

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE PLC ACCOUNT NO.5008741089008 'MADANJEET SINGH CENTER FOR SOUTH ASIA FORESTRY STUDIES- PROGRAMME' IN UWICE, LAMAIGOMPA, BUMTHANG FOR THE YEAR ENDED 30TH JUNE 2014

The Royal Audit Authority (RAA) has audited the accompanying financial statements of the Project: Madanjeet Singh Center for South Asia Forestry Studies- Programme, implemented by UWICE, Lamaigompa, Bumthang which comprise the Receipts and Payments Statements and schedules forming part of the financial statements for the year ended 30th June 2014, as required under the Audit Act of Bhutan 2006.

Management's responsibility for the financial statements

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Financial Rules and Regulations 2001. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RAA's responsibility

The RAA's responsibility is to express an opinion on these financial statements based on its audit. The RAA conducted the audit in accordance with RAA's Auditing Standards and Generally Accepted Auditing Standards. Those standards require that the RAA complies with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

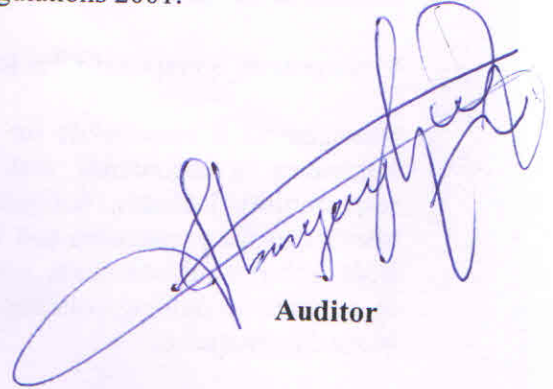
Scope of Audit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall financial statement presentation.

The RAA believes that the audit evidence obtained by it is sufficient and appropriate to provide a basis for its audit opinion.


Opinion

In RAA's opinion, the financial statements present fairly in all material respects the financial operations of the Project: Madanjeet Singh Center for South Asia Forestry Studies- Programme' implemented by Ugyen Wangchuck Institute for Conservation and Environment, Lamaigompa, Bumthang for the year ended 30th June, 2014 in accordance with the Financial Rules and Regulations 2001.



Auditor

Concurred and Noted:



Assistant Auditor General
Assistant Auditor General
Royal Audit Authority
Bumthang

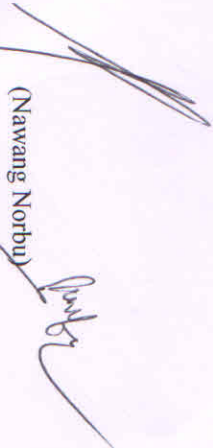
Date: 29/07/2014

UGYEN WANGCHUCK INSTITUTE FOR CONSERVATION AND ENVIRONMENT

MCSAFS - PROGRAM
ACCOUNT NO. 5008741089008

RECEIPT AND PAYMENT STATEMENT FOR THE PERIOD 01/07/2013 TO 30/06/2014

RECEIPTS				PAYMENTS			
	For the period 01/07/2013 to 30/06/2014	Progressive up to 30/06/2013	Cumulative since Inception to 30/06/2014		For the period 01/07/2013 to 30/06/2014	Progressive up to 30/06/2013	Cumulative since Inception to 30/06/2014
Particulars				Particulars			
SAF Bhutan Chapter, Thimphu	4983000.00	4043106.00	9026106.00	Program Expenditure	3682073.02	1247700.600	4929773.62
MCSAFS- Construction	2862203.00		2862203.00	MCSAFS - Construction	120000.00	2862203.00	2982203.00
Bank Interest	160628.52	53565.19	214193.71				
Total	8005831.52	4096671.19	12102502.71	Total	3802073.02	4109903.60	7911976.62
				Advance			
				Nil			
				Closing Balance			
				(a) Cash			
				(b) Bank	4203758.50	-13232.41	4190526.09
Total	8005831.52	4096671.19	12102502.71	Total	8005831.52	4096671.19	12102502.71


(Nawang Norbu)
Director
Ugyen Wangchuck Institute for
Conservation and Environment
Bumthang


(Sangay Wangchuk)
Program Director


(Om Prakash Rai)
Accounts
Ugyen Wangchuck Institute for
Conservation and Environment
Bumthang


