

**THE CIVIL SOCIETY ORGANIZATIONS ACT
OF BHUTAN**

Preamble

WHEREAS, it is expedient to provide for the establishment and registration of Civil Society Organizations to strengthen civil society by developing human qualities and rendering humanitarian services;

The National Assembly of Bhutan in its 87th Session held on 5th Day of the 5th Month of the Female Fire Hog Year of the Bhutanese Calendar, corresponding to 20th June, 2007 hereby consolidate and enact the Civil Society Organizations Act of Bhutan.

**Chapter 1
Preliminary**

Short title, commencement and extent

1. This Act shall:
 - (a) Be called the Civil Society Organizations Act of Bhutan, 2007;
 - (b) Come into force on the 16th Day of the 6th Month of the Female Fire Hog Year of the Bhutanese Calendar, corresponding to the 31st Day of July, 2007; and
 - (c) Extend to the whole of Bhutan.

Repeal

2. This Act hereby repeals Tha 2-1 and 3-3 of the Thrimzhung Chenmo and provisions of any law, by-law, rules and regulations which are inconsistent with this Act.

Chapter 2
Civil Society Organizations

3. Civil Society Organizations (“CSO”) shall refer to associations, societies, foundations, charitable trusts, not-for-profit organizations or other entities that are not part of Government and do not distribute any income or profits to their members, founders, donors, directors or trustees. CSOs do not include trade unions, political parties, cooperatives or religious organizations which are devoted primarily to religious worship.
4. For the purpose of this Act, there are two types of CSOs, distinguished by their differing objectives:
 - (a) **Public Benefit Organizations** (“PBOs”) are CSOs, which are established in order to benefit a section or the society as a whole.

- (b) **Mutual Benefit Organizations** (“MBOs”) are CSOs which are established in order to advance the shared interests of their members or supporters, such as to advance the shared interests of people working in a particular profession, the businesses engaged in a particular industry, youth studying in a university, or people who are interested in a particular cultural activity, sport or hobby.

Chapter 3 Principle and Objectives

Objectives of the Act

5. The objectives of this Act are to:
 - (a) Facilitate the establishment and growth of PBOs and MBOs in order to strengthen civil society, promote social welfare and improve the conditions and quality of life for the people of Bhutan;
 - (b) Ensure a system of public accountability by providing a framework for responsible and effective self-regulation of CSOs;

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- (c) Protect national and public interest;
 - (d) Facilitate a constructive partnership between the Government and CSOs in order to advance the public interest;
 - (e) Provide opportunities for people to serve public interest;
 - (f) Benefit the public at large or particular sections of the public;
 - (g) Demonstrate and continue to increase CSO's value to the larger communities of which they form a part;
 - (h) Promote compliance by CSOs with their legal obligations to exercise effective control and management over the administration of their activities and funding; and
 - (i) Promote the delivery of emergency relief services and other types of public services by PBOs, and promote the effective use of public and private financial resources by PBOs for such purposes.
6. PBOs shall serve to supplement or complement the efforts made by the Government to:
- (a) Protect human life and health;
 - (b) Prevent and alleviate human suffering and poverty;
 - (c) Disseminate knowledge and advance learning;

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- (d) Develop the Country economically and culturally;
- (e) Assist in the protection and promotion of national culture and heritage;
- (f) Protect the natural environment; and
- (g) Promote social harmony and Gross National Happiness.

7. No CSO shall:

- (a) Do anything to impair the sovereignty, security, unity and territorial integrity of Bhutan;
- (b) Engage in any activities that are directly related to public elections;
- (c) Do anything to destroy the peace, stability and well-being of the nation;
- (d) Be involved in any incitement to an offence on the grounds of race, sex, language, religion or region;
- (e) Be involved in political activity;

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- (f) Violate the spiritual heritage of Bhutan as expressed in Article 3 of the Constitution;
- (g) Be involved in conducting activities or managing institutions whose primary purpose is public religious worship;
- (h) Compel any person to belong to another faith by providing reward or inducement for a person to belong to another faith; and
- (i) Be organized or operated exclusively for financial gain.

