

རྒྱལ་ཁབ་ཕྱི་ས་ཁོངས་འཛིན།

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



AIN: GGD-2022-265

**FINANCIAL AUDIT REPORT
OF
BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
(BT FEC), THIMPHU**

PERIOD: 01/07/2021 TO 30/06/2022

OCTOBER 2022

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

P.O. Box: 191 | Kawangjansa | Thimphu | Bhutan | Tel: +975-2-322111
Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt



ལྷན་ཁག་ལྷན་པོའི་འཕྲིད་པའི་འཛིན་པ།
ROYAL AUDIT AUTHORITY
Bhutan Integrity House

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



RAA/GGD/BTFEC/05/2022-23/ 1787

Dated: 03/10/2022

The Director
Bhutan Trust Fund for Environmental Conservation
Thimphu

Subject: Financial Audit Report of Bhutan Trust Fund for Environmental Conservation, Thimphu for the period 1st July 2021 to 30th June 2022

Sir,

Enclosed herewith, please find the audited **financial statements and auditors' report thereon** in respect of the Bhutan Trust Fund for Environmental Conservation for the year ended 30th June 2022 along with the **Audit Finding & Recommendations**. 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 International Accounting Standards (IAS). Accordingly, the RAA has expressed unmodified (clean) 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 revealed some deficiencies and lapses which are detailed in **Part I** of the main report along with recommendations, which also forms part of the audited financial statements for the year ended 30th June 2022.

The RAA has reviewed the replies furnished by the Bhutan Trust Fund for Environmental Conservation and incorporated in the report. Out of two (2) audit findings, one (01) audit finding was settled in view of replies and related supporting documents and evidences furnished, which are reported under **Part II (Management Appraisal Report)** for future reference and compliance.

The Bhutan Trust Fund for Environmental Conservation is requested to review the deficiency and lapse pointed out and institute appropriate check and balance systems to curb such lapses in future. The Royal Audit Authority would appreciate receiving an Action Taken Report (**ATR**) **within one month** from the date of issue of the report.

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

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

Yours sincerely,



(Tashi Tobgay)
Deputy Auditor General

Copy to:

1. AAG, PPD, Royal Audit Authority, Thimphu;
2. AAG, Follow-Up & Clearance Division, Royal Audit Authority, Thimphu;
3. Office copy.

Title Sheet

1. Title	:	Financial Audit Report of the Bhutan Trust Fund for Environmental Conservation (BTF).
2. AIN	:	GGD-2022-265
3. Head of the Agency	:	Name: Singye Dorji CID No:11601002881 E-mail address: singye@bhantrustfund.bt
4. Drawing and Disbursing Officer	:	Name: Singye Dorji, Officer In-Charge CID NO:11601002881 E-mail address: singye@bhantrustfund.bt
5. Finance Personnel	:	Name: Yeshey Peldon, Finance Officer CID No:11001001397 E-mail address: yeshey@bhantrustfund.bt
	:	Name: Rinchen Dema. Assistant Finance Officer CID No:10902001825 E-mail address: rinchendema@bhantrustfund.bt
6. Period Audited	:	01/07/2021 to 30/06/2022
7. Schedule of Audit	:	Start Date: 09/09/2022 End Date: 19/09/2022
		Team Leader: Chheda, Sr. Auditor, EID No.200407064, CID No. 11513002310
8. Composition of Teams	:	Team Members: 1. Ngawang Dorji, Audit Officer EID No. 20190113042, CID No.11502002135. 2. Dawa Lham, Asst. Audit officer, EID No. 20170709531, CID No. 10203003989 3. Karma Phuntsho Dem, Auditor EID No. 202201920291, CID No.11903000019
9. Supervising Officer	:	Chhoden, Assistant Auditor General EID No.200501091
10. Overall Supervising Officer	:	Tashi Tobgay, Dy. Auditor General EID No. 9811012
11. Audit Intimation Letter No.	:	RAA/GGD/BTFEC/02/2022-2023/1555 dated 05/09/2022
12. Focal Person	:	Chheda
13. Date of Exit Meeting	:	Not conducted

ACRONYMS

AAG	: Assistant Auditor General
AIN	: Audit Identification Number
AR	: Audit Report
CID	: Citizenship Identification Number
DSA	: Department of Sectoral Audit
EID No.	: Employee Identity Number
FUCD	: Follow-up & Clearance Division
GGD	: General Governance Division
IAS	: International Accounting Standards
ISSAIs	: International Standards of Supreme Audit Institutions
PPD	: Policy & Planning Division
RAA	: Royal Audit Authority

**AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS**

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. Our responsibilities are to:

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the BTFEC's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the BTFEC to cease to continue as a Going concern.

