རྒྱལ་གཞུང་རྩིས་ཞིབ་དབང་འཛིན།

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

AIN: 17064

FINANCIAL AUDIT REPORT OF BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION (BTFEC), THIMPHU

PERIOD: 01/07/2019 TO 30/06/2020

Phuntso 1800

JANUARY 2021

"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

P.O. Box: 191 | Kawangjangsa | Thimphu | Bhutan | Tel: +975-2-322111/328729/328730/324961 | Fax: +97323491
Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt;auditorgenral@bhutanaudit.gov.bt

RAA/GGD/BTFEC/05/2020-21/14 **Date: 15/1/2021**

The Offtg.Director
Bhutan Trust Fund for Environmental Conservation
Thimphu

Subject: Financial Audit Report of Bhutan Trust Fund for Environmental Conservation (BTFEC), Thimphu for the period 1 July 2019 to 30 June 2020

Sir,

Enclosed herewith, please find the audited **financial statements and auditors' report thereon** in respect of the Bhutan Trust Fund for Environmental Conservation (BTFEC) Thimphu for the financial year ended 30 June 2020.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 (BTFEC) in all material respects, in accordance with International Accounting Standard (IAS). Accordingly, the RAA has expressed unmodified (unqualified) opinion on the financial statements.

Audit Findings and Recommendations

The deficiencies and lapses observed in the accounting records, internal controls and operations of the Bhutan Trust Fund for Environmental Conservation (BTFEC) are reported herewith as audit findings along with recommendations, which also form part of the audited financial statement for the year ended 30 June 2016.

The RAA has reviewed the replies furnished by the BTFEC and incorporated in the report. Out of five (05) audit findings, two (2) audit findings were settled in view of related supporting documents and evidences furnished subsequently. which are transmitted separately in the form of ***Management Appraisal Report*** for future reference and compliance.

Two (02) audit findings are pursued under Recommendatory Observations. The RAA reported the audit finding under **Recommendatory Observations**, which in the opinion of the RAA needed further review and intervention as issues observed have potential to impede good governance and management practices. It is also aimed at instituting appropriate systems for further improving the accounts, operations and internal controls in the management.

P.O. Box: 191 | Kawangjangsa | Thimphu | Bhutan | Tel: +975-2-322111/328729/328730/324961 | Fax: +975-2-323491
Website: www.bhutanaudit.gov.bt | Email:info@bhutanaudit.gov.bt;auditorgeneral@bhutanduit.gov.bt

Achievements

The RAA has 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.

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,

(Tashi Tobgay)
Deputy Auditor General

Copy to:

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

TITLE SHEET

1.	Title	:	Financial Audit Report of Bhutan Trust Fund for Environmental Conservation, Thimphu
2.	AIN	:	17064
3.	Head of the Agency	:	Dr.Pema Choephyl,Director CID No. 10709002672 From 01/07/2010 To 30/06/2020 Ugyen Lhendrup, Offtg. Director CID No.10805001954 From 01/07/2020 till date
4.	Drawing and Disbursing Officer	:	Ugyen Lhendrup, Offtg. Director CID No. 10805001954
5.	Finance Personnel	:	1.Singye Dorji, Chief Finance Officer CID No: 11601002881 2.Yeshey Peldon,Finance Officer CID No. 11001001397
6.	Period Audited	:	01/07/2019 to 30/06/2020
7.	Schedule of Audit	:	Start Date 26/11/2020 End Date 11/12/2020
8.	Composition of Teams	:	**Team Leader**: Karma Wangchuk, Dy.Chief Auditor EID No.9209042 **Team Members**: 1. Subarna Pradhan, Audit Officer EID No..201201160 2. Rinchen Gyeltshen, Audit Officer EID No.20150104976
9.	Supervising Officer	:	Chhoden, Assistant Auditor General EID No. 200501091
10.	Overall Supervising Officer	:	Tashi Tobgay, Deputy Auditor General EID No. 9811012
11.	Engagement Letter No	:	RAA/GGD/BTFEC/02/20-21/2110 dated 26/11/2020
12.	Focal Person	:	Rinchen Gyeltshen
13.	Date of Exit Meeting	:	Not conducted

Glossary of Abbreviations & Acronyms

AR	:	Audit Report
AAG	:	Assistant Auditor General
AIN	:	Audit Identification Number
BTFEC	:	Bhutan Trust Fund for Environmental Conservation
CID	:	Citizenship Identity Number
CD	:	Current Deposit
EID	:	Employee Identity Number
FUCD	:	Follow-Up and Clearance Division
FRR	:	Financial Rules & regulation
GGD	:	General Governance Division
PP&AARD	:	Policy, Planning and Annual Audit Report Division
RAA	:	Royal Audit Authority
RGoB	:	Royal Government of Bhutan

AUDITORS' REPORT ON FINANCIAL STATEMENTS OF BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION, THIMPHU FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Opinion

We have audited the accompanying financial statements of Bhutan Trust Fund for Environmental Conservation Thimphu (CD.No. 000017912011) which comprise the Balance Sheet as at 30 June 2020, Statement of Revenue & Expenditure and schedules forming part of financial statements for the year ended 30 June 2020

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 Bhutan Trust Fund for Environmental Conservation, in accordance with RAA's Oath of Good Conduct, Ethics and 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 BTFEC's financial 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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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 judgment 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 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.

(Chhoden)
Assistant Auditor General

Date: 15/01/2021

ROYAL AUDIT AUTHORITY RAA

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Statement of Revenue and Expenditure for the Fiscal Year Ending 30 June, 2020

USD (rounded)

	Notes	2019-20	2018-19
REVENUE			
Interest & Dividend	*I*	1,278,883	1,135,990
Net Capital Gain/(Loss) Realized		2,865,642	4,623,010
Grant from GEF-World Bank		-	541,038
Miscellaneous (Net)		17,916	4,506
TOTAL REVENUE		**4,162,441**	**6,304,545**
EXPENDITURE			
Secretariat	*II*	344,494	502,554
Program	*III*	1,330,217	1,032,081
Fund Management Expenditure	*IV*	187,908	12,969
Depreciation on Fixed Assets	*V*	29,909	47,624
TOTAL EXPENDITURE		**1,892,528**	**1,595,229**
Excess Revenue over Expenditure		*2,269,913*	*4,709,316*
Opening Accumulated Excess Revenue over Expenditure		38,688,297	33,978,981
Closing Accumulated Excess over Revenue		**40,958,210**	**38,688,297**

Director
Secretariat

Officer in Charge
Bhutan Trust Fund for
Environmental Conservation

ROYAL AUDIT AUTHORITY

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 2020

USD (rounded)

ASSETS	***Notes***	**2019-20**	**2018-19**
Current assets			
Cash in Hand & Bank	***VI***	12,315	16,136
Receivables and Prepayments	***VII***	530,477	101,778
Fund Balances	***VIII***	295,952	161,935
Total current assets		*838,744*	*279,849*
Fixed Assets:			
Fixed Assets (Net)	***V***	144,447	184,500
Investments			
Investment at cost	***IX***	59,764,113	58,944,858
Less: RSPN Endowment Fund		(1,558,458)	(1,735,013)
Investment (Net)		*58,205,656*	*57,209,846*
TOTAL ASSETS		**59,188,847**	**57,674,195**
LIABILITIES			
Current liabilities			
Expenses Payable	***X***	13,543	17,816
Recoveries/Remittances	***XI***	9,854	31,426
Total current liabilities		*23,397*	*49,242*
Capital & Reserves			
Capital Contributions	***XII***	21,521,870	21,575,325
Accumulated excess of revenue		38,688,297	33,978,981
Excess of revenue for the Year		2,269,913	4,709,316
Reserves on valuation of Fixed Assets		2	2
Reserves for (Gain/Loss) FOREX Translation		(3,314,633)	(2,638,671)
Total Capital & Reserves		*59,165,450*	*57,624,953*
TOTAL LIABILITIES, CAPITAL & RESERVES		**59,188,847**	**57,674,195**

Director
Secretariat

Officer in Charge
Bhutan Trust Fund for
Environmental Conservation

ROYAL AUDIT AUTHORITY

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 2020

USD (rounded)

Schedule I:

		2019-2020	2018-2019
A: Offshore Investment Income			
Interest Income Offshore		176,703	259,435
Money Market Income Offshore		-	4,070
Dividend Income Offshore		635,409	457,440
	Sub-total	*812,111*	*720,945*
B:Local Investment Income			
Dividend Income Local		36,163	198,725
Interest Income Local		430,609	216,320
	Sub-total	*466,772*	*415,045*
	Total (A+B)	**1,278,883**	**1,135,990**
C: Capital Gain Realized			
Capital Gain Realized-Offshore		2,837,579	4,603,423
Capital Gain/loss Realized-Project Equipment		-	521
Capital Gain/loss Realized- Equipments		-	(246)
Capital Gain/loss Realized- Furnitures		-	116
Capital Gain/loss Realized- Vehicles		-	19,197
Wash sale adjustment		28,063	-
	Sub-total	*2,865,642*	*4,623,010*
	Total (A+B+C)	**4,144,525**	**5,759,001**

ROYAL AUDIT AUTHORITY

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to financial statement
30 June 2020

Schedule - II

Expenditure Statement of Secretariat For The Fiscal Year 2019-2020

USD (rounded)

Expenditure Head	**2019-2020**	**2018-2019**
Recurrent:		
Personnel Emoluments	151,532	126,842
Other P. Emoluments	12,832	10,376
Medical Benefits	-	4,530
Travel (in-country)	17,186	11,199
Travel (abroad)	2,506	66,866
Utilities-Tele, Fax, etc.	10,477	10,867
Utilities-Postage/Bank Charges	354	504
Utilities- Electricity	961	768
Utilities- Water & Sewerage Charges	38	26
Rental of Others	31	58
S & M - Stationery, Printing, Office Supplies	4,005	2,871
S & M - Subscription to International Journals	62	67
S & M - Library	-	321
S & M - Uniform, Extn. Kits	169	2,748
Maintenance of Properties-Building	957	5,946
Maintenance of Properties-Vehicle	6,840	8,280
Maintenance of Properties-Equipment	99	539
Maintenance of Properties-Computers & Peripherals	1,212	1,214
Operating Expenses - Advertisement	2,321	590
Operating Expenses -Annual Chhoku	1,452	-
Operating Expenses - Incountry Seminar/W-shop	17,954	2,011
Operating Expenses -Web Hosting	-	29
Hospitality & Entertainment	11,618	8,050
Subscription to International Organization	4,322	1,257
PF-Employers Contribution	17,034	10,378
Retirement Benefits	6,333	-
Total Recurrent	*270,295*	*276,337*
Non-recurrent:		
Write Off-Stock,Loss or Cash/Goods	-	37,474
BTFEC's Environmetal Advocacy & Publicity	30,419	22,093
Training - Human Resources Development	-	875
Strategic Plan Development & Implementation	10,406	-
Professional Fees	33,374	8,377
Total Non-recurrent	*74,199*	*68,819*

ROYAL AUDIT AUTHORITY

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to financial statement
30 June 2020

Schedule - II

Expenditure Statement of Secretariat For The Fiscal Year 2019-2020

USD (rounded)

Expenditure Head	**2019-2020**	**2018-2019**
Enhancing the Operational Effectiveness of BTFEC		
Other P. Emoluments	-	2,417
Travel In-country)	-	381
Travel (abroad)	-	4,223
Utilities-Postage/Bank Charges	-	1
S & M: Office Supplies	-	140
Operating Expenses - Advertisement	-	94
Operating Expenses - Incountry Seminar/W-shop	-	36,102
Hospitality & Entertainment	-	147
Write Off-Stock,Loss or Cash/Goods	-	1,053
PF-Employers Contribution	-	208
Expenditure on Structure-Others	-	2,366
Training - Human Resources Development	-	26,764
Professional Fees	-	83,318
BTFEC's Environmetal Advocacy & Publicity	-	184
Total Component 1 & 3 of SFBC&NRM	-	*157,398*
Total	**344,494**	**502,554**

AUDIT AUTHORITY

Schedule - III

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Program Expenses For The Year Ending 30 June, 2020
USD (rounded)

Grant Title	Grant No.	2019-2020	2018-2019
Dev of compact and appropriate onsite sanitation technology(CST)	MB0167Y16	26,355	95,908
Fish Fauna Assessment -Nyera Ama Chhu-NCWFC, Haa	MB0168Y16	26,293	60,838
Enhance the management effectiveness of JKSNR	MB0169Y16	48,947	81,816
Strengthening Environmental Auditing-RAA	MB0170Y16	-	10,522
Research and Development in Electric Fence Designs	MB0171Y17	14,969	14,703
Conservation and Sustainable Use of Indigenous Flora-Floriculture	MB0172Y17	3,376	66,201
Enhancing community capacity or Biodiversity Conservation-RDTC	MB0173Y17	15,445	29,258
Working towards achieving Land degradation neutral status- NSSC	MB0174Y17	19,511	33,263
Improving Rangeland Governance and Leveraging Yak Value Chains-DOL	MB0176Y17	28,463	48,143
Conservation and Promotion of Native Poultry Breeds of Bhutan	MB0177Y17	35,718	10,582
Scientific Study on the ecology of small felids in RMNP	MB0179Y17	5,891	8,192
Study the ecology and Conservation of Spotted deer,PWS	MB0180Y17	1,293	5,322
Rehabilitation of degraded watershed-Eutok Gonpa and Dra karpo	MB0181Y17	-	10,003
Zero Wate in S/Jongkhar & Trashigang	MB0185Y17	-	15,785
Building Socio-Ecological Resilience in SWS	MB0186Y17	-	19,716
Samazingkha Agroforestry	MB0188Y17	-	27,348
Develop Cons. Mgt. Plan for BC5 & Hotspot Mapping of HWC-P/g	MB0189Y17	32,035	44,587
Dev. Climate Resilient Communities (Adaptation & Mitigation)	MB0190Y17	26,757	133,668
Cons. Of Balck Necked Crane in Bumthang-Bumthang Territorial	MB0191Y17	6,521	23,817
Cons. of native floral geentic resources(Tashichhodzong)-HM Secretariat	MB0192Y19	108,501	-
Installation of charging stations to promote sustainable transport system-N	MB0193Y19	199,927	-
Sustainable mgt of NWFP and commercialization in Bhutan-SFED-DoFPs	MB0194Y19	8,661	-
Upscaling WBH recovery program-RSPN	MB0195Y19	25,454	-
Strenthening forest fire mgt in Bhutan through participatory approach-FPE	MB0196Y19	8,396	-
Clean, Green, Beauitful urban spaces for sustainable dev.-Royal Project Off	MB0197Y19	47,733	-
Strenthening & promoting glue laminiated timber technology-Royal Academ	MB0198Y19	97,962	-
Critical Watershed Mgt of Richulum Watershed-Dopshari gewog,Paro	MB0199Y19	6,740	-
Conservation of Protected Areas(Bhutan for Life)	MB0200Y19	365,477	-
COVID 19 Relief Fund - Ministry of Health	MB0211Y20	145,573	-
Ensure Health & Hygiene of monks through environment Conservation	SC0144Y17	-	5,402
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
Enhancing Cons values of Duenmang Tsachu(Zhemgang Forest Div	SC0153Y18	5,333	-
Cons. of critically endangered orchid(S/jongkhar Territorial	SC0154Y18	5,333	-
Soil Cos., Landscaping and Waste Mgt for Env. Conservation(T	SC0155Y18	5,192	-
Instituting Waste Mgt Practices in all 26 schools in Wangdue Dzongkhag	SC0156Y19	5,397	-
Promote Alternative Flagpoles to Save Young Trees	SC0157Y19	2,964	-
Improving Resilience and Facelift Key touristic Sites of Cho	PF0001Y19	-	1,970
Enhanicng social responsibilites on Tiger Conservation-Zhemg	PF0002Y19	-	2,151
Protection of watershed to have reliable drinking water sour	PF0003Y19	-	2,177
Total Program Expenses (BTFEC)		*1,330,217*	*776,157*
Strengthening Resource Monitoring, Patrolling & Service Delivery	MB0138Y14	-	12,544
Sustainable Mgmt. of Res. Integrated Participation	MB0146Y15	-	4,516
Integrated Wildlife Management for Sustainable Biodiversity	MB0182Y17	-	77,459
Antipoaching of Musk Deer-Ensuring their conservation,WCNP	MB0183Y17	-	49,701
Enchancing the conservation of Bhutan Takin, NCD	MB0184Y17	-	2,304
GEF fund balance Utilization(NCD & JDNP)	MB0000Y19	-	109,401
Total Program Expenses (HANAs)		-	*255,925*
Total Program Expenses		**1,330,217**	**1,032,081**

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION

Schedule IV:

Fund Management Expenditure	2019-2020	2018-2019
Custodian Fees	3,211	12,969
Fund Management/Advisory Fees	165,392	-
Non-US Resident Tax	19,306	-
Total Fund Management Expenditure	**187,908**	**12,969**

Bhutan Trust Fund for Environmental Conservation
Notes to financial statement
30 June 2020

Schedule V

Depreciation Table for FY19-20 *(Amount in USD)*

RoE/$ 75.4757

Particulars of Assets	Gross Block as on 30.6.19	Addition during the Year	Adjustments during the Year	Ex. Rate Gain/(Loss)	Gross Block as on 30.6.20	Depreciation: Accumulated as on 30.6.19	Depreciation: During the Year	Depreciation: Ex. Gain	Depreciation: Accumulated as on 30.6.20	Net Block as on 30.6.20	Net Block as on 30.6.19	Estmiated Salvage Value
Land	1	-	-	- 0	1	-	-	-	-	1	1	-
Building	67.169	695	-	- 5,887	61,977	7,463	1,104	- 648	7,918	54,058	59,706	6,198
	-				-	-	-	-	-	-	-	
Equipment	99,570	3,095		- 8,710	93,955	68,445	9,752	- 5,947	72,249	21,706	31,126	4,698
Computer Software	64,480	-	-	- 5,602	58,878	62,655	619	- 5,444	57,831	1,047	1,824	-
	-			-	-	-	-	-	-	-	-	
Furniture	19,763	2,396	-	- 1,908	20,252	13,900	1,879	- 1,208	14,572	5,680	5,863	1,013
Vehicle	134,623	-	-	- 11,697	122,926	48,643	16,554	- 4,226	60,971	61,955	85,980	12,293
Total	**385,606**	**6,186**	**-**	**- 33,804**	**357,989**	**201,106**	**29,909**	**- 17,473**	**213,541**	**144,447**	**184,500**	**24,201**

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to Financial Statement
30 June 2020
USD (rounded)

Schedule VI:

Cash in Hand/Bank	**2019-2020**	**2018-2019**
Petty Cash Account	134	103
Bank Account 17912011	8,020	11,872
Bank US$ Account 17912003	4,161	4,161
Total	**12,315**	**16,136**

Schedule VII:

Receivables and Prepayments	**2019-2020**	**2018-2019**
Advance to Employees	54,607	48,735
Advance to Suppliers	42,774	557
Advance to Contractors	113,397	-
Advance to Others	2,756	554
Interest receivables	316,943	51,932
Total	**530,477**	**101,778**

Schedule VIII:

Fund Balances with Implementing Agencies	**2019-2020**	**2018-2019**
MB0179Y17 Scientific Study on Ecology of small field RMNP .	-	1
Royal Society for Protection of Nature	11	11
MB0180Y17 Scientific study of spotted Deer & others PWS .	-	8
MB0167Y16 Dev. of Wastewater Treatment Technology CST .	12,828	19,446
MB0168Y16 Fish Fauna Assessment Central & Western region .	-	291
MB0169Y16 To enhance Management effectivenessof JKSNR.	-	50,595
MB0170Y16 Strenthening Environmental Auditing RAA	-	4,118
MB0173Y17 Enhancing Community capacity for Biodiversity Cons	-	5,904
MB177Y17 Conservation and Promotion of Native Poultry	-	23,304
MB176Y17 Improving Rangeland Governance and Leveraging Yak	-	26,781
MB174Y17 Working towards achieving land degradation neutral	-	7,319
MB189Y17 Develop cons. mgt. plan for biological corridors	24,665	7
MB172Y17 Cons. & Sustainable Use of Indigenous Flora.	-	4,643
MB0171Y17 Research & Development in Electric Fence Designs	-	1,503
MB182Y17 Integrated Wildlife Mgt. for Sus.Bio. Cons. BWS	0	0
MB188Y17 Samazingkha Agroforestry project	6,179	6,767
MB185Y17 Zero Waste Project S/jongkhar & T/gang Lhomon Socie	-	5
MB190Y18 Dev climate resilient communication Tarayana Foun.	10,594	8,256
MB191Y18 Cons. of Black Necked Crane in Bumthang	5,199	2,975
MB192Y19 National Floral diversity & cons native floral Tash	13,251	-
MB194Y19 Sustainable Mgt of NWFP & it commercialization in B	30,785	-
MB195Y19 vUp scaling White Bellied Heron Recovery	20,867	-
MB197Y19 Clean Green Beautiful Urban Spaces for Sust Devnt	5,047	-
MB198Y19 Strengthening and promoting Glue Laminited Timber T	79,496	-
MB199Y19 Critical Watershed mgt of Richulum watershed Dhopsh	7,685	-
MB200Y19 Bhutan for Life Funded by BTFEC	71,396	-
MB196Y19 Strengthening Forest fire mgt in Bhutan through PA	4,907	-
MB0149Y15 Estbl. of knowledge base for invertebrates in Bhut	0	0
SC157Y19 Promote Alternative Flagpoles to save Young Trees	1,057	-
PG0004Y19 Bhutan Toilet Organization	1,987	-
Total	**295,952**	**161,935**

ROYAL AUDIT AUTHORITY

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to Financial Statement
30 June 2020

Schedule IX:

BTF Portfolio

Foreign Investment	**2019-2020**	**2018-2019**
Cash	1,599,458	-
Money Market US Bank Money Market Mmda lt&c	-	436,623
Fixed Income Cost basis adjustment	61,873	-
Fixed Income Vanguard Short Term Bond Index Inv	-	5,442,600
Fixed Income JP Morgan Short Duration Bond SI	-	8,888,609
Fixed Income US Government	5,984,003	-
Fixed Income US Municipals	1,814,104	-
Fixed Income US Corporate IG Credit	5,900,649	-
Fixed Income International Developed Markets	1,519,632	-
Fixed Income International Emerging Markets	159,778	-
Equity Mutual Funds Jensen Portfolio Inc Fund	-	4,091,567
Equity Mutual Funds Dodge & Cox Stock Fund	-	4,396,276
Equity Mutual Fund Matthews Asian Growth & Income Fund	-	5,801,992
Equity Mutual Fund Matthews Pacific Tiger Fund	-	5,308,713
Equity Mutual Fund Matthews China Fund	-	2,258,241
Equity Mutual Fund Voya Midcap Opportunitys W	-	6,776,055
Equity Mutual Fund Primecap Odyssey Growth Fd	-	1,058,013
Equity Mutual Fund Vanguard Health Care Adm	-	890,640
Equity Mutual Fund Red Oak Technology Select	-	849,214
Others Driehaus Emerging Mkts Growth Fund	-	603,348
U.S. Equities Vanguard Small Cap Indexed Fund	-	2,962,170
U.S. Equities	20,513,851	
International Equities Dodge & Cox Stock Fund	-	635,014
International Equities	2,310,173	-
International Developed Equities	10,145,591	-
Intenational Emerging Markets Equities	2,505,773	-
Total Offshore Portfolio	**52,514,885**	**50,399,075**
Local Investment		
Ngultrum Trading Account	802,235	5,892,756
Royal Insurance Corpn. of Bhutan Ltd.	117,230	73,972
Penden Cement Authority Ltd.	78,044	85,470
State Trading Corpn. of Bhutan Ltd	17,396	19,052
Bhutan Calcium Carbide Ltd.	214	234
Bhutan National Bank Ltd.	5,086,818	1,217,840
Dungsam Plymers Ltd.	70	77
Druk PNB Bank Limited	68	74
T Bank Limited	958	1,049
Fixed Income RICBL Bond Series III 7 yrs Jan 14 2021	662,465	725,500
Fixed Income RICBL Bond Series IV 7 yrs May 27 2022	26,631	29,165
Fixed Income RSA private Bond Series I 7 Year 25Jan'24	457,101	500,595
Total Local Portfolio	*7,249,228*	*8,545,783*
Total BTF Invesment Portfolio	**59,764,113**	**58,944,858**

Schedule X:

Accrued Expenditure & Other Payables:	**2019-2020**	**2018-2019**
Accrued Expenses Paybles	13,543	17,816
Total	**13,543**	**17,816**

Schedule XI:

Recoveries/Remittances:	**2019-2020**	**2018-2019**
Tax Deducted at Source	54	54
Earnest Money Deposits	20	22
Security Deposits	363	-
Retention Money	2,562	2,806
NRED Fund	2,711	2,969
Climate Investment Fund CIF	4,144	452
Green Climate Fund GCF	-	6
Adaptation Fund AF	-	25,117
Total	**9,854**	**31,426**

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
Notes to financial statement

Schedule XII.

Statement of Capital Contribution as of 30 June 2020 (US$ rounded)

	2019-2020	2018-2019
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	218,180	271,635
Royal Government of Bhutan	173,818	173,818
Total	**21,521,870**	**21,575,325**

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 UBS Financial Services Inc., based in Seattle, 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 Fund Manager, UBS Financial Services Inc., Seattle, USA.

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 is incurred.

1.6 Consumable Items:
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 Fund Manager, UBS Financial Services Inc. Seattle, 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.

ROYAL AUDIT AUTHORITY

Annexure-A: 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.

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 CD Account operated by Bhutan Trust Fund for Environmental Conservation had also reviewed the plans and programs implemented during the period under audit and noted the following accomplishments:

1.HR Management and Procedures Manual:

A freestanding HR management Manual has been completed. With the endorsement from Ministry of Labor and Human resources and the Management Board, the Manual is under implementation from July 2020.

2.BTFEC office construction

The construction of new BTFEC office building located within the peripheral of the existing office is well under way. The selection has been conducted following a rigorous competitive bidding and in 2019-2020, whereby M/s T&K construction company was selected for the work.

The drawing and design of the office building incorporates the concepts of 'almost zero-net energy'- the first of its kind in the country and is expected to be an exemplary model for future constructions. The building also incorporates versatile facilities for the differently abled people among various other state of the art amenities. The construction is expected to be completed within the earmarked period 2021-2022.

3.Update of Royal Charter 1996

In view of the changed circumstances, emerging challenges and opportunities for conservation of environment and biodiversity and sustainable development in the country, the Management Board, with the blessings of His Majesty, undertook revision of the Royal Charter of 1996 for effective and efficient management of BTFEC

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