Chapter 4
Authority

Authority

8. An independent “Civil Society Organizations Authority”, hereinafter referred to as “the Authority” shall be established under this Act and it shall be the regulatory authority under this Act.
9. The Authority shall consist of:
 - (a) A senior official from the Ministry of Finance appointed by the Finance Minister;

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- (b) An eminent lawyer with knowledge and experience of laws relating to CSOs, who is recommended by the Attorney General;
 - (c) Two eminent members representing the CSOs; and
 - (d) A senior official from the Ministry of Home and Cultural Affairs, appointed by the Home Minister, who shall be the member secretary of the Authority.
10. The members of the Authority shall elect a Chairperson from among themselves.
 11. The quorum for any meeting of the Authority shall be two-thirds of the total number of members of the Authority.
 12. The Authority shall meet at least twice a year and additional sessions may be convened, if deemed necessary.
 13. All decisions by the Authority shall be determined by a simple majority of the members present and voting.
 14. The term of office of the members of Authority shall be three years and no person shall hold office for more than two terms.

Functions of the Authority

15. The Authority shall:

- (a) Prescribe the application form and application procedures for any person wishing to register a CSO under this Act;
- (b) Review and approve all applications for registration of CSOs which satisfy the requirements of this Act, within six months after such applications are submitted;
- (c) Provide written reasons for rejecting any application under this Act;
- (d) Advise the Government about the general activities and roles of CSOs;
- (e) Encourage and facilitate better internal administration of CSOs;
- (f) Monitor the activities of CSOs to ensure their compliance with this Act and with their own Articles of Association or Charters, and the purposes for which they have been established;

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- (g) Approve the accreditation of foreign CSOs within the provisions of the laws of Bhutan and this Act;
- (h) Institute inquiries either generally or for particular purposes, if the activities of the CSOs are not in compliance with this Act or any other relevant laws of the Country;
- (i) Examine the books, records and activities of CSOs when required;
- (j) Keep a public register of CSOs as described in section 27 of this Act;
- (k) Add or remove any body or institution from the list of registered CSOs for violations of this Act or any other law of Bhutan or law of any other country where that CSO may be operating; and
- (l) Carry out other related powers and responsibilities prescribed in this Act.

Endowment Fund Limit

16. The Authority shall prescribe endowment fund limit for the MBO from time to time.

Supervision

17. The Authority may on its own motion or upon the application of another person inquire into a CSOs’:
- (a) Administration or management;
 - (b) Value, condition, management or application of their property or income; or
 - (c) Entitlements and privileges, including exemptions from taxes and customs duties.
18. Where an application is made under section 17, the applicant shall furnish such information in connection with the application as to enable the Authority to determine whether there are reasonable grounds for making the inquiry.
19. For the purpose of any inquiry, the Authority may require any person to:
- (a) Furnish accounts and statements in writing with respect to any matter in question at the inquiry;

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- (b) Furnish copies of documents in his custody or under his control which relate to any matter in question at the inquiry; or
- (c) Attend at a specified time and place and give evidence or produce any such documents.

Office

- 20. The Authority shall establish an office for carrying out its functions and responsibilities under this Act.
- 21. The Authority shall be supported by administrative machinery staffed by civil servants as per the Civil Service Rules and Regulations. The Authority may incur expenditures that are required for carrying out its functions and responsibilities under this Act.

Chapter 5
Registration and Establishment

Registration

- 22. Except otherwise exempted by this Act, all CSOs shall register with the Authority under this Act.

Notification and Application

23. CSOs that have already been established or created shall submit to the Authority within three months of the commencement of this Act, a duly completed application for registration except as otherwise exempt under this Act.
24. The Authority shall issue a Certificate of Registration upon determining that the application meets the requirements prescribed under this Act.

Requirements for the Establishment of CSOs

25. A Bhutanese citizen may establish a CSO by submitting the required documents and information declaring:
- (a) That he is a Bhutanese citizen as evidenced by a Citizenship Card;
 - (b) The income and assets of himself, his spouse, and dependent children;
 - (c) His bio-data and educational qualifications; and
 - (d) His records of criminal convictions, if any.

Registration Fee

26. The Authority shall prescribe fee for registration of any CSO.

Register

27. The office established under the Authority shall maintain:

- (a) A register recording all CSOs, which shall be made available for viewing by any member of the public during regular business hours at the Authority's office or on the internet, listing all CSOs that are or were operating or authorized to operate in Bhutan, and stating each CSO's name, address and telephone number, the names of the members of its governing board and its chief executive officer, the CSO's general purposes, the total amount of the CSO's current assets, liabilities, income and expenditures, and the date of its dissolution or of its loss, termination or cancellation of registration; and
- (b) An annual record of the total amount of contributions received and made to each CSO.