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.



(Chhoden)

Assistant Auditor General

Date: 03/10/2022

FINANCIAL STATEMENTS

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Statement of Revenue and Expenditure for the Fiscal Year Ending 30 June, 2022

USD (rounded)

	<u>Notes</u>	<u>2021-22</u>	<u>2020-21</u>
REVENUE			
Interest & Dividend	I	1,701,385	1,356,822
Net Capital Gain/(Loss) Realized		4,423,268	3,430,239
Miscellaneous (Net)		<u>23,024</u>	<u>4,016</u>
TOTAL REVENUE		6,147,676	4,791,076
EXPENDITURE			
Secretariat	II	224,501	258,838
Program	III	1,088,288	1,402,807
Fund Management	IV	312,749	308,395
Depreciation on Fixed Assets	V	31,003	32,834
TOTAL EXPENDITURE		1,656,541	2,002,874
<i>Excess Revenue over Expenditure</i>		<u>4,491,136</u>	<u>2,788,202</u>
Opening Accumulated Excess Revenue over Expenditure		43,746,412	40,958,210
Closing Accumulated Excess over Revenue		48,237,548	43,746,412



Officer In-Charge
Secretariat

Officer in Charge
Bhutan Trust Fund for
Environmental Conservation



Chief Financial Officer
Secretariat

Chief Finance Officer
Bhutan Trust Fund for
Environmental Conservation

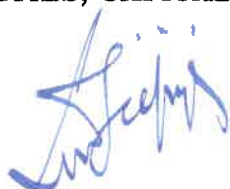


BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Balance Sheet as at 30 June 2022

USD (rounded)

ASSETS	Notes	2021-22	2020-21
<i>Current assets</i>			
Cash in Hand & Bank	VI	231,663	121,533
Receivables and Prepayments	VII	538,808	498,148
Fund Balances	VIII	233,553	410,902
<i>Total current assets</i>		1,004,024	1,030,583
<i>Fixed Assets:</i>			
Fixed Assets (Net)	V	540,620	265,589
<i>Investments</i>			
Investment at cost	IX	67,880,596	62,771,005
Less: RSPN Endowment Fund		(2,961,393)	(1,886,129)
<i>Investment (Net)</i>		64,919,203	60,884,875
TOTAL ASSETS		66,463,847	62,181,047
 LIABILITIES			
<i>Current liabilities</i>			
Expenses Payable	X	110,749	22,800
Recoveries/Remittances	XI	32,838	13,975
Non-Core Project Fund	XII	249,326	44,573
<i>Total current liabilities</i>		392,912	81,348
<i>Capital & Reserves</i>			
Capital Contributions	XIII	21,515,044	21,528,334
Accumulated excess of revenue		43,746,412	40,958,210
Excess of revenue for the Year		4,491,136	2,788,202
Reserves on valuation of Fixed Assets		2	2
Reserves for (Gain/Loss) FOREX			
Translation		(3,681,659)	(3,175,049)
<i>Total Capital & Reserves</i>		66,070,935	62,099,699
TOTAL LIABILITIES, CAPITAL & RESERVES		66,463,847	62,181,047



Officer In-Charge
Secretariat

Officer in Charge
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 2022

USD (rounded)

Schedule - I

A: Offshore Investment Income

Interest Income Offshore
Dividend Income Offshore

	2021-22	2020-21
	337,903	327,900
	927,742	674,989
<i>Sub-total</i>	<u>1,265,645</u>	<u>1,002,889</u>

