounded)

	<u>2018-2019</u>	<u>2017-2018</u>
The World Bank - GEF	10,000,000	10,000,000
Government of Norway	2,688,435	2,688,435
Government of Switzerland	2,586,207	2,586,207
Government of the Netherlands	2,454,500	2,454,500
Government of Denmark	2,334,418	2,334,418
World Wildlife Fund; Inc.	1,000,000	1,000,000
Government of Finland	66,312	66,312
HWCF Contribution	271,635	238,941
Royal Government of Bhutan	173,818	173,818
<b>Total</b>	<b><u>21,575,325</u></b>	<b><u>21,542,631</u></b>



Director  
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Environmental Conservation



Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation

## Schedule XIII

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Accounting Conventions:

These accounts are prepared on the basis of historical cost concept.

#### 1.2 Recognition of Revenue and Expenditure:

##### 1.2.1 Revenue and Expenditure:

Revenue and Expenditure are recognized on accrual basis except for leave encashment, Leave Travel Concession, and gratuity (refer notes 1.2.5 and 1.2.6 below).

##### 1.2.2 Investment Income:

1.2.2.1 Income earned from offshore investments are recognized as revenue in the Revenue and Operating Expenditure on the basis of statements received from the U.S. Bank (Custodian) based in Philadelphia, USA

1.2.2.2 Dividend Income earned from local (Bhutanese Equities) are recognized based on receipt of dividend payment advices from respective companies and from the bank statement received from Bhutan National Bank in case of interest income from Ngultrum trading account.

##### 1.2.3 Capital Gain/(Losses):

Realized Capital Gains/(Losses) arising on the actual sale of securities and capital gains distributed within the indexed/mutual funds are recognized as revenue/expenses in the Statement of Revenue and Operating Expenditure.

##### 1.2.4 Depreciation:

1.2.4.1 Depreciation on the fixed assets owned by the Bhutan Trust Fund for Environmental Conservation is charged under the straight-line method at the rates indicated below:

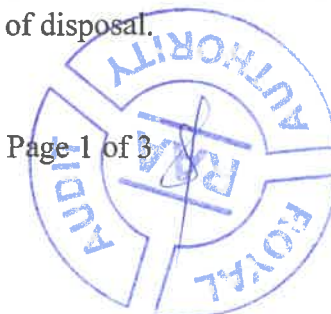
Asset	Annual Rate of Depreciation	Estimated Useful Life	Estimated Scrap Value
(i) Land	N/A	N/A	N/A
(ii) Buildings	2%	50 Years	10%
(iii) Computer Software	20%	5 Years	0%
(iv) Furniture & Equipment	20%	5 Years	5%
(v) Vehicles	20%	5 Years	10%

1.2.4.2 Depreciation method has been changed from reducing balance to straight-line starting FY2011-12 as approved during the 31<sup>st</sup> meeting of the Management Board held on 18 May 2011.

1.2.4.3 In respect of assets procured during the year full depreciation is provided in the year of acquisition and for the assets sold, no depreciation is charged in the year of disposal.

  
Director  
Bhutan Trust Fund for  
Environmental Conservation

Page 1 of 3



  
Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation

*1.2.5 Leave Travel Concession & Leave Encashment:*

Leave Travel Concession and Leave encashment are recognized on cash basis.

*1.2.6 Gratuity:*

Gratuity is recognized on cash basis as and when employees leave the organization.

*1.2.7 Fund Management/Advisory and Custodial Fees:*

Custodial Fees are charged at predetermined rates provided in the Memorandum of Understanding between the Bhutan Trust Fund for Environmental Conservation and the Custodian (U.S. Bank, Pennsylvania).

**1.3 Fixed Assets:**

Fixed Assets owned by the Bhutan Trust Fund for Environmental Conservation are stated at the original cost including incidental expenses related to acquisition, less accumulated depreciation.

**1.4 Investment:**

Investments in the securities and money market instruments are stated at cost. For this purpose, aggregate cost of total portfolio has been considered.

**1.5 Program Expenditure:**

Fixed Assets under program expenditure are not the properties of the Bhutan Trust Fund for Environmental Conservation. As decided by the Management Board at its sixth meeting held on 9 September 1998, all program expenditure, whether capital or recurrent are charged to the Revenue and Expenditure Statement in the year in which the expenditure are incurred.

**1.6 Consumable items such as office supplies/stationery including spares, etc. are charged off in the accounts in the year of purchase.**

**1.7 Conversion/Translation of Currency:**

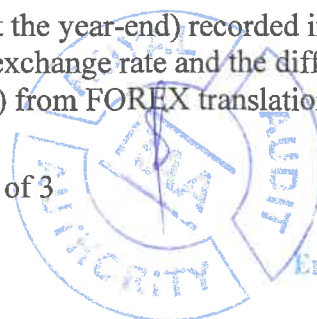
*1.7.1* Investment in local equities in local currency has been translated into US\$ using the Royal Monetary Authority's year-end exchange rate.