Effects of Registration

28. The CSOs established under this Act shall acquire juridical status from the date the Authority issues a Certificate of Registration under its official seal.

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29. The Certificate of Registration issued by the Authority shall be conclusive evidence that the body or institution is duly registered in accordance with this Act unless it is proved that the registration thereof has been cancelled.
30. In case of an appeal to the Court with regard to registration, the Authority shall issue the Certificate based on the decision of the Court.
31. A CSO which has been registered shall discharge its functions and responsibilities in accordance with this Act.

Cancellation of Registration Due to Cessation of Activities

32. If a CSO has ceased for a period of at least two years to carry out the purposes and activities set forth in its Article of Association, its registration shall be cancelled.

Contributions and Property Not Used For Intended Purposes

33. If money or other property contributed to or owned by a CSO is used for other purposes and activities not set forth in the Article of Association at the time of registration, such money or other property shall cease to be the property of the CSO, and its registration may be cancelled.

Removal from the Register

34. If the removal of an organization is due to any change in its purpose, the removal shall take effect from the date of that change.
35. A CSO, which is for the time being registered under this Act shall be voluntarily removed from the register if it so requests.
36. It is the duty of each registered CSO to report to the Authority:
 - (a) If the organization ceases to exist; and
 - (b) Supply the Authority with particulars of any significant change in its purpose or in the information entered in the register.
37. Prior to the cancellation of a CSO's registration, its board of trustees shall be given at least three months advance written notice of the intention to cancel the registration, within which period the organization or institution shall be given the opportunity either to resume carrying out the purposes and activities set forth, or else present good reasons why the registration should not be cancelled.

Exemption from Taxes

38. A registered CSO shall be exempt from the payment of income tax on income or other gains which it has earned as a result of investing its endowed property or other funds in accordance with regulations promulgated by the Department of Revenue and Customs.

39. PBOs may be granted exemptions from payment of customs duties or other taxes besides income tax, on a case by case basis in accordance with regulations and procedures issued jointly by the Authority and the Department of Revenue and Customs.

40. MBOs shall not be entitled to receive any of the exemptions granted to PBOs under the preceding sections of this Act, except on a case by case basis in accordance with regulations and procedures issued jointly by the Authority and the Department of Revenue and Customs.

Objections to Registration

41. The Authority may refuse to register any organization as a CSO where, in its opinion:
 - (a) The name of the CSO is similar to the name of another institution, other organization or entity as to be likely to mislead the public as to its true identity;

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- (b) The name of the CSO is offensive to good morals or national symbols;
 - (c) The application for registration does not comply with the requirements of this Act or any regulations made there under; or
 - (d) The objectives of the proposed CSO are in contravention of the provisions of the laws of the Country.
42. Any person who is or may be adversely affected by the registration of an organization as a CSO may, on the ground that the organization does not qualify as a CSO:
- (a) Object to it being entered by the Authority in the register; or
 - (b) Apply to the Authority for it to be removed from the register.

Responsibilities of CSOs

43. A CSO may:
- (a) Adopt or amend Articles of Association which must be submitted to the Authority for approval;
 - (b) Sue and be sued in its name;

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- (c) Engage in any lawful undertaking, own property or enter into contracts, including employment contracts, for the social, economic, environmental or cultural advancement of the public;
- (d) Expand or diversify its current plans and programs by either establishing subsidiaries, affiliating with other PBOs or opening branches;
- (e) Accept and receive grants, donations or financial assistance from domestic and external sources upon compliance with all the applicable laws and regulations; and
- (f) Exercise all other rights or responsibilities as authorized by this Act.

44. A PBO shall furnish to the Authority:

- (a) Two copies of the Articles of Association and Memorandum of Association;
- (b) Code of ethics for all trustees and employees;
- (c) A detailed three year programme of activities with annual work plans and measurable performance indicators, demonstrating the PBO's conformity with the mission and goals stated in its Articles of Association;

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- (d) A written commitment by all Board members and senior staff of the PBO to operate within the law in pursuit of the PBO's stated mission, goals and business operations; and
- (e) A declaration that the memorandum and articles of association requirements of the Act and the rules made there under have been duly complied with, in respect of registration or matters incidental or supplementary thereto.