B: Local Investment Income

Dividend Income Local
Interest Income Local

	33,090	-
	402,650	353,933
<i>Sub-total</i>	<u>435,740</u>	<u>353,933</u>
Total (A+B)	<u>1,701,385</u>	<u>1,356,822</u>

C: Capital Gain Realized

Capital Gain Realized-Offshore

	4,423,268	3,430,239
<i>Sub-total</i>	<u>4,423,268</u>	<u>3,430,239</u>

Total (A+B+C)	<u>6,124,653</u>	<u>4,787,061</u>
----------------------	-------------------------	-------------------------


Officer in Charge
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 2022

Expenditure Statement of Secretariat For The Fiscal Year 2021-2022

USD (rounded)

Expenditure Head	2021-22	2020-21
<i>Recurrent:</i>		
Personnel Emoluments	108,024	115,207
Other P. Emoluments	7,021	6,807
Travel (in-country)	9,304	12,617
Travel (abroad)	13	-
Utilities-Tele, Fax, etc.	7,882	6,517
Utilities-Postage/Bank Charges	242	415
Utilities- Electricity	744	881
Utilities- Water & Sewerage Charges	72	62
Rental of Others	257	90
S & M - Stationery, Printing, Office Supplies	3,209	2,729
S & M - Subscription to International Journals	256	35
S & M - Library	196	61
S & M - Uniform, Extn. Kits	154	6,046
Maintenance of Properties-Building	777	1,089
Maintenance of Properties-Vehicle	5,365	6,790
Maintenance of Properties-Equipment	322	137
Maintenance of Properties-Computers & Peripherals	1,845	1,477
Maintenance of Properties-Office Campus	-	132
Operating Expenses - Advertisement	1,729	126
Operating Expenses -Annual Chhoku	145	-
Operating Expenses - Incountry Seminar/W-shop	3,508	1,224
Operating Expenses -Web Hosting	-	960
Hospitality & Entertainment	2,388	12,044
Subscription to International Organization	2,775	799
PF-Employers Contribution	12,192	12,898
Retirement Benefits	-	41,439
<i>Total Recurrent</i>	<u>168,419</u>	<u>230,583</u>
<i>Non-recurrent:</i>		
Write Off-Stock, Loss or Cash/ Goods	-	784
BT FEC's Environmental Advocacy & Publicity	15,868	10,752
Training - Human Resources Development	1,661	1,320
Grant of Royal Charter	4,805	-
Professional Fees	33,748	15,399
<i>Total Non-recurrent</i>	<u>56,082</u>	<u>28,256</u>
Enhancing the Operational Effectiveness of BT FEC		
<i>Total Component 1 & 3 of SFBC&NRM</i>	-	-
Total	<u>224,501</u>	<u>258,838</u>



[Signature]
Officer in Charge
Bhutan Trust Fund for
Environmental Conservation

[Signature]
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, 2022

USD (rounded)