*1.7.2* Amounts withdrawn from the U.S. Bank (Custodian), Philadelphia, USA, in US\$ are translated into local currency on Telegraphic Transfer rates of the Bhutan National Bank Limited prevailing at the time of crediting.

*1.7.3* All Secretariat transactions and program payments in local currency are translated into US\$ using Royal Monetary Authority's exchange rate on the date of payment. Year-end fund balances in the local currency are translated back to US\$ at Royal Monetary Authority's prevailing year-end exchange rate.

*1.7.4* Exchange Gain/Loss arising from translation of Local currency to US\$ are classified as "*Reserve for Gain/Loss from FOREX translation*" in the Balance Sheet under Capital and Reserves starting from FY2011-12.

*1.7.5* Net book values of fixed assets (at the year-end) recorded in local currency are translated to US\$ using year-end exchange rate and the differences are classified as reserve for gain/(loss) from FOREX translation in the Balance Sheet.



## 2 NOTES TO THE ACCOUNTS:

- 2.1 Income is derived from various Money Market and Mutual Funds, such as U.S. Equity, U.S. Fixed Income and International Equity Mutual Funds and recorded in as and when earned.
- 2.2 Diminution in the market value of individual securities below the cost in some cases (if exists) has not been provided for.
- 2.3 Previous year's figures are re-grouped and re-arranged wherever necessary.
- 2.4 The figures are rounded up/down to the nearest dollar.
- 2.5 In the Revenue and Expenditure Statement, the term "*Accumulated excess of revenue*" replaces previous years' "*Statement of Operating Fund*". As decided by the Management Board at its eighth meeting held on 3 November 1999, the trust fund's principal is defined as the book value of the investment portfolio at the end of each financial year. In order to maintain the principal, accumulated excess of revenue is reinvested into the endowment. Annual spending ceiling for FY2018-19 was fixed at 4.5% of the trust fund's total investment portfolio, within which all grant expenditures and secretariat overhead are met.
- 2.6 As per the Board's instruction to the Fund Manager vide letter No. F&A/10/01-02/109 of 14 November 2001, local equity investments in Bhutan are permitted up to 10 percent of the total investment portfolio, with asset allocation to be reviewed periodically by the Board. Bhutan Investment ceiling has been increased to 20% of the total investment portfolio as per the approved Investment Policy & Guidelines 2009.
- 2.7 A Land measuring 0.77 acres near Nazhoen Pelri, Genyen Lam, Thimphu, under Land Registration No.TT-883, Plot No. BTF(L)I, granted to Bhutan Trust Fund as a replacement to the building handed over to the Royal Government of Bhutan during FY2009-10 has been taken into account at a nominal value of Nu.100.00 (Ngultrum one hundred) only, in accordance with the International Accounting Standards-IAS20, paragraph 12 & 23: capital accounting approach and non-monetary government grants, respectively.
- 2.8 Exchange gain/loss arising from translating assets and liabilities held in Bhutanese currency to US\$ have been classified as equity in the Balance Sheet in pursuant to IAS21, paragraph 17: the effects of changes in foreign exchange rates.
- 2.9 The Schedules and Notes attached hereto form an integral part of these Financial Statements.

  
Director  
Bhutan Trust Fund for  
Environmental Conservation

  
Chief Finance Officer  
Bhutan Trust Fund for  
Environmental Conservation



## **ANNEXURES**

## Background

The Kingdom of Bhutan, desiring to protect its pristine natural environment and the abundant biodiversity for the Bhutanese people and humankind at large established the globally pioneering Trust Fund for Environmental Conservation in 1991. While it began as a tripartite collaboration between the Royal Government of Bhutan (RGoB), World Wildlife Fund (WWF) and the United Nations Development Program (UNDP), the Trust Fund legally incorporated under Royal Charter on 27 May 1996.

The Royal Charter Governs the management of the Trust Fund's investments and field programs for the promotion of social welfare through environmental conservation of the forests, flora, fauna, wildlife, diverse ecosystems and bio-diversity in Bhutan. The Trust Fund's governance is entrusted to six-member Management Board, which is assisted in its fiduciary and program mandates by specialized committees and full-time secretariat of six Bhutanese professionals.

As per the Royal Charter, field programs include the following themes:

Training professionals in ecology, natural resources management, forestry and environment.

- Asses biological resources and develop ecological information base;
- Develop management plans for protected areas and implement the plans;
- Public awareness and environmental education;
- Institutional support to related sectors/agencies; and
- Projects integrating conservation and development.