Chapter 6

Articles of Association and Rules and Regulations

Articles of Association

- 45. Any CSO applying for registration shall file with the Authority its Articles of Association signed by all the members of its Board.
- 46. The Articles of Association shall provide:
 - (a) The name of the CSO;
 - (b) The CSO's purpose, objectives and scope of activity;

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- (c) The CSO's organizational structure, accountability and reporting responsibilities of its officials and key personnel and its decision-making system;
- (d) Its types of funding sources and how it proposes to manage its assets;
- (e) Its intended geographical area of operation and the postal address of its principal office;
- (f) The names, nationality, and occupation of its incorporators; and
- (g) Any other relevant information it chooses or is requested to provide that is not inconsistent with this Act.

Rules and Regulations

47. A CSO to be registered under this Act shall adopt rules and regulations in accordance with this Act to govern its day-to-day affairs by providing procedures and systems for:

- (a) Management, inventory of property and reporting systems;
- (b) Source, use, investment and management of funds; and
- (c) The conduct and operations of the Board.

Chapter 7
Accreditation of a Foreign CSO

Government Agency Partnership

48. A Foreign CSO shall request a government agency in a relevant sector to act as a technical collaborator to implement the CSO's goals and activities in Bhutan.

Accreditation of a Foreign CSO

49. A CSO registered as a non-governmental organization in a foreign country that is operating or intending to operate in Bhutan shall apply for accreditation with the Authority. The requirements for accreditation are:

- (a) A certified copy of its certificate of registration;
- (b) A copy of its Article of Association and a Memorandum of Association;
- (c) A statement of its aims and objectives;
- (d) A Government Agency partner; and
- (e) Detailed three year plan of activities and quantitative contribution to Bhutan.

50. After verification, the Authority may issue a certificate of accreditation to the CSO to operate in Bhutan. Thereafter, the accredited CSO shall submit to the Authority its annual report, including audited financial statements for its operation in Bhutan. A certificate of accreditation shall be reviewed and updated every three years as per the outcome.

Chapter 8 Management of CSOs

Board of Trustees or Directors

51. Each CSO shall be governed by a board of trustees or directors, hereinafter referred to as the “Board”, in order to promote accountability, transparency and more effective management of CSOs.
52. The members of the Board of a CSO shall elect from among themselves a chairperson, a secretary and a treasurer.

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53. The Board of a CSO shall be responsible for:
- (a) The management, investment and use of any movable or immovable property donated or transferred to the CSO;
 - (b) Ensuring that all such property and the income therefrom shall only be used for the purposes authorized by the CSO's Articles of Association or Charter; and
 - (c) Any agreement between the CSO and a donor which may further restrict the use of a particular donation.

Appointment

54. The Board of a CSO shall:
- (a) Select and appoint an Executive Director and any other needed personnel in accordance with fair and objective hiring practices; and
 - (b) Approve the Executive Director's duties and responsibilities and fix his remuneration by a resolution of a majority of the Board members present at a meeting of the Board.

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55. The members of the Board shall maintain the highest standard of ethics, integrity and professionalism in discharging their duties as Board members.
56. All the members of the Board of a CSO shall individually and collectively ensure and maintain the integrity of a CSO.

Meetings and Quorum

57. The meetings of the Board of a CSO shall be held at least once every three months, provided that the secretary serves the notice of meeting at least two weeks in advance.

Liability

58. A Board member or an official of a CSO, who willfully and knowingly votes for or assents to patently unlawful acts of the CSO shall be guilty of gross negligence or bad faith in directing the affairs of the CSO.
59. A person found guilty of the offence of gross negligence or bad faith under Section 58 shall be liable jointly or individually for all damages suffered by the CSO.

Persons Disqualified from being Board Members

60. Subject to the provisions of this Act, a person shall be disqualified from being a member of the Board of a CSO if he:

- (a) Has been terminated from Public Service;
- (b) Has been removed from any office on the ground of any misconduct or mismanagement in the administration of any CSO or other corporate bodies;
- (c) Has been convicted for any criminal offence and sentenced to imprisonment;
- (d) Has been found to be in arrears of taxes or other dues to the Government for a substantial period and in a substantial amount;
- (e) Currently holds any senior office or position in a Government-controlled company or organization, unless otherwise exempted by law;
or
- (f) Is disqualified under any law.

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61. CSOs operating in Bhutan shall seek the approval of the Authority before employing any person, who is not a citizen of Bhutan, whether as paid employees or as volunteers. However, they shall ensure that such employment is in compliance with all related laws and regulations of the country including labour and immigration laws. CSOs shall bear all responsibility for the actions of such employees and volunteers in their organization.
62. A CSO shall observe all the norms and criteria for operations in Bhutan with regard to the fair and objective hiring, employment and human resource management of local employees as per the standards and guidelines established by the relevant public authorities, and it shall refrain from arbitrary or other unfair business practices failing which, the concerned CSO shall be dealt in accordance with this Act and with other relevant laws of the Country.

Chapter 9 Fund Raising

Prohibition

63. No person or institution shall raise fund or solicit money or other property for a CSO, unless he does so in accordance with this Act.
64. Where a person or an institution solicits money or other property as a contribution to a CSO, the solicitation shall be accompanied by a statement clearly indicating:
 - (a) The name of the CSO concerned; and
 - (b) If there is more than one CSO concerned, the proportions in which the CSOs will respectively benefit.

Sources of Funds

65. The source of funds or other property of a CSO may be from any or all of the following:
 - (a) Contribution from members;
 - (b) Donations, grants, subsidies, financial assistance, bequests and other transfers of funds or other property, whether public or private; and
 - (c) Dividends or income from investments or from the sale and lease of property.

Foreign Sources of Funds

66. Donations, grants, subsidies, financial assistance and contributions, bequests and other transfers of funds or other property from foreign sources, whether public or private, shall be routed through an authorized Financial Institution of Bhutan.

**Chapter 10
Charitable Collections**

Donations

67. Any person is free to offer any movable or immovable property according to his will to any institutions, private or Government provided it is in accordance with this Act.
68. Any charity or donations made to any institution, regardless of the quantity or value shall be recorded.
69. Any charity or donations shall be collected only on the volition of the donor. No collection shall be made under deceit or coercion.
70. No person shall collect or ask for any contribution or charity to aid or help any activity, which is in contravention with the laws of the Country.

Restriction on Collections

71. A collection in a public place must not be conducted unless the promoters of the collection hold a public collections certificate from the Authority and the collection is conducted in accordance with this Act.
72. A door to door collection shall not be conducted unless the promoters of the collection hold a public collections certificate from the Authority.

Change of Purpose

73. A purpose of the CSO may be altered or changed upon permission from the Authority, where the:
 - (a) Original purpose, in whole or in part have been fulfilled or cannot be carried out, or not in accordance with the directions given and to the spirit of the gift;
 - (b) Original purposes provide a use for part only of the property available by the virtue of the gift;
 - (c) Property by virtue of the gift and other property applicable for similar purposes can be more effectively used in conjunction and to that end can suitably be made applicable to common purposes;

- (d) Original purposes were to the specified area but that area for any reason ceased to be suitable or practicable in administering the gift; or
- (e) Original purposes, in whole or in part, have been adequately provided for by other means, or are useless or harmful to the community.

Chapter 11

Merger and Consolidation of CSOs

Merger of CSOs

74. Two or more registered CSOs with a similar purpose may merge with another and the merged entity shall continue the purposes of the merged CSOs.

Consolidation of CSOs

75. Two or more registered CSOs engaged in similar endeavour may consolidate into a new single registered CSO.

Decision to Merge and Consolidate CSOs

76. The decision to merge or consolidate a CSO, as the case may be, shall require a vote of two-thirds of the board of trustees of the CSO.
77. After verification, the Authority may approve the merger or consolidation of a CSO consistent with the laws of the Country.
78. A local CSO may not merge or consolidate with a foreign CSO, whether or not the foreign CSO is accredited in Bhutan.

Chapter 12

Insolvency, Dissolution and Liquidation of CSOs

Insolvency

79. In the event that a CSO is unable to fulfill its financial obligations to creditors due to insolvency, such CSO may apply for such remedies as it deems fit under the provisions of the laws of Bhutan.
80. A CSO may only be declared insolvent upon the decision of a Court.