Grant Title	Grant No.	2021-22	2020-21
Dev of compact and appropriate onsite sanitation technology(CST)	MB0167Y16	-	13,221
Develop Cons. Mgt. Plan for BC5 & Hotspot Mapping of HWC-P/g	MB0189Y17	-	9,283
Dev. Climate Resilient Communities (Adaptation & Mitigation)	MB0190Y17	-	16,724
Cons. Of Balck Necked Crane in Bumthang-Bumthang Territorial	MB0191Y17	-	7,573
Cons. of native floral geentic resources(Tashichhodzong)-HM Secretariat	MB0192Y19	33,405	30,029
Sustainable mgt of NWFP and commercialization in Bhutan-SFED-DoFPs	MB0194Y19	29,484	29,192
Upscaling WBH recovery program-RSPN	MB0195Y19	62,384	39,518
Strenthening forest fire mgt in Bhutan through participatory approach-PPED-DoFP	MB0196Y19	81,387	7,525
Clean, Green, Beautiful urban spaces for sustainable dev.-Royal Project Office	MB0197Y19	46,918	38,886
Strenthening & promoting glue laminated timber technology-Royal Academy Pangbisa	MB0198Y19	61,318	39,638
Critical Watershed Mgt of Richulum Watershed-Dopshari gewog,Paro	MB0199Y19	13,886	7,815
Conservation of Protected Areas(Bhutan for Life)	MB0200Y19	402,245	314,405
Dev of Agroforestry as an Alternative Livelihood Option-UWICER	MB0201Y20	24,615	19,766
Protection & Cons of Drinking Water Sources- DFO S/Jongkhar	MB0202Y20	30,077	4,656
Ensuring Human-Elephant Coexistence & Cons of Elephant- DFO Samtse	MB0203Y20	76,803	28,927
Watershed mgt to maintain healthy ecosystem-Bumthang Dzongkhag	MB0204Y20	58,908	18,043
Revival and Cons of Env for Wellness Garden- Dratshang Lhuentshog	MB0205Y20	27,581	7,768
Building Capacity for Climate- smart Agriculture- CNR	MB0206Y20	66,706	5,072
Integrated Approach to improve degraded watershed- Dagana Dzongkhag	MB0207Y20	6,972	33,636
Strengthening Dog Population Management- DOL	MB0208Y20	-	70,792
Changji- A Zero Waste Model Community	MB0209Y20	65,597	25,112
Ex-Situ Conservation Initiative- Office of Gyelpoi Zimpon	MB0210Y20	-	54,387
Snowmen Run- Snowmen Secretariat Office	MB0212Y20	-	133,412
Water & Waste management Flagship Programme- GNHC	MB0213Y20	-	423,999
Promote Alternative Flagpoles to Save Young Trees	SC0157Y19	-	2,151
Enhancement of Patrolling along Manas River	SC0158Y19	-	5,414
Reclamation of Lake at Professional Development Centre	SC0159Y19	-	5,390
Beautification and waste Management	SC0160Y19	-	5,390
Waste management inside State reserve(Tsirang Forest Division)	SC0161Y19	-	5,085
	<i>Total Program Expenses (BT FEC)</i>	<u>1,088,288</u>	<u>1,402,807</u>
	<i>Total Program Expenses (HANAs)</i>	-	-
Total Program Expenses		<u>1,088,288</u>	<u>1,402,807</u>

Schedule- IV

Fund Management Expenditure

	2021-22	2020-21
Custodian/Brokerage Fees	8,159	-
Fund Management/Advisory Fees	266,563	271,368
Non-US Resident Tax	38,027	37,027
Total Fund Management Expenditure	<u>312,749</u>	<u>308,395</u>




Officer in Charge
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 FY21-22

Particulars of Assets	Gross Block as on 30.6.21	Addition during the Year	Adjustments during the Year	Gross Block as on 30.6.22	Depreciation			Net Block as on 30.6.22
					Accumulated as on 30.6.21	During the Year	Adjustments	
Land: (No Depreciation):	1	-	-	1	-	-	-	1
Building: (2%, 50 years, 10%):	188,151	296,914	-	481,375	9,176	1,056	-	9,689
Equipment (20%), 5 years, 5%:	108,791	17,703	(4,314)	114,908	83,498	10,475	(4,314)	84,719
Computer Software (20%), 5 years, 0:	72,852	546	-	69,067	62,009	2,145	-	60,486
Furniture (20%), 5 years, 5%:	20,782	-	-	19,552	16,478	1,488	-	16,991
Vehicle (20%), 5 years, 10%:	125,014	-	-	117,619	78,842	15,840	-	90,017
Total	515,591	315,163	(4,314)	802,522	250,002	31,003	(4,314)	261,902
								540,620




Officer in Charge
Bhutan Trust Fund for
Environmental Conservation


Chief Finance Officer
Bhutan Trust Fund for
Environmental Conservation

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to Financial Statement
30 June 2022
USD (rounded)

Schedule - VI

Cash in Hand/Bank	<u>2021-22</u>	<u>2020-21</u>
Petty Cash Account	128	136
Bank Account 17912011	(15,125)	85,153
Bank US\$ Account 17912003	4,161	4,161
Adaptation Fund Bank Account 17912012	242,500	32,083
Total	<u>231,663</u>	<u>121,533</u>