## 1. Vision

We envision a Bhutan in which all the citizens champion their natural heritage of healthy forests water ways, diverse flora and fauna and intact ecosystems; and each adult and child takes personal responsibility for maintaining a green and healthy environment for themselves and future generations.

With guidance of our king, traditional respect for nature and commitment to achieve development by means of the four pillars of Gross National Happiness, Bhutan will continue to provide global leadership in conserving and nurturing its precious environment for the benefit of all the world's citizen.

The role of the Bhutan Trust Fund for Environmental Conservation is to provide leadership and funding for local communities, civil society organizations and government agencies as they collectively strive to realize this vision.

## 2. Mission

Promote the Socio-economic welfare of Bhutanese citizens by funding conservation of their Flora, Fauna, diverse ecosystems and bio-diversity; and addressing the adverse effects of economic development on Bhutan's natural environment.

### **3. Capital**

As per the Royal Charter of 1996:

Capital of the Trust Fund shall be constituted of contributions/grants from donor countries/ organizations, and shall consist of principal and investment income;

The Trust Fund shall continue to mobilize contribution/grants from donors;

The program activities will be funded by portion of the investment income. In the event the income accrued is insufficient to fund programme activities, the principal shall be utilized up to US\$ 500,000.



## **Annexure -B: Achievements**

The Royal Audit Authority while reviewing the accounting records and operations of the Bhutan Trust Fund for Environmental Conservation, Thimphu had also reviewed the plans and programs implemented during the period under audit and noted the following accomplishments:

From April 2013 through December 2018, BTFEC implemented the World Bank- Global Environment Facility project, “Sustainable Financing for Bio-diversity Conservation and Natural Resource Management” amounting to US\$4.08 million with the objective of improving conservation management including protected areas and allocated forest and agricultural systems. The funding for the conservation activities in HANAs was channelled through BTFEC and the latter managed the selection, monitoring and implementation of the HANAs grant proposals.

The project created a visible positive impact such as improvement of biodiversity conservation and enhanced livelihood of the communities residing in high altitude northern areas of Bhutan through Improved baseline information, improved rural livelihood, enhance capacity development, promoted Sustainable land management practices, improved effectiveness and efficiency in park management through infrastructure development, enhanced protection of critical ecosystems and mainstreaming policy. Tangible improvement in health of ecosystem in the fragile mountainous headwater is also expected to create long term ecological benefits to the downstream settlement.

### **BTFEC completes CIF funded SLM project**

Aligning to the CIF’s requirement of Evaluation and Learning (E&L), a four-day training was organized to disseminate the updated SLM technologies to local leaders, farmers, and Dzongkhag Agriculture Officers comprising of 32 participants. The participants had a hands-on-training on SLM technologies. It was an avenue for the participants to interact and have discussion on challenges and opportunities on how to mainstream SLM into gewog plans and policies.

This project took stock of lessons learnt and evaluated the technological interventions used in Sustainable Land Management Programmes (SLMPs) giving importance to SLM as an instrument to enhanced climate resilience and food security. The Project has generated nine SLMP site-specific GIS maps that provide baseline information on appropriate technologies and their effectiveness in combatting soil erosions and improving soil fertility for climate resilience of the communities. The information thus generated is shared with the planners and policy makers, which could be used for developing plans, and programmes and bring about changes in the policies for scaling up the SLM.

### **Annual Stakeholders’ Workshop**

The Annual Stakeholder Workshop was conducted with a primary goal to strengthen collaborative approach between the project implementers and BTFEC for effective implementation of the grants, gain knowledge through experience sharing among stakeholders, and bring improvements in the (project management) progress reporting and documentation. The workshop provided a platform in disseminating information/knowledge,

best practices, lesson learnt and problem solving. Further, the grantees were oriented on BTFEC's procurement processes; progress reporting (both financial and technical).

### **BTFEC sensitizes potential project proponents on grant proposal writing**

BTFEC organised three-day Capacity Building Workshop for Result-Based Project Management in Conservation. The workshop covered the main component of developing competitive proposals for BTFEC Grants, with emphasis on efficient & effective project formulation and grant implementation.

The workshop was conducted to help aspiring conservationist learn how to design conservation project and convincingly articulate this concept within funding proposal. The training focused on how to align to BTFEC Grant proposal submission for which the participants had hands-on training.

The workshop was aimed at developing the capacities of those perspective grantees, at the grassroots level, assisting them to become long-term stewards of the natural environment. In addition, BTFEC's Strategic Plan III highlights an immediate and increased need for meaningful engagement in conservation by rural populations, civil societies, local government, academia and the private sectors.