Dissolution

81. A CSO established under this Act may be dissolved either voluntarily or involuntarily in accordance with this Act.

82. A CSO shall be dissolved:
 - (a) If the objectives or activities of the CSOs are in contravention of the provisions of the laws of the Country;
 - (b) If it has knowingly received illegal money or assistance from foreign sources;
 - (c) If it has acted against the security, unity and territorial integrity of Bhutan; or
 - (d) Has otherwise violated this Act.

Voluntary Dissolution

83. In case where dissolution of a CSO does not prejudice the rights of any creditor having a claim against such organization, the dissolution may be effected by a vote of two-thirds of the members of the Authority.

84. A copy of the resolution authorizing the dissolution shall be signed by the chairperson of the Board of the CSO.

85. A copy of the resolution shall be submitted to the Authority, which shall thereupon issue a certificate of dissolution. The dissolution shall come into effect on the day and the date of the issuance of the certificate of dissolution.

Involuntary Dissolution

86. A CSO may be dissolved by the order of the Court after completion of the judicial process on grounds of:
- (a) Having obtained its registration by fraud;
 - (b) Operating for an illegal purpose;
 - (c) Willful violation or failure to meet the requirements, despite notice issued by the Authority;
 - (d) Insolvency; or
 - (e) Violation of this Act or any other laws of the Country.

Disposal and Settlement of Property

87. In case of dissolution, all necessary steps shall be taken for the proper disposal and settlement of the property of a CSO, its claims and liabilities according to the applicable Articles of Association or other rules of the CSO.
88. In the event of any dispute arising among the board of the CSO, the settlement of its affairs shall be referred to the Authority in the first instance. If they cannot be settled by the Authority, the matter shall be referred to a Court.

Profit upon Dissolution

89. If upon the dissolution of any CSO registered under this Act, after the satisfaction of all its debts and liabilities, any property whatsoever is left, the same shall not be paid to or distributed among the Board members or employees of the said CSO but it shall be utilized for project with similar activities in consultation with the Authority.

Liquidation

90. A CSO whose Article of Association or Charter expires by their own terms or whose legal existence is terminated either by voluntary or involuntary dissolution shall nevertheless continue as a legal entity for one year after its dissolution has been approved solely in order to:

- (a) Prosecute or defend any suit by or against it;
- (b) Settle and close its affairs;
- (c) Dispose of and convey its property; or
- (d) Distribute its assets.

91. The CSO dissolved under the preceding Section shall not continue for the purpose of carrying out the purposes, activities or programs for which it was established.

Chapter 13

Accounts, Reports and Returns

Accounting and Reporting System

92. PBOs under this Act shall establish an accounting system in accordance with the Financial Rules and Regulations of the Royal Government of Bhutan.
93. The PBOs shall make full disclosure of financial information, including sources of funding, application of funds and audited accounts.
94. The Annual Financial reports shall be submitted to the Authority.

Annual Accounts

95. The accounting records shall contain:
 - (a) The total sums of money received and the total expenditures made; and
 - (b) A record of the PBO's assets and liabilities.

Annual Audit

96. The Royal Audit Authority shall conduct an annual audit of the PBOs.

Annual Reports

97. The members of the Board of a PBO shall prepare in respect of each financial year, an annual report enclosing:

- (a) A prescribed report by the trustees on the activities of the PBOs during that year; and
- (b) Such other information relating to the PBOs or to its trustees or officers as may be prescribed by rules and regulations made under this Act.

98. The annual report required to be prepared under section 97, in respect of any financial year of a PBOs shall be put in the public domain in either electronic or paper form.

Access to Documents

99. Members of the public shall have the right of access to and inspect the public register of CSOs that is maintained by the Authority.

100. The Authority shall prescribe the circumstances and the manner in which the public shall exercise the right of access to and inspect the CSO Register.

Chapter 14

Breach of Trust

Breach of Trust

101. Subject to the provisions of this Act and to the terms of a CSO's Articles of Association or Charter, a Board member or officer of the CSO, who commits or concurs in a breach of trust, including any undisclosed conflict of interest is liable for any:
- (a) Loss or depreciation in value of the CSO's property resulting from the breach; and
 - (b) Profit, income or donations which would have accrued to the trust had there been no breach.
102. A Board member or officer of a CSO may not set off a profit accruing from a breach of trust against a loss or depreciation in value resulting in another.