Schedule - VII

Receivables and Prepayments	<u>2021-22</u>	<u>2020-21</u>
Advance to Employees	41,467	68,595
Advance to Suppliers	664	436
Advance to Contractors	220,437	135,261
Advance to Others	764	812
Interest receivables	275,476	293,043
Total	<u>538,808</u>	<u>498,148</u>

Schedule - VIII

Fund Balances with Implementing Agencies	<u>2021-22</u>	<u>2020-21</u>
MB201Y20 Dev.of Agroforestry as Alt Livelihood in HWC UWICER	0	2,021
MB202Y20 Protection & Cons of Drinking water source S/Jongkh	1,021	6,022
MB203Y20 Ensuring Human elephant coexistence Samtse Forest	5,100	2,846
MB204Y20 Healthy eco system through waste Mgt. Bumthang	9,819	28,950
MB205Y20 Revival & Cons of Env 'Wellness Garden' Dratshang	15,644	45,943
MB189Y17 Develop cons. mgt. plan for biological corridors	-	15,822
MB182Y17 Integrated Wildlife Mgt. for Sus.Bio. Cons. BWS	0	0
MB191Y18 Cons. of Black Necked Crane in Bumthang	0	3,131
MB192Y19 National Floral diversity & cons native floral Tash	27,256	1,009
MB194Y19 Sustainable Mgt of NWFP & it commercialization in B	2,949	2,116
MB195Y19 vUp scaling White Bellied Heron Recovery	51	27,609
MB197Y19 Clean Green Beautiful Urban Spaces for Sust Devnt	339	2,181
MB198Y19 Strengthening and promoting Glue Laminated Timber T	-	41,209
MB206Y20 Buildg capacity for climate smart Agriculture CNR	311	23,770
MB207Y20 Integrated Approach for degrad watersheds in Dagana	(2,757)	4,480
MB208Y20 Strengthening Dog Pop.Mgt. effective waste mgt NEC	11,865	12,611
MB209Y20 Chanjiji A Zero waste model Community Clean Bhuta	19,016	29,635
MB200Y19 Bhutan for Life Funded by BTFEC	2,870	22,569
MB196Y19 Strengthening Forest fire mgt in Bhutan through PA	15,998	7,840
MB213Y20 Frontload of waste flagship programme COVID 19 NEC	122,169	129,116
MB0149Y15 Estbl. of knowledge base for invertebrates in Bhut	0	0
PG0004Y19 Bhutan Toilet Organization	1,902	2,021
Total	<u>233,553</u>	<u>410,902</u>

Schedule - IX

BTF Portfolio	<u>2021-22</u>	<u>2020-21</u>
Foreign Investment		
Cash	1,728,272	1,175,757
Fixed Income US	19,145,972	15,163,156
U.S. Equities	29,559,399	28,855,621
International Equities	7,848,843	7,191,660
Equities Real Estate	2,673,909	3,545,443
<i>Total Offshore Portfolio</i>	<u>60,956,394</u>	<u>55,931,638</u>


Officer in Charge
Bhutan Trust Fund for
Environmental Conservation




Chief Finance Officer
Bhutan Trust Fund for
Environmental Conservation

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to Financial Statement
30 June 2022
USD (rounded)

Local Investment

Ngultrum Trading Account	791,688	956,576
Royal Insurance Corpn. of Bhutan Ltd.	378,936	119,221
Penden Cement Authority Ltd.	74,674	79,369
State Trading Corpn. of Bhutan Ltd	16,645	17,692
Bhutan Calcium Carbide Ltd.	205	218
Bhutan National Bank Ltd.	1,420,341	1,130,919
Dungsam Plymers Ltd.	67	71
Druk PNB Bank Limited	65	69
T Bank Limited	916	974
Fixed Income RICBL Bond Series IV 7 yrs May 27 2022	127	27,083
Fixed Income RSA private Bond Series I 7 Year 25Jan'24	437,365	464,866
Fixed Income BNBL 3 Years 5 Aug'22	3,803,173	4,042,310
<i>Total Local Portfolio</i>	<u>6,924,201</u>	<u>6,839,367</u>
Total BTF Investment Portfolio	<u>67,880,596</u>	<u>62,771,005</u>

