



ཐིམ་ཕུ་ཐར་མ་
Thimphu Thromde
Building No: 08
Gongdzin Lam
Thimphu -11001: Bhutan



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

2. Chief Finance officer, for necessary action
3. Dy. Chief Survey Engineer, for necessary action
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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:	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

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	Tham no	No. of Years	Remarks
204	202	00134	11904001185	Phub Rinchen and	17944483	TA1-467	2020				
205	203				LT1-663	2019		Individual	3551	Tax up to date	
206	204				LT1-663	2019					Duplication
207	205				LT1-663	2019					
208	206	00135	10811000006	DHENDUPPEMO	17469969	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				

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

2	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
45	43	000347	11410000007	DORJANGCHODEN	17012020	ZL1-23	2019		Individual	3921	2	
46	44	000348	11512002808	TSHERINGWANGMO	17865208	ZL1-77	2018			3892	3	
47	45	000351	11410010493	DEKIBHUTIA	77362532	ZL1-115	2020			3962	1	
48	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)
49	47	000360	11402000163	PASSA	17600736	BA1-115	2020		Individual	1042	1	
50	48	000362	11410000689	PRINCE NAMGYAL	17602511	DJ1-108	2019		Individual	4631	2	
51	49	000370	11401001986	LAMKI MO	17725537	BA1-1021	0		Family Land	6527		Check with land, when her lagth
52	50	000389	11410006813	KELZANG DOLMA		BA1-160	0	Karma Drugyel Zangmo	Individual	1049	Tax upto date	kelzang dolma needs to be need
53	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 Namgyal

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					LJ1-183	2018		Joint	458		Check the lagthram issue date
150					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					TA1-461	2020	Tshewang Tobgay	Individual	6186	1	Defaulter
154	001131	11410004052	DECHEN DORJI		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					TA1-454	2018		Individual	4066	3	Defaulter
159					TA1-493	2016	Zeko	Individual	6188		Up to date
160	001151	10806000964	TashiPenjorAND	17172409	TA1-24	2019		Joint	3420	2	Defaulter
161	001153	11410005599	DOLKAR LHAM		TA1-241	2018		Individual	3657	3	Defaulter

revenue.thimphucity.bt/PropertyTax/PropertyTaxes

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	0	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	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	111111111	YC1-70	0						
1797	1795	102185	11402000153	Tshoki Wangmo	111111111	YC1-70	0						Duplication
1798	1796	102186	10503000872	Tashi Dawa	111111111	YC1-70	0						
1799	1797	102187	10808001295	Neytrul	111111111	YC1-70	0						
1800	1798	102188	11411000905	Tshering	17607882	HS1-747	0						
1801	1799	102195	10702001554	Nagtshe Dorji	17759629	DJ1-091	0						
1802	1800	102195	10702001554	Nagtshe 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	HS1-743	0						

Search in Database by Search Ty: X Search Thram by PlotId - Urban - X properties list.xlsx - Google Shee: X ARMS - Thimphu Thromde X

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ARMS

Phub

- 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: TA1-700	Thram No: 6595	Land Agerage: 9655	Precinct: Urban Village Precinct	Sub Precinct: UV2 - MD
Lap: Taba LAP	Demkhong: Babesa-Semtokha Demkhong	Street: UnKnown	Land Type: Residential	Location: Taba
Ownership Type: Joint	Structure Available: No	Net Area / PLR: 483	Last Demand Generated Year: 0	RMS Year:
IsApportioned: Yes				

Land Tax Rate: 0.25 Land Tax Amount: 120.75 Under Development Charge : 0

Building Unit Tax Details

#	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
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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	Ownership 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	1852	102282	10801000560	Rinchen Wangmo	17503065	0		Individual	1918		Check Thram
1855	1853	102283	10604001951	Kinley Lhadon	77365551	0					
1856	1854	102284	11102006037	Kinley Yangdon	17304083	0					
1857	1855	102285	11311000529	Wangchuk Namgye	17615617	0					
1858	1856	102286	116060003053	Wangmo	17531156	0					
1859	1857	102287	116060003053	Wangmo	17531156	0					
1860	1858	102288	11311001692	Subash Rai	17353917	0					
1861	1859	102289	11810003328	Chandra BdrSubba	17892200	0					
1862	1860	102290	11308000075	JunMayaMonger	17907368	0					
1863	1861	102291	11607002636	Dorji Rinchen	17701230	0					
1864	1862	102292	11410008456	Tanuja Bhattarai	17583801	0		Joint	3101		Check Thram
1865	1863	102293	11203001365	Tanshen Bhattarai	17583801	0					Duplication
1866	1864	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. On the left is a sidebar menu with options like Phub, 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 main area is titled 'Search Tax Payer' and contains input fields for CID No, TTIN (with value 102282), and Plot No. A 'Search' button is present. Below the search fields, a modal box displays 'No data found!!!' with an 'OK' button. At the bottom, there are fields for 'Thram No.' and 'Tax Year' (set to 2021) with a 'Calculate' button. The footer shows 'Copyright © 2021 All rights reserved.' and a Windows taskbar at the bottom.

- 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	HS1-539	2020		Individual	2203	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			HS1-121	2020		Individual	1945	2	Defaulter
19	NAMGAYTHINLEY	17636556	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 Chopel	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

ARMS

Phub

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

Plot No:TA1-700CID/TTIN:

Search

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.

	A	B	C	D	E	F	G	H	I	J	K	
1												
2	Sl.no	TIN	CID	Tax Payer Name	Mobile No	Plot No	Last Tax Paid Year	NCRP Name	Onwership Typ	Tharm no	No. of Years	Remarks
364	362	00288	1111111111	ANGCHUK DORJI	0	CZ1-123	0		~			
365	363	00294	1111111111	ECHEN TSHERING	17628089	CZ1-129	0		~			
366	364	00297	1111111111	ECHEN TSHERING	17628089	CZ1-131	0		~			
367	365	00252	1111111111	awa Gyelmo	17646278	CZ1-146	0		~			
368	366	00252	10807000522	BACHENCHOWAN	77309069	CZ1-164	2017		~			
369	367	00253	1111111111	EZANG PHUNTSO	17614878	CZ1-633	0		~			
370	368	00254	1111111111	ATONG TULKU	17604755	CZ1-191	0		~			
371	369	00255	11009000343	ARMATSHERING	17110392	CZ1-196	2017		~			
372	370	00256	11407000944	HEWANGDUBA	17610181	CZ1-211	2021		~			
373	371	00257	1111111111	TINLEY	17627247	CZ1-222	0		~			
374	372	00259	1111111111	WANGCHUKLA	17604626	CZ1-241	0		~			
375	373	00259	1111111111	PEM YANGKI	17620974	CZ1-243	0		~			
376	374	00261	1111111111	SONM WANGMO	17636730	CZ1-254	0		~			
377	375	00261	1111111111	CHONGA LHAMO	17668854	CZ1-255	0		~			
378	376	00261	1111111111	NIDU WANGMO	17787024	CZ1-256	0		~			
379	377	00261	1111111111	JURN WANGMO	17603694	CZ1-258	0		~			
380	378	00262	1111111111	NEPHEN TSHERING	17687172	CZ1-260	0		~			
381	379	00264	1111111111	CHODENLHAMUDOR	17124567	CZ1-280	0		~			
382	380	00264	1111111111	AWA GYELTSHEN	17688988	CZ1-413	0		~			
383	381	00273	1111111111	WANGCHUK	17646278	CZ1-534	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་དྲུག་
ཡིག་ཁྲོམ་ཁང་- ༨༡༥༥
མིང་ཁྲོམ་ཁང་ ༠༥༥
གོང་འཇིན་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

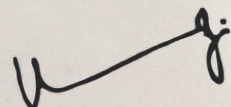
LRSD recommended a candidate, Miss Tshering Dema (CID 11105004528), Civil Engineer, JNEC.

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:

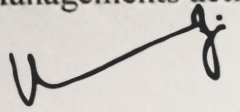
For observations 1 to 8:

- 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.
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- 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)

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