Auditor
Royal Audit Authority



**UGYEN WANGCHUCK INSTITUTE FOR CONSERVATION AND ENVIRONMENT
LAMAI GOEMPA, BUMTHANG**

MADANJEET SINGH CENTER FOR SOUTH ASIA FOUNDATION - PROGRAM


STATEMENT OF OVER ALL FUND RECONCILIATION

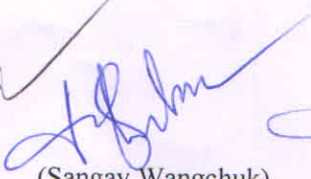
(For the period from inception to 30/06/2014)


1. Fund Received	Nu. 11,888,309.00
Bank Interest Received	Nu. 214,193.71
Less: Accumulated Expenditure as on 30/06/2014	Nu. 7,911,976.62
Fund Balance	<u>Nu. 4,190,526.09</u>

Fund Represented by:

2. Fund Balance with UWICE	
(i) Cash	Nil
(ii) Bank	Nu. 4,190,526.09
Fund Balance	<u>Nu. 4,190,526.09</u>


(Nawang Norbu)
Director
Director
Ugyen Wangchuck Institute for
Conservation and Environment
Bumthang


(Sangay Wangchuk)
Program Director


(Om Prakash Rai)
Accounts

Accounts
Ugyen Wangchuck Institute for
Conservation and Environment
Bumthang


Auditor
Royal Audit Authority



BHUTAN NATIONAL BANK - BUMTHANG
 Post Box No: 143
 Phone: 03-631625/26 & Fax: 03-631898
 Email: bumthang@bnp.bt & website: www.bnp.bt

STATEMENT OF ACCOUNT FOR : 5008741089008 : MCSAFS
 CREDIT LIMIT AMOUNT : 0.00
 EXPIRY DATE :
 PERIOD OF STATEMENT : 01-JUN-14 - 30-JUN-14

CUSTOMER NUMBER : 008741089
 CUSTOMER NAME : MCSAFS
 ADDRESS : MCSAFS-PROGRAM
 UWICE
 LAMEGONPA
 BUMTHANG

DATE	DESCRIPTION	REFERENCE	INSTRUMENT	DEBIT	CREDIT	BALANCE
01-JUN-14	BAL BROUGHT FWD					4,198,368.34
11-JUN-14	CHEQUE WITHDRAWAL CHQ WITHDRAWAL BY DECHEN TSHOMO	008CWA0141620021	000464	7,000.00		4,191,368.34
24-JUN-14	CHEQUE WITHDRAWAL CHQ WITHDRAWN BY KINZANG WANGDI	008CWA0141750010	000465	9,450.00		4,181,918.34
25-JUN-14	CHEQUE WITHDRAWAL CHQ WITHDRAWAL BY SONAM PHUNTSHO	008CWA0141760006	000466	8,232.00		4,173,686.34
30-JUN-14	INTEREST ON SAVINGS	008SA04BTN 00002			16,839.75	4,190,526.09
	CLOSING CREDIT BALANCE					4,190,526.09
3	DEBITS			24,682.00		
1	CREDITS				16,839.75	

* = UNAUTH ENTRY / R = REVERSAL

BHUTAN NATIONAL BANK - BUMTHANG

AUDIT FINDINGS ON THE ACCOUNTS & OPERATIONS OF THE UWICE, BUMTHANG

SIGNIFICANT ACHIEVEMENTS

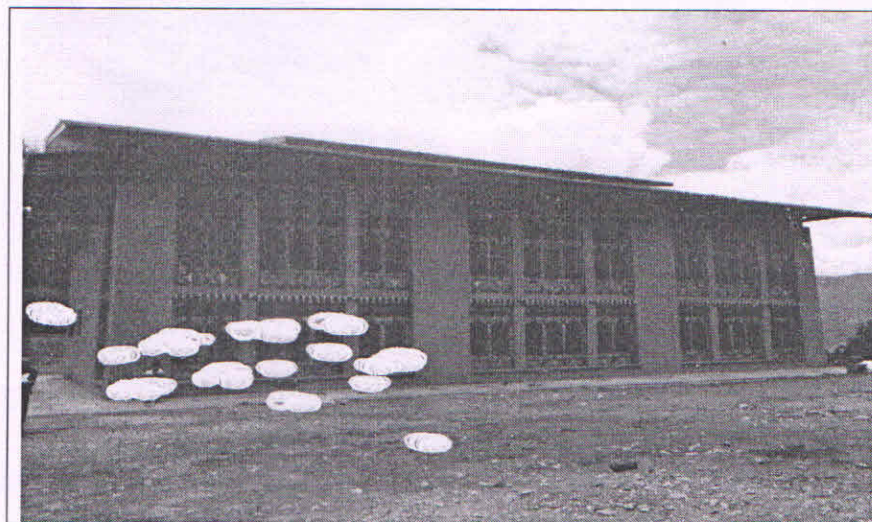
The RAA while reviewing the accounting records and operations of the UWICE, Bumthang had also reviewed the plans & programmes implemented during the period audited and noted the following significant accomplishments:

1. Fund Utilization since inception to 30.06.2014

Sl. No.	Type of Expenditure	Fund Release (Nu.)	Expenditure (Nu.)	Fund Balance (Nu.)	Achievement (%)
1.	Construction	25,435,292.64	23,889,914.37	1,545,377.87	93.92%
2.	Programme	12,102,502.71	7,911,976.62	4,190,526.09	65.37%
Total		37,537,795.35	31,801,890.99	5,735,903.96	84.71%

2. Physical Achievement for the FY 30.06.2014

The construction of school building for “Madanjeet Singh Center for South Asia Forestry Studies” (MCSAFS) at Ugyen Wangchuck Institute for Conservation & Environment, Lamaigompa, Bumthang was funded by South Asia Foundation (SAF). The physical achievement of the building as pictorially depicted below:



Completed School Building of MCSAFS at UWICE

ANNEXURES

Profile

Memorandum of Understanding was signed on 17th March 2010 between the Ugyen Wangchuck Institute for Conservation and Environment and the South Asia Foundation, for the establishment of the Madanjeet Singh Center for South Asia Forestry Studies at the Ugyen Wangchuck Institute for Conservation and Environment.

The Memorandum of Understanding (MoU) between the South Asia Foundation, a secular, non-profit and non-political organization, hereinafter referred to as 'SAF', on the one part;

AND

The Ugyen Wangchuck Institute for Conservation and Environment, a Royal Government research, think-tank and education organization, hereinafter referred to as 'UWICE';

Sets forth the agreements reached between the parties relating to the establishment and implementation of the Madanjeet Singh Center for South Asia Forestry Studies, hereinafter referred to as the 'MCSAFS'.

1. Establishment of the Madanjeet Singh Center for South Asia Forestry Studies (MCSAFS)

1. The MCSAFS shall be established at the Ugyen Wangchuck Institute for Conservation and Environment in Bhutan. The MCSAFS shall offer Diploma, BSc and MSc courses in Forestry in collaboration with the College of Natural Resources, Lobesa, Royal University of Bhutan. The MCSAFS will also facilitate and conduct research in areas related to Forestry with relevance to South Asia.
2. The MCSAFS will offer at least 8 fully paid Madanjeet Singh Group Scholarships to study at the MCSAFS; including travel, board and lodging and tuition fees to South Asian students based on gender equality, 1 from each of the eight SAARC countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
3. Besides formal courses in forestry, the MCSAFS shall strengthen pluralistic culture through extracurricular activities associated with arts and culture.
4. Subject to availability of funds, a number of visiting Research Fellowships shall be offered to PhD students from SAARC countries for data collection, consultations and field study at any of the Central Universities in India for a maximum period of six months. The fellowship shall cover economy class travel by Air/rail and provide Rs. 20,000/- per month and a onetime contingency grant of Rs. 10,000/- to meet living expenses.

2. Objectives of the MCSAFS

1. The MCSAFS shall through the promotion of science and education in the field of forestry nurture a new generation of ecological and environmental leaders to

contribute towards the building of a sustainable future for South Asia and the planet as a whole.

2. By bringing together the next generation of forest scientists and leaders, the MCSAFS shall also achieve its preeminent objective of fostering and promoting regional cooperation.

3. Organization Structure of MCSAFS

1. Governing Council:

- Honourable Minister, Ministry of Agriculture and Forests: Chairperson
- Chairperson of SAF-Bhutan Chapter: Co-Chairperson
- SAF Founder/ His Representative: Member
- Director, UWICE: Member Secretary

2. Advisory Council:

- Honourable Secretary, Ministry of Agriculture and Forests: Chairperson
- One SAF Trustee and 4 subject experts nominated by the SAF Founder (2 from SAARC countries): Members
- Director, College of Natural Resources, Royal University of Bhutan: Member
- Head, Forestry Faculty, College of Natural Resources, Royal University of Bhutan: Member
- Director, UWICE: Member
- Finance Officer, UWICE: Member
- Head, Sustainable Forestry Department, UWICE: Member Secretary

3. The Advisory Council shall provide functional directions for the Center. The Advisory Council meeting shall be convened at least once a year. The member Secretary of the Advisory Council shall present the Annual Report, the Audited Accounts, and the coming year's budget and activity plan.

4. Financial Contribution of SAF

1. SAF shall contribute US \$ 5,00,000 (USD Five Hundred Thousand Only) towards the establishment and operation of the MCSAFS over a period of five years. This amount will be transferred into the account of the SAF Bhutan Chapter who will be the custodian of the SAF Fund and allocate annually as per the budget approved by the MCSAFS Governing Council.
2. The SAF Bhutan Chapter shall retain 5% from the overall financial contribution.
3. The annual SAF contributions will be paid through the SAF Bhutan Chapter into an exclusive bank account operated by the UWICE. All expenditures will be made as per the annual plans approved by the Governing Council.
4. The interest earned on the funds (if any) shall be used only for activities of the MCSAFS.
5. UWICE shall fully conform to the *attached Financial Implementation Regulations Annexure (attached)*.

5. Personal Contribution of SAF Founder

1. The UWICE shall construct a building and other relevant facilities for hosting the MCSAFS.

2. For the above, the SAF Founder, Ambassador Madanjeet Singh shall contribute an amount of US \$ 5,00,000 (USD Five Hundred Thousand Only) from his personal account.
3. Any remaining costs shall be borne by the UWICE.

6. SAF Regulations

1. In conformity with the SAF Governing Council resolution adopted in 2002 at Beaulieu-sur-Mer, France, SAF shall not fund any project without at least a matching contribution in cash or kind against SAF's financial assistance.
2. Before receiving any subsequent installments of funds, MCSAFS shall submit an annual Audit Report and a progress report of the Institute to the SAF Trustees.
3. SAF shall discontinue funding MCSAFS, where MCSAFS fails to fully comply with SAF's preeminent objective of promoting regional cooperation as specified in this MoU.

7. Contribution of UWICE

1. To match with SAF's contribution and in conformity of SAF Governing Council resolution of 2002, the UWICE shall provide:
 - Land and space for construction of the MCSAFS
 - Permanent faculty for the programmes
 - Campus accommodation for students and visiting faculty
 - Internet and library facilities
 - Administrative and logistic support

8. The Implementation of the MoU

1. The MoU shall be effective on the date upon which the Parties append their signatures to it.
2. The 'terms and conditions' within the MoU may be modified as and when required with the consent of the parties.
3. Either party shall be entitled to terminate the MoU upon providing the other party with three calendar month's advance notice.
4. In case the MoU is terminated, for whatever reason, the rights of the MCSAFS and SAF shall be abrogated; and all rights to any properties or investments made as part of the MoU will revert to the Royal Government of Bhutan.

Objectives of Auditing

- i. To ascertain and evaluate whether the Agency's resources are utilized in accordance with applicable laws, rules and regulations;
- ii. To determine whether the agency has been managing and utilizing its financial resources economically and efficiently;
- iii. To determine whether the taxes and levies are realized and accounted accurately.
- iv. To highlight the financial irregularities
- v. To review internal control system and to recommend for improvement in the system accordingly; and
- vi. To determine whether the desired results or benefits established by the agency are being achieved;

Methods adopted for auditing

- i. Reviewing internal controls in place in the system;
- ii. Inspection and examination of the records, documents and statements;
- iii. Determining if the rules and regulations that are in force have been complied with;
- iv. Seeking relevant information from knowledgeable person inside and outside the organization;
- v. Conducting interviews with the beneficiaries or payee;
- vi. Checking the arithmetical accuracy of the accounting records; and
- vii. Conducting the physical verification of assets, stores and undertaking site visits wherever necessary.