Schedule - X

Accrued Expenditure & Other Payables:

Accrued Expenses Paybles	<u>2021-22</u>	<u>2020-21</u>
	110,749	22,800
Total	<u>110,749</u>	<u>22,800</u>

Schedule - XI

Recoveries/Remittances:

Tax Deducted at Source	<u>2021-22</u>	<u>2020-21</u>
	131	54
Earnest Money Deposits	19	20
Security Deposits	30,236	11,295
Retention Money	2,452	2,606
Total	<u>32,838</u>	<u>13,975</u>

Schedule - XII

Non-Core Project Fund:

Climate Investment Fund CIF	<u>2021-22</u>	<u>2020-21</u>
	3,966	4,215
Green Climate Fund GCF	-	9,697
Adaptation Fund AF	242,675	30,661
International Union for Conservation of Nature (IUCN)	2,685	-
Total	<u>249,326</u>	<u>44,573</u>


Officer in Charge
Bhutan Trust Fund for
Environmental Conservation




Chief Finance Officer
Bhutan Trust Fund for
Environmental Conservation

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to financial statement

Schedule XIII

Statement of Capital Contribution as of 30 June 2022 (US\$ rounded)

	<u>2021-22</u>	<u>2020-21</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	211,354	224,644
Royal Government of Bhutan	173,818	173,818
Total	<u>21,515,044</u>	<u>21,528,334</u>



[Handwritten Signature]
 Officer in Charge
 Bhutan Trust Fund for
 Environmental Conservation

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

Schedule XIV

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 31st 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.



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.



[Signature]
Officer in Charge
Bhutan Trust Fund for
Environmental Conservation


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

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.



Page 3 of 3


Chief in Charge
Bhutan Trust Fund for
Environmental Conservation


Chief Finance Officer
Bhutan Trust Fund for
Environmental Conservation

PROFILE

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.

Further, in cognizant of the continued efforts required for the conservation and protection of our forests, flora and fauna, water, diverse ecosystems, biodiversity, and addressing climate change mitigation and adaptation, environmental sustainability, and human-wildlife co-existence, Royal Charter 2021 was granted on Eight Day of September Two Thousand Twenty-One.

The Object of the Trust and BTF shall be to fulfill the sacred duties enshrined in Article 5 of the Constitution of the Kingdom of Bhutan. BTF shall promote social welfare in Bhutan through environmental conservation, amongst others, by supporting activities for:

- (a) Preserving biological diversity;
- (b) Mitigating and adapting to climate change;
- (c) Enabling human-wildlife co-existence; and
- (d) Addressing adverse impacts of development on the environment

Vision

We envision a Bhutan in which all the citizen 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 respects 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.

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.

Mandate

BTF shall achieve the objects through an efficient combination of grant-making and program-related investments, for which the Board shall adopt suitable protocols to ensure fiduciary care and due diligence, as well as, maintain its tax-exempt status, by strategically supporting the following programs:

- State of the art research on Bhutan’s natural heritage and multi-faceted approach to ecological integrity including climate change, environmental education and advocacy, and building human and institutional capacity throughout society for adaptive natural resource management;
- Effective interventions for in-situ conservation through multi-faceted management of protected natural areas, forests, flora, wildlife, land, and water resources; protection of endangered and threatened species; ecological restoration of degraded ecosystems and habitats; and waste management models;
- Promoting sustainable human-wildlife co-existence through public stewardship, sustainable utilization of natural resources, and establishment and maintenance of robust and ecologically sustainable human livelihoods, especially in vulnerable communities; and
- Support for climate change mitigation and adaptation through strategic, and environmentally friendly interventions for building resilience, especially among vulnerable communities.

Budget vis-à-vis Expenditure (Abstract)

Financial Year	Approved Budget (Nu.)		Expenditure (Nu.)		Balance (Nu.)	
	Current	Capital	Current	Capital	Current	Capital
2021-22	22,393,189	66,927,500	12,685,588	29,619,296	9,707,601	37,308,204



Royal Audit Authority

P.O. Box: 191 | Kawangjangsa | Thimphu | Bhutan

Tel: +975-2-322111

Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt