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ཐིམ་ཕུག་ ཁྲོམ་སྡེ།

**Performance Audit
Report on Operations &
Management of
Thimphu Thromde**

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2023

Disclaimer Note

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). The review was confined to operation and management of Thimphu Thromde, including the developmental activities and municipal services rendered. The audit was based on the audit objectives and criteria determined in the audit plan and programme prepared by the Royal Audit Authority and the findings are based on the information and data made available by the audited agencies and the satisfaction surveys conducted.

This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favour or resorted to any unethical means that would be considered as violation of the Royal Audit Authority's Oath of Good Conduct, Ethics and Secrecy.



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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



RAA/PSAD/TT/2022/ 706

Date: 17/04/2023

The Executive Secretary
Thimphu Thromde
Thimphu: Bhutan

Subject: Performance Audit Report on Operation & Management of Thimphu Thromde

Dear Sir,

Enclosed herewith please find the Performance Audit Report on Operation and Management of Thimphu Thromde covering the FY 2018 to 2020. The Royal Audit Authority (RAA) conducted the audit under the mandate bestowed by the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2018. The audit was conducted as per the International Standards of Supreme Audit Institutions on performance auditing (ISSAI 3000) and RAA's Performance Audit Guidelines 2019. Specifically, the audit was conducted with the following audit objectives:

1. To ascertain the efficiency and effectiveness in the management systems and processes in the operation of Thimphu Thromde; and
2. To assess the efficiency and effectiveness in providing services to Thromde residents.

The draft report was issued on 19th October for factual confirmation, comments and feedback. Responses received have been concisely incorporated in the report and necessary changes have been made after re-verification and confirmation. For the record, all responses furnished to RAA are appended in the report as **Appendix XXXIV**.

The report contains shortcomings and deficiencies as well as recommendations aimed at improving the operation and management of Thimphu Thromde. The shortcomings and deficiencies observed by the RAA are detailed in **Chapter Three** and audit recommendations in **Chapter Four** of the report.

In line with the Audit Act of Bhutan 2018, the Thromde should submit responses to the Final Audit Report in the form of a Management Action Plan. The Management Action Plan should specify the action plans for the implementation of recommendations with a definite timeframe aimed to address the underlying causes of the findings. Further, as specified by Section 55 (16)

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."
- His Majesty the King Jigme Khesar Namgyel Wangchuck*

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of the Audit Act of Bhutan 2018, the audited agencies concerned are required to submit a signed Accountability Statement for the implementation of the recommendations provided.

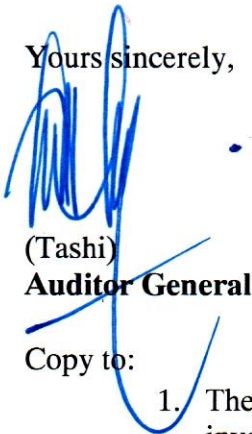
The copy of the report is shared with Anti-Corruption Commission for further investigation of the matters reflected under **Chapter 3, Para II, 6(i) and 6(iii)** related to misuse of revenue. Thromde needs to initiate immediate restitution of the amount aggregating to Nu. 12,478,978.31 and sanction officials based on the outcome of the investigation.

The RAA will follow up on the implementation of the recommendations based on the Management Action Plan and Accountability Statement. Failure to comply will result in taking appropriate actions, which may include suspending audit clearances to the official(s) accountable.

Therefore, the RAA would like to request the Thromde management to submit a Management Action Plan for implementation of recommendations with definite timeframe on or before 15th May 2023 along with the signed Accountability Statement (format attached). In the event of non-submission, the RAA shall invariably fix the overall supervisory accountability on the head of auditee agencies in line with Section 55(17) of the Audit Act of Bhutan 2018.

We take this opportunity to acknowledge the officials and employees of Thimphu Thromde for rendering necessary cooperation and support extended during the audit.

Yours sincerely,



(Tashi)
Auditor General

Copy to:

1. The Hon'ble Chairperson, Anti-Corruption Commission requesting for further investigation on issues reflected under **Chapter 3, Para II, 6(i) and 6(iii)**;
2. Acting Secretary, Ministry of Finance for kind information;
3. Thrompon, Thimphu Thromde, for necessary actions;
4. Director, Department of Local Governance for information;
5. AAG, Policy Planning and Annual Audit Report Division, RAA, Thimphu;
6. AAG, Follow-up and Clearance Division, RAA, Thimphu;
7. Office Copy; and
8. Guard file.

"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."

- His Majesty the King Jigme Khesar Namgyel Wangchuck

MANAGEMENT ACTION PLAN REPORT

Sl. No.	Audit Recommendation in brief	Action Taken or To be Taken	Estimated Implementation Date	Estimated Completion Date	Responsibility Entrusted to:	
					Name & Designation	CID No.
4.1	Thimphu Thromde should strengthen its Human Resources and Management					
4.2	Thimphu Thromde should improve internal control systems in managing its revenues					
4.3	Thromde should ensure reconciliations of difference of revenues and receipts as reflected under specific areas.					
4.4	Thromde should restitute total amount of Nu. 45,075,122.55 on account revenue loss due to misuse, penalty for late deposit, outstanding concessionaire fee and outstanding revenue					
4.5	Thromde should improve its service delivery through clear Standard Operating Procedures(SOP)and Turn Around Time(TAT)					
4.6	Thimphu Thromde Should work towards reducing Non-Revenue Water					
4.7	Thimphu Thromde should maintain a comprehensive inventory of sewerage connections of buildings and houses					
4.8	Infrastructure Development and Maintenance Services must be strengthened with robust monitoring and supervision in place					
4.9	Waste Management in/by Thimphu Thromde need to be Strengthened in Collaboration with the Waste Management Authorities and Private Waste Management Firms					
4.10	Strict enforcement of rules and regulation must be ensured by Thimphu Thromde on illegal structure and illegal encroachment of State Land					
4.11	IT systems needs to be integrated and ensure proper controls to enhance data integrity and consistency					
4.12	Thimphu Thromde should improve the onstreet and off-street vehicle parking regulation and management					
4.13	Thimphu Thromde should institute controls for managing its Vehicles					

ACCOUNTABILITY STATEMENT

Sl. No.	Audit Recommendation in brief	Personal Accountability		Supervisory Accountability	
		Name & Designation	CID Number	Name & Designation	CID Number
4.1	Thimphu Thromde should strengthen its Human Resources and Management				
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4.13	Thimphu Thromde should institute controls for managing its Vehicles				

TITLE SHEET

Title of the Report	Performance Audit Report on Operation and Management of Thimphu Thromde
AIN	PAD-2022-299
Audited Entity	Thimphu Thromde
Audited Period	2018 to 2020
Audit Schedule	1 st January 2022 to 30 th June 2022
Team Composition	Jigme Dema, Deputy Chief Auditor Sanga Rinzin, Audit Officer Yan Kumar Bhujel, Audit Officer Rinchen Gyeltshen, Audit Officer Yangchen Karma, Sr. Program
Direct Supervisor	Sonam Wangmo, Assistant Auditor General
Overall Supervisor	Dorji Wangchuk, Deputy Auditor General

ACRONYMS AND ABBREVIATIONS

ACF	Annual Contract Framework	MoF	Ministry of Finance
AFD	Administrative and Finance Division	MoHCA	Ministry of Home and Cultural Affairs
AIN	Audit Information Number	MoLHR	Ministry of Labour and Human Resource
APA	Annual Performance Agreement	MOU	Memorandum of Understandings
ARA	Audit Recoveries Account	MoWHS	Ministry of Works and Human Settlement
ARMS	Asset and Revenue Management System	MRF	Material Recovery Facility
AWP	Army Welfare Project	NEC	National Environment Commission
BCSR	Bhutan Civil Service Rules	NGOs	Non-Government Organizations
BNBL	Bhutan National Bank Limited	NLCS	National Land Commission Secretariat
BoBL	Bank of Bhutan Limited	NRW	Non-Revenue Water
BPC	Bhutan Power Corporation	NSDS	National Sustainable Development Strategy
BT	Bhutan Telecom	NWIS	National Waste Inventory Survey
BUBP	Bhutan Urban Development Project	NWMS	National Waste Management System
CBD	Central Business District	O&M	Operation and Maintenance
CCC	Customer Care Center	OBC	Object Code
CD	Current Deposit	OC	Occupancy Certificates
CFM	Centenary Farmer Market	OHS	Occupational Health Safety
CID	Citizenship Identity Card	OT	Overtime
COED	Compliance and Enforcement Division	PAD	Performance Audit Division
CPI	Consumer Price Index	PAVA	Property Assessment and Valuation Agency
CSO	Civil Society Organization	PF	Provident Fund
DAR	Digitized Asset Register	PFA	Public Finance Act
DCR	Department of Civil Registration	PHCB	Population and Housing Census of Bhutan
DCR	Development Control Regulation	PLR	Proportionate Land Rights
DGPC	Druk Green Power Corporation	PMR	Property Management Rules
DHI	Druk Holdings and Investments	POL	Petroleum, Oil and Lubricants
DI	Ductile Iron	PPE	Personal Protective Equipment
DITT	Department of Information Technology and Telecom	PPP	Public Private Partnership
DLG	Department of Local Government	RAA	Royal Audit Authority
DOC	Drop Off Centers	RBA	Royal Bhutan Army
DoFPS	Department of Forest and Park Services	RBG	Royal Body Guard
DoR	Department of Road	RBP	Royal Bhutan Police
DRD	Development Regulation Division	RBP	Royal Bhutan Police
E	Environment	RCDC	Royal Centre for Disease Control
ECCD	Early Childhood Care and Development	RCSC	Royal Civil Service Commission
e-PEMS	electronic- Public Expenditure Management System	RGoB	Royal Government of Bhutan
EPR	Extended Producers Responsibility	RICBL	Royal Insurance Corporation of Bhutan Limited
ERP	Enterprise Resource Planning	RMS	Revenue Management System
ESP	Elementary Service Personnel	ROW	Right of Way
FC	Finance Committee	SBD	Standard Bidding Document
FNCA	Forest and Nature Conservation Act	SD	Security Deposit
FNCRR	Forest and Nature Conservation Rules and Regulations	LMC	Labour and Material Coefficient

FRR	Financial Rules and Regulations	LRR	Land Rules and Regulations
FY	Financial Year	LUC	Land Use Certificate
FYP	Five Year Plan	LULC	Land Use Land Cover
G	Green Spaces	MD	Medium Density
G2C	Government to Citizen	MLCP	Multilevel Car Parking
GDAFC	Guidelines for Differently Abled Friendly Construction	MLD	Million Liter per Day
GIMS	Government Inventory Management System	MoAF	Ministry of Agriculture and Forests
GIS	Geographic Information System	MoE	Ministry of Education
GIS	Group Insurance Scheme	MoEA	Ministry of Economic Affairs
GNH	Gross National Happiness	SEA	Strategic Environment Assessment
GRN	Goods Receipt Note	SOE	State Owned Enterprise
GSP	General Service Personnel	SOP	Standard Operating Procedures
H	Heritage	Sq. ft	Square Feet
HCV	High Conservation Value	STP	Sewerage Treatment Plant
HR	Human Resource	STTs	Short Term Trainings
HRC	Human Resource Committee	TAM	Thromde Accounting Manual
HVAC	Heating, Ventilation and Air Conditioning	TAT	Turn-Around-Time
I	Institutional	TDS	Tax Deducted at Source
ICT	Information and Communication Technology	TFP	Thromde Finance Policy
IDS	Infrastructure Development Section	TOR	Terms of References
IFC	International Finance Corporations	TPN	Tax Payer Number
IPS	Infrastructure Planning Section	TSP	Thimphu Structural Plan
ISSAI	International Standards of Supreme Audit Institutions	TT	Thimphu Thromde
JDWPL	Jigme Dorji Wangchuck Public Library	TTCMS	Thimphu Thromde Complaint Management System
JICA	Japan International Cooperation Agency	TV	Traditional Village
KPI	Key Performance Indicators	UH	Urban Hub
LAP	Local Area Plan	UHT	Urban House Tax
LC	Letter of Credit	UPDD	Urban Planning and Development Division
LD	Low Density	UV	Urban Village
LD	Liquidity Damage	WFP	Water Flagship Program
LDPM	Local Development Planning Manual	WTP	Water Treatment Plant
LG	Local Government	WWF	World Wildlife Fund
LLRR	Land Lease Rules and Regulations		

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EXECUTIVE SUMMARY

The Royal Audit Authority (RAA) conducted the Performance Audit under the mandate bestowed by Article 25.1 of the Constitution of Kingdom of Bhutan and Section 68 (b) and 69 of the Audit Act of Bhutan 2018. This audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) on performance auditing and RAA's Performance Audit Guidelines 2019.

The LG Act 2009 together with the Thromde Rules 2011 govern the administration and functioning of Thimphu Thromde. As per the LG Act and the Thromde Rules, Thimphu Thromde is mandated to provide civic and other services which are essential for the general well-being of the residents. Additionally, Thimphu Thromde should ensure that the development and other activities within Thromde occur in planned and harmonious manner. Therefore, it is imperative that the administration and management in Thimphu Thromde is effective and efficient; necessary for sustainable and equitable delivery of its municipal services, development activities, and other services to the residents.

Recognizing its importance, thus, the audit was conducted with the following two primary objectives:

- i. To assess the efficiency and effectiveness in the management systems and processes in the operation of Thimphu Thromde; and
- ii. To assess the efficiency and effectiveness in providing services to Thromde residents.

The RAA reviewed the Thromde's prevailing practices, system and processes in its operation and management, development of infrastructure and delivery of municipal services to the residents from 2018 to 2020. Where it was possible, the RAA reviewed the recent documents and data (as on the date of audit) to enhance accuracy and usefulness of the audit report

During the review, the RAA noted various deficiencies in the systems and process of Thromde's operations in delivery of its mandates including misuse of revenues amounting to Nu. 7,118,044.23. The deficiencies were observed specifically in the areas of human resource management, budgeting and financial management, property management, information management, infrastructural development, waste management, workforce management and delivery of day to day municipal services.

Some of the significant observations discussed in the report are highlighted below:

1. Human Resource Management

- ✖ Recruitment of employees were not as per the 12th FYP staffing strength approved by the RCSC;
- ✖ Transfer provisions of BSCR not effected for 60% of the Thromde employees who had served for more than five years;
- ✖ Inadequacies in monitoring and supervision of attendance of field employees;

2. Budgeting and Financial Management

- ✖ Inadequacies in budgeting and financial management including revenue management system rendering risk to financial sustainability, prudence and cost efficiency as well as posing risk of misuse;
- ✖ Misuse of revenue amounting to Nu. 7,990,537.23 and delays in deposit attracting penalty of Nu. 5.36 million;
- ✖ Poor management of revenue and non revenue receipts;

3. Land Tax Revenue Management

- ✖ Inadequacies in controls leading to inconsistencies in data in the Revenue Management System;
- ✖ Incomplete Tax Payers database in the revenue system along with incorrect identity such as CID numbers and multiple TTIN;
- ✖ Inconsistencies in the details of land as per records of e-SAKOR and Thromde's Revenue Management system;

4. Vehicle Management

- ✖ Procurement of thirteen vehicles without the clearance from the Ministry of Finance, and the lack of centralized pooling of Thromde vehicles;
- ✖ Inadequacies in the controls of regulating use of pool vehicles specifically in allocation of vehicles and maintainance of documentations;

5. Administration of wages and overtime compensation

- ✖ Non-enforcement of the Workforce Rules and Regulations 2020 despite its formal endorsement by the MoLHR since November 2020;
- ✖ Inadequacies in planning of overtime work, monitoring and payment for engaging workers for overtime work;
- ✖ Inadequate provision of uniforms, tolls and equipment to workforce employees;

6. Service Delivery

- ✖ Non-delivery of the services within the Turn Around Time (TATs) prescribed by the Standard Operating Procedures (SOP). More importantly, there is no accountability system to ensure compliance with the SOP for service delivery;
- ✖ Inadequacies in the customer care and complaints redressal system;

7. Water Management

- ✖ Substantial non-revenue water as against the generation/production by 41.05%, resulting into possible revenue leakage of Nu. 14.09 million;
- ✖ Lack of standardized water pipeline dimension and dedicated water supply line provided to some residents/premises;
- ✖ Outstanding water bill amounting to Nu. 7.13 million;
- ✖ Absence of comprehensive data on households connected to Thromde's sewerage network;
- ✖ Inequitable charging for sewerage services due to automatic-pegging of sewerage charges against the water bill amount in the system;

8. Waste Management

- ✖ Exhausted capacity of the current landfill site based on the projected population;
- ✖ Unscientific Waste Disposal Practices posing risk of health and environmental hazards;
- ✖ Lack of Waste Management Infrastructure that does not support waste management activities;
- ✖ Non-existence of Extended Producers Responsibility Scheme to reduce total environmental impact from the product by obliging producers/manufacturers for recycling the wastes;

9. Management of Parking facilities

- ✖ Thimphu has not been able to pedestrianize Norzin Lam despite it being one of the main objectives of developing two MLCPs (Multi-level Car Parking);
- ✖ Short-Collection of Concessionary Fees amounting to Nu. 18.80 million from the Concessionaire M/s. KCR Pvt Ltd;
- ✖ Short deposit of periodic bid amount of Nu. 13.79 million by the Parking Contractor;

10. Process of planning and development of infrastructure

- ✖ Inadequacies in planning and prioritization of infrastructure development;
- ✖ Delays and Quality issues in the Infrastructure Development Activities;
- ✖ Illegal structures and encroachment of State land particularly due to lack of preventive measures and non-enforcement of relevant provisions of regulations.

Based on the findings, the RAA has provided thirteen recommendations which are detailed in Chapter 4 of this report and aimed at enhancing efficiency and effectiveness in Thromde operation/management and in delivery of its services to the residents at large.

CHAPTER 1: ABOUT THE AUDIT

1.1 Mandate

As per the mandates bestowed by the Constitution of the Kingdom of Bhutan and Audit Act of Bhutan 2018, the RAA had undertaken the Performance Audit of Operation and Management of Thimphu Thromde.

Article 25 (1) of the Constitution of the Kingdom of Bhutan and Section 68 of the Audit Act of Bhutan 2018 provide that “*There shall be a Royal Audit Authority (RAA) to audit and report on the economy, efficiency, and effectiveness in the use of public resources.*”

Further, Chapter 5, Section 69 of the Audit Act of Bhutan 2018 stipulates, “*The Authority shall carry out performance, financial, compliance, special audits and any other form of audits that the Auditor General may consider appropriate.*”

1.2 Audit Standard

This audit was conducted in accordance with the International Standards of Supreme Audit Institutions on performance auditing (ISSAI 3000). The RAA followed audit procedures as prescribed under the RAA’s Performance Audit Guidelines 2019 to maintain uniformity and consistencies of approaches in auditing.

1.3 Audit Objectives

The RAA conducted the audit with the following objectives:

- i. *To assess the efficiency and effectiveness in the management systems and processes in the operation of Thimphu Thromde; and*
- ii. *To assess the efficiency and effectiveness in providing services to Thromde residents.*

1.4 Audit Scope

The audit covered the sampled developmental activities and the services based on the RAA’s risk assessment, in addition to the management systems and processes in the operation of Thimphu Thromde from 2018-2020. Where information and documents were available, the RAA conducted audit for the recent periods (as on the date of audit).

Developmental activities include the infrastructure developmental activities and the maintenance work, while the services include mainly the Thromde’s mandated municipal services rendered to Thimphu residents.

1.5 Audit Approach

The RAA used a combination of System-oriented and Problem-based approach during this audit. For assessing the efficiency and effectiveness in the operation and management of developmental activities in Thromde, a Problem Oriented approach was applied, while a result-oriented approach was used to assess the efficiency and effectiveness in providing services to the Thromde residents.

1.6 Audit Limitations

Low survey response despite the RAA’s concerted efforts to increase the response rates through constant reminders and follow-up. Obtaining and getting access to the required documents and data on time is also one of the major challenges for the audit.

1.7 Audit Methodology

Following methodologies were applied during the audit to gather information, analyse data and derive conclusions:

✦ Document review:

The RAA reviewed the relevant Acts, Policies and regulations relevant to Thromde management and its services. Circulars issued from time to time, Minutes (of Thromde Tshogde, Management Meetings, and HRC Meetings) were also reviewed. In addition, Project Plan Documents, Thimphu Structural Plan with the Local Area Plans, Contract Documents, Reconciliation Statements against the Bank Statements, MoUs and SOPS, Services-related documents including the Complaints register were also reviewed.

✦ Interviews:

Interviews of Thromde officials particularly the identified Audit Focals from every Divisions and Units were conducted, confining interview questions relevant to the two audit objectives. Constituency Thuemis were also interviewed, and their views and suggestions considered.

✦ Surveys:

Surveys of the Thromde employees were conducted online (using the SurveyMonkey – online version) and physically (especially for illiterate workforce employees).

Surveys of the Thimphu residents on their satisfaction with the services rendered by the Thromde Management was also conducted online (using the Google survey forms).

✦ System Walk-Throughs:

The RAA also conducted system walk-throughs of the processes instated in the Thromde Management especially of services delivery and the complaint management system.

✦ Data Analysis:

Information and data collected from above methods were analysed qualitatively and quantitatively. They were analysed against the prevailing authorities, validating their compliance with the requirements. The audit team also conducted trend, variance and content analysis on the information and data gathered.

✦ Physical Verification:

Physical verification of newly constructed and renovated public infrastructure was conducted to confirm their quality and usability compliance.

CHAPTER 2: INTRODUCTION

2.1 About Thimphu Thromde

The modern settlement in the western central region of Bhutan, Thimphu, was established as the capital city in 1955 coinciding with the birth of Fourth King, His Majesty Jigme Singye Wangchuck, replacing the old ancient capital, Punakha. It has evolved as one of the largest cities with rapid urbanization especially during the 1990s, waving its course towards socio-economic development. In 1995, it was granted its autonomy under the umbrella of the Ministry of Communication which is currently reformed as the Ministry of Works and Human Settlement by a Royal Decree. In 1999, the Royal Government decided to expand the city's limits, thus enacting the Bhutan Municipal Act, 1999. The country went through a major transition from Absolute Monarchy to Constitutional Democracy in 2008. To strengthen the decentralisation process, the Local Government Act was endorsed in 2009 and subsequently amended in 2014.

The Thromdes were established as a Local Government body which was mandated by the Article 22 of the Constitution of the Kingdom of Bhutan (Section 1), propositioning that the *“Power and authority shall be decentralized and devolved to elected Local Governments to facilitate the direct participation of the people in the development and management of their own social, economic and environmental well-being.”* The overall governing legislation for *Thromdes* is the *Local Government Act*, which outlines the establishment, election of representation, functioning and financial autonomy, subordinated by *Thromde Rules 2011* which details the procedures of implementing the provisions of the LG Act 2009. In line with the Constitution and the Local Government Act, the Thromdes elected its first Thrompon in 2011, therefore, extending the branch of Local Government.

Thimphu municipality only had 8 sq. km of city area, consisting mainly of the core areas under its jurisdiction until 2000. Today, Thimphu Thromde has the total area coverage of 26 sq. km sprawling the human settlement on both sides of Wangchu River, ranging from Dechencholing to Serbithang.

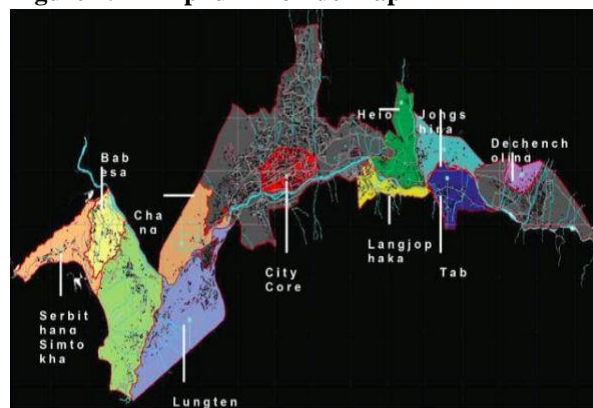
The population of Thimphu Thromde reached 114,551 in 2017 from 79,185 in 2005, thereby making Thimphu city the most populous city in Country and contributing to 41.8% of total national urban population.

The first-ever comprehensive strategic plan (Thimphu Structural Plan) was prepared in 2001 which was approved by the Royal Government of Bhutan in February 2003.

Vision

An exemplary Thromde (City) in the region that is culturally vibrant, progressive, safe and liveable.

Figure 1: Thimphu Thromde Map



Source: Strategic Evaluation and Assessment (SEA)

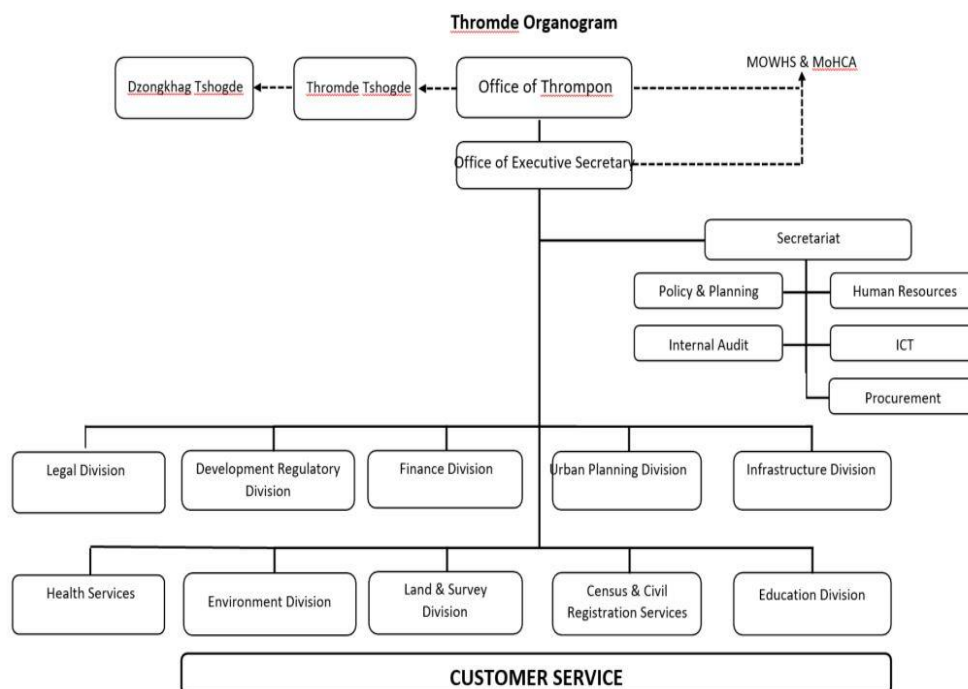
Mission

To provide affordable, equitable, efficient municipal services and facilities; and

To promote Bhutanese socio-culture, economy, environmental image and financial sustainability of the Thromde.

Organogram

Figure 2: Thimphu Thromde Organogram

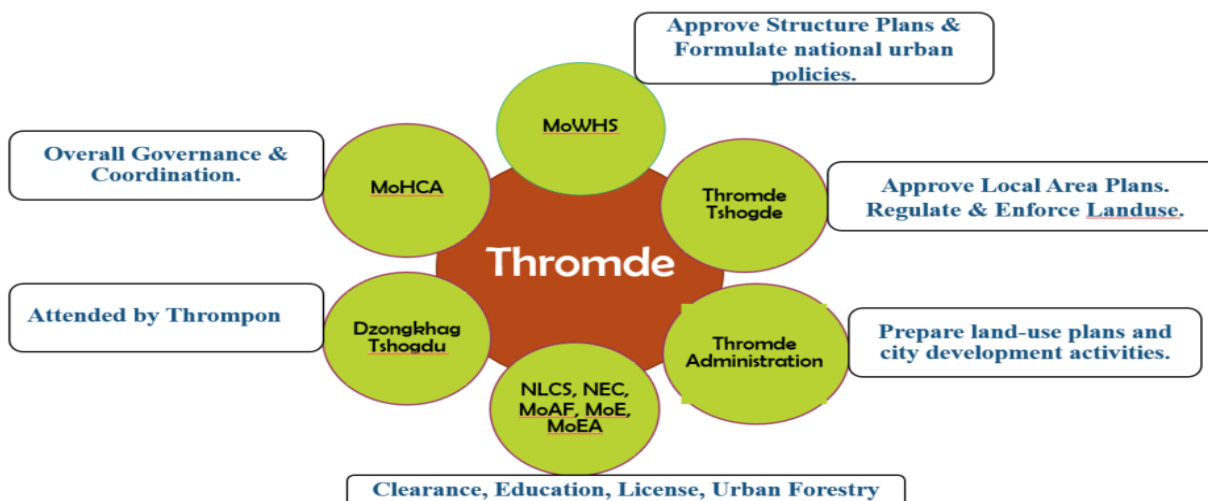


Source: Thromde website: <http://www.thimphucity.bt/>

2.2 Governance Framework

Thimphu Thromde is a self-governing municipality with an elected Thrompon, Thromde Thuemis and a Thromde Council in place since January 2011. The overall governance structure of the Thromde is indicated in Figure 1.3.

Figure 3: Governance framework of Thimphu Thromde



2.3 Institutional Framework

Table 1: Governing legislation and institutional arrangement of Thimphu Thromde

A. Legislations, policies, rules and regulations governing the functioning of Thromde	B. Institutional and Organizational Arrangements
Local Government Act 2009	Ministry of Home and Cultural Affairs: - Department of Local Governance - Department of Civil Registration
Thromde Rule 2011	Royal Bhutan Police
Thromde Finance Policy 2012	Urban Planning and Development Division (UPDD), Department of Human Settlement, MoWHS
Land Act of Bhutan 2007 and Land Rules and Regulations	National Environment Commission
Road Act 2013 and Road Rules and Regulations 2016	Thromde Tshogde, Thimphu
Tenancy Act of Bhutan 2015 and Tenancy Rules and Regulations 2018	National Land Commission Secretariat (NLCS)
Building Rules and Regulation 2018 and Bhutanese Architecture Guidelines 2014	Thimphu Forest Division, DoFPS
National Environment Protection Act of Bhutan 2007	Ministry of Education
Waste Prevention and Management Act of Bhutan 2009 and Waste Prevention and Management Regulation 2012 (2016 Amendment)	Ministry of Health
Water Act 2011, Water Regulation 2014, Water Prevention and Management Regulation 2016.	Regional Trade Office, Department of Trade, Ministry of Economic Affairs
Environmental Assessment Act 2000 and Regulations for Environment Clearance of Projects 2016	Ministry of Labour and Human Resources (MoLHR)
Forest and Nature Conservation Rules and Regulations 2017.	City Bus Service
Development Control Regulation of Thimphu Thromde 2016	General Public & Thromde Residents
Guideline for Differently-abled-friendly construction	Development Partners (International Donors)
Standard Operating Procedure for delivery of Thromde Services	NGOs
	Utility Service Provider
	Parliament

Source: Summarized by RAA

2.4 Functions of Thimphu Thromde

The general functions as per the Thromde Rules, 2011 prescribes twenty-seven functions for Thromdes including Thimphu Thromde.

2.5 Services Provided by Thimphu Thromde

The services provided by Thimphu Thromde includes: Building; Infrastructure Development; Water and Sewerages; Roads; Environmental Services; Land and Census Services; Legal; Trade; Education; Environment and Transportation Services; and Public Library Services.

CHAPTER 3: AUDIT FINDINGS

The audit findings in this chapter highlights the lapses and deficiencies noted during the audit.

Shortcomings and Deficiencies

Pertinent inadequacies and deficiencies noted are discussed below:

I. Human Resource Management

1) Regular and Contract Employees in excess of the Approved (12th FYP) Staffing Strength

- i. The Royal Civil Service Commission (RCSC) has approved a total of 157 staff (details in *Appendix I*) for Thimphu Thromde for the 12th FYP based on the decision of the 98th Commission Meeting held on 29th June 2021 as tabulated below:

Table 2: Comparison of four major Thromdes in Bhutan

Name of Thromde	12th FYP Approved Staffing Pattern	Population of Thromde	Population Serviced/Staff	Area (Sq. Km) of Thromde	Area Coverage/ Staff
<i>Thimphu Thromde</i>	157	114,551	729	26	0.16
<i>Phuntsholing Thromde</i>	86	27,658	322	16.8	0.20
<i>Samdrupjongkhar Thromde</i>	62	9,325	150	11.5	0.19
<i>Gelephu Thromde</i>	89	9,858	111	4.5	0.05

Source: comparison performed by RAA between four major Thromdes

- ii. As seen from the above table, Thimphu Thromde had the highest population and area coverage with 114,551 and 26 square kilometers respectively. Therefore, each staff of Thimphu Thromde caters services to approximately 729 residents and covers 0.16 square kilometers.
- iii. In terms of the population serviced, Thimphu Thromde's approved staff covers the highest compared to the other three Thromdes. However, in terms of area coverage per approved staff, Thimphu Thromde is lower than Phuntsholing and Samdrupjongkhar Thromde.
- iv. As against the 157 approved staffing strength for the 12th FYP, Thimphu Thromde (as on January 2022) is manned by a total of 607 employees as highlighted below in the talow (detailed in the *Apix II(a)* and *II(b)*).

Table 3: Present Staffing pattern of Thimphu Thromde

Employment Type	Total Number of Employees	% Employees against Total
<i>Regular *</i>	178	30%
<i>Contract*</i>	44	7%
<i>ESP/GSP</i>	19	3%
<i>Elected Officials</i>	8	1%
<i>Workforce (Muster Roll)</i>	358	59%
<i>Total Employees</i>	607	100%

Source: Thimphu Thromde Human Resource Record

**Total Regular and contract employees include a total of 29 regular Drivers and 18 contract Drivers respectively*

- v. On detailed scrutiny and comparison of the employees (regular employees excluding drivers) against the approved staffing strength, it revealed that the Thimphu Thromde had a shortage of eight employees compared to its approved strength as detailed in the table below:

Table 4: Shortage of staff approved strength

Division/Section	Difference (Position)	Position (QTY)
Procurement Section	Store Assistants	1
Legal Division	Chief Legal Officer	1
Compliance & Enforcement Division	Engineer	1
	Building Inspectors	2
Water Supply Section	Technician/Plumber*/Basic Operators	2
Roads Section	Engineer/Assistant Engineer	1
Total Difference (Less than Approved)	8	

Source: Thromde HR record

- vi. The RAA observed that the Thimphu Thromde had recruited ESP/GSP employees, although the same position-level employees were less than approved staff strength. For instance, as per the above table, the Water Supply Section of Thimphu Thromde had shortage of Plumbers/Technicians/Basic Operators. However, the ESP/GSP staffing details revealed that Thimphu Thromde had recruited three plumbers as ESP/GSP.
- vii. On the other hand, the following Divisions/Sections of Thimphu Thromde had excess of 18 employees over strength approved by RCSC, as detailed in the table below:

Table 5: Division and section with excess manpower

Division/Section	Difference (Position)	Position (QTY)
Office of Thrompon	Media Officer	1
Accounts & Revenue Section	Accounts Assistant	3
	Revenue Inspector	1
AFD	Asset Manager	1
JDWPL	Librarian	1
Environment Division	Forest Ranger	1
Land Record	Survey Associate	1
Infrastructure Division	Engineer	3
	Architect	1
	Survey Associate	1
	Technician	4
Total Difference (More than Approved)		18

Source: Thromde HR records

- viii. The employment of people not within RCSC's approved strength was in contravention to section 2.9.6.3 and 5.3.1 of the BCSR 2018 which states that "*all civil servants posted to an Agency shall be within the approved staff strength of the Agency.*"

Thimphu Thromde has accepted the shortage and excess of their employees against the approved 12th FYP staffing, as detailed in APPENDIX XLIV.

2) ESP and GSP Personnel beyond the Approved strength

- i. The Thimphu Thromde has a total of 19 GSP/ESP personnel as on January 2022, as detailed in the table below:

Table 6: ESP and GSP	
ESP/GSP Personnel	QTY
<i>Messenger</i>	3
<i>Security Guard</i>	2
<i>Caretaker</i>	1
<i>Tank Operator</i>	1
<i>Plumber</i>	3

<i>Survey Assistant</i>	1
<i>Survey Helper</i>	7
<i>Wet Sweeper</i>	1
TOTAL	19

Source: Thromde HR records

- ii. Section 6.4.1 and 6.5.1 of the BCSR 2018 stipulates that all recruitment of GSP/ESP shall be made by the Agency concerned based on the standard and number approved by the RCSC. Further, the RCSC Nnotification No. RCSC/LS-63/2017/1522 dated 9th October 2017 specifies the number and standards for each GS and ES position, including for the messenger and Survey Assistant, as below:

Table 7: Messenger and Survey Assistant standard

ESP/GSP Personnel	QTY	Remarks
<i>Messenger</i>	2	Taking the Dzongkhag's approved Standard – 1 for Dzongdag and 1 messenger on Pool
<i>Survey Assistant/Helper</i>	1:2	Taking DOR's approved standard - Standard Ratio of Surveyor to Survey Field Assistant is 1:2

Source: Dzongkhag and DoR approved strength

- iii. As against existing three Surveyors, the Thromde has a total of eight Survey Assistants/Helpers, while as per the RCSC's approved standard (of 1:2 standard ratio of Surveyor to Survey Field Assistant) Thromde should have 6 Survey Assistants/Helpers.
- iv. As a result, Thimphu Thromde had two Survey Assistants more than the RCSC's approved standard. Similarly, the Thimphu Thromde had one Messenger in excess of the approved standard. In addition, the three Plumbers and one Tank Operator of the Thimphu Thromde were not as per the RCSC's approved standard for GSP/ESP.

Thimphu Thromde Responded that they are yet to receive the approved numbers and standards for ESP/GSP from the RCSC, as detailed in the response.

3) Recruitment of Sanitary Inspectors and Office Helpers as Workforce (on Muster Roll)

- i. In addition to the 175 regular employees and 19 GSP/ESP employees, the Thimphu Thromde has recruited a total of 358 workforces on muster roll. Of the total strength of 358, seven are sanitary inspectors and 13 are Office Helpers stationed in various Divisions/Sections, as detailed in **Appendix III**.
- ii. Based on designations and the work nature of those 20 workforce employees, these employees could have been recruited as regular/contract (within the approved 12th FYP staffing) or GPS/ESP employees (within the approved standards and numbers).
- iii. Therefore, it indicates that Thimphu Thromde had directly recruited as a workforce employee without having to obtain approval from the RCSC. Instead, the recruitment of these 20 workforce employees are found done with the approval of the HRC of the Thimphu Thromde (as required by the Thimphu Thromde Workforce Service Rules and Regulations).

Thimphu Thromde has accepted the issue stating that these employees were recruited based on the approval of Thromde Tshogde, as detailed in Appendix APPENDIX XLIV.

4) Non-transfer of Employees as per BCSR

- i. Section 14.4.5 of the BCSR 2018 states that, “A civil servant may be transferred generally after completion of five years of service or as specified under Section 14.4.10, which categorizes MOG/SG as vulnerable.”
- ii. Further, the Transfer Guidelines 2019 (Revised) of the Ministry of Works and Human Settlement (MoWHS) states that, “A civil servant shall be considered for transfer upon completion of 5 years of service in the current place of work. In order to ensure smooth delivery of public services, the transfer shall be executed in a phased manner. Civil servants who have been in the same place for a maximum number of years shall be considered for transfer first and sequentially for the others.”
- iii. The RAA observed that 104 staff representing 58% of the regular employees (including the 29 regular Drivers) had exceeded five years in the current place of work as tabulated below and detailed in Appendix IV.

Table 8: Aging analysis of Thimphu Thromde employees

No. of years not transferred	Total number of employees not transferred (Nos.)
6 years to 10 years	37
11 years to 20 years	54
20 years to 30 years	12
30 years to 34 years	1
Total Nos. of Employees	104

Source: RAA analysis of the years of service in Thimphu Thromde

- iv. As such the transfer of employees were not effected as per the BCSR or the applicable Guidelines.

Thimphu Thromde has accepted the issue for the reasons cited as detailed in the audit response in Appendix APPENDIX XLIV.

5) Ineffective Monitoring and Supervision of employees’ attendance

- i. The current attendance system used by the Thimphu Thromde – biometric system – had commenced since April 2021. The RAA verified the biometric attendance of all the employees of the Thimphu Thromde for the period April 2021 to December 2021. On review, it showed absenteeism as high as 150 out of 182 working days (for the nine months from April to December 2021) as shown in the table below:

Table 9: Days of employees absent from workplace

No. of Days Absent (after Leave and Training)	No. of Employees
100-151	6
51-100	23
26-50	39
1-25	33

Source: Attendance maintained by HR section, Thimphu Thromde

- ii. Out of the 181 regular employees, 101 employees representing more than 50% of the regular employees were shown to be absent from 5 days to 151 days after considering the leave and training attended by the respective employees during the same period (as detailed in Appendix V).
- iii. The Clause 10.2.5 and 10.17.2 of the BCSR 2018 stipulates that, “No civil servant shall remain absent from duty or leave the station without prior permission from the immediate supervisor except in the case of sudden illness or unforeseen circumstances” and also states that, “Should the HRC of the Agency be convinced that the civil servant has remained absent due to unavoidable circumstances and deserves regularization, leave may be granted as per the entitlement of the individual civil servant.”

- iv. There were no records of regularization of leave in respect of these 101 employees. On further inquiry and discussion, it was explained that the officials had not remained absent as reflected by the biometric system, but had failed to sign off in the system regularly, despite the requirement by the management. This indicated inadequacies in monitoring and supervision in the biometric attendance system that was instituted by the management.
- v. The main purpose of procuring biometric system to efficiently record Thromde's employees' attendance via a single finger-print scan is not achieved. Further, 15 employees were not captured in the system (as detailed in *Appendix VI*), indicating incomplete records.
- vi. In addition, the review suggests that almost 60% of the 101 employees who had remained absent were on-site staff including Engineers, Technicians, Inspectors and Surveyors. Their job nature involves out-of-office and field work, where their physical presence is mostly required at the sites.
- vii. It was learnt that with the exception for the Environment Division (who uses *Epicollect App* – a free web-based tool that enables to collect customized data including location), the Thimphu Thromde do not have other forms of monitoring and supervision system for its field-staff. Recently, Thimphu Thromde had developed an App - Building Inspection App – mainly for the Building Inspectors to update their entries during site visits with photographic evidences but it is yet to be used by the Building Inspectors.
- viii. Lack of proper monitoring and supervision had thus led to recording of high absenteeism indicating inadequate monitoring of attendance of its employees which would be critical for ensuring seamless delivery of public services.

Thimphu Thromde in its response has accepted and agreed to strictly implement the biometric system, as detailed in Appendix APPENDIX XLIV.

6) Inadequacies in sytem of Handing/Taking of charges of officials

- i. Clauses 13.13 and 14.4.19 of the BCSR states that, *“there shall be proper handing/taking over of the charge before a civil servant is relieved on transfer, including Government property, files/records, and There shall be proper handing/taking over of the charge before a civil servant is relieved from the current post on promotion, including Government property, files and records.”*
- ii. As per the section 6.1.2 of the 2022 Property Management Rule *an official holding government property shall be relieved from the accountability on his/her handing over of the items to the Procurement Officer, The Concerned official shall submit a No Due Certificate Form (PMR – 05) to the Procurement Officer before proceeding on extended leave of absence, transfer or retirement from the service.*
- iii. However, despite clear requirements in the BCSR and PMR 2022, it was noted that handing-taking system was not inadequate. The Human Resource section does not have documents to indicate that proper handing-taking are initiated amongst the outgoing and incoming officials. For instance, the audit could not obtain copies of handing-taking documents for the recent resignation of Budget Officer and Labour Officer, which hampered the audit in obtaining the data and files maintained by them. This indicates that the Thromde has no formalized system of ensuring proper handing-taking between the outgoing and incoming officials.

Thimphu Thromde in its response has accepted and agreed to strictly institute a strong system of handing/taking from the outgoing to incoming officials, as detailed in Appendix APPENDIX XLIV.

II. Budgeting and Financial Management System Thromde

1) Desolution of Finance Committee

- i. Pursuant to the Government's directives issued vide Cabinet letter No. C-3/10/63 dated 31st January 2019, the MoF had notified all the budgetary agencies including Thromde to institute a Finance Committee (FC) in the respective agencies with immediate effect vide its letter no. DNB/RULES/2018-2019/555 dated 9th April 2019. The purpose of the FC was/is to strengthen public financial management and promote financial thrift by enhancing efficiency and cost effectiveness in the use of public resources. FC as per the notification is mandated to review and endorse all matters pertaining to budgeting and accounting thereof.
- ii. Accordingly, Thimphu Thromde had instituted its FC and its first FC meeting was convened on 3rd October 2019, wherein additional and supplementary budget for various purposes were reviewed and endorsed in compliance to the notification of the MoF.
- iii. However, upon further inquiry on the functioning of the FC at Thimphu Thromde, it was learnt that the Finance Committee was dissolved (as on the date of audit) and no FC meetings were found convened since its first meeting.
- iv. On this, it was explained that since the Thromde Tshogde, being the highest decision-making body, is empowered and mandated to function similar to the Finance Committee. The section 63 of the 2009 LG Act on financial powers and functions of the Thromde Tshogde requires the council *"to review and approve the annual budget to be met from its resources and review and endorse budget proposals for submission to the Ministry of Finance for Royal Government funding where necessary."*
- v. Although it avoids duplication of work and resources, however, the committee members recommended for FC (for Thromdes) include the following:
 1. Executive Secretary, Chairman
 2. Chief Finance Officer, Member Secretary
 3. Chief Planning, Member
 4. Chief Engineer/Architect, Member
 5. Chief Education Officer, Member
- vi. On the other hand, the members of the Thromde Tshogde are as follows:
 1. Thrompon, Chairman
 2. Executive Secretary, Member Secretary
 3. Seven Thuemis/Tshogpas, Members
 4. Chiefs and others as Invitees
- vii. The roles and responsibilities required of the Finance Committees is very detailed as per the MoF's notification. Moreover, as per the section 6.1.3 of the 2020 Annual Grant Guidelines for Local Governments, it specifies that, *"the annual grants shall be apportioned by the respective Finance Committees and submit to Thromdes for endorsement."*
- viii. Thus, the constitution of the members of current committee taking up the role of Finance Committee is not as per the notification of the MoF.

Thimphu Thromde has agreed on the desolution Finance Committee since its Tshogde functions similar to the Finance Committee, as detailed in Appendix APPENDIX XLIV.

2) No Integrated Accounting System

There is no one integrated accounting system at Thimphu Thromde and uses multiple accounting system as follows:

- a) *e-PEMS (LC account)* that is primarily used for Education, Health Services, and all capital activities of Thimphu Thromde;
- b) *Tally ERP9 (CD account)* for the recurrent expenditures that are to be met from the internal revenue of Thromde;
- c) *Accounting and Revenue Management System (Revenue CD account)* that is used for collecting and accounting the revenue collected by Thimphu Thromde;
- d) *DrukPay* that is mainly used as the payroll system for the Thromde employees.

The RAA noted that the use of multiple accounting system render challenges of integrating financial information and no periodic reconciliations of the LC account with the Revenue Account and CD account was put in practice.

Thimphu Thromde has accepted and responded that Thromde is in the process of integrating its multiple systems, as detailed in Appendix APPENDIX XLIV.

3) Inadequate Public Consultation for Budgeting

- i. The 2012 Thromde Finance Policy, section 7 on the Budgeting and Budget Execution stipulates that, *“Thromdes shall ensure that budgeting process is participatory, comprehensive, and is consistent with the overall government plans and programs.”* Further, the Thromde Rule 2011 section 156 specifies that, *“Thromde shall give public notice stating that copies of the draft annual budget are available for inspection for at least seven working days after the publication of the notice at the office of Thromde.”*
- ii. On review of the consultation process for budget preparation, it was noted that the Finance Division issues office order to the Divisions to prepare their budget. At the same time, the council members also submit a public request (received as complaints/request) to the concerned Division to budget the activities.
- iii. In the preparatory stage, the council members reported that face-to-face consultation with the public is difficult. Hence, they make use of social media groups to garner public requirements. However, the social media consultation was reported to be ineffective due to a limited number of people responding them. Prior to the pandemic, the Tshogpas conducted *Zomdu* with registered voters and house owners. However, most of the registered voters were reported to be residing outside of Thimphu which hinders consultation with the actual house owners. These indicate that the consultation process is inadequate as well as ineffective for the Thromde. Therefore, the actual need of the public may not be captured in the budget.
- iv. By Thromde Rule 2011, the Thromde is required to give public notice stating that copies of the draft annual budget are available for inspection for at least 7 working days after the publication of the notice at the office of Thromde. Until now, such notice is not provided and the draft budgets are not made public for inspection. This further indicates that the Thromde may not have been able to consider the needs of the public in the budget. Thimphu Thromde indicated their unawareness on the requirement to serve public notice for inspection of draft budget.

Thimphu Thromde reasoned the practical difficulties especially for face-to-face consultations with the public. However, it was agreed that the Thromde will initiate more public consultations to the extent possible, as detailed in Appendix APPENDIX XLIV.

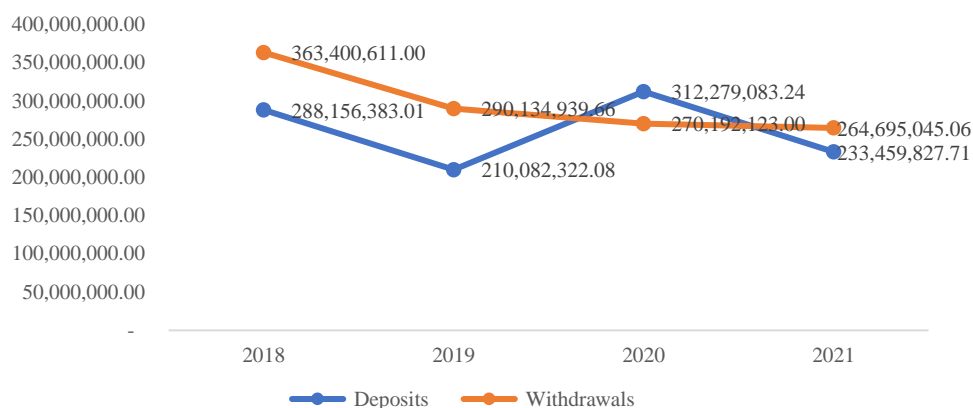
4) Closure of Fixed Deposit Account and Irregularities thereof in the Reserve Fund

- i. Thimphu Thromde had fixed deposit of Nu. 100,000,000.00 which had matured and found deposited into its revenue account along with interest amount of Nu. 6,321,955.24 as on 20th October 2020. On further discussion, the same deposit was found kept as General Reserve Fund by the Thimphu Thromde.
- ii. As per the MoF's Guidelines for General Reserve, "*reserves are usually set aside in order to meet ad-hoc unforeseen expenditure during the course of the year upon fulfilment of established criteria and formalities.*" However, the non-contingent expenditures were found met from the reserve fund by Thimphu Thromde over the years as shown in *Appendix VII*.
- iii. With the exception of the expenditures related to COVID-19 pandemic, the rest were of normal nature which had its own budget head/object code and were generally appropriated annually. Most of these budgeted expenditures were found incurred from the Reserve Fund when there were lack/insufficient budget balances. Their approvals were found either by:
 - a. Executive Secretary and/or Thrompon based on a note sheet; or
 - b. Approval in Management meetings; or
 - c. Endorsement by the Council.
- iv. This has resulted in frequent fluctuation of balances as detailed in the *Appendix VIII*. In absence of a Guidelines for the operation and management of the Reserve Fund, there are no set criteria and conditions for utilization of the reserve fund. These may have impending impact on the sustainability of the fund in the long run.

Thimphu Thromde has accepted and agreed to develop a proper SOP and Guidelines for General Reserves set aside for any future contingencies, as detailed in Appendix APPENDIX XLIV.

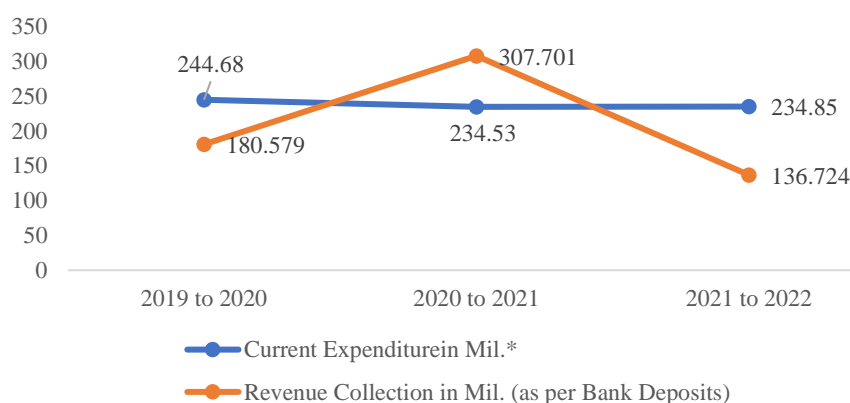
5) Financial Sustainability of Thimphu Thromde

- i. The 2012 Thromde Financial Policy, aligned with the Public Finance Act 2007, *requires Thromdes to have sound financial management practices that strive towards sustainability and self-reliance keeping within the principles of decentralization, economy, equity, efficiency, effectiveness, transparency and accountability.* However, the financial management practices as observed through following discrepancies were found not in keeping with the principles of financial sustainability.
- ii. The RAA had verified the bank statements of the revenue account of Thimphu Thromde for the last four financial years 2018 to 2021. On review, it was observed that withdrawals from revenue account was more than deposits to the extent of Nu. 35,818,116.00. The trends of withdrawals vis-à-vis the deposits in the last four years were as shown in the figure (details in the Appendix IX).

Figure 4: Trend Analysis of Withdrawals and Deposits from Revenue Account

Source: RAA's analysis from the revenue accounts of Thimphu Thromde

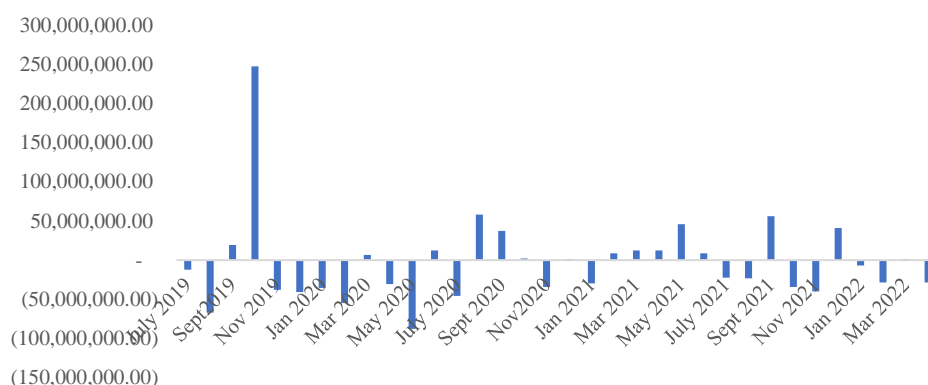
- iii. As per the section 6.2.1 of the 2012 Thromde Financial Policy, *Thromdes shall receive current grants to the extent of operating deficit for "own services". Such grants shall be phased out based on an agreement signed between the Ministry of Finance and the Thromdes, which shall include the timeline for phasing out the current grants.* There is no signed (formal) agreement between the MoF and the Thimphu Thromde for phasing out the grants.
- iv. However, on comparison, it was noted that the annual revenue collections were not sufficient to meet the current expenditure except for the one FY 2020-2021, as depicted in the Figure (details in *Appendix X*).

Figure 5: Trend Analysis of Revenue Collection Vs. Current Expenditure

Source: RAA's analysis from the revenue accounts of Thimphu Thromde

- v. The Thromde was not able to match up its current expenditure by its revenue to the extent of Nu. 89.06 million from 2019-20 to 2021-22. These excess expenditures were generally met from the savings and the matured fixed deposits retained as the Reserve Fund.
- vi. The funds were transferred from the Revenue and LC Accounts to the CD account and the expenditures were booked from the CD account. The RAA noted that during the period from 2019-20 to April 2022, there had been negative cash flow for 18 months out of the total 34 months as illustrated in the figures (details in *Appendix XI*).

Figure 6: Net Cash Flow



Source: RAA's analysis from the revenue accounts of Thimphu Thromde

- vii. There had been net outflow of funds amounting to Nu. 90,306,296.62 indicating depletion of the funds to that extent.
- viii. The RAA also noted unsustainable practice of raising revenue which which apparently do not support financial sustainability of Thromde. Some of these are as explained below:

The garbage collection and disposal services were outsourced to the following private firms on the agreed charges totalling to Nu. 20,607,480.00 for the FY 2020-2021, as detailed below:

Table 10: Revenue from garbage charges vs payment to service providers

Name of the Firm	Monthly Charges	Annual Charges
Clean City	445,290.00	5,343,480.00
Greener Way	782,100.00	9,385,200.00
Green Bhutan Services	489,900.00	5,878,800.00
TOTAL	1,717,290.00	20,607,480.00

Source: RAA's analysis from the revenue records of Thimphu Thromde

On its comparison with the revenue generated from the garbage collection for the FY 2020 to 2021, the RAA observed that a total Nu. 6,353,000.00 was generated from garbage collection services provided to the Thimphu residents. Therefore, annual expenditures incurred for garbage services are found almost 70% more than its annual revenue generation, indicating unsustainable approach in revenue generation.

Similarly for the street-lightings, for the last three FYs (as per the revenue report submitted to RAA), revenue from the street-light services were collected as amenities fees, as summarized below:

Table 11: Amenities fees collected by Thimphu Thromde over three FYs

FYs	Annual Amenities Fees Collected
2018 to 2019	3,119,032.00
2019 to 2020	6,331,302.00
2020 to 2021	4,969,452.00
Average Monthly Amenities Fees Collected	400,549.61

Source: Revenue records of Thimphu Thromde

As against the average monthly expenditure for streetlights of Nu. 707,780.96, collection of average amenities fees for streetlight amounted to only Nu. 400,549.61.

During the year 2019, the Thromde had hired water tanker from Phuntsholing Thromde from 1st January 2019 to 5th January 2019 and 24th January 2019 to 2th February 2019, and delivered (4000l +412,000l) litres of water to the residents. The RAA noted that the expenses incurred

for the water tanker services amounted to Nu. 122,163.67 against the revenue generation of only Nu.15,000.00.

- ix. Thus, based on some instances as above, the costing of services should be seen to support financial sustainability in terms of ensuring that revenue generated covers the cost in various areas of services.

Thimphu Thromde has accepted and assured to strive for self-sustainability in the future, as detailed in Appendix APPENDIX XLIV.

6) Mismanagement and Inadequacies in the Revenue, Administration and System

i. Short Deposit of Cash Revenue Collected Amounting to Nu. 7,118,044.23

The RAA verified the cash revenue collected (both system as well as manual collection) against the deposit slips from 2018-19 to April 2022 and noted short deposit of revenue of Nu. 7,118,044.23, as shown in the table below and as detailed in *Appendices XIIa, XIIb, XIIc and XIId*):

Table 12: Short deposit of revenue into Revenue Accounts (CD Account)

Year	Total Collections	Total Deposits	Short Deposits
2018-2019	104,290,358.21	104,145,507.00	144,851.21
2019-2020	104,281,393.00	101,475,259.00	2,806,134.00
2020-2021	74,508,186.49	72,857,472.00	1,650,714.48
2021-2022	83,608,402.53	251,634.53	2,516,344.53
Total Short Deposit in 4 years			7,118,044.23

Source: RAA's re-computation from the revenue records of Thimphu Thromde

Further, on physical verification of cash balances conducted on 22nd July 2022, there was a shortage of cash amounting to Nu. 872,493.00 as per physical cash verification. The countersigned physical cash verification report is reproduced in **Appendix XIII**.

The lapses had occurred mainly due to irregular deposit fuelled by inadequacies in monitoring and controls instituted for collection and deposit of revenues. The management reconfirmed the amount of shortages and is yet to take any action on individuals for restitution and sanctions.

The Thromde has accepted the short deposit of cash revenue totalling to Nu. 7,990,537.23, as detailed in the Appendix APPENDIX XLIV. Additionally, it was agreed that actions in line with the Rules for Administrative Disciplinary Actions 2022 of the RCSC to be taken against the concerned officials.

ii. Non-Reconciliation of Bank statement vis-a-vis Revenue Statement

The RAA noted differences in the amount of Bank Statements and Revenue Statements pertaining to various years as summarized in the Table below and detailed in *Appendices XIVa, XIVb, XIVc, XIVd*).

Table 13: Differences between Bank Statements and Revenue Statements

Types of Transactions	Discrepancies	Remarks
Cash Deposit	-10,649,867.99	Short-Accountal and Short-Deposit
Cheque Deposit	21,053,508.12	Short-Accountal
E-PAYMENT (PIs)	4,732,232.02	Short-Accountal
Online Payment	3,200,254.05	Short-Accountal
Scan and Pay	-387,842.90	Short-Deposit

Source: RAA's comparison of the two-statement produced to RAA

Although it is crucial to have periodic reconciliation of receipts and deposits, the RAA observed that this has never been a practice in the Thromde. The Thromde must ensure that the above discrepancies are sorted out and reconciled.

Thimphu Thromde has accepted and agreed to reconcile the differences noted between the Revenue vis-à-vis the Bank statement, as detailed in Appendix APPENDIX XLIV. Moreover, assurance to conduct periodical reconciliation was provided by the Thromde management.

iii. Delay in the Deposit of (Cash) Revenue into bank by up to 137 days and attracting 24% penal interest aggregating to Nu. 5,360,934.08

As per Revenue Manual 2019, *it is mandatory for the collecting agency to deposit the collected revenue the next working day, and in the case where Government dues are collected but not deposited within the stipulated time then a penal interest @ 24% per annum of the amount should be imposed and recovered from the dealing person of the concerned agency.*

On review of the cash revenues collected vis-à-vis its corresponding deposits for four financial years (July 2018-20th May 2022) the RAA noted that revenues were not deposited on the following working days by the dealing person. There had been delays ranging from seven to as high as 137 days with average delays of 24 days.

In line with the Revenue Manual's provision on the 24% p.a penal interest to be imposed against the dealing person for the late deposits, the RAA calculated the late fine (of 24% penal interest) aggregating to Nu. 5,360,934.08 recoverable from the dealing official as on 20th May 2022, as summarized in the table (details in *Appendices XVa, XVb, XVc and XVD*) below:

Table 14: Penal interest for delayed deposit

Sl. No.	Financial Year	24 % Penalty Amount (Nu.)
1	2018-19	1,535,658.46
2	2019-20	1,755,048.88
3	2020-21	1,043,091.24
4	2021-22	1,027,135.50
Total Amount		5,360,934.08

Source: RAA's computation from revenue reports

The Thimphu Thromde should recover the penalty amount of Nu. 5,360,934.08 from the dealing official and deposit it into Audit Recoveries Account besides instituting appropriate control measures to prevent such delays in deposits of cash revenue.

Thimphu Thromde has accepted and agreed to institute proper controls ensuring timely deposits of revenue collected. However, regarding the 24% penalty amount of Nu. 5,360,934.08 million a waiver-request was made by the Thromde, as detailed in Appendix APPENDIX XLIV.

iv. Inadequacies in Maintenance of Money Receipts

The revenue Manual 2019 requires to “*maintenance of proper Revenue Money Receipts' stock register and immediate updation of the money receipt stock in the register after printing, receiving and issuing the receipts.*” It further states that, “*receipt books should be serially used on the authorization of the supervisor and the same indicated in the stock register.*” The RAA noted the following discrepancies:

a. Incomplete Record of Manual Revenue Receipts

The RAA noted that the Thromde had not maintained complete stock register having proper records of printed, received and issued manual receipts. The verification of the stock register made available to the RAA showed only 130 receipts books in the records which is summarized in the table below:

Table 15: manual revenue receipts records

SL. No	Receipts Books Issued to	No of Books issued
1	Revenue section	71
2	Jigme Dorji Wangchuck National Public Library	26
3	Water Section	22
4	Unused	11
Total Receipts Books in records furnished to the RAA		130

Source: Procurement section, Thimphu Thromde

The stock register does not show any references to any good receipt notes or goods issue notes for receipt and issue of receipt books and does not reflect the details of the issuer and/or receiver of the money receipts. The stock register maintained at the Thimphu Thromde made available to the RAA is shown in the figure below:

Figure 7: Stock register showing the records of manual revenue receipts

S/No	Receipt No.	Issue Date	Issue To	Remarks
1.	115401-115500	20/6/17	Revenue	1155
2.	115501-115600	4/7/17	"	1156
3.	115601-115700	19/7/17	"	1157
4.	115701-115800	1/8/17	"	1158
5.	115801-115900	17/8/17	"	1159
6.	115901-116000	1/9/17	"	1160
7.	116001-116100	12/9/17	"	1161
8.	116101-116200	3/10/17	"	1162
9.	116201-116300	19/10/17	"	1163
10.	116301-116400	30/10/17	"	1164
11.	116401-116500	13/11/17	"	1165
12.	116501-116600	29/11/17	"	1166
13.	116601-116700	18/12/17	"	1167
14.	116701-116800	5/1/18	"	1168
15.	116801-116900	26/1/18	"	1169
16.	116901-117000	12/2/18	"	1170
17.	117001-117100	5/3/18	"	1171
18.	117101-117200	14/3/18	"	1172
19.	117201-117300	27/3/18	"	1173

Source: Manual stock register maintained by Thimphu Thromde

As shown in the above figures, the stock register furnished to the RAA was not in the proper format as required by the Revenue Manual 2019 (in Annexure II of the manual), illustrated in the figure below:

RMR (Manual) Stock Register

Date	Received From	Issued To	Book Number		Page Number		Number of Books	Issuing Officials Name & Signature	Receiving Officials Name & Signature	Remarks
			From	To	From	To				

Upon further inquiries and verification, the RAA observed that from the Thimphu Thromde's Internal Audit's record that 280 revenue receipt booklets were issued to Customer Service Division on 07/06/2016 through a Good Issue Note against the requisition No. 64 submitted on 27/05/2016 by Ms. Jigme Zangmo of Billing Unit. It was explained that the records of those 280 booklets were in the old stock register which was not made available for verification to the RAA despite repeated

request. The stock register furnished to the RAA (for 130 money receipt booklets) did not have any records of these old stock balances being carried forward, as generally required. Therefore, it is inconclusive whether the stock register furnished to the RAA for 130 booklets was the balance of those 280 booklets or totally different booklets printed. Moreover, the Internal Audits records did not have the booklet numbers and money receipts' page numbers.

It was also noted that the subsidiary recipients (Revenue Counter, JDWPL, Water Section) did not have the stock register maintained at their level. The revenue collected by the JWDPL and Water Section is submitted to the revenue counter, and the receipt of cash or cheque from these two Sections is acknowledged through issuance of another receipt by the revenue counter. Further, the RAA could not get the records on how such used receipt were recorded and reported to the concerned authority in Thimphu Thromde to ensure that the used receipt was used diligently. In absence of the proper complete records regarding the manual receipt printed, received, issued and used, a comprehensive validation of the revenue collected by Thromde Administration was not possible.

b. System Money Receipt Numbers Not Generated Serially

The RAA reviewed the e-receipt generated from the Revenue Management System (RMS) and found that the receipt numbers were not generated chronologically. The system used the format “TT/Tax Paid Year/Number” for the receipt number, but the “Number” portion was not generated in a serial order. For example, the receipt numbers jumped from TT/2019/153527 to TT/2019/154491 for the 2018-19 Financial Year and the missing serial number TT/2019/153528 was found to have been generated in the following Financial Year, 2019-20 as shown in the figure 8.

On enquiry, RAA found that this occurs when payments by customer do not get updated in the system immediately but after a certain gap. This could be a serious flaw in the system and may potentially allow manipulation. The RAA was informed that these issues were resolved in the current system, the Asset and Revenue Management System (ARMS), however, upon review, the RAA found that the receipt numbers generated by the ARMS were still not sequential and about 17,008 numbers were missing, as detailed in Appendix XVI.

Thimphu Thromde has accepted and stated that the necessary correction in the system has been made, as detailed in the Appendix APPENDIX XLIV.

Figure 8: evidence of system money receipt not generated serially in ARMS

ReceiptID	ReceiptNo	PaymentModeName	PaymentDate	PaymentAmount	ReceiptID	ReceiptNo	PaymentModeName	PaymentDate	Month	PaymentAn
153521	TT/2019/153521	Online Payment	30/06/2019	235	153528	TT/2019/153528	Cash	01/07/2019	July	
153523	TT/2019/153523	Online Payment	30/06/2019	96	153529	TT/2019/153529	Cash	01/07/2019	July	
153525	TT/2019/153525	Online Payment	30/06/2019	66	153530	TT/2019/153530	Cash	01/07/2019	July	
153527	TT/2019/153527	Online Payment	30/06/2019	447	153531	TT/2019/153531	Cash	01/07/2019	July	
154491	TT/2019/154491	Online Payment	27/05/2019	158810	153532	TT/2019/153532	Cash	01/07/2019	July	
154495	TT/2019/154495	Online Payment	25/06/2019	65633	153533	TT/2019/153533	Cash	01/07/2019	July	
155933	TT/2019/155933	Online Payment			153534	TT/2019/153534	Cash	01/07/2019	July	
155934	TT/2019/155934	Online Payment			153535	TT/2019/153535	Cash	01/07/2019	July	
155936	TT/2019/155936	Online Payment			153536	TT/2019/153536	Cash	01/07/2019	July	
155937	TT/2019/155937	Online Payment						01/07/2019	July	
155938	TT/2019/155938	Online Payment						01/07/2019	July	
9295020	TT/2020/9295020	Cash						01/07/2019	July	
					153548	TT/2019/153548	Cash	01/07/2019	July	

Green Box: The receipt number not generated chronologically.
Red Box: The receipt number (from middle) starting in the next financial year

Source: Asset and Revenue Management System of Thimphu Thromde

v. Inadequacies in Accounting and Reporting of Revenue

The 2012 Thromde Financial Policy requires the Thromde to submit annual reports to Thromde Tshogde which shall include among others, the Annual Financial Statement of the preceding year comprising of all funds received including revenue, income and subsidies, loans and grants, expenditure incurred along with advances. With regard to the revenue reports reported annually, the RAA noted the following observation:

a) Difference in Revenue Reports due to lack of Clear Revenue Reporting Framework

The RAA, upon inquiry about the annual revenue reports, was provided with the monthly revenue reports submitted to the Thimphu Thromde Finance Section and the yearly revenue reports submitted to the Thromde management. The revenue status for the fiscal year 2020-2021, as accounted through the system receipts and manual receipts, is shown in the table below:

Table 16: Revenue accounted through the system receipts and manual receipts

THIMPHU THROMDE					
REVENUE SECTION					
CD Account No. 100902346					
Overall Revenue collection, month-wise					
Month	Property Tax From System	Water From System	System Total (A)	Manual Receipt (B)	Grand Total (A+B)
Jul-20	10,042,922.00	5,149,570.00	15,192,492.00	2,131,829.00	17,324,321.00
Aug-20	1,389,545.00	3,347,812.00	4,737,357.00	217,773.00	4,955,130.00
Sep-20	6,010,100.00	7,335,064.00	13,345,164.00	465,994.50	13,811,158.50
Oct-20	6,716,098.00	6,556,761.00	13,272,859.00	1,075,690.00	14,348,549.00
Nov-20	15,914,854.00	5,985,441.00	21,900,295.00	916,249.49	22,816,544.49
Dec-20	13,145,973.00	3,158,606.00	16,304,579.00	1,613,713.00	17,918,292.00
Jan-21	1,187,725.00	1,723,203.00	2,910,928.00	-	2,910,928.00
Feb-21	17,715,802.00	6,747,321.00	24,463,123.00	1,918,441.00	26,381,564.00
Mar-21	10,305,219.00	7,164,902.00	17,470,121.00	1,119,439.00	18,589,560.00
Apr-21	7,420,373.00	5,715,719.00	13,136,092.00	1,708,549.50	14,844,641.50
May-21	9,216,492.00	6,271,369.00	15,487,861.00	1,089,740.00	16,577,601.00
Jun-21	9,118,697.00	5,465,154.00	14,583,851.00	1,126,239.00	15,710,090.00
Total	108,183,800.00	64,620,922.00	172,804,722.00	13,383,657.49	186,188,379.49

Source: Revenue Report submitted by Thimphu Thromde

As seen from the table above, the total collection amounted to Nu. 186,188,379.49 for the FY 2020-2021.

However, on its cross-verification with the head-wise (by revenue source) revenue reports prepared by the revenue section, it was revealed that the revenue totalling to Nu. 186,278,602.79 was collected and reported for the FY 2020-2021 as shown in the table below:

Table 17: Revenue collected and reported by source for the FY 2020-2021

Thimphu Thromde				
Year-end Head-wise Collection				
From July 2020 to June 2021				
Sl. No	Revenue Head	Manual Progressive Total (A)	Systems Progressive Total (B)	Total Collection (A+B)
1	Land Tax	699,248.00	23,759,177.00	24,458,425.00

2	Urban House Tax	17,405.00	3,291,628.00	3,309,033.00
3	Amenities Service Charge	21,098.00	4,948,354.00	4,969,452.00
4	Under-development Fees	169,538.00	1,390,365.00	1,559,903.00
5	Fines & Penalties	766,984.00	1,065,850.00	1,832,834.00
6	Cost of Excess Land	0.00		0.00
7	Land lease rent (short term)	352,124.50	1,907,306.00	2,259,430.50
8	House Rent	109,528.00	5,516,849.00	5,626,377.00
9	Ground Rent	366,095.00	2,345,627.00	2,711,722.00
10	DOCUMENTS FEES			0.00
a	Occupancy Fees	0.00	247,950.00	247,950.00
b	Building Plan Fees	0.00	11,200.00	11,200.00
c	Lagthram Fee	120,600.00	59,550.00	180,150.00
d	Land Trans/Registration Fees	380,140.00	11,000.00	391,140.00
e	Environment Clearance	171,722.00	-	171,722.00
11	Parking fees	105000.00	4,704,909.00	4,809,909.00
12	Library Fees	21,700.00	-	21,700.00
13	Building Plan fess (Scrutiny fees)	2,095,492.00	2,149,068.00	4,244,560.00
14	3% Property Transfer Tax	2,703,160.50	46,688,534.00	49,391,694.50
15	Sub-division fees	7,275.00	-	7,275.00
16	Demarcation Fee	39,500.00	260,000.00	299,500.00
17	Long Term Lease	2,103,069.00	4,607,664.00	6,710,733.00
18	CPLC (Cash Payment in lieu of Land Contribution)	2,529,150.49	-	2,529,150.49
19	Security Deposit	609,047.00	-	609,047.00
20	Sale of tender documents	0.00	-	0.00
21	Water & Sewerage Charges	0.00	61,567,960.30	61,567,960.30
22	Garbage Collection charges	0.00	6,353,072.00	6,353,072.00
23	Water connection charges-Permanent	0.00	293,806.00	293,806.00
24	Water connection charges- Temporary	0.00	33,075.00	33,075.00
25	Sewerage Connection charges – Permanent	0.00	186,325.00	186,325.00
26	Services Charges-Vacuum Tanker	0.00	302,479.00	302,479.00
27	Security Deposit/Water meter Cost	0.00	99,285.00	99,285.00
28	Water connection charges-Water line shifting	0.00	4,500.00	4,500.00
29	Water re-connection charges	0.00	24,000.00	24,000.00
30	Water connection charges-Chamber shifting	0.00	1,061,193.00	1,061,193.00
31	Auction	0.00	-	0.00
	Total collection from July 2020-June 2021	13,387,876.49	172,890,726.30	186,278,602.79

Source: Revenue Report submitted by Thimphu Thromde

Therefore, the RAA noted difference in the revenue reported between the two reports by Nu. 90,223.30. Same differences were also observed in the earlier FYs 2018-2020, as detailed in the table below:

Table 18: difference in the revenue reported between the two reports

Year	Revenue Report (Month wise)	Revenue Report (Head-wise)	Difference (Nu.)
2018-2019	236,723,740.28	228,878,146.28	7,845,594.00
2019-2020	231,884,472.83	229,320,161.53	2,564,311.30
2020-2021	186,188,379.49	186,278,602.79	-90,223.30

Source: Comparative analysis performed by RAA

Logically, the total annual revenue collected and reported should match. However, the RAA was unable to trace the source of differences in the revenue reported by the Thimphu Thromde because the trail for summarizing the revenue collection was not maintained. Additionally, due to the lack of clear reporting framework requirements, the Thimphu Thromde does not have a minimum reporting requirement for revenue collected. Furthermore, the revenue reports, which were prepared based on the revenue collected through the system and manual receipts at the revenue counter, were never reconciled and validated against bank statements.

b) No year-end closing of Revenue Account

The FRR 2016 states “*the fiscal year for accounting of financial transactions of the Government shall begin on 1st July every year and close on 30th June next year.*” In contrary to the stipulations, the revenue account of the Thimphu Thromde administration is never closed on 30th June of the Financial Year to accurately report its financial position.

The RAA found that all revenue collected for a particular period was not deposited at the end of the year closing. Thromde has a system of allowing deposits of collection relating to past Financial Year in the current Financial Year, which further complicates the process of revenue reporting and reconciliation. Thus, Thromde does not have a system of periodical reporting of revenues.

c) No proper handing taking of daily revenue collected by the Revenue Collectors to the Revenue In-Charge

The designated Revenue Collectors at Revenue Counters submit the daily revenue collection report called “Individual Receipt wise collection details” from both RMS and ARMS to the Revenue In-charge along with the details of manual money receipts. On review of the process, RAA noted inadequacies in controls in terms of proper acknowledgement by the revenue in-charge resulting in diffusion of responsibility and accountability.

The RAA also noted instances of missing revenue reports submitted by the Collectors to the In-charge, which were later traced manually. The same missing revenue reports were found not accounted in the daily Deposit Statement maintained in Excel Sheet maintained by the In-charge.

d) Lack of Monitoring and Supervision

The RAA found that the numerous revenue lapses noted above were mainly due to a lack of supervision and monitoring from various levels of management. The RAA observed that there was no monitoring and supervision by Senior Managers in revenue collection, deposit, and reporting. The involvement of people in management category, would have ensured effectiveness of controls in revenue collections and deposits.

Thimphu Thromde has accepted the issues except for the year-end closing requirement, as detailed in the Appendix APPENDIX XLIV.

vi. Deficiencies in the Accounting Process of Revenue

Thromde Finance Policy, Bhutan, 2012 requires Thromde to record and account revenue as per the Thromde Revenue Manual. Further, it also states that the Books of accounts shall be maintained as per Thromde Accounting Manual (TAM) that is based on the Accounting and Auditing Standards Board of Bhutan which equires preparation of monthly accounts and Annual Financial Statements (AFS). The current TAM was developed under Bhutan Second Urban Development Project (BUDP

II) undertaken by MoWHS funded by World Bank IDA Credit Project. With regard to the accounting process of revenue in Thimphu Thromde, following deficiencies were observed:

a) Accounting of Revenue not as per Thromde Accounting Manual

The TAM specifies that in order to meet the objectives of Thromde, the financial statements of Thromdes shall be prepared on the accrual basis of accounting that adheres to the revenue recognition, matching, and going concern principles. On contrary, the Thromde prepares the revenue statement on cash basis of accounting. RAA found that the revenue statement is prepared on the cash basis of accounting.

Thus, the revenue accounting of Thromde is not accordance with its own Accounting Manual.

Thimphu Thromde has justified that the accounting of revenue on accrual basis is not feasible so long Thromde is not self-sustainable and is partially funded by RGoB, as detailed in Appendix APPENDIX XLIV.

b) No Thromde Revenue Manual despite the Requirement

While the 2012 TFP requires Thromde to record and account revenue as per the Thromde Revenue Manual, there was no Thromde Revenue Manual. In absence of the same, there were no proper guidelines for collection, deposit and accounting of revenue.

It was justified that the Thimphu Thromde has their Revenue Administration Manual, and was assured that the manual will be implemented, as detailed in Appendix APPENDIX XLIV.

c) No Consolidation of revenue collected and submitted by Sections

As it can be seen from earlier observation (under money receipt booklets), wherein money receipt booklets were issued to other Sections including JDWPL and Water Section. JDWPL collects the revenue from its annual library membership fees while the Water Section collects revenue from hiring out of vacuum tanker and water tanker. JDWPL and the Water Section accordingly issue the money receipt from the receipt booklets provided to them. The collected amount is then deposited/submitted to the Revenue Counter (Revenue In-charge) Upon receipt of the same, the Revenue Counter then issues another receipt from the money receipt booklets used by them to JDWPL and Water section. Since there were no records maintained, the RAA could not get access to the subsidiary receipt records maintained at JDWPL and Water Section to verify the completeness and the accuracy of the revenue deposited/submitted by JDWPL and Water Section to the Revenue Counter. Therefore, the RAA could not ascertain and conclude whether all revenue monies collected at JDWPL and Water Section were accounted for and deposited accurately. Moreover, there was no supporting statements submitted by the two Section.

It was justified that the Thromde has done away with the issuance of money receipts to JDWPL since August 2021 and JDWPL now has their separate receipts. As for Water Section, it was justified that only two receipt booklets were issued, as detailed in Appendix APPENDIX XLIV.

vii. Inadequacies in the IT Systems for Revenue Accounting (RMS and ARMS)

The Ministry of Works and Human Settlement (MoWHS) had undertaken the development of the Revenue Management System to strengthen revenue administration with financial support from World Bank under BUDP-II. RMS covers the applicable sources of revenue from the Water section and Property Section.

The system analysis and design were carried out in 2010 by Deloitte India; a consulting firm in Partnership with local IT consulting firm 'iTechnologies' that took over the development, implementation and maintenance starting from 2013 onwards in Thimphu and Phuntsholing Thromdes. The cost of analysis and design, development and Implementation, and maintenance for RMS and DAR was Nu. 24,957,070.13. RMS was partially implemented since 2015 and was found fully implemented since 2017. Having incurred huge investment in developing, implementing and maintaining the RMS system, the RAA noted that RMS were not functioning properly as required and was replaced by new system called '**Asset and Revenue Management system**' since FY2021-2022. Review of these revenue systems revealed the following deficiencies:

a) Inconsistent amounts in different types of reports from RMS

Out of the four financial years under review by the RAA, three financial years from 2018-19 to 2020-21 were collected through RMS and the collection for 2021-22 was done through the ARMS. On review of the reports generated from the RMS system, the RAA observed inconsistencies in the information on revenue collected, as detailed in the table below:

Table 19: Inconsistent amounts in different types of reports from RMS

Sl. No	Types of Report	Amount Depicted (in Nu.)
1	Yearly Head wise Demand Collection Report	174,539,480.00
2	Daily Demand Collection Report.	179,966,809.00
3	Daily Receipt wise Collection Report.	144,550,295.00
4	Daily Head Wise Demand Collection Report	179,743,897.00
5	Consolidated Collections and Deposits for the financial year 2020-2021	306,451,878.15
6	Summary of Revenue Collections and Deposit for the Month of June (progressive)	87,697,697.39

Source: Comparative analysis by RAA based on the report submitted by Thimphu Thromde

The table above shows inconsistent revenue amounts in the six reports generated by the RMS system for Thimphu Thromde's revenue collection since 2015, raising question on reliability of the information.

b) Varying Revenue Amount in different types of Reports in ARMS

Similarly, RAA noted inconsistencies in the revenue amount in the three types of reports generated (from 01.07.2021 to 30.04.2022) from the ARMS, as shown in the table below:

Table 20: inconsistencies in the revenue amount in the three types of reports for 10 months

Sl. No.	Report Name	Total Amount Collected
1	Daily Receipt wise collection	171,348,122.24
2	Daily Payment Mode Wise Demand Collection	171,348,122.24
3	Daily Minor Head Wise Collection Report	171,520,112.02

Source: Comparative analysis based on revenue report by RAA

As apparent from the table above, the reports showing the daily Receipt wise collection and Daily Payment mode wise demand collection shows the same revenue collected figure. However, the figures under Daily Minor Head wise collection report is different as in the table.

c) Differences noted between Two Database Tables in ARMS

The ARMS database stores the details of payment made in the two tables in its database. Database table name 'Ledger' stores the details of the payment made against the respective revenue (source) head. While the database table name 'Payment Ledger' stores the details of the payment made. The

RAA took raw data from both these tables in order to compare the amount of payment reflected against the receipt number. It was found that the amount accounted in the database table 'Ledger (by source)' was more than amount accounted in 'Payment Ledger (by payment mode)' by Nu. 332,570.77, as summarized in the table (detailed in the *Appendix XVII*) below:

Table 21: Data inconsistencies between two ledgers

Sl. No	Ledgers	Total Amount
1	Payment Ledger (A)	188,943,653.00
2	Ledger (B)	189,276,223.77
Difference (B-C)		332,570.77

Source: Comparative analysis by RAA based on revenue ledger report

Such differences need to be rectified and ensure that correct amount is stored in the respective database tables.

d) Mis-match between Individual-wise Collection Report Printed on Different Dates

Scrutiny of daily individual wise collection reports revealed that a total revenue of Nu. 255,533.00 was submitted by one of the Revenue Collectors Mr. Jigme Namgyal as per the Individual Collection Report printed on 13/12/2021. The RAA in order to confirm its accuracy, printed the same individual collection report during the audit and found that the revenue collected by Mr. Jigme Namgyal for that particular date totalled Nu. 492,230.00. Therefore, the same Individual Collection Report printed on different dates showed difference of Nu. 236,697.00

The difference was due to the fact that the reports generated earlier did not reflect the collection against six money receipts. The RAA could not ascertain the reasons for varying figures in the two reports pertaining to same period.

Thimphu Thromde responded that the differences were due to undefined source of revenue. The amount reflected in the payment ledger was justified as the correct figure, and Thromde assured to define the revenue heads, as provided in Appendix APPENDIX XLIV.

e) A single Common Login Credentials generated

Review of the daily individual wise reports revealed that a login credential labelled '**Water Payment Collection**' was created to facilitate the collection of water bills by other officials besides the designated revenue collectors during his/her absence. The RAA noted that numerous Thromde officials including the those on Muster-roll used this credential to login, creating a risk of accountability issues.

Thromde justified that the common login credentials has been deactivated.

f) No provision to create the Deposit challan from the system

While ARMS has the feature for processing of collection and accounting of revenue, it does not have feature to automatically prepare deposit slips for depositing the revenue in the bank. Preparation of deposit slips needs to be done manually by adding up individual collections. This potentially poses risks of errors and non accountal of revenue.

Thromde responded that the function will be developed as per the requirement by Revenue In-charge/CFO and template for the same is being worked out.

viii. Usage of Non-Revenue Receipts in contravention to FRR, 2016

FRR 2016 specifies that, "*the non-revenue receipts and deposits as non -revenue moneys received other than non-refundable deposits.*" Further it also states that, "*this account shall be utilised by*

the Budgetary Bodies to deposit any amount received by them in reimbursement of expenditure already incurred or as an advance towards expenditure to be incurred on behalf of the payer or for deposits of refunds of GIS, GPF, BST, funds for deposit works, etc. All budgetary agencies shall use system generated Non-Revenue Money Receipts and not the printed receipts. The Ministry of Finance shall not be responsible for printing and supply of the printed Non-Revenue Receipt Books to any agencies."

Following the clause mentioned in FRR 2016, the MOF through its notification number DPA/PEMS-CS/2017-2018/732 dated October 30, notified all budgetary bodies operating Current Deposits (CD) Accounts authorized by MoF to print and use their own "Money Receipt" (Instead of Non-Revenue Receipt) with immediate effect.

The RAA observed that Thimphu Thromde continues to use Non-Revenue Receipts issued by Ministry of Finance. The scrutiny of usage of such Non-Revenue Money Receipts, the RAA observed the following issues:

a) Improper Maintenance of stock Register for the Non-revenue Money Receipts

On verification, RAA noted that the register was not maintained in the standard format. The stock register lacked details such as date of receipt, issuance and the names of issuers and receivers.

Figure 9: Stock register maintained by Thromde

Due to lack of proper documentation, the RAA was not able to identify officials responsible for its custody and hence, there is a need for Thromde to clearly assign the responsibilities to ensure proper management and custody of Non-Revenue Receipts Books.

Thromde responded that proper stock register of non-revenue receipts shall be printed and maintained henceforth.

Source: Manual Stock Register of Thimphu Thromde

b) No records maintained for the amount collected against Non-Revenue Receipts

The RAA noted that Thromde had not maintained the records of non-revenue receipt wise collection. As per the statement requested by RAA, a total of Nu. 41,912,414.10 was collected by Accounts Sections, JDWPL and Environment Section as summarized in the table below:

Table 22: non-availability of records for non-revenue receipt wise collection

Sl. No	Sections	Total
1	Accounts	39,552,414.10
2	Environment	2,014,000.00
3	JDWPL	346,000.00
Grand Total		41,912,414.10

Source: Summarized by RAA from non-revenue report

The main sources of collections were Accounts Section, Environment Section and JDWPL. The environment section collected money for renting out stalls during Thimphu Tshechu and JDWPL for membership security deposits, while the Accounts sections collected fines and penalty imposed by the revenue section as well as security deposit for various purposes.

The RAA could not trace the collection to respective heads due to lack of proper records and also without trail of where money was deposited and utilized.

It was justified that there is no requirement for consolidation for the reasons detailed in Appendix APPENDIX XLIV. However, records of the non-revenue receipts and their collection by the Accounts, JDWPL and Environment Section was submitted to the RAA.

ix. No proper trail of records maintained for fines and penalties imposed vis-a-vis the fines and penalty collected

Thimphu Thromde through Environment Division imposed fines and penalties to the defaulters on illegal dumping and littering of waste through issuance of infringement notice. The fines and penalties are collected by the Accounts section through issuance of non-revenue receipts. The inspectors are paid 50% of the total fine imposed and collected and other half is deposited with Revenue Counter for which non-revenue receipt is issued. The RAA could not compare the fines and penalties demanded as per infringement notice and actual collection as per the receipts issued due to following reasons:

- i. The Environment Division does not maintain the stock and reconciliation of infringement notices issued against defaulters. As such, the RAA could not confirm how many infringement notices were issued and fines and penalties demanded by the respective inspectors.
- ii. The information on infringement notice issued to the defaulters were not communicated to the collecting points rendering difficulty in tracing fines and penalty dues.

The Thimphu Thromde administration should have proper controls to ensure that amount of fines and penalties raised through infringement notices are collected and accounted for.

Thimphu Thromde assured to maintain a stock register and intimate to the Accounts Section on the fines collected by submitting a copy of fine imposed.

III. Land Tax Revenue and its Management System

The levy of Land Taxes to the property owners are based on the size of land holdings. The ARMS contains data of land holdings which are fed to the Land Record and Survey Division, Thimphu Thromde based on data of e-SAKOR maintained by National Land Commission Secretariat. The taxes are applied based on the Proportionate Land Rights (PLR) against land owners. On review, the RAA noted the following:

1) Mis-match of Land Details in e-Sakor of NLCS vis-à-vis the TT's System

The RAA compared data of land based on the report generated from e-Sakor and ARMS ownership details. Comparative study revealed the following discrepancies:

- i. There was a mismatch of datas on plots as per database provided by NLCS and information as per ARMS. The NLCS record showed total 7,023 plots under Thimphu Thromde whereas the information as per ARMS showed 6,964 plots. The details of mismatch in data were as detailed in Appendix XVIII.a and XVIII.b.

- ii. RAA also noted inconsistencies in the net plot size reflected in the e-SAKOR and ARMS pertaining to 543 records as shown in Appendix XIX(a) & XIX(b). The net plot size in the ARMS exceeded the net area as per e-SAKOR. There were also four records showing negative PLR and 13 records showing zero PLR as shown in Appendix XIX(c).
- iii. Based on the few cases, the RAA noted double imposition of taxes from the same plots which were under joint ownership, and less collection due to less PLR as shown in Appendix XX. These were due to inconsistent data between e-SAKOR and ARMS.
- iv. The RAA noted that data of plots by precincts in e-SAKOR and ARMS are not consistent. As per ARMS, precincts are classified into 27 categories whereas, e-SAKOR contains 52 classifications. The total area as per ARMS showed 164,451,097.45 sq.ft and e-SAKOR showed 145,559,870.00 sq.ft resulting in difference of 18,891,227.45 sq.ft between the two. The difference in data is briefly highlighted in Appendix XXI(a) and XXI(b).

Thromde responded that the integration of ARMS and e-Sakor shall be completed by the end of 2022. They also justified that the validation checks on the total acreage of land and proportionate land right has been implemented, as detailed in the Appendix APPENDIX XLIV.

2) Deficiencies in administration of default cases

As per Section 311 of the Land Act of Bhutan, 2007, “*all the registered lands are subject to land tax from the day they are registered in the Thram with an exception of land maintained as ‘Crown Properties’ and, it is the responsibility of a Thram Holder to ensure timely payment of land tax as per the rates prescribed by the government.*” Review of the system for administration of default cases showed following deficiencies:

- i. The RAA noted cases of outstanding land taxes from some land owners since 2015 as shown in the table below:

Table 23: Outstanding land taxes from some land owners since 2015

Last Tax Paid Year	Tax Payer Type		Total Defaulters
	Count of Defaulters (Individual)	Count of Defaulters (Organizational)	
0	60	14	74
2015	1		1
2016	48		48
2017	64	31	95
2018	95	14	109
2019	182	16	198
2020	581	75	656
2021	24	1	25
2022	15	1	16
Grand Total	1070	152	1222

Source: Land tax default list generated from land tax collection by RAA

- ii. Clause 475 of the Land Rules and Regulations entrusts responsibility of Gup/Thromde to initiate specific actions by way of fines equivalent to applicable taxes for default upto three years beyond which the annulment can be initiated. The Thromde is yet to invoke the provision of the Land Rules and Regulations for those default cases beyond three years.
- iii. Further review of the default report generated from the ARMS showed that of the 1222 default cases, the status of tax payment reflected as “zero” in respect of 74 land owners. Besides, the

plot numbers of the land owned by them were not specified under the field. The details of such defaulters are provided in *Appendix XXIa*.

- iv. The list also included 16 land owners as detailed in *Appendix XXIIb* against which the tax last paid was reflected as current year, 2022 which if so, these individuals should not have featured in the list of defaulters. Besides, the Defaulter Property list/Report does not specify outstanding amount against the land owners.
- v. The analysis of defaulters list based on the data provided in the ownership table specifically the “last tax paid year” and joining with land details master data, it was noted that 7090 plots were mapped against 9520 owners of which 1399 had zero PLR indicating transfer of ownership. Thus, only 8,121 owners were mapped against 6927 plots. The summary of these plots based on the last tax paid year, showing the tax defaulters are as provided in the table below:

Table 24: Outstanding land taxes from some land owners

Last Tax Year Paid	Sum of PLR (Sq.ft)	No of defaulting Tax Payer	Cumulative Defaulters
2015	1,724.40	1	1
2016	374,006.90	39	40
2017	728,892.12	83	123
2018	2,521,165.10	97	220
2019	1,904,896.2	185	405
2020	9,826,906.78	620	1025
2021	78,450,812.05	5533	6558
2022	4,287,671.61	519	
(blank)	107.7	2	
NULL	33,606,642.92	1042	
Total	13,1702,825.8	8121	

Source: Land tax default list generated from land tax collection

- vi. As shown in the above table, there were cases where the status of “Last Tax Paid Year” was shown as either blank or “NULL” pertaining to two and 1042 land owners respectively. Thus, the correctness of the information of defaulters determined based on “Last Tax Paid Year” would be questionable.

Thromde responded that the discrepancies in tax (land) defaulters report had occurred mainly due to non-updation of land transactions by the respective Land record officials, and stated that the data correction and validation is initiated, as detailed in Appendix APPENDIX XLIV.

3) Inconsistencies in the data in ARMS

- i. The RAA noted inconsistencies in specification of Demkhongs against various plots in the ARMS database. For instance, 173 plots were yet to be designated Demkhong by having a record as “to be updated” in the “Demkhong” field.
- ii. The Land Use Certificate (LUC) is the new allotment system of land and a new title of land tenure commenced since 2015 which is meant to be issued to government institutions, Dratshang, beneficiaries under the National Rehabilitation Project, and the unemployed youth groups who take up commercial farming. On the review, RAA noted few instances of LUC being issued to the individuals for residential purpose as shown in the table below:

Table 25: LUC being issued to the individuals for residential purpose

Land ID	LAP Name	Land Type	Property Type	Plot No.	Land acreage	Plot Address	Thram No.
3476	Lungtenphu LAP	Residential	Land Use Certificate	LT1-441	82,462.00	1A (SIMTOKHA LAM)	857

100374	Yangchenphu	Residential	Land Use Certificate	YC1-210	5,663.00	Yangchenphu	LUC no.6672
100508	Lungtenphu LAP	Residential	Land Use Certificate	LT1-914	10,890.00	Lungtenphu	6675
100770	Chang Khorlo	Residential	Land Use Certificate	kh1-136	4,356.00	Debum Lam	6996

Source: Derived from registered land record data of e-Sakor and ARMS by RAA

- iii. It was noted that wrong codes were assigned to 134 plots in deviation to 22 codes prescribed by NLCS as detailed in Appendix XXII.
- iv. There were also cases of duplicate plot number assigned to 48 plots in the ARMS as detailed in Appendix XXIII.
- v. The land database has columns to store the data for land value and land pooling rate. The RAA noted that land values were assigned against each plot. However, on further scrutiny, a significant number of plots (4822) were assigned zero value indicating incorrect data. Similarly, 7977 plots were assigned land pooling rate of zero value.
- vi. Similarly, the land database contains information about whether plots have structures or not, which determines the applicability of taxes such as the Vacant Land Tax, Garbage Collection Charges, and Amenities fees. The analysis of the data revealed that out of 7983 plots, 4096 had structures and 3887 do not. However, on review, it showed that the application of taxes were not determined by the status of structures indicated in the system. For example, out of the 3887 plots without structures, only 5 was applicable for Vacant Land Tax (Under-development tax). Similarly, for the 4096 plots with structures, for 29 plots the Vacant Land Tax was found applied. Additionally, for 4065 plots with structures, no garbage and streetlight charges were applicable. The RAA noted that the calculation of taxes is decided based on the remarks in the Structure Available column, rather than the status of structures availability indicated in the system. Thus, status information do not serve any purpose to determine applicability of these taxes.
- vii. The RAA noted deficiencies in input validations for CID numbers of tax payers resulting in storage of invalid CID Numbers. There were 21 individual tax payer whose CID No. is less than standard 11 digits. Further, invalid and duplicate values for CID Nos. were found accepted as shown in the table below:

Table 26: Input validation deficiencies

<i>Tax Payer Type</i>	<i>CID No</i>	<i>No of Tax payer</i>
Organizational	111	2
Organizational	5855	1
Organizational	11111111111	4
Organizational	22222222222	184
Organizational	-	21
Organizational		37
Organizational	(blank)	1

Source: Derived from registered land record data of ARMS by RAA

- viii. The Tax Payer database showed multiple TTIN assigned to same organizations. This undermine the completeness of the data as well as inadequacies of the input validations in the system.

- ix. Based on the deficiencies discussed above, the accuracy of report on default is undermined to the extent of the system accepting incomplete and inconsistent data. Further, effective follow up of outstanding cases may be impeded owing to incomplete information.

Thromde responded that the discrepancies in tax (land) defaulters report had occurred mainly due to non-updation of land transactions by the respective Land record officials, and stated that the data correction and validation is initiated, as detailed in Appendix APPENDIX XLIV.

And that the tax payer details will be fetched from Department of Civil Registration and Census's database to maintain single source of information, as detailed in the Appendix APPENDIX XLIV.

4) Unjustified exemption of tax on land registered in the Thram of Thimphu Thromde

The RAA noted that 21 plots measuring 626,334.54 sq.ft (14.38) were registered under Thimphu Thromde and there is no practice of laying taxes on those lands. The list of plots registered under Thimphu Thromde are as provided in **Appendix XXIV**

As per Section 311 of the Land Act of Bhutan, 2007, taxes are applicable for all types except for "Crown Properties". Thus, the RAA is of the opinion that the Thromde as one of the government institutions, should be liable for land taxes as any other related institutions.

Thimphu Thromde has accepted and agreed to account the taxes for land administered by Thimphu Thromde for land tax hereon, as detailed in Appendix APPENDIX XLIV.

5) Lease Rate not revised as per the Land Rules and Regulations 2007

- i. As per Section 309 of 'The Land Act of Bhutan, 2007 and Clause 378 of the Land Rules and Regulation 2007, the land lease rate is supposed to be revised every five years and the rate should be as per the rate fixed and revised by the Government.
- ii. The RAA noted that the lease rate last fixed in 2009 and the same rates are being applied today. Currently, there are seventy-three (73) lessees whose lease period had expired more than five (5) years. However, the lease fees are applied at the rate of LLRR, 2009. The Property Assessment and Valuation Agency (PAVA), 2009 and 2017 do not mention about lease rates although the Land Rules and Regulations 2007 requires to apply rates fixed by PAVA.
- iii. Thus, it is not understood as to why the lease rates were not revised since 2009 despite the Land Act of Bhutan 2007 requiring revision of rates after every five years.

Thimphu Thromde has accepted and informed that the matter is with the Cabinet, awaiting their directives or decisions which will be shared with RAA upon receipt from the Cabinet. The details of the response are in Appendix APPENDIX XLIV.

6) Lack of Accurate Slope Analysis Data and Inapt Advancement of Development Activities in Restricted Precincts

- i. As per slopes analysis of TSP, *"the area greater than 30% (16.69 degree) slope are considered as very steep slope and the development on these slopes are required to be restricted owing to the impacts of soil erosion and landslides."*
- ii. The land with slope greater than 30% are categorized as E-4: Agri-based Environment with prescribed land use and limited developmental activities. The Strategic Environment Assessment for Thimphu Structural Plan 2018 which reported on issues of non-uniformity

of slope categorization was reiterated in the Performance Audit Report on Urban Planning and Development issued in 2019 :

- iii. Notwithstanding the issues being flagged in the previous performance audit and SEA reports, the Thromde is yet to have proper land slope and aspect analysis data. The predominantly used tool to assess the slope category of the land while approving the building construction and developmental activities is with reference to the LAP map which do not represent plot wise slope and aspect analysis. If the proposed construction does not fall within the topographical area of E-4 or construction restricted area, the approvals are sanctioned without performing the ground reality-check/site visit.
- iv. In addition, the special conditions and restrictions on permissible land use under E-4 zone are explicitly prescribed in TSP and DCR, 2016 and inter alias; (i) the ground coverage is limited to 20% of the land area, and (ii) the allowable height of the structure is ground plus one floor only. On the contrary, the RAA found that:

- ✚ As per records of ARMS, out of 176 building structures under E-4 zone, 38 building structures were built with 3-5 storied/floors.
- ✚ Out of 176 building structure under E-4 zone, 34 buildings exceeded the ground coverage of 20%. The percentage of ground coverage ranges from 21% to 226.77%. While there is a lack of data on coverage area, it was determined from the built-up area of the structure.

Table 27: Building floor above 2 built under E-4 precinct

No. of Floors	No. of Building
3	34
4	3
5	1
Total	38

Source: Land and building data

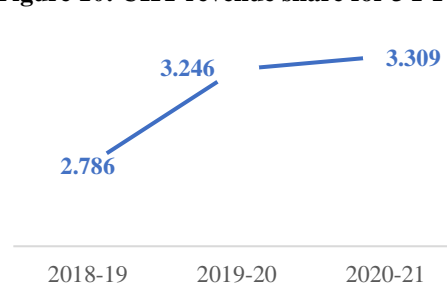
Thimphu Thromde has justified their lack of capacity to conduct accurate slope analysis. However, the Thimphu Structural Plan that is currently under revision is expected to review these deficiencies, as detailed in Appendix APPENDIX XLIV.

7) Urban Housing and Building Tax Revenue

The Urban House Tax is another branch of revenue Thimphu Thromde generates. Over the three Financial Years 2018-2021; Urban House Tax amounting to Nu. 2.786 million, Nu. 3.246 million and Nu. 3.309 million respectively was collected into revenue coffer.

From the review of the data set of Urban House Tax imposed and collected by Thimphu Thromde which was shared to RAA, it revealed the revenue leakage to the tune of Nu. 1.139 million. The difference had happened apparently as a result of incommensurate UHT levied against the Units of the Building/House available;

Figure 10: UHT revenue share for 3 FYs



Source: Analysed by RAA from Revenue Report

- i. During the Income Year (IY) 2021, Thimphu Thromde had received Nu. 3,032,019.00 including the prior year outstanding tax excluding the penalties paid during the income year

as against the collectible UHT of Nu.4,171,405.00 leviable on 40,278 units (building – 37971 units and house – 2307 units)¹. Working shown in *appendix XXV(a)* and *XXV(b)*.

- ii. During the Income Year, 2021, the total collectible UHT from 36,465 units stands at Nu. 3.78 million as against the collected UHT of Nu. 2.793 million thereby collected in short by Nu. 986,996.00;
- iii. Few cases of short collection are shown *appendix XXV(c)*;
- iv. As per section 109 of Thromde Act, 2011, *the Executive Secretary shall serve a notice of demand to the defaulter requiring the defaulter to pay the taxes, within such date as may be specified in the notice, if taxes are not paid within the date notified by the Thromde Tshogdu or Thromde Tshogde Punishment for Wilful Default in Payment of Taxes*. There is a UHT default payment to the tune of Nu. 1.150 million defaulted by 1160 tax paying building units. The default payment of UHT is briefly highlighted in *Appendix XXV(d)*.

Thimphu Thromde has accepted to work out the actual short-collection of UHT and the defaulters (UHT) list, and accordingly levy 24% penal interest for the confirmed defaulters as detailed in Appendix APPENDIX XLIV.

IV. Vehicle Management

Of the total of 108 vehicles managed by the Thromde, 21 are on hire, 10 recently auctioned, and 10 two-wheelers are allotted to plumbers and supervisors (Lajabs) and the remaining 67 vehicles are currently operated for its day to day activities as detailed in the *Appendix XXVI*. Review of the management of vehicles revealed following lapses and deficiencies:

1) Vehicles in Excess of Drivers

- i. The RAA noted that the Thromde has excess of 16 vehicles over the total strength of drivers. Against the 67 vehicles, Thromde has employed 50 Drivers comprising of 28 regular employees, 17 employees on consolidated contract, and 5 employees on Muster Roll. The excess vehicles were found assigned and managed as indicated in the table below:

Table 28: Excess vehicles assigned

Sl. No.	Details	Vehicle Number
1	One Electric Vehicle parked at the TT (battery issue)	BG-1-A1981
2	One off-road at the Workshop	BG-1-A0628
3	One Electric Vehicle assigned to Sr. Adm. Asst, Legal Division	BG-1-A1982
4	Skid-Steer Loader without Driver	BG-1-A0658
5	Two parked at the TT (Both compactors)	BG-1-0382, BG-1-0384
6	Five on Standbys (Backhoe Loaders, Compactors, Tractors and Cess Pool)	BG-1-A0692, BG-1-0350, BG-1-A0691, BG-1-A0561, BG-1-A0734
7	Four Vehicles Managed by Two Drivers (One road-sweeper and one water-tanker each)	BG-1-A0004, BG-1-A0826, BG-1-A0006, BG-1-A-0823
8	One assigned for Public Library's weekend Mobile Library program (Bus)	BG-1-A0730

- ii. As seen from the above, with the exception of two off-road vehicles and one electric vehicle assigned to Legal Division (Sr. Adm. Assistant), the rest were without the Drivers. This is in deviation to the BCSR 2018, which suggests that engagement of drivers to be based on the standard of one vehicle to one driver in assessing the need for employees under operational category.

¹ [Note: the collectible UHT amount was computed without considering the apartment with Zero units in the UHT database]

- iii. With regard to the electric vehicle allotted to the Legal Division (Sr. Adm. Assistant), the RAA would like to draw attention to the entitlements of designated vehicles as per Pay Revision Act 2019 which specifies position level entitlements of designated vehicles. Thus, allotment beyond the entitlement would be construed as non compliance to the law.

Thimphu Thromde has reasoned that these vehicles are mostly off-road and are on auction list, and has agreed to institute the required controls in place to deter mis-management of vehicles, as detailed in Appendix APPENDIX XLIV.

2) Absence of system of Pooling of Vehicles

- i. Clause 7.3.1 of the Property Management Rules 2022 states that, *“except for designated duty vehicle, all light and heavy vehicles, irrespective of their sources of financing or projects to which those are attached, shall be pooled under the respective Heads of Office.”*
- ii. Notwithstanding this requirement, the RAA noted that vehicles were allotted to and managed by respective Divisions and sections without any centralized monitoring as detailed in Appendix XXVII. The decentralization of managing vehicles to Divisions and Sections have loosened the control as well as resulted in disparity amongst the Divisions and Sections.
- iii. The RAA noted that use of pool vehicles were not regulated with proper entries in the log books and on enquiry, it was made to understand that blanket allotment have resulted in MTO not having controls in deployment and use of pool vehicles. This poses risk of misuse and not ensuring appropriate safeguards of the government property.

Thromde has agreed to strengthen internal controls for vehicles management and movements, as detailed in Appendix APPENDIX XLIV.

3) Procurement of Thirteen Vehicles Without Clearance from the Finance Ministry

- i. Clause 7.1 .2 of the 2022 PMR requires that, *“before initiating acquisition of any vehicles (electric or fossil fuel), either through procurement or assistance received In-Kind (donation/gifts), explicit clearance of the MoF shall be obtained, irrespective of the type of vehicles, source of financing including donations and gifts. This process shall apply even if provisions for such acquisition are included as part of approved projects/MoUs or agency’s annual budget.”*
- ii. The RAA noted that Thromde had procured thirteen vehicles in 2020 and 2021 as shown in the table below:

Table 29: Detail of vehicle procured over 2020 and 2021

TYPE OF VEHICLE	REGISTRATION	YEAR OF PROCUREMENT	COST (NU.)	ALLOTTED TO
ALTO 800	BG-1-A3525	04/11/2021	499,942.00	Thromde Thuemi
ALTO 800	BG-1-A3523	04/11/2021	499,942.00	Maintenance Division
ALTO 800	BG-1-A3524	04/11/2021	499,942.00	ICT & Billing Section
DZIRE	BG-1-A3376	04/12/2021	8,69,451.00	ADB project
SONALIKA TRACTOR	BG-1-A0030	10/06/2020	928,488.00	Environment Division
"	BG-1-A0031	10/06/2020	928,488.00	Environment Division
ISUZU HILUX	BG-1-A3303	15/04/2020	1,115,500.00	Education Division
ISUZU HILUX	BG-1-A3304	15/04/2020	1,115,500.00	Environment Division
ISUZU HILUX	BG-1-A3305	15/04/2020	1,115,500.00	Land & Survey Division

ALTO 800	BG-1-A3306	15/04/2020	5,26,320.00	Infrastructure Division
TATA TRUCK	BG-1-A0825	15/04/2020	1,033,226.00	Environment Division
WATER TANKER	BG-1A-0826	19/06/2020	2,272,897.00	Water Supply Section
S-PRESSO	BG-1A3359	21/10/2020	6,90,766.00	Infrastructure Division

Source: record of assets maintained by Thimphu Thomde

- iii. On review of the relevant documents, the RAA noted that Thomde had procured 13 vehicles from without complying with the requirement of obtaining clearance from the MoF. The vehicles were found procured with approval and endorsement of Thomde Tshogde.
- iv. Thus, the procurement of vehicles without approval from the MoF was in violation to the PMM. Besides, allotment of Alto-Cars to Thomde Thuemis was not as per the entitlements specified in the Pay Revision Act 2019.

Thimphu Thomde has accepted and stated that while approval to procure these vehicles was submitted to the Finance Ministry, however, Thomde is yet to receive any directive or approval from the MoF as detailed in Appendix APPENDIX XLIV.

4) Inadequacies in documentation of use of 10 Vehicles deputed to attend services based on complaints

- ii. It was explained that 10 vehicles were dedicated for attending services based on complaints received from various service users. The vehicles were supposedly deployed for 24 hours services for various purposes indicated in the table below:

Table 30: Vehicle deputed for entertaining the complaint redressal

Sl. No.	Vehicle Details	Division/Section	Purpose
1	BG-1-A1683 (Hilux)	Infrastructure	Four-Lane Duty
2	BG-1-A3306 (Alto)	Infrastructure	Complaints and Site Visits
3	BG-1-A3136 (Hilux)	Environment	Site Visits – Hawkers Controls
4	BG-1-A1882 (Hilux)	Water Supply	Complaints and Site Visits
5	BG-1-A1719 (Hilux)	UPD	Site Visits
6	BG-1-A2132 (Hilux)	Water Supply	Complaints and Site Visits
7	BG-1-A3567 (Hilux)	Health	To attend COVID-related after hours services
8	BG-1-A3248 (Bolero)	AFD	HR and Accounts related Work
9	BG-1-A1371 (Bolero)	Electrical	Complaints and Site Visits
10	BG-1-A1372 (Bolero)	Environment	Sewerage Duty – Complaints and Site Visits

Source: Record of assets maintained by Thimphu Thomde

- iii. The RAA intended to review the engagement of vehicles for addressing various needs based on complaints and sought documents related to complaints received and attended to. However, there were no records to substantiate the specific after-hours complaints attended to and/or services provided. Moreover, there were also no system to record the movements of vehicles after office hours.
- iv. On further enquiry, the RAA learnt that those vehicles were not required to be parked within office premises but were allowed to be taken to private residences of the officials. Instances of officials driving these vehicles were also informed to RAA.
- v. Thus, such practice was found to be in deviation to PMM which states that, “*all the pool vehicles, when not in use, shall be parked in a designated office parking and shall not be allowed to be parked at the residential compounds of the drivers/other officials AND all pool vehicles shall be driven only by appointed Professional Drivers.*”

5) Non maintenance of log books

- i. Property Management Manual requires the agencies to maintain vehicle log books for every government vehicle. The RAA noted that there was no system of maintaining log books for two electric vehicles of Thromde.
- ii. It was reasoned that since the electric vehicles do not entail fuel cost, maintenance of log book was not felt necessary. However, not only for fuel consumption, the vehicle log books are meant to record details of usage, and also track its maintenance and repairs. Thus the maintenance of log books for electric vehicles are necessary to ensure proper control of its usage and its maintenance as applicable to any other vehicles.
- iii. Further, the RAA also noted increasing trend of expenditure on account of POL and maintenance, which could be attributed to inadequacies in control in managing the pool vehicles. The expenditure incurred from 2019-20 to 2021-22 were as shown in the table below:

Table 31: POL expenditure over 3 FYs

Year	Expenditure on POL and Maintenance (Nu.)	Remarks
2019-2020	11,745,514.96	
2020-2021	7,455,538.13	Comparatively Low due to COVID restrictions
2021-2022	17,677,368.39	

Source: Derived by RAA from expenditure statement

Thimphu Thromde has accepted the issues raised and assured to strengthen the internal control mechanism by sternly reinforcing the vehicle log books and fuel book (where applicable) requirements, as detailed in Appendix APPENDIX XLIV.

6) Non-Utilization of the Electric Vehicles donated by the NEC

- i. The RAA noted that nine vehicles were provided by National Environment Commission for operationalization of drop-off centers in August 2021. As evident from the documents, a two day trainings on operation and maintenance was provided to the Thromde MTO and four drivers.
- ii. However, the nine vehicles were kept idle and not used for the intended purpose. The vehicles were found parked at the Thimphu Thromde for more than a year as shown in the picture below:

Image 1: Electric vehicle remaining under utilized or idle



Source: Picture taken during the site visit by RAA

- iii. The RAA was made to understand that the vehicles could not be used as no formal handing/taking was executed between the two agencies. The vehicles kept idle did not serve the purpose for which it was acquired and thus, the Thromde must have proper plans for its utilization to improve its service delivery and also to avoid its underutilization.

Thimphu Thromde explained that two EVs were handed over to the Health Ministry, and as for the rest the registration with the RSTA was difficult since the EVs were not assigned with engine numbers, as detailed in Appendix APPENDIX XLIV.

V. Administration of wages and overtime compensations

Clause 3.6 of the Workforce Service Rules and Regulations, 2020 of the Thimphu Thromde stipulates that, “the normal working hours for TT workforce shall be 8 hours a day for 6 days week with the exception of few employees stationed in the head office who shall work as per the regular office timing.” Further, Clause 3.7 states that, “the workforce can work for 8 hours per day or 48 hours in a week excluding breaks. If one is working for more than 8 hours in a day or 48 hours a week, it is considered overtime work.”

Thromde for the last three years (July 2019 to March 2022) had incurred overtime cost for the 358 workforce employees totalling to Nu. 11,776,763.55. On average Nu. 3,925,587.85 per year was found incurred towards overtime as detailed in the table below:

Table 32: Expenditure for overtime works

Details	19-20	20-21	21-22
Workforce Overtime Payment	5,585,226.71	2,157,899.84	4,033,637.00
Total Overtime Cost	11,776,763.55		
Average Yearly Overtime Payment	3,925,587.85		

Source: Source: Analysed by RAA from expenditure statement

Comparing against the salary of the workforce employees for the respective years, overtime cost constitutes about 13% of their total salary, as calculated below:

Table 33: Proportion of overtime expenditure to Salary expenses

Details	19-20	20-21	21-22
Salary Payment	30,297,043.08	36,620,483.00	26,937,336.00
Workforce Overtime Payment	5,585,226.71	2,157,899.84	4,033,637.00
% of Overtime Against Total Salary	18%	6%	15%
Average % of Overtime Against Total Salary	13%		

Source: Source: Analysed by RAA from expenditure statement

On review of system of overtime payment, the following deficiencies were noted:

1) No Monitoring Mechanisms resulting into daily Overtime Hours

- The Workforce Rules and Regulations, Section 3.7 states that, “the overtime should not exceed 2 hours per day or 12 hours per week. An employer requiring workforce to work for more than 2 hours of overtime in a day or 12 hours in a week shall seek prior approval from the Thromde Management.”
- The RAA noted that from the sampled overtime payment vouchers employees were engaged for three to five hours a day for overtime works (details in Appendix XXVIII), without the prior approval from the management.

- iii. The engagement of employees beyond maximum overtime hours specified contravenes Clause 3.10 of the Workforce Rules and Regulations which stipulates that, “*Workforce to have a daily rest period of 12 consecutive hours and a weekly rest period of 24 consecutive hours.*” The workforce land up working upto 15 hours a day.
- iv. It was also noted that overtime hours started from 4 PM on week days, when in fact the normal work hour is upto 5 PM. The instances are shown in *Appendix XXIX*. It appeared that there was lack of monitoring and verification of OT sheets by designated officials.
- v. The Clause 3.8 of the Workforce Rules and Regulations states that, “*Overtime work should be strictly monitored and evidenced based; supported by pictures with date and time of the work.*” The RAA noted that there were no compliances made in terms of maintaining OT sheets, pictorial evidences or any other documents supporting the work done.

2) Inadequacies in planning of Overtime Work

- i. On review of the nature of work for which the employees were engaged for overtime, except for few which are time bound, most of the works related to those that could be done during normal working hours. The nature of work for which the overtime engagement was made were as follows:

Table 34: Nature of work performed during overtime work by workforce

Position Title OT Claimed Employee	Nature of OT Work Performed	Remarks
<i>Supervisor (Lajab)</i>	Monitoring and Supervision of Workforce Employees	Same as Normal Working Hours Job
<i>Labour</i>	Drain Cleaning, Paper-picking & Road-sweeping Blockage Clearing, and waste loading/unloading Road Maintenance & Wmm Works Potholes Maintenance related work at various sites	-do-
<i>Wet Sweeper</i>	Sewerage Blockage-Clearing	-do-
<i>Plumbers</i>	Repairs, maintenance and realignment of GI pipes and water lines	-do-
<i>Tractor Drivers</i>	Loading/Unloading, carrying of labours at Melelakha Site	-do-
<i>Electrician</i>	Line connection, line maintenance, and time setting	-do-
<i>Meter Reader</i>	Reading Water Meters during Weekends	-do-

Source: Derived from labour payment made from Accounts section

- ii. Clause 3.8 of the Workforce Rules and Regulations states that, “*respective Division Heads to ensure that the routine works are completed on time so that overtime work is reduced.*” It suggest that overtime engagement was not properly planned and monitored so as to ensure that no work that could be done during normal working hours are included as overtime work.
- iii. With no documents of approval of overtime, the RAA could not see the need to engage workers beyond normal working hours for those works.

3) Inconsistent Application of Overtime Rates

- i. Clause 3.7 of the Workforce Rules and Regulations states that, “*the minimum overtime payment shall be calculated based on the workers normal rate of pay that is 1.5 times the*

normal rate calculated on hourly basis for work between 10 pm to 8am the following morning.”

- ii. The RAA noted that the hourly OT rate was inconsistently applied throughout, wherein sometimes the rates were applied at 1.5 times not falling within 10 pm to 8am as detailed in Appendix XXX.
- iii. Thus, the application of rates did not have any basis resulting in inconsistent payment of wages for overtime work.

4) Inconsistencies in payment of wages of workforce employees

- i. The Workforce Rules and Regulations states that, “the basic pay of a Workforce on initial appointment shall be fixed at the minimum pay scale as worked out as per the wage rates of the National work force.” as detailed below:

Table 35(a): wage rate inconsistency

Level	Monthly Rate	Daily Rate	Positions
Level I	9,720.00	324.00	Meter reader, Plumber, Lajab, Electrician, Office Assistant, Carpenter, Wet Sweeper, Sanitary Inspector, Surveyor
Level II	8,580.00	286.00	Creche Facilitator, Blacksmith
Level III	7,620.00	254.00	Plant Operator, Machine Operator
Level IV	7020.00	234.00	Handy Boy, Road Sweeper, Office Sweeper, Care Taker, Cattle Catcher, Gardener, Survey Helper, ECCD Helper

Source: Derived from labour payment made from Accounts section

- ii. However, it was noted that the wages in respect of 18 employees were fixed at 500.00 per day as detailed in the same Appendix XXX.

Table 35(b): Wage rate inconsistency

Sl. No.	Name of the Employee	Positions/Division
1	Tsheten Wangchuk	Thromde Sanitary Inspector
2	Tashi Tshering	
3	Ugyen Penjor	
4	Nima Gyeltshen	
5	Kailash Rai	Crematorium
6	Purna Dhan Rai	
7	Ashar Moti Limbu	
8	Lachi Maya Rai	
9	Chandra Maya Rai	
10	Jit Maya Rai	Sewerage Maintenance Network
11	Ajay Malik	
12	Kanhaiya Basfor	
13	Suraj Mallik	
14	Sunay Kumar Routh	
15	Bidesh Lal	RSTA STP
16	Dawa Dorji Singer	
17	Nima Bal	
18	Lhakpa Dorji	Langjophakha STP

Source: Derived from labour payment made from Accounts section

- ii. It was explained that wages for the above employees were fixed at higher rate in view of the difficult nature of work since their work nature were more difficult and less people were forthcoming to take up the job. However, differences are also noted amongst the same position. For instance, while the remaining Sanitary Inspectors are found paid Nu. 324.00 per day, the three Sanitary Inspectors (in the table above) were paid Nu. 500.00 per day.
- iii. Section 3.2 of Workforce Rules and Regulations states that, “the employer and employee shall each contribute 5% of the employee’s monthly basic salary which shall be deposited into the individual employee’s PF account and the employee shall be enrolled in GIS

maintained with NPPF/RICBL/BIL by a flat amount of Nu. 150.00.” the RAA noted that the deductions and remittances not applied in respect of 358 workforce employees in deviation to the Workforce Rules and Regulations since November 2020.

- iv. The RAA noted instances of non deduction of wages for days on which the employees were absent from duty as evident from the attendance register for April and May 2022. It indicated inadequacies in verification system of wage payment against the attendance registers.

Thimphu Thromde has accepted and committed to institute strong controls mechanism for overtime works and their payments, as detailed in Appendix APPENDIX XLIV. Further, Thromde’s proposal on overtime work and rates was submitted to the Finance Ministry.

5) Inadequate Provision of Uniform, tools and Equipment to Workforce Employees

- i. Clause 6.1.3 of the 2020 Workforce Rules and Regulations states that, “*Thimphu Thromde as the employer shall ensure that employees are provided with necessary tools and kits for the smooth functioning of the work.*”
- ii. Based on the interview of 118 daily wage workers, the RAA noted issues of inadequacies in the process of providing tools and kits resulting in workers not equipped with right tools and gears. There is no proper monitoring system to ensure that tools and gears are provided as per the entitlements prescribed in the Workforce Rules and Regulations.
- iii. The Workforce Rules and Regulations requires Thimphu Thromde, as the employer, to ensure health and safety of all employees and other person at work place and comply with regulations. It also requires Thimphu Thromde to improve working conditions that are hazardous to the health and safety of its employees. Further, the Labour Act of Bhutan 2007 requires the employers to provide and maintain a working environment for employees that is safe and without risks to health and to provide necessary conditions and facilities to ensure occupational health and safety.
- iv. On field visits, the RAA found that the enforcement of OHS protocols were inadequate, as discussed below:
 - ✓ It was noted that the refractor jackets are of poor quality; the audit noted the workers wearing refractor jacket without the refractors, as shown in the pictures.

Image 2: Substandard quality of refractor jacket procured by Thimphu Thromde



- ✓ It was reported that there was no uniformity in issuing safety gears. While most have received, the new recruits are yet to receive such gears from the Thromde. While in case

of safety boots, although Thimphu Thromde had provided, the workers did not use reportedly due to different shoe sizes.

- ✓ Workers were found to be engaged in roadworks without cautionary signages or cones to mark Temporary Traffic Control exposing to the risk of accidents.
 - ✓ The employees engaged at water sources and treatment plants were found not provided with safety gears like harness, floating vest and safety helmet to ensure their safety during the cleaning of water sources in peak seasons.
 - ✓ Despite the hazardous effects, the operators engaged for disinfecting water treatment plant were found without personal protective equipment such as goggles, mask, gloves or dress to protect from hazards. Further, the water treatment operators were not trained in the safe use, handling and storage of these chemicals
- v. The Workforce Service Rules and Regulations spells out the requirement for insurance scheme for the workers as reproduced below:
- ✓ *The employer or an insurer shall compensate an employee or their dependent as a result of workplace injury, occupational illness or death arising from work or related to the task and duties they performed.*
 - ✓ *The agency shall insure employees with BIL/NPPF/RICBL who is an authorized financial institute to ensure that all types and levels of compensations are covered by the insurance policy as per Labour Laws.*
 - ✓ *The agreed premium shall be paid by the agency and shall not be deducted from the employees' wage/salary.*
- vi. The RAA noted that the Thromde is yet to initiate insurance schemes for the works as specified in the above rules.

Thimphu Thromde has assured compliance to Workforce Rules and Regulations in providing uniforms, tools and kits. Further, it was responded that the insurance schemes would be discussed in the next Thromde Tshode.

VI. Service Delivery

As required by LG Act 2009, the Thromde provides range of civic and other municipal services which are essential for the general well-being of the Thromde residents. The services relate to land, building, sewerage, water supply, infrastructural amenities, waste etc. The RAA reviewed statuses of some of the major services catered to from 2018-19 to 2020-21 and noted shortcomings as explained under each type of services.

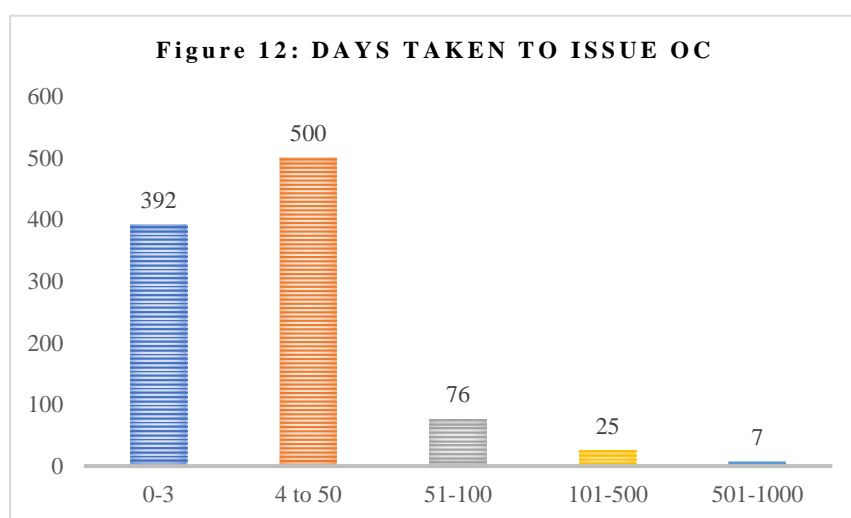
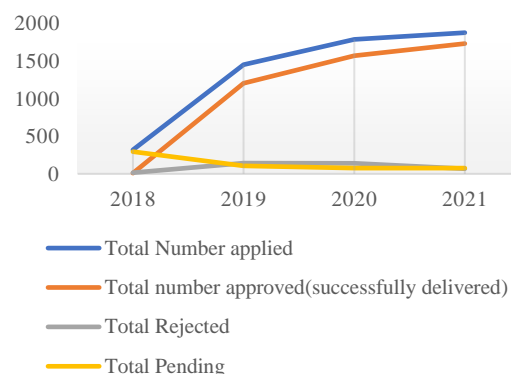
1) Delivery of services beyond prescribed TATs

The RAA reviewed the delivery of some services against the prescribed TATs and found that there are opportunities for improvement. Since TAT is one of the critical performance metrics in service delivery, the improvement in meeting the TATs would be critical in enhancing its performances.

a) Occupancy Certificates

- i. Occupancy Certificates are issued once the constructions are complete, approving the structures in terms of liveability and its compliance to the Bhutanese Building Codes and standards. The total number of occupancy certificates pending (yet to be issued) has reduced while the rejection for occupancy certificates has remained mostly constant.

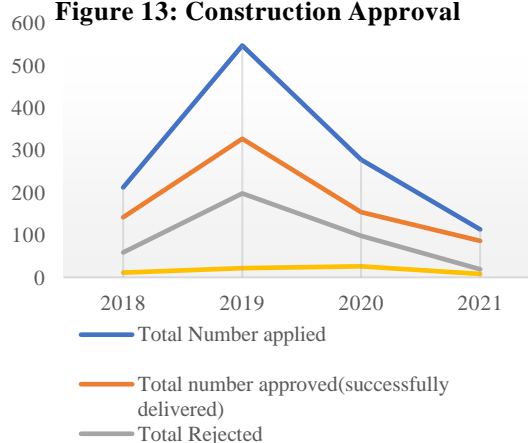
- ii. The highest number of days taken to issue occupancy certificates was found to be 951 days, as shown in the figure. 50% of the occupancy certificates are found issued from 4 days up to 50 days, as against the prescribed TAT of 3 days.
- iii. Thimphu Thromde reported that the online system of issuing OC was not reliable as the system was under constant development and up-gradation. For instance, the OC was issued in hardcopy despite applying online. Until recently, the system was still being revamped and undergoing improvement.

Figure 11: Issuance of Occupancy Certificate

Source: Analysed by RAA from records furnished by Thromde

b) Construction Approval

- i. As for the Construction Approval, the application and approval had increased in 2019 but started declining since 2020 mostly due to the onset of the COVID-19 pandemic and its containment measures put in place. However, as seen from the figure, the pending approval for constructions has also remained constant for the period 2018 to 2021.
- ii. The major constructions approval was accorded from 0 days to 393 days, as depicted in the figure (*detailed in Appendix XXXI*). As seen from the graphs, more than 60% of the application for major constructions were approved from 24 days to 100 days, and two applications were approved after almost a year.
- iii. The Thimphu Thromde indicated the main reason for their inability to approve the applications for major constructions within the set TAT as the time taken to resubmit the revised drawings after having returned (for

Figure 13: Construction Approval

Source: Analysed by RAA from data

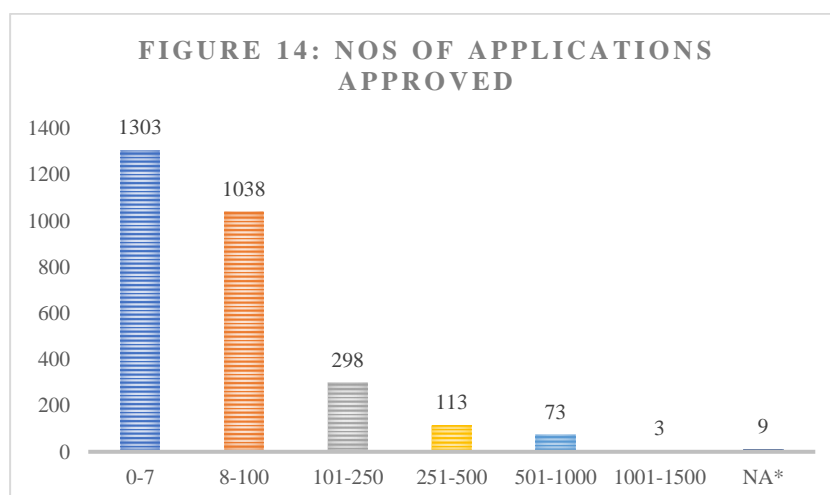
rectification) to the client. However, the current online system does not reflect the time taken for resubmission. Further, the Thromde indicated that most of the drawings received, especially structural drawings are sub-standard which requires re-designing and resubmission by the applicant.

- iv. In order to ascertain the reliability of the information, this data (generated from the system) was compared with that of selected drawing copies which revealed mis-match in the information between the two, as detailed in the table below:

Table 36: Mis-match in the information between system and drawing approval

Sl. No.	Application Id	Owner CID No.	Owner Name	Information as per system		Information as per drawing copy	
				Date of service requested	Date of service delivered	Actual Received	Actual Approved
1	BA/301/2018/11/Hejo/003	11410004801	DECHEN DANG	4.12.2018	4.12.2018	4.2.2019	6.5.2019
2	BA/301/2019/3/Babesa/002		JOCHU DUKPA	15.03.2019	15.03.2019	21.03.2019	18.04.2019
3	BA/301/2019/7/Norin Lam/001	11410003519	Choden	29.07.2019	29.07.2019	7.7.2020	16.2.2021
4	BA/301/2019/8/Babesa/001	11402000035	CENCHO	13.08.2019	16.08.2019	5.8.2019	16.08.2019
5	BA/301/2018/10/Babesa/001	11601002881	SINGYE DORJI	24.10.2018	18.06.2019	12.10.2018	18.06.2019
6	BA/301/2019/3/Lungtenphu/003	11203000369	Roma Tamang	07.03.2019	07.01.2020	4.3.2019	7.1.2020
7	BA/301/2019/11/Dechencho ling/002	11410009066	CHOTEN NORBU	25.11.2019	09.06.2020	18.11.2019	09.06.2020
8	BA/301/2019/12/Babesa/005	11410009111	CHADO DEM	06.01.2020	23.07.2020	29.11.2018	17.1.2019
9	BA/301/2020/5/Lungtenphu/001	10708002241	YESHEY PENJORE	11.05.2020	16.11.2020	06.05.2020	16.11.2020

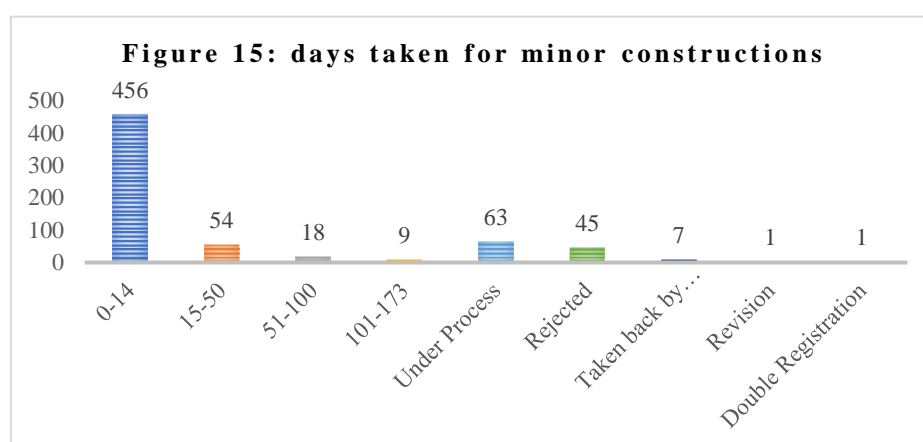
Source: Derived from approval sanctioned data shared with RAA



Source: Analysed by RAA from approval sanctioned data shared

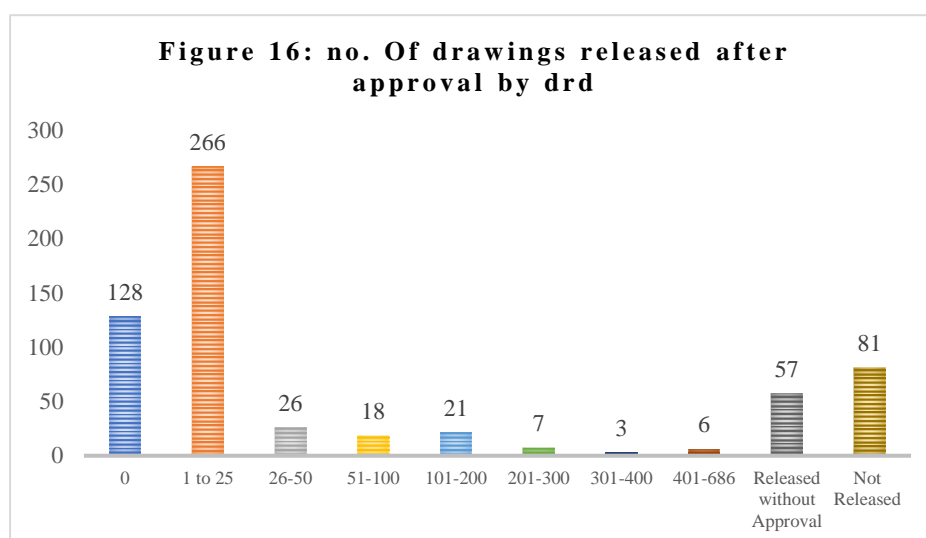
- v. Besides the above services, the Thimphu Thromde is also the approving authority for minor constructions which generally includes revision and extension (addition) to the already approved major constructions viz. additional floor, attics/jamthog, wall constructions, construction of temporary and semi-permanent structures, car wash and futsal grounds. Applications and approval services for such minor constructions are not facilitated through the system (unlike the major constructions). Instead, their applications are received in-person, their approvals accorded accordingly, and records maintained in the register.

- vi. The audit verified the TAT through this register for the minor constructions' approval for the period 2021 and observed that the Thimphu Thromde had received 537 applications for minor constructions in that year. The TAT for these 654 applications ranged from 0 to 537 days against the prescribed TAT of 14 days for minor constructions, as detailed in the figure.
- vii. While almost 70% of the applications for minor constructions were approved within the prescribed TAT of 14 days, 45 were rejected and 63 were still under process (details in *Appendix XXXII*).
- viii. Most of these rejected applications were found to be due to the Architectural Drawings not being in compliance to the required codes and standards. On further scrutiny of those approvals with longer TATs than the prescribed TAT were generally the ones which were either re-submitted after being rejected and the ones which required approval from the external stakeholders such as BPC.



Source: Analysed by RAA from approval sanctioned data shared

- ix. Once the Drawings (for both major and minor constructions) are approved by the Development Regulations Division, it is forwarded to the Customer Care Desk to be released to the respective clients. There is a no prescribed TAT for the release of Drawings once approved in the SOP. However, the audit verified the register maintained recording the Drawings approval date and the release date from the customer care desk for three years 2019 to 2021. It was observed that it took 0 to 686 days to release the drawings once approved, as shown in the figure (details in *Appendix XXXIII*).

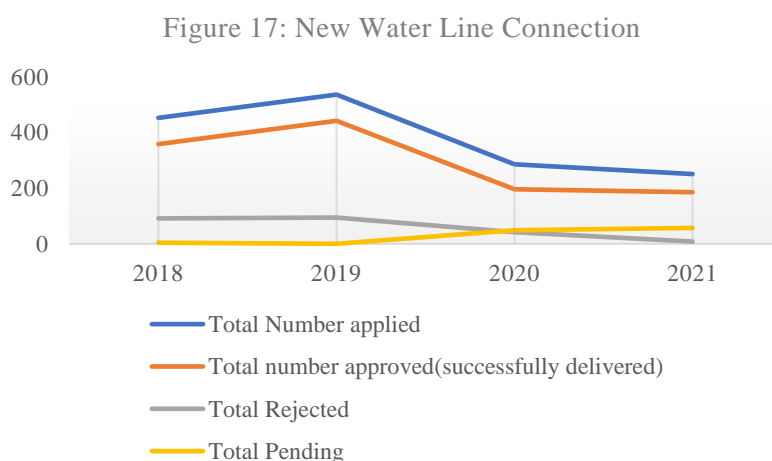


Source: Analysed by RAA from approval sanctioned data shared

- x. While, more than 50% of the Drawings were released within 0 to 25 days after the approval by the DRD, about 9 drawings were released one year after the approval by the DRD. It was reasoned that despite reminders from the Customer Care Desk, the clients delay to collect the Drawings. Similarly, 81 Drawings were still with the Customer Care Desk due to clients' failure to collect the same

c) Water Connection Services

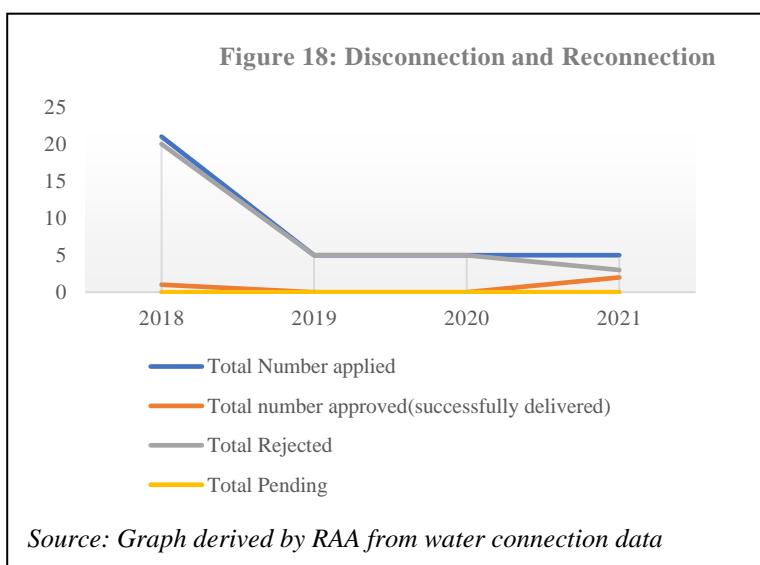
- i. Similarly, for the water line connection services, the application and its approval had increased in 2019 but declined since 2021, as seen from the figure. Likewise, the total rejected application for new water line has a decreasing trend. On the other hand, total number of pending cases has decreased for the period 2018 to 2021.



Source: Analysed by RAA from approval sanctioned data shared

- ii. As for the shifting of Main Water line and Domestic connection, the application for both the services seems to have decreased over the period 2018 to 2021. As seen from the figures, most of these applications are found rejected over the years and 50% of the application received were approved. For instance, in 2019, all the four applications received requesting for Main line shifting were rejected. Similarly, for the shifting of domestic connections, out of the three applications received in 2020, two were rejected and one still pending.

- iii. Similarly, for the disconnection and reconnection services, the total number of applications has decreased for the period 2018 to 2021. However, most of these applications were rejected and 10% of these applications for disconnection and reconnection services were approved by Thimphu Thromde. No pending application for this service was found as on the date of audit.



- iv. Likewise, for the upgradation/downsizing water capacity services, although there was generally a decrease in its application over the years, all the applications are found rejected. As for the meter shifting services, there was a decreasing trend till 2020 in the

application and approval. However, the application and its approval has significantly increased in 2021, as seen in the figures.

Figure 19: Meter Shifting

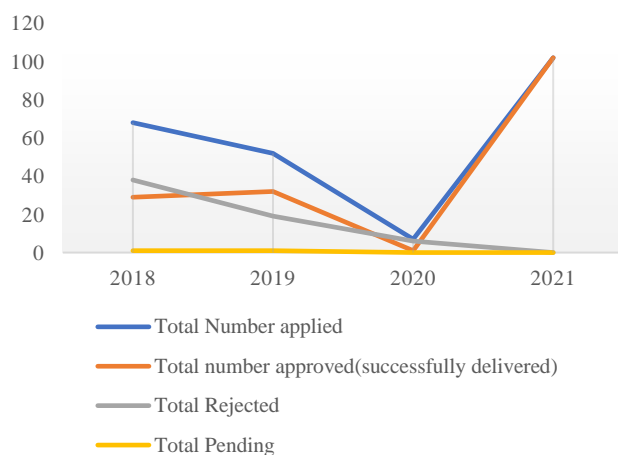
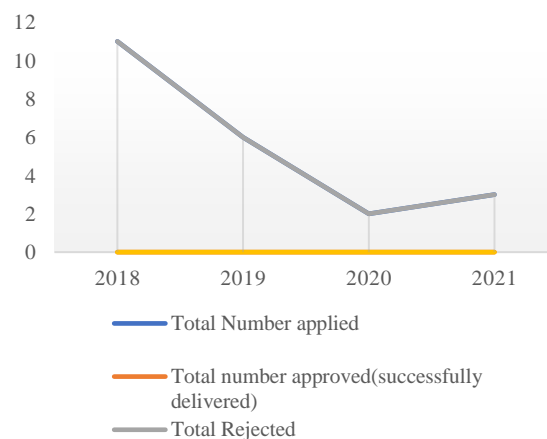


Figure 20: Upgradation/downsizing of water connection Capacity



Source: Analysed by RAA from approval sanctioned data shared

d) Sewerage Services

- i. For the Sewer services, the Thimphu Thromde provides mainly two types of services to its residents viz. providing connection to the Main Sewer Line and the vacuum Tanker Services. While the application and approval for connection to main sewer line seems to be on the increasing trend for the period 2018 to 2021, the application and approval for vacuum tanker services has remained mostly constant. While there is no pending application for the vacuum tanker services, pending applications for connection to main sewer line for 2021 is more than 30% of the application received.

Figure 21: Sewer connection to Main Sewer Line

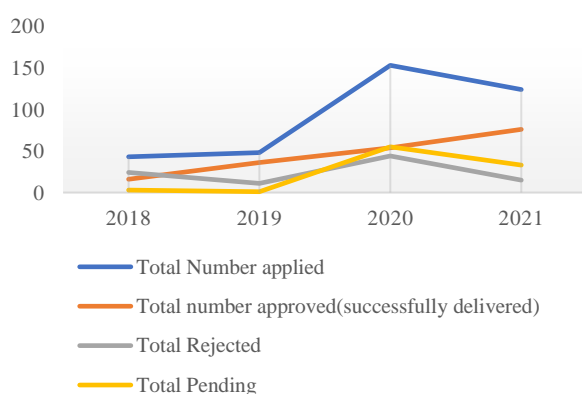
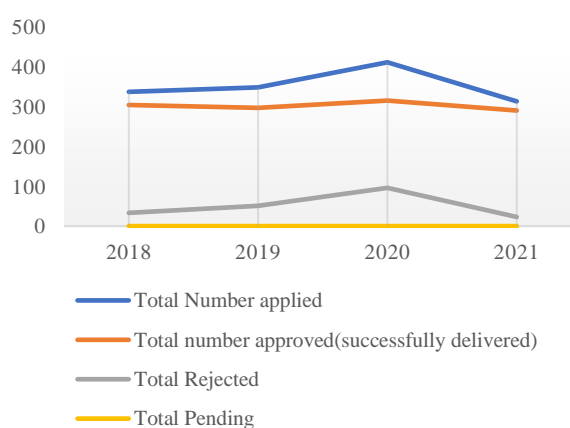


Figure 22: Vacuum Tanker Services



Source: Analysed by RAA from approval sanctioned data shared

e) Road Sweeping Services

- i. As per the data collected by the GIS Section of the Thimphu Thromde, the total road length within the Thimphu Thromde is 26.73 km against the 144 road sweepers evidenced from

the details of Muster Roll Details provided. Therefore, each road sweepers covers 0.18km roads while as per the DOR's standard labour norm for Primary National Highway, each muster-roll (road sweepers) are supposed to cover 1.0 km per road sweeper. Therefore, against the standard requirement of 1.0 km per road sweeper, the Thimphu Thromde is currently covering about 18%, as detailed in the table below:

Table 37: Road stretch covered by each road sweeping workforce against standards

Particulars	Details	Remarks
Total Road length to cover (within Thimphu Thromde)	26.73	Km.
Total Road Sweepers in Thimphu Thromde	144.00	Nos.
Road Coverage per Sweeper	0.18	Km.
Road Coverage required per Muster Roll (as per DOR)	1.0	Km.
Efficiency (%) against the Standard Coverage	18%	%

Source: Annalysed by RAA based on the information provided

- ii. Going by the same standard coverage requirement of 1.0 km per road sweeper of the Road Sweeper (of DoR, MoWHS), the 26.73 km of the Thimphu Thromde can be covered by 27 road sweepers. Therefore, the Thimphu Thromde is in excess of 117 road sweepers (144-18). On the other hand, there is no standard ratio set for Thromde.

f) Complaint Redressal Services

- i. During 2018-19, Thromde received 191 grievances through the G2C platform of which 40.31 % related to common services and 59.69% related to services for specific individuals. The abstract of the complaints is indicated in the table below:

Table 38: Complaint received and redressed by Thromde

General complaints (which impacts the public)		Personal Complaints (Which impacts particular individual /household)	
Details of complaints/Grievances	No.	Details of complaints/Grievances	No.
Irregular Waste Collection	30	Water shortage	74
Poor road condition	16	Queries on usage of online system to avail services	6
Sewer leakages	8	Issues related to water billing (High bill amount, bill not received, repeated billing)	5
Blocked drains and overflows	5	Sewer tank full	5
Water leakages	5	Report on Water leakage	4
Report on illegal Constructions	3	Quires on government land ownership, sewer connection, reasons for rejection of application for water connection and dumping e-waste	4
Complaint not address (sewer leakage)	2	Services not received despite applying	3
Others (damage to public property, open manhole, sewer disposal in open area, electric line breakages, report on carcass, disturbance from late night construction, street light disconnected, Waste from drains)	8	Request for drain diversion, city bus service and shift electric pole	3
		Report on Sewer leakage	3
		Request for verification for sewerage connection in building	2
		Request for access road	2

		Others (no municipal supply, meter not working, website not in English)	3
Total	77	Total	114

Source: Annalysed by RAA based on the information provided

- ii. Review of time taken for addressing the complaints showed that it had taken zero to 537 days. Although the Thromde had indicated that they have attended to almost all the grievances, there is no system of documenting actions initiated against the complaints.
- iii. Complaints were found also lodged through the Thimphu Thromde's toll-free No. 1009; operated by the Customer Care Centre with a dedicated customer care representative. The prevailing practice is that the Customer Care Centre receives the complaints and forwards it to the dealing officials on the same day of the receipt of complaints. On the next day, the customer care representative contacts the complainant to seek feedback on the services, wherein the feedbacks are indicated as either 'Happy' or 'Not Happy'.
- iv. Within the year 2018 to 2020, the customer care service had attended to 1,949 complaints - all relating to water issues, as detailed in the table below:

Table 39: water related complaint and redressal satisfaction

Year	Total Complaints	Feedback on the services		
		Happy	Not Happy	Not reachable/switched off/not aware
2018	861	495	233	133
2019	725	284	189	252
2020	363	204	61	98
<i>Total</i>	<i>1,949</i>	<i>983</i>	<i>483</i>	<i>483</i>
Percentage (%)		50	25	25

Source: Annalysed by RAA based on the information provided by Thromde

- v. While all complaints are reportedly attended to, the fact that significant number of complainants expressing dissatisfaction indicate either the issues were not addressed or unsatisfactory. The reasons noted for not being satisfied with the services included reasons like plumbers not turning up to the complainant's location.
- vi. The RAA noted that there is no monitoring to ensure that the complaints are addressed in the timely manner as well as to the satisfaction of the complainants. There were no records of how cases of unsatisfied services were dealt with and disposed of and actions initiated after obtaining feedbacks from the client.

Thimphu Thromde has **agreed and assured to conduct regular inspection system of pending complaints list, as detailed in Appendix APPENDIX XLIV.**

2) Non-enforcement on the requirement of Occupancy Certificate

- i. The occupancy certificate is an official document issued certifying that the building is safe and fit for occupation for the specified use. The Development Control Regulation 2016 specifies that the occupancy certificate shall be issued within one week after the receipt of all the required information. Permanent connection to services like water, sewerage, electricity and telephone to the building shall be given by the respective agencies after issue of occupancy certificate only. In case of those occupying the building or part thereof without obtaining occupancy certificate, all service connections shall be disconnected.

- ii. The validity of the OC is one year from the date of issuance, which indicates that the building owners are required to renew it every year. As of date, the number of registered buildings within the Thromde accounts to 7,489 which means, the same number of OC should be issued/renewed every year.
- iii. However, the total number of OC issued in three years accounted to only 1,000, which indicates the Thromde's inability to enforce the requirement of obtaining/renewing OC by each structure.
- iv. The Thromde reported that the OC was issued to new constructions only from 2017 onwards. Thereon, the Thromde tried to enforce an occupancy certificate for all structures within its boundary. However, it was withheld since it is beyond their capacity to validate and authenticate the safety of old structures. The Thromde expects that the old structures would be replaced with new structures at one point in time during which the enforcement of OC will be strictly considered. The yearly renewal requirement was considered by the Thromde to deter illegal construction, conversion, modification, and extension of the structures.
- v. Although the DCR clearly specifies the discontinuation of services such as water, electricity, sewerage, and telephone if OC is not renewed but such actions were not considered by the Thromde. Instances were also reported wherein in some buildings, a part of the structure is occupied by tenants while the upper part is still under construction. This indicates the Thromde's inadequate monitoring system on the ongoing constructions.

Thimphu Thromde justified that while the OC are being issued for all the new buildings, however, for the old traditional buildings built prior to 2000s were difficult as the assessment of their safety is not possible, as detailed in Appendix APPENDIX XLIV.

3) Inconducive physical structures for efficient and effective service delivery

- i. With the Thromde engaged in delivery of range of municipal services, it is only appropriate to have physical structures designed in the manner that is friendly and conducive for efficient and effective service delivery.
- ii. Thimphu Thromde currently operates in a rented building which is not designed to support the service delivery process and the work flow of different services offered. Inconveniences faced by service seekers are visible in terms of easy directions, space and amenities. For instance, the Land Division, Environment Division, Development Regulatory Division and Urban Planning Division that require constant contact with the residents for service delivery are placed on the top floor while the divisions or sections providing secretarial services such as legal, planning, procurement and administration, and ICT services are placed on the second floor. Although the audit observed elevator facility in the building, it was found non-operational. The staircases leading to critical service providing divisions/sections such as land, urban planning, Development Regulatory and maintenance are with low height railings. More importantly, the waiting area in the customer care service is found without adequate sitting facilities.
- iii. The RAA noted that although the Thromde had digitized some services such as payment of taxes and bills, the system is yet to be formalized and considerable numbers of clients still physically visit the Thromde office to seek service.
- iv. Further, there is no adequate signages indicating the location of the specific divisions providing the services nor designated officials to guide the clients to appropriate Divisions and sections to seek the services. It was observed that the clients hop from room to room seeking the direction of the concerned Division/Section for the service.

- v. Thus, not having appropriate designs and layout of municipal offices that support workflow and service delivery process to ensure accessibility, comfort and convenience, and other critical elements of ensuring conducive environment; the efficiency and effectiveness of service delivery of Thromde may be compromised.

Thimphu Thromde explained that the new Thromde Office is under Designing process, as detailed in Appendix APPENDIX XLIV.

4) Lack of monitoring and evaluation of service delivery

- i. As a service-oriented institution, the monitoring and evaluation of the service delivery is a critical component of performance management. Service centric organizations consider customer satisfaction as one of the yardsticks for performance measurement. Although the Thromde evaluates its performance based on the Annual Performance Agreement, the evaluation of the services delivered and/or incorporating the residents' satisfaction was not considered as one of the performance indicators.
- ii. The service evaluation, including the feedback of the service seekers would not only facilitate in determining the areas for improvement but also set proper benchmark, which would serve as yardstick to better the quality of services.
- iii. The RAA noted that the feedbacks of the clients were solicited and documented only for water services requested through the toll-free number (1009). The customer care personnel receives the complaints or grievances and forwards it to the relevant officials immediately. The next day, the customer care executives call the service seekers and seek their feedback. The feedback is captured in the excel sheet and shared with the respective supervisors through the common drive (google drive). There was no evidence of any actions initiated based on the feedbacks which indicated lower satisfaction.
- iv. There was no monitoring and evaluation reports based on which pending cases are checked, and officials are held responsible in the event the services were not catered to or not delivered within the prescribed timeframe. Without the periodic monitoring and evaluation, the Thromde may not be able to track and review how well the officials have responded to the demands of the clients in delivering the services. This would only trigger diffusion of accountability that there it would be a challenge to improve quality of service delivery.

Thimphu Thromde has agreed and stated that a proposal to integrate with the RCSC's STEP system is initiated, as detailed in Appendix APPENDIX XLIV.

VII. Water Management

1) Substantial Non-Revenue Water

- i. The daily water needed by Thimphu residents is estimated at 150 MLD², given the current approximated population of Thimphu Thromde at 120,000 and the per capita litres of water available is 274 (32.9MLD ÷ 120,000) litres per resident per day which is 82.66% (274-150=124lit./150*100) above the average requirement.
- ii. As per the record of water meter system, only 6,027 out of 9,393 main structures within Thromde are covered under water network. This represents only 64.16% of the buildings/households. The uncovered buildings/household reportedly source the water from

² Thimphu City Development Strategy (2008)

community water supply system or individual private sources, while some were reportedly resorting to illegal tapping from Thromde waterline.

- iii. Thromde collected water revenue of Nu. 103.10 million during three financial years of 2018-19, 2019-20 and 2020-21. As per the billing record, during 2020-21, water charges were levied on 6.98 million m³ against the total generation capacity of 11.84 million m³ indicating substantial volume of Non-Revenue Water.
- iv. Upon inquiry, it was explained that Non-revenue Water (NRW) result from variation of water discharge or quantity of water tapped during lean season and peak season, overflow and leakage and lack of recorded data on quantities of water at each stage of water treatment.
- v. There is an uneven water supply system having excessive generation in certain areas and shortage in others. There is a need for optimizing distribution network by tapping and redistributing water resources through a strategic focus considering the future development, growth and expansion of Thromde.
- vi. Section 2.2 of the Water and Sanitation Rules, 1995 that requires to have, “*metered water for each dwelling unit when the building on the plot has multiple dwelling units. It shall be an incentive or motivation to reduce the water wastage or water saving.*” The current water metering system is based on the number of buildings whereby in most cases one water meter for one building is installed and accordingly the water charges are shared among dwelling units.

Thimphu Thromde has accepted and stated that a comprehensive assessment of non-revenue water is currently being conducted, as detailed in Appendix APPENDIX XLIV.

2) Lack of Standardized Water Pipeline dimension

- i. Section 5.c of The Water Act, 2011 states that, “*Every individual shall have access to safe, affordable and sufficient water for basic human needs*”. In line with this, various categories of connection lines were installed and laid for different water users as summarized below in the table:

Table 40: Records of water Pipeline dimension

Outlet Pipe (dia)	Water User Type				Total Meters	Percent (%)
	Residential	Commercial	Institutional	Industrial		
15mm	2812	1014	207		4033	45.88%
20mm	1679	1157	169	2	3007	34.21%
25mm	22	33	17		72	0.819%
32mm	1133	417	101	2	1653	18.80%
50mm			3		3	0.034%
Blank (no record)					23	0.26%
					8791	

Source: Annalysed by RAA based on the water connection information provided by Thromde

- ii. It can be discerned from the table above, there are no standards of pipes prescribed based on category of users and is left to the discretion of users or the Thromde.
- iii. The RAA noted that few users were provided with dedicated waterlines with 50mm and 25mm diameters from the distribution points. Such bias act (without proper basis) extended by Thimphu Thromde towards few could possibly undermines the principle of equity and fairness in providing the facilities.

Thimphu Thromde justified that varying water pipe sizes were provided based on the management's approval of the resident's application, as detailed in Appendix APPENDIX XLIV.

