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TT/IAU-04/2021-2022/ 21605

20/06/2021

Executive Secretary
Thimphu Thromde
Thimphu

Subject: Review report on ARMS

Dear Sir,

IAU is glad to present a final review report on ARMS. The main objective of the review is to ascertain the effectiveness of ARMS so that continual improvement is initiated timely to strengthen the internal control system. The data of tax defaulter as of 07.06.2022 is used to analyze the ARMS, the lapses of the systems and corrective measures to mitigate the risks are raised in the report and as per the management minutes of meeting, final report is shared with concerned division/person via email for the implementation of action plan.

IAU would like to express its gratitude to Thromde management and concerned officials for their assistance in completing this audit successfully, and also look forward to receiving similar assistance in the future.

Yours sincerely,

Asst. Internal Auditor

Thimphu Thromde

Cc: 1. Dasho Thrompon, for kind information

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Internal Audit Unit
Review report on ARMS

| | |
|---------------------------------------|--|
| Reference: TT/IAU-4/2021-2022/ 001605 | 20/06/2022 |
| Name of Auditor | Phub Dema, Asst. Internal Auditor |
| Period of review | FY 2021-2022 but not limited |
| Circulation: | <p>Dasho Thrompon, TT for kind information Executive Secretary, TT for kind information Chief Finance officer, TT for necessary action Dy. Chief Survey Engineer, TT for necessary action Chief Administrative Officer, TT for necessary action Chief Internal Auditor, CCA, MoF for kind information</p> |

Glossary Priority ratings have been assigned to issues raised in this report as follows:

| Rating scale for individual findings | |
|--------------------------------------|--|
| Critical | Active management attention required as an extreme priority. Controls are not adequate to address the associated risk. |
| High | Active management attention required as a high priority. Controls are not adequate to address the associated risk. |
| Medium | Active management attention required as a moderate priority. Controls are not adequate to address the associated risk. |
| Low | Active management attention not required on priority. Controls are more or less adequate to address the associated risk. |

Rating scale for overall report

| Control is inadequate | | | Control is adequate | |
|-----------------------|------------------|----------------------|---------------------|--|
| E | H | M | L | CC |
| Extreme Priority | High Priority | Moderate Priority | Low Priority | Control Critical Test controls Regularly |

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Executive Summary

Under the directives of the management, The IAU was reviewing the past RAA audit issue AIN12608 non-collection of land tax thereof Nu. 11,994,623.58.. During the data validation of each taxpayer against the last tax paid a year in ARMS, IAU strongly felt the need for Internal Audit intervention in reviewing ARMS due to the high risk associated and its implication. Therefore, IAU conducted an audit on ARMS. The main objective of the review is to ascertain the effectiveness of ARMS so that continual improvement is initiated timely to strengthen the internal control system. The Audit period covered the report on tax defaulters as of 06.06.2022

During the audit period, the Internal Auditor had neither yielded to pressure nor dispensed any favours or resorted to any unethical means that would be considered a violation of the Internal Auditors Code of Ethics.

The study reviewed the effectiveness of the ARMS, and checked if the result meets the agency and users' requirements. Secondly, also review whether it satisfies the Agency Requirement Specification and System requirement specification. Some of the momentous and consequential observations that need immediate management intervention are reflected in this report. The recommendations provided in the report are expected to add value to the agency's administration and operations.

Back ground

Since the institution of the Thimphu Thromde, the collection and monitoring of both tax and non-tax revenue are levied with the agency. The agency's first tax collection began in 2011 after the land of present Thromde was classified as urban land. Initially, a tax was collected manually with the issuing of Revenue money receipts, and taxpayers had to produce original lagtharm in the counter to pay their tax, while the revenue section kept the books of accounts. Such a technique had numerous limitations, therefore Thromde under the Municipal Finance and Management component of Second Bhutan Urban Development Project (BUDP II) the Revenue Management System (RMS) & Digitized Asset Register (DAR) was developed and implemented in Thimphu. The RMS provides a single system for the management of all revenue- related information. The system comprises digitized taxpayer information, digitized property information, revenue processes, revenue assessment, and collection. RMS includes taxes, fees and charges. It has the ability to carry out an automatic assessment of taxes, and charges which can be integrated with other systems and channels for effective communication with taxpayers. The DAR comprise information on all assets owned and maintained by the Thromde. RMS and DAR from the backend database of Thromde revenue and asset which can be accessed using channels like email, SMS, mobile apps, etc. however, the system had limitations, so the advanced version of RMS, known as ARMS which integrate both RMS and DAR in one system was introduced between the period of 2020-2021.

Over time, the income collecting and management procedure have been streamlined to the best of the involved authorities' abilities as a result of their positive initiatives.

Objectives

The broad objectives of the audit are to ascertain effectiveness of ARMS so that continual improvement is initiated timely. In order to assess the broad objectives, following sub-objectives were drawn;

1. To test check the data accuracy
2. To test check whether the end result meets the agency and users requirement
3. To test check whether it satisfies the Agency's Requirement Specification and System requirement specification

Scope

The audit review periods covers the records as of 06/06/ 2022

Limitation

1. System generated tax defaulter report is used as sample to review ARMS's effectiveness
2. Auditor opinion is limited to my level of knowledge on the system
3. IAU didn't refer RMS

Methodology

- ✓ The audit unit proceeded with a thorough examination and review of the ARMS using the system generated tax defaulter list to gain information and understand the ARMS as an internal control system in place in the agency. IAU tested if the total list generated from the system as defaulter is actually a defaulter or not with data validation from eSakor and ARMS.
- ✓ Consultation with key stakeholders through interview, and discussion were carried out.

Observations

Short comings and deficiencies

Issues in system

1. System showing data duplication particularly with regard to the plot Id of the individual owner type.
2. System reflecting the owner whose tax is up to date as tax defaulter

The table below illustrates a sample of the data duplication and record of tax paid till date reflected in the system as tax defaulter encountered during the review. The orange one shows the duplication of the same plot id on individual ownership which IAU feels should be accepted in the system. Moreover, multiple transactions on the same plot and owner are being reflected in the tax defaulter list. And the green one are the examples of taxpayers whose tax is up to date in ARMS but still its reflected as defaulter in system generated reports.

| Sl.no | TTIN | CID | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Ownership Typ | Thamr no | No. of Years | Remarks |
|-------|------|-------|----------------|------------------|----------|--------------------|-----------|---------------|----------|----------------|-------------|
| 204 | 202 | 00134 | 11904001185 | Phub Rinchen and | 17944483 | TA1-467 | 2020 | | | | |
| 205 | 203 | | | | | TA1-663 | 2019 | Individual | 3551 | Tax up to date | |
| 206 | 204 | | | | | TA1-663 | 2019 | | | | Duplication |
| 207 | 205 | 00135 | 10811000006 | DHENDUPPEMO | 17469969 | TA1-663 | 2019 | | | | |
| 208 | 206 | | | | | TA1-483 | 2019 | Individual | 3551 | tax up to date | |
| 209 | 207 | | | | | TA1-483 | 2019 | | | | Duplication |
| 210 | 208 | | | | | TA1-483 | 2019 | | | | |
| 211 | 209 | 00136 | 11410002290 | SONAMLHAZOM | 17609786 | TA1-5 | 2020 | | | | |
| 212 | 210 | 00137 | 11907000208 | SANGAYZAM | 17110447 | BD1-016 | 0 | | | | |
| 213 | 211 | 00137 | 11508001784 | LOBZANG | 0 | TA1-516 | 2020 | | | | |
| 214 | 212 | 00138 | 11410002587 | SANGAYTENZIN | 77777775 | TA1-523 | 2020 | | | | |
| 215 | 213 | | | | | TA1-151 | 2019 | | | | |
| 216 | 214 | 00138 | 10806000827 | SONAMDEMA | 17640792 | TA1-525 | 2019 | | | | |
| 217 | 215 | 00139 | 10703000926 | UGYENTHINLEY | 17110565 | SM1-300 | 2019 | | | | |
| 218 | 216 | | | | | TA1-545 | 2020 | | | | |
| 219 | 217 | 00140 | 11512002768 | YESHEYCHODEN | 77646347 | TA1-545 | 2020 | | | | Duplication |
| 220 | 218 | 00141 | 11101002133 | SANGAYTEMPA | 17629112 | SM1-1072 | 0 | | | | |
| 221 | 219 | | | | | TA1-558 | 2022 | Individual | 3917 | | |
| 222 | 220 | 00141 | 11410004402 | KARMA THINLEY | | TA1-558 | 2022 | | | | Duplication |
| 223 | 221 | | | | | TA1-558 | 2022 | | | | |
| 224 | 222 | | | | | TA1-558 | 2022 | | | | |
| 225 | 223 | 00143 | 11209000842 | NORPEN | 17998575 | TA1-76 | 2020 | | | | |

Table 1 Sheet1 Explore

- Revenue Master
- Lease / Vendor
- Water Transaction
- Property Detail/Tax
- Dashboard
- Land Detail
- Building Details
- Building Unit Detail
- Full Property Transfer
- Partial Property Transfer
- Generate Property Tax
- Generate Property Tax (All)
- Occupancy Certificates

Tax Details

| | | | | |
|--|---|---------------------------------|---|-------------------------------------|
| Plot No: TA1-483 | Thram No: 3551 | Land Agerage: 5295 | Precinct: Urban Village Precinct | Sub Precinct: UV2 - MD |
| Lap: Simtokha Old Workshop Area | Demkhong: Babesa-Semtokha Demkhong | Street: UnKnown | Land Type: Residential | Location: Taba LAP |
| Ownership Type: Individual | Structure Available: Yes | Net Area / PLR: 5295 | Last Demand Generated Year: 2021 | RMS Year: 2019 |
| IsApportioned: Yes | | | | |
| Land Tax Rate: 0.25 | | Land Tax Amount: 1323.75 | | Under Development Charge : 0 |

Building Unit Tax Details

3. Plot record still reflected in previous owner name

IAU encountered cases where plot record still reflects the previous owner, though the ownership status is reflected zero in the system, it creates a complication where the previous owner is later generated in tax defaulter report which indeed is an incorrect data of tax defaulter (Refer table 2). IAU is of view of following;

1. Once the property is transferred to the transferee, our system should only capture the current owner for the purpose of tax collection. If the intention of reflecting the previous owner is for record purposes then eSakor suffice the mandates because all the transaction history is detailed and captured.
2. If management feel such characteristic is needed in the system, then management should advise to have a feature where system should only reflect the previous owner in the year of transaction and concurrently in that particular year report only, after that in the current year, only the record of current owner should be reflected however, currently it's a limitation of system. With this the issues of having the previous owner in the default list will be resolved.

(System demo: Sl.no 46, TTIN-000353, Tax payer name- Tashi Penjor, Plot No- ZL1-114, Last tax paid year- 2016, NCRP name- Tshering Choden, Tax status- Paid till 2021)

Table 2: Information retrieved from tax defaulter list

| Sl.No | TTIN | CID | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Ownership Typ | Tharm no | No. of Years | Remarks |
|-------|--------|-------------|----------------|-----------|----------|--------------------|------------------------|---------------|----------|---------------|---|
| 43 | 000371 | 1171000007 | DORJI WANGDI | 17112112 | ZL1-23 | 2019 | | Individual | 3921 | 2 | |
| 44 | 000348 | 11512002808 | TSHERINGWANGMO | 17865208 | ZL1-77 | 2018 | | | 3892 | 3 | |
| 45 | 000351 | 11410010493 | DEKIBHUTIA | 77362532 | ZL1-115 | 2020 | | | 3962 | 1 | |
| 46 | 000353 | 11410004664 | TASHIPENJOR | 17612294 | ZL1-114 | 2016 | Tshering Choden | Family Land | 3961 | Tax upto date | Tax Paid till 2021, Defalut showing on tashi penjor which needs to deleted. (example) |
| 47 | 000360 | 11402000163 | PASSA | 17600736 | BA1-115 | 2020 | | Individual | 1042 | 1 | |
| 48 | 000362 | 11410000689 | PRINCE NAMGYAL | 17602511 | DJ1-108 | 2019 | | Individual | 4631 | 2 | |
| 49 | 000370 | 11401001986 | LAMKI MO | 17725537 | BA1-1021 | 0 | | Family Land | 6527 | | Check with land. when her lagth |
| 50 | 000389 | 11410006813 | KELZANG DOLMA | | BA1-160 | 0 | Karma Drugyel Zangphel | Individual | 1049 | Tax upto date | kelzang dolma needs to be need |
| 51 | 000392 | 11506005545 | Dorji Wangdi | 17112112 | BA1-163 | 2020 | | Joint | 1052 | 1 | |

4. No records of current owner in the system

During the data validation of data with eSakor, IAU observed cases where in NCRP, land is already transferred to new owner, however, record against such plot no. does not reflect the current owner's record in ARMS. Instead record is still in the name of previous owner. Thus, they are reflected as tax defaulter in the report. Moreover, such incidence reflects system not capturing all taxpayer which have repercussion in revenue collection. This is best demonstrated in following illustration: Sl.no 150 from annexure; Pema Namgyel

| Sl.no | TTIN | CID | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Ownership Typ | Thram no | No. of Years | Remarks |
|-------|--------|-------------|----------------|-----------|---------|--------------------|-----------------|---------------|----------|--------------|---|
| 143 | 001075 | 11004001511 | DECHEN PELDEN | | TA1-159 | 0 | | Family Land | 3592 | | check the lagthram issue date |
| 144 | 001093 | 11008000942 | THINLEYDORJI | | TA1-176 | 2018 | | Individual | 3609 | 3 | Defaulter |
| 145 | 001097 | 11405000341 | SONAM YANGZOM | 77348668 | TA1-182 | 0 | | Individual | 3613 | 1 | Defaulter |
| 146 | 001098 | 11405000340 | SONAM PELDEN | 17240161 | TA1-181 | 2019 | | Individual | 3614 | 2 | Defaulter |
| 147 | 001099 | 11005003401 | SONAM CHOKI | 17115779 | TA1-180 | 0 | | Individual | 3615 | | Check the lagthram issue date |
| 148 | 001100 | 11703002043 | NAMGAY DORJI | 17117081 | DA1-151 | 2020 | | Joint | 4841 | 1 | Defaulter |
| 149 | 001100 | 11703002043 | NAMGAY DORJI | 17117081 | LJ1-183 | 2018 | | Joint | 458 | | Check the lagthram issue date |
| 150 | 001100 | 11703002043 | NAMGAY DORJI | 17117081 | TA1-183 | 2018 | Pema Namgyal | Individual | 3616 | 3 | Transferred to Pema Namgyal in NCRP but not reflected in ARMS |
| 151 | 001110 | 11107001107 | KINGA WANGMO | | TA1-319 | 0 | | Individual | 3698 | | Check the lagthram issue date |
| 152 | 001122 | 11410002538 | RINCHEN DEMA | | TA1-209 | 2020 | | Individual | 3633 | 1 | Defaulter |
| 153 | 001131 | 11410004052 | DECHEN DORJI | | TA1-461 | 2020 | Tshewang Tobgay | Individual | 6186 | 1 | Defaulter |
| 154 | 001139 | 20809000011 | TENZIN CHODEN | 17892728 | TA1-218 | 2019 | | Individual | 3640 | 2 | Defaulter |
| 155 | 001139 | 20809000011 | TENZIN CHODEN | 17892728 | TA1-228 | 2020 | | Individual | 3647 | 1 | Defaulter |
| 156 | 001140 | 11410002993 | CHIMI | | TA1-229 | 2020 | | Individual | 3648 | 1 | Defaulter |
| 157 | 001147 | 11410002535 | TASHI TSHERING | 17725198 | TA1-236 | 2018 | | Individual | 3654 | 3 | Defaulter |
| 158 | 001151 | 10806000964 | TashiPenjorAND | 17172409 | TA1-454 | 2018 | | Individual | 4066 | 3 | Defaulter |
| 159 | 001151 | 10806000964 | TashiPenjorAND | 17172409 | TA1-493 | 2016 | Zeko | Individual | 6188 | | Up to date |
| 160 | 001153 | 11410005599 | DOLKAR LHAM | | TA1-24 | 2019 | | Joint | 3420 | 2 | Defaulter |
| 161 | 001153 | 11410005599 | DOLKAR LHAM | | TA1-241 | 2018 | | Individual | 3657 | 3 | Defaulter |

ARMS

Phub

- Revenue Master
- Lease / Vendor
- Water Transaction
- Property Detail/Tax
- Miscellaneous
- Vendor Master
- Payment
- Generate Vendor Demand
- Asset Master
- Asset Master Map
- Asset Maintenance
- Environment Clearance
- Report

CID No: TTIN:

Plot No: TA1-183 Thram No:

Tax Payer Information

| # | TTIN | Tax Payer Type | CID | Name | Email | Mobile No | Action |
|---|--------|----------------|-------------|--------------|-------|-----------|--------|
| 1 | 001100 | Individual | 11703002043 | NAMGAY DORJI | | 17117081 | Select |

Select

Thram No: 6595 Plot No: TA1-700

Tax Year: 2019

5. Mismatch of records in ARMS- generate tax payment and tax defaulter report

IAU, observed that there is mismatch in data generated in ARMS. For example a case with Sl.no 1790 from annexure, tax payer Sangay Karpo, last tax paid year is shown as 2020 whereas when data cross checked in generate tax payment, it's not shown.

Its best illustrated in the following Picture;

| | | | | | | | | | | | |
|------|------|--------|-------------|--------------------------------|----------|---------|------|--|--|--|-------------------------------|
| 1786 | 1784 | 102160 | 10101000455 | Tshering Dorjand Dzawa Mewa | 17851941 | BA1-8 | 0 | | | | |
| 1787 | 1785 | 102161 | 10206001430 | TenzinChoden | 4423307 | CB1-369 | 0 | | | | |
| 1788 | 1786 | 102163 | 11407001121 | Tenzin Wangmo | 17604749 | TA1-700 | 2020 | | | | |
| 1789 | 1787 | 102165 | 11812001756 | Gewang Dorji | 17611544 | TA1-700 | 2020 | | | | As per the ARMS record. Tax u |
| 1790 | 1788 | 102165 | 11812001756 | Gewang Dorji | 17611544 | TA1-700 | 2020 | | | | |
| 1791 | 1789 | 102168 | 11514003669 | Tshering Wangmo | 17277845 | TA1-700 | 2020 | | | | |
| 1792 | 1790 | 102174 | 10904003388 | Sangay Karpo | 17616054 | TA1-700 | 2020 | | | | |
| 1793 | 1791 | 102175 | 10709001448 | Kelzang Wangmo | 17628766 | TA1-700 | 2022 | | | | |
| 1794 | 1792 | 102179 | 11110000066 | Som Gurung | 17170696 | TA1-700 | 2020 | | | | |
| 1795 | 1793 | 102181 | 11410006407 | Tshering Zangmo | 0 | SM1-9 | 0 | | | | |
| 1796 | 1794 | 102184 | 10205000845 | Meena Kumari | 11111111 | YCI-70 | 0 | | | | |
| 1797 | 1795 | 102185 | 11402000153 | Tshoki Wangmo | 11111111 | YCI-70 | 0 | | | | Duplication |
| 1798 | 1796 | 102186 | 10503000872 | Tashi Dawa | 11111111 | YCI-70 | 0 | | | | |
| 1799 | 1797 | 102187 | 10808001295 | Neytrul | 11111111 | YCI-70 | 0 | | | | |
| 1800 | 1798 | 102188 | 11411000905 | Tshering | 17607882 | HS1-747 | 0 | | | | |
| 1801 | 1799 | 102195 | 10702001554 | Nagtsho Dorji | 17759629 | DJ1-091 | 0 | | | | |
| 1802 | 1800 | 102195 | 10702001554 | Nagtsho Dorji | 17759629 | DJ1-092 | 0 | | | | |
| 1803 | 1801 | 102196 | 11410007608 | Tashi Chodon | 17117693 | SM1-892 | 0 | | | | Duplication |
| 1804 | 1802 | 102201 | 10101003804 | Dechen Choden | 17726639 | BA1-68 | 0 | | | | |
| 1805 | 1803 | 102202 | 10709003812 | Dechen Wangdi | 0 | KH1-001 | 0 | | | | |
| 1806 | 1804 | 102206 | 11410000201 | Chimi Dorji | 17516817 | HS1-243 | 0 | | | | |

The screenshot displays the ARMS web application interface. The left sidebar contains navigation options: Phub, Revenue Master, Lease / Vendor, Water Transaction, and Property Detail/Tax. The main content area shows 'Tax Details' for Plot No: TA1-700. Key information includes Thram No: 6595, Land Acreage: 9655, Precinct: Urban Village Precinct, and Sub Precinct: UV2 - MD. The Land Tax Rate is 0.25, and the Land Tax Amount is 120.75. Below this, a table titled 'Building Unit Tax Details' lists various tax components.

| Building # | Building No | Construction Type | Building Unit Class | Building Unit Use Type | Floor No | Rate | No of Unit | Unit Tax | Garbage Rate | Garbage Tax | Street Light Rate | Street Light Tax |
|------------|-------------|-------------------|---------------------|------------------------|----------|------|------------|----------|--------------|-------------|-------------------|------------------|
| | | | | | | | | | | | | |

6. System generated Tax defaulter report does not reflect actual defaulter

During the review, IAU observed that the tax defaulter report generated from ARMS is not 100% tax defaulters because of the following major reasons (refer Annexure 1);

- As of 07.06.2022, system generated total tax defaulter is 1972, however, during data validation it was found that around 284 the data are duplications,
- Previous owners still shown in system as defaulter,
- There are around 27 cases where there is no plot id, and it was reflected in defaulter list however, during data validation it was found that there is no records against it.

| Sl.no | TTIN | CID | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Onwership Typ | Tharm no | No. of Years | Remarks |
|-------|------|--------|----------------|-------------------|----------|--------------------|-----------|---------------|----------|--------------|-------------|
| 1852 | 1850 | 102278 | 11107000596 | Tshering Yangki | - | 0 | | Joint | 921 | | check Thram |
| 1853 | 1851 | 102278 | 11107000596 | Tshering Yangki | - | 0 | | Joint | 921 | | check Thram |
| 1854 | 852 | 102282 | 10801000560 | Rinchen Wangmo | 17503065 | 0 | | Individual | 1918 | | Check Thram |
| 1855 | 853 | 102283 | 10604001951 | Kinley Lhadon | 77365551 | 0 | | | | | |
| 1856 | 854 | 102284 | 11102006037 | Kinley Yangdon | 17304083 | 0 | | | | | |
| 1857 | 855 | 102285 | 11311000529 | Wangchuk Namgye | 17615617 | 0 | | | | | |
| 1858 | 856 | 102286 | 116060003053 | Wangmo | 17531156 | 0 | | | | | |
| 1859 | 857 | 102287 | 116060003053 | Wangmo | 17531156 | 0 | | | | | |
| 1860 | 858 | 102288 | 11311001692 | Subash Rai | 17353917 | 0 | | | | | |
| 1861 | 859 | 102289 | 11810003328 | Chandra BdrSubba | 17892200 | 0 | | | | | |
| 1862 | 860 | 102290 | 11308000075 | JunMayaMonger | 17907368 | 0 | | | | | |
| 1863 | 861 | 102291 | 11607002636 | Dorjl Rinchen | 17701230 | 0 | | | | | |
| 1864 | 862 | 102292 | 11410008456 | Tanuja Bhattarai | 17583801 | 0 | | Joint | 3101 | | Check Thram |
| 1865 | 863 | 102293 | 11203001365 | Tanshen Bhattarai | 17583801 | 0 | | | | | Duplication |
| 1866 | 864 | 102294 | 11203001365 | Tanshen Bhattarai | 17583801 | 0 | | | | | Duplication |
| 1867 | 1865 | 102296 | 10905006016 | Pema Gyeltshen | 17772226 | 0 | | Individual | 769 | | Check Thram |
| 1868 | 1866 | 102297 | 11410004531 | Rinchen Dema | - | 0 | | Individual | 7015 | | Check Thram |
| 1869 | 1867 | 102299 | 11501001705 | Namgaymo | 17745550 | 0 | | Joint | 897 | | Check Thram |
| 1870 | 1868 | 102300 | 10203000005 | Tandin Wangmo | 17111820 | 0 | | Joint | 1715 | | Check Thram |

The screenshot shows the ARMS web application interface. The 'Search Tax Payer' form is visible, with the 'TTIN' field containing the value '102282'. A modal dialog box is displayed in the center of the screen, showing the message 'No data found!!!' and an 'OK' button. The left sidebar contains navigation options such as 'Revenue Master', 'Lease / Vendor', 'Water Transaction', 'Property Detail / Tax', 'Dashboard', 'Land Detail', 'Building Details', 'Building Unit Detail', 'Full Property Transfer', 'Partial Property Transfer', 'Generate Property Tax', 'Generate Property Tax (All)', and 'Occupancy Certificates'. The bottom of the screen shows the Windows taskbar with the system clock indicating 12:32 AM on 09-Jun-22.

- d) Even though owner had the taxes up to date but system showing them as defaulter, and
- e) There are some cases where last tax paid year is reflected as zero, which gives the notion that they have not paid the tax till date but, during the review it was found that many cases are with regard to transferor and transferee where transferor had paid the tax till the transaction initiated however in the record of transferee its shows last tax paid year as zero which is false reporting to assessors.

Example: Sl. No 8, tax payer kinzang selden is new owner, acquired the land in the year 2021 whose record in last tax paid year is showing zero and reflected as defaulter, giving notion to the assessor tax not paid from 2011, moreover, current system is not showing last tax paid by previous owner. But in eSakor, details of previous owner last tax paid is captured so those information reflected in annexure as zero is last tax paid year doesn't necessary mean the tax payer have not paid tax since 2011.

| 2 | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Onwership Typ | Tharm no | No. of Years | Remarks |
|----|----------------|-----------|---------|--------------------|-------------|---------------|----------|--------------|---------------------------------|
| 3 | JANGABDR.RAI | 17933500 | CB1-234 | 2020 | Arjun Tirwa | Individual | 921 | | No updates in ARMS |
| 4 | CHENCHODORJI | 17630479 | HS1-583 | 2020 | | Family Land | 2204 | 1 | Defaulter |
| 5 | LHADEN | 17613320 | ZL1-112 | 2019 | | Individual | 3954 | 2 | Defaulter |
| 6 | (LATE) THINLEY | 17536013 | HS1-337 | 2020 | | unknown | 2080 | 1 | Defaulter |
| 7 | PEMO | | HS1-337 | 2020 | | | | | Duplication |
| 8 | SANGA MO | 17601419 | HS1-807 | 0 | Pema Chozom | Joint | 6458 | | Transection under process |
| 9 | KINZANGSELDEN | 17602119 | HS1-496 | 2020 | | Individual | 2173 | 1 | Defaulter |
| 10 | | | HS1-539 | 0 | | Individual | 2187 | 1 | Check with land, when her lagth |
| 11 | DEMA | 17662133 | HS1-200 | 2020 | | Individual | 2200 | 1 | Defaulter |
| 12 | TSHERING CHOKI | 17659634 | HS1-636 | 0 | | Individual | 2225 | | Check with land, when her lagth |
| 13 | | | HS1-637 | 0 | | Individual | | | |
| 14 | RinzinDorji | 17607074 | JN1-212 | 2020 | | Individual | 2391 | 1 | Defaulter |
| 15 | TAWCHUNG | 17820863 | HS1-500 | 0 | | Individual | 2177 | | Check with land, when her lagth |
| 16 | YESHEYPAYDEN | 17110233 | JN1-258 | 2020 | | Individual | 2422 | 2 | Defaulter |
| 17 | KARMATENZIN | 77388915 | JN1-164 | 2018 | | Individual | 2348 | 3 | Defaulter |
| 18 | NAMGAYTHINLEY | 17636556 | HS1-121 | 2020 | | Individual | 1945 | 2 | Defaulter |
| 19 | | | HS1-121 | 2020 | | Family Land | | | Duplication |
| 20 | RINZINBIDHA | 17956580 | HS1-65 | 2020 | | Family Land | | 1 | Defaulter |

| # | Date | Author | Role | Status | Remarks |
|----|-------------|-----------------------------|---------------------------|---------------|--|
| 1 | 25 Feb 2021 | RAYMENTA SURVEY AND MAPPING | Citizen | Initiated | Transaction Initiated |
| 2 | 10 Mar 2021 | RAYMENTA SURVEY AND MAPPING | Citizen | Edited | Transaction Application Edited |
| 3 | 11 Mar 2021 | RAYMENTA SURVEY AND MAPPING | Citizen | Submitted | Submitted |
| 4 | 17 Mar 2021 | Kuenzang | Registrar | Received | received your application, please report to land section with all the original documents for further verification |
| 5 | 22 Mar 2021 | Kuenzang | Registrar | Accepted | accepted |
| 6 | 22 Mar 2021 | Kinzang Chophel | Revenue Dealing Official | Verified - RS | paid till 2020 |
| 7 | 22 Mar 2021 | Prem Kumari | Building Dealing Official | Verified - BS | Verified |
| 8 | 13 Apr 2021 | Durga Prasad Basnet | Surveyor | Verified - SS | Since it is the solid plot transaction so please proceed. The area is within the tolerances and no issues as such. |
| 9 | 15 Apr 2021 | Kuenzang | Registrar | Registered | Submitting court verdict for approval please |
| 10 | 19 Apr 2021 | Uyen Tshering | Mapper | Mapped | mapped |
| 11 | 21 Apr 2021 | Chimi Dem | Map verifier | Map Verified | Map approved |
| 12 | 27 Apr 2021 | Lungten Tenzin | ULD Dealing Official | Verified | Forwarding for approval. |

7. Issues of PLR of Joint Owners in system

IAU encountered a case in a joint owner type transaction where PLR on land details is done in Net areas but when particular PLR is checked with building details it shows as percent ownership type, IAU noticed issues in interpreting PLR or allocation of percent of ownership in land and buildings details on same plot no. for example; Sl.no.1786 to 1791, Plot no-TA1-700, joint owner type transaction where PLR on land details is done in Net areas but when particular PLR is checked with building details it shows as 100 percent ownership type. Second, it is not consistent in report generation; in certain transactions, both PLR and ownership are shown, whereas in others, just percent ownership is reflected. Such concerns may complicate the tax collector's calculation of tax liabilities, as well as be inconvenient for the taxpayer, as incorrect data will be generated as tax liabilities. Accordingly, IAU believes that data on PLR or percent of ownership recorded in the system is not 100 percent accurate.

| # | TTIN | Name | Ownership Type | Net Area/PLR | Thram No | IsApportioned | | | Action |
|---|--------|-----------------------|----------------|--------------|----------|---------------|----------------------|----------------------|---------------------------|
| 1 | 102162 | Thinley Dema | Joint | 458 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 2 | 100721 | Sonam Tshomo | Joint | 458 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 3 | 101444 | Chundu Nidup Tshering | Joint | 483 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 4 | 101160 | Sangay Dema | Joint | 531 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 5 | 102163 | Tenzin Wangmo | Joint | 458 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 6 | 102164 | Chimi Dem | Joint | 483 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |
| 7 | 102165 | Gewang Dorji | Joint | 483 | 6595 | Yes | Update LandOwnership | Deactivate Ownership | Manage Building Ownership |

Plot No: CID/TTIN:

Land Ownership Details

| # | Plot No | TTIN | Tax Payer Name | Thram No | Ownership Percentage | Action |
|----|---------|--------|-----------------------|----------|----------------------|-------------------------------|
| 1 | TA1-700 | 102162 | Thinley Dema | 6595 | 100 | View Building |
| 2 | TA1-700 | 100721 | Sonam Tshomo | 6595 | 100 | View Building |
| 3 | TA1-700 | 101444 | Chundu Nidup Tshering | 6595 | 100 | View Building |
| 4 | TA1-700 | 101160 | Sangay Dema | 6595 | 100 | View Building |
| 5 | TA1-700 | 102163 | Tenzin Wangmo | 6595 | 100 | View Building |
| 6 | TA1-700 | 102164 | Chimi Dem | 6595 | 100 | View Building |
| 7 | TA1-700 | 102165 | Gewang Dorji | 6595 | 100 | View Building |
| 8 | TA1-700 | 102178 | Chewang Dorji | 6595 | 100 | View Building |
| 9 | TA1-700 | 102166 | Kuenzang Rinzin | 6595 | 100 | View Building |
| 10 | TA1-700 | 102167 | Chhundu Gyem | 6595 | 100 | View Building |

8. Tax Payers Information not updated in the System

The property tax is one of the agency's key sources of revenue, so the information on the taxpayer must be accurate and up to date at all times. Taxpayers are now using TTPay to pay their taxes, and CID is required in the search button to generate tax details in TTPay. During the review, however, IAU discovered that numerous dummy CID numbers were issued to taxpayers, and that some taxpayer information was incomplete. Those taxpayers whose CID is dummy against plot no. must physically come to the property tax collection counter to pay tax, undermining the purpose of TTPay. Furthermore, if taxpayer information is missing in the system, the introduction of a necessity for such input in the system does not suffice. Moreover, those taxpayers with a dummy CID are reflected as tax defaulters.

| Sl.no | T | IN | CID | Tax Payer Name | Mobile No | Plot No | Last Tax Paid Year | NCRP Name | Onwership Typ | Tharm no | No. of Years | Remarks |
|-------|--------|----|-------------|-----------------|-----------|---------|--------------------|-----------|---------------|----------|--------------|---------|
| 364 | 002 | 88 | 1111111111 | ANGCHUK DORJI | 0 | CZ1-123 | 0 | | | | | |
| 365 | 002 | 94 | 1111111111 | ECHEN TSHERING | 17628089 | CZ1-129 | 0 | | | | | |
| 366 | 002 | 07 | 1111111111 | ECHEN TSHERING | 17628089 | CZ1-131 | 0 | | | | | |
| 367 | 0025 | 2 | 1111111111 | awa Gyelmo | 17646278 | CZ1-146 | 0 | | | | | |
| 368 | 00252 | | 10807000522 | BACHENCHOWAN | 77309069 | CZ1-164 | 2017 | | | | | |
| 369 | 00253 | | 1111111111 | EZANG PHUNTSHO | 17614878 | CZ1-633 | 0 | | | | | |
| 370 | 00254 | | 1111111111 | LATONG TULKU | 17604755 | CZ1-191 | 0 | | | | | |
| 371 | 002551 | | 11009000343 | ARMATSHERING | 17110392 | CZ1-196 | 2017 | | | | | |
| 372 | 002568 | | 11407000944 | HEWANGDUBA | 17610181 | CZ1-211 | 2021 | | | | | |
| 373 | 002579 | | 1111111111 | TINLEY | 17627247 | CZ1-222 | 0 | | | | | |
| 374 | 002595 | | 1111111111 | WANGCHUKLA | 17604626 | CZ1-241 | 0 | | | | | |
| 375 | 002597 | | 1111111111 | PEMA YANGKI | 17620974 | CZ1-243 | 0 | | | | | |
| 376 | 002611 | | 1111111111 | SONG M WANGMO | 17636730 | CZ1-254 | 0 | | | | | |
| 377 | 002612 | | 1111111111 | CHONGA LHAMO | 17668854 | CZ1-255 | 0 | | | | | |
| 378 | 002614 | | 1111111111 | NIDU WANGMO | 17787024 | CZ1-256 | 0 | | | | | |
| 379 | 002618 | | 1111111111 | JURN WANGMO | 17603694 | CZ1-258 | 0 | | | | | |
| 380 | 002620 | | 1111111111 | NEPHEN TSHERING | 17687172 | CZ1-260 | 0 | | | | | |
| 381 | 002644 | | 1111111111 | CHODENLHAMUDOR | 17124567 | CZ1-280 | 0 | | | | | |
| 382 | 002654 | | 1111111111 | AWA GYELTSHEN | 17688988 | CZ1-413 | 0 | | | | | |

9. No SOP or strategy to follow up with tax defaulter in the agency

The audit report on “revenue collection and management” reference no; TT/IAU-4/2019-2020/1379 of internal audit unit, appreciated follow up on tax defaulter as one of the initiative and positive development by the revenue section and advised to continue the same but during the review, IAU learnt that it was discontinued, and reasons intimated to IAU through Consultation was time limitation of the revenue official, and system migration. IAU is of the opinion that such important tasks should not be relied on as a voluntary effort of the tax collector officials; instead it should be one of the main components in their IWP. Another reason is the mindset, all feels that it is the responsibilities of taxpayer to come forward to pay their tax and efforts too were made from management whereby tax payments period were opened from January to December, Mobile app was introduced however, our agency lacks plan on what should management do if taxpayer do not turn up to pay tax, thus, lack of SOP or strategy to tackle tax defaulter from the management had resulted in weak internal control in managing taxpayer, revenue collection and tax defaulter being an issue.

As per system generated report of tax defaulter; total individual defaulter is around 1972, total organization defaulter is around 127. IAU observed Thimphu Thromde agency itself as a tax defaulter against 94 plots owned by the agency.

Recommendations

For observations 1 to 8,

- ✓ The ICT section in collaboration with consultants need to make improvements in the system on the short fall reflected in above observations.
- ✓ Second, data duplication, dummy information of taxpayers, previous owner's record in the system needs to be deactivated, current owners need to be updated in the system, TTIN which doesn't have information in ARMS needs to be deleted, etc. Overall, annexure 1 needs to screen out actual defaulters and imitate reports to IAU. For this task collaboration between the revenue section, Land record and survey division, ICT and Compliance and enforcement Division.

For observation 9,

- ✓ First the Management needs to instruct concerned officials to include the following up with tax defaulter as one of the mandatory activities in the IWP.
- ✓ Second, the schedule of tax collection should be from Monday to Thursday where the counter should be opened for collection and Friday should be solely for following up on the tax defaulter. The following up should be done by the Revenue section and land and Survey Division and legal division whenever necessary.
- ✓ Develop a clear SOP for tax defaulter follow up cases. For instance, send a reminder via SMS to the defaulters to pay tax within 90 days from the date of notice.
- ✓ Make a requirement in divisions like UPD, Land & Survey Division, CoED to check the tax payment details if property owner approach this division for developmental activities
- ✓ Since media visibility of Thimphu Thromde is gaining momentum, issue notice/ announcement to general public to come for tax payment by citing Land Act of Bhutan 2007, Non –payment of land tax, Clause 224, 225 and 226
 - Clause 224; if a land tax is not paid for 3 consecutive years, the Local Authority shall serve a notice to the landowner at the end of the third year to pay the tax with arrears.
 - Clause 225 In addition to Section 224 of this Act, the Government may impose fines for non-payment of tax.
 - Clause 226 In the event of non-compliance to the notice served under Sections 224 of this Act, the Commission Secretariat shall annul the Thram of such land and the Thram holder shall be informed accordingly. The land shall be taken over as the Government land or Government Reserved Forests land.
- ✓ With regard to TT being a defaulter, the responsibility should be assigned to the Asset Manager to pay the taxes in time.

Summary of the overall findings based on the rating scale provided in the glossary

| Sl.No | Findings | Priority/impact level |
|-------|---|-----------------------|
| 1 | System showing data duplication particularly with regard to the plot Id of the individual owner type. | High |
| 2 | System reflecting the owner whose tax up to date as tax defaulter | |
| 3 | Plot record reflected still in Previous owner name | High |
| 4 | No records of current owner in the system | High |
| 5 | Mismatch of records in ARMS- generate tax payment and tax defaulter report | High |
| 6 | System generated Tax defaulter report does not reflect actual defaulter | High |
| 7 | Issues of PLR of Joint Owners in system | High |
| 8 | Tax Payers Information not updated in the System | High |
| 9 | No SOP or strategy to follow up with tax defaulter in the agency | High |

Conclusion

IAU, concludes that overall report is rated as high priority where active management attention required as an extreme priority.

Annexure 1; List Individual Tax defaulter

Annexure 2: List Organization Tax Defaulter

Management responses: Management Minutes



ཐིམ་ཕུ་ཁྲོམ་གྱི་
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ཐིམ་ཕུ་ཁྲོམ་གྱི་
གོང་འཇོན་ལམ།



Thimphu Thromde

PO Box No - 215

Building No. 8

Gongdzin Lam



INTERNAL MEMO

To

1. All the members present for the 9thMM of 3rd council

From: Dzongkha Coordinator

Copy to:

1. DashoThrompon for kind information
2. Executive Secretary for kind information
3. Guard file

Subject: Signing of the FINAL Minutes of the 9th MM of 3rd Council

I would like to request all the members present for the 9th Management meeting which was held on 10th/06/2022 to kindly put initial in each page and also to sign against your name at the end of the document.

- Running condition 1/3 = Nu. 10,000

Action - City Environment Division**Agenda 9.3 Labour Camp Permit/approval as Mandatory Requisite for temporary lease.**

Currently LRSD only gives temporary lease of state land for construction of labour camps and material stacking for up to one year. The basic requisite for this is the approval for construction from C&ED and we have 43 leases ongoing. Now that C&ED is serving notices to remove unauthorised structures from state land, around 10-15 individuals who haven't leased the land from Thromde but have constructed labour camps have come to request us for lease. There are around 20 cases where people have constructed structures and rented it to others for shop etc. Although there are genuine cases for construction of labour camps, others misuse it and rent it to shops etc. He proposed that to lease the land henceforth, Thromde should also make it a mandatory requisite to have permit for labour camp specifically and not just the approval for construction.

Discussion

The Chair agreed that this permit was necessary and to reassess the lands currently being occupied. If they are not going to start construction within the next few months, their lease should be cancelled.

Decision

The Management decided:

1. That requiring a permit specifically for labour camp construction should be mandatory requisite.
2. Lands currently being leased should be assessed. Their lease should be cancelled if the construction does not start in the next few months.

Action - LRSD***Recruitment of Survey Field Associate(SFA) Under Workforce***

LRSD submitted that with the recruitment of the new Survey Associate, a SFA is also required under the workforce. This has been approved by the 161 HRC and is being submitted to the management for endorsement.

Discussion

LRSD recommended a candidate, Miss Tshering Dema (CID 11105004528), Civil Engineer, JNEC.

Decision

Management endorsed the recruitment of Ms. Tshering Dema as SFA under workforce-level IV.

Action - LRSD and HR Section**Agenda 9.4 Internal Audit Review Report on ARMS**

The Internal Auditor presented a Review Report on ARMS. She said under the directives of the management, the IAU was reviewing the past RAA audit issue AIN12608 non-collection of land tax thereof Nu. 11,994,623.58. During the data validation of each taxpayer against the last tax paid a year in ARMS, IAU strongly felt the need for Internal Audit intervention in reviewing ARMS due to the high risk associated and its implication. Therefore, IAU conducted an audit on ARMS. The main objective of the review is to ascertain the effectiveness of ARMS so that continual improvement is initiated to strengthen the internal control system. She highlighted that the system generated tax defaulters as of



7.6.2022 report is used to analyse the ARMS system. Following observations on shortcoming and deficiencies were present with detailed examples:

1. System showing data duplication particularly with regard to the plot Id of the individual owner type.
2. System reflecting the owner whose tax is up to date as tax defaulter
3. Plot record still reflected in previous owners name
4. No records of current owner in the system
5. Mismatch of records in ARMS- generate tax payment and tax defaulter report
6. System generated Tax defaulter report does not reflect the actual defaulter.
7. Issues of PLR of Joint Owners in system
8. Taxpayers Information not updated in the System
9. No SOP or strategy to follow up with tax defaulter in the agency

The Internal Auditor then presented the management with few recommendations for the shortcomings:

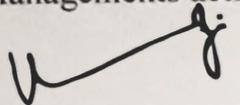
For observations 1 to 8:

- The ICT section in collaboration with consultants need to make improvements in the system on the short fall reflected in above observations.
- Second, data duplication, dummy information of taxpayers, previous owner's record in the system needs to be deactivated, current owners need to be updated in the system, TTIN which doesn't have information in ARMS needs to be deleted, etc. Overall, annexure 1 needs to screen out actual defaulters and imitate reports to IAU. For this task collaboration between the revenue section, Land record and survey division, ICT and Compliance and enforcement Division.

For observation 9:

- First the Management needs to instruct concerned officials to include the following up with tax defaulter as one of the mandatory activities in the IWP.
- Second, the schedule of tax collection should be from Monday to Thursday where the counter should be opened for collection and Friday should be solely for following up on the tax defaulter. The following up should be done by the Revenue section and land and Survey Division and legal division whenever necessary.
- Develop a clear SOP for tax defaulter follow up cases. For instance, send a reminder via SMS to the defaulters to pay tax within 90 days from the date of notice.
- Make a requirement in divisions like UPD, Land & Survey Division, CoED to check the tax payment details if property owner approach this division for developmental activities
- Since media visibility of Thimphu Thromde is gaining momentum, issues notice/ announcement to general public to come for tax payment by citing Land Act of Bhutan 2007, Non-payment of land tax, Clause 224, 225 and 226
- Clause 224; if a land tax is not paid for 3 consecutive years, the Local Authority shall serve a notice to the landowner at the end of the third year to pay the tax with arrears.
- Clause 225 In addition to Section 224 of this Act, the Government may impose fines for non-payment of tax.
- Clause 226 In the event of non-compliance to the notice served under Sections 224 of this Act, the Commission Secretariat shall annul the Thram of such land and the Thram holder shall be informed accordingly. The land shall be taken over as the Government land or Government Reserved Forests land.
- With regard to TT being a defaulter, the responsibility should be assigned to the Asset Manager to pay the taxes on time.

Therefore, the IAU concluded that the overall report was rated as high priority where Managements active attention was required.



Discussion

The Chair stated that tax collection needs to be taken seriously by the management. This report presents the discrepancies between the Land, Revenue, IT and Building Sections and based on the observations of this report, all impacted Sections must collaborate and resolve the discrepancies highlighted.

The Chair also stated that Revenue is the top priority and after the new IT Developer joins, cleaning the data and resolving these discrepancies along with the other sections will be their first task. The IT Developer can also make recommendations on any new features for ARMS that seem necessary but have not been included.

CUP shared that there is a lack of collaboration between the IT Section and LRSD. He said it is the primary responsibility of the LRSD to update any information regarding land as they deal with the property owners directly. He recommended that an SoP was required so each section/division knows exactly what their responsibility is.

The Chair added that it will be up to the relevant sections/divisions whether they come up with a new system or SoP to address these issues as long as it is resolved by 15 August 2022. If they feel that eSakor has the most accurate data, the IT section should look into the possibility of linking it to ARMS. If drastic measurements are required, the Management can assess and provide the necessary resources.

Decision

The Management decided:

1. By 15 August 2022, all the discrepancies reported by the Internal Auditor need to be resolved by the relevant sections i.e IT, Land, Revenue and Building Sections with the help of the new IT Developer.
2. By 15 August 2022, a final list of tax defaulters need to be identified and Thromde can, if possible, write to them individually and cases will be dealt with accordingly.
3. The Management will meet on 15 August to review how many issues from the report have been resolved.
4. The relevant sections/divisions need to work on a plan that clearly states the responsibilities of each section/division henceforth. This will be reviewed after a few months of implementation.
5. Internal Auditor to share the report to each Division/Section so they are aware of what needs to be done.
6. Internal Auditor to share the report with the Performance Audit team.

Action - IT, Revenue and Building Section and LRSD**Agenda 9.5 Purchase of LED street light fittings**

Mr. Ugyen Dorji of the Electrical Section presented that the approved budget for operation and maintenance of street lights was Nu.300,000 yearly. The previous management has decided to approve Nu.600, 000, which is quite low compared to the expenditures made. He shared that Thimphu Thromde has more than 5800 numbers of street lights within urban areas and at various locations as of now and is still increasing yearly.

He shared that they still require a minimum 10% of total LED street light luminaries for maintaining yearly.

$5800 \times 10\%$ 580 numbers x quotation rate (Nu.5320 quoted rate FY-2021-2022)

$580 \times \text{Nu.}5320 = \text{Nu.}30,85,000/$