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103. A Board member or officer of a CSO is not liable for a breach of trust committed by another person prior to his appointment or for a breach of trust committed by a co-Board member or officer of a CSO, unless he:
 - (a) Becomes aware of the breach; and
 - (b) Actively conceals the breach, or fails within a reasonable time to take proper steps to protect or restore the CSO property or prevent the breach.
104. If the Board members or officers of a CSO are liable for a breach of trust, they are liable both jointly and severally.
105. A Board member or officer of a CSO, who becomes aware of a breach of trust shall take all reasonable steps to have the breach remedied.
106. The property of a CSO which has been charged or dealt in the breach of trust, or any property into which it has been converted may be followed and recovered, unless it is no longer identifiable.

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107. If a Board member or officer of a CSO commits a breach of trust at the instigation, at the request with the concurrence of a beneficiary, the Court may impound all or part of the beneficiary's interest by way of indemnity to the Board member or officer of a CSO or any person claiming through him.

Chapter 15
Code of Conduct

108. CSOs shall respect indigenous knowledge and customs, individuals' dignity, identity, culture, faith and values.
109. CSOs are encouraged to provide cost effective services, be innovative and responsive to the needs of the economically disadvantaged sections of society.
110. Public services and charitable activities of PBOs shall be planned, designed, implemented, monitored and evaluated in an equitable manner with the participation of the people concerned.
111. PBOs shall exercise and promote fairness, impartiality and equity in all their activities and dealings.

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112. PBOs shall be transparent and accountable to their community partners, the public, their donors and other interested parties.
113. CSOs shall not be biased or discriminatory in their policies and procedures.

Chapter 16
Removal

114. A member of the Board or an employee of a CSO may be removed, if he:
 - (a) Becomes incapable by reason of mental disorder, illness or injury of managing and administering his own affairs;
 - (b) Acts in contravention of the provisions of the laws of the Country;
 - (c) Has knowingly received illegal money or assistance from foreign sources;
 - (d) Has acted against the security, unity and territorial integrity of Bhutan; or
 - (e) Has otherwise violated this Act.

Chapter 17 Legal Proceedings

Legal Proceedings

115. A legal proceeding may be initiated in the name of a CSO by its Board or by its legal representatives but not by any other person.

Enforcement of Judgment

116. If a judgment is to be enforced against the person or officer named on behalf of a CSO, such judgment shall not be executed against the property, movable or immovable, or against the body of such person or officer, unless such a person or officer is personally found guilty of committing an illegal act or breach of trust.

Chapter 18 Offences and Penalty

False statements

117. A person shall be guilty of giving false statement, if the person solicits or collects money or other property representing that the organization is a CSO registered under this Act, although the organization is not so registered. The penalty for the offence shall be in accordance with the Penal Code of Bhutan.

False or Misleading Information

118. A person shall be guilty of providing false or misleading information, if the person knowingly or recklessly provides false or misleading information regarding the information required to be provided under this Act. The penalty for the offence shall be in accordance with the Penal Code of Bhutan.

Breach of Trust

119. A member of the Board of a CSO shall be guilty of breach of trust, if the Board member, being entrusted with any movable or immovable property of the CSO or any property which a person intends to donate, bequeath or otherwise transfer to a CSO does any act contrary to the term of his trust and dishonestly misappropriate or converts the property to his own use. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

Misuse of Investment

120. A person who is an investment manager or custodian selected by the Board under this Act shall be guilty of the misuse of investment, if the person who is responsible to manage the investment on behalf of the CSO, misuses or does not use the investment as provided in the investment guidelines. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

Unlawful Collection

121. A person or organization shall be guilty of unlawful collection, if the person or organization collects any donation or charity without conforming to the provisions of this Act. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

Illegal Fund Raising

122. A person or institution shall be guilty of illegal fund raising, if the person or organization raises funds or solicits money or other property as a charity not in accordance with this Act. The offence shall be petty misdemeanour. If the wrongdoer is an institution, such institution shall be fined or have its registration suspended or cancelled if it is registered.

123. Any fund that are raised in an unauthorized manner shall be returned to the donors, or if the donors cannot be identified or contacted, shall become the property of the Government.

Chapter 19
Miscellaneous Provisions

Rule making power

124. The Authority shall make rules for effective administration and effective implementation of this Act.

Amendment

125. The amendment of this Act shall be effected only by Parliament.

Authoritative text

126. The Dzongkha text shall be the authoritative text, if there exist any difference in meaning between the Dzongkha and the English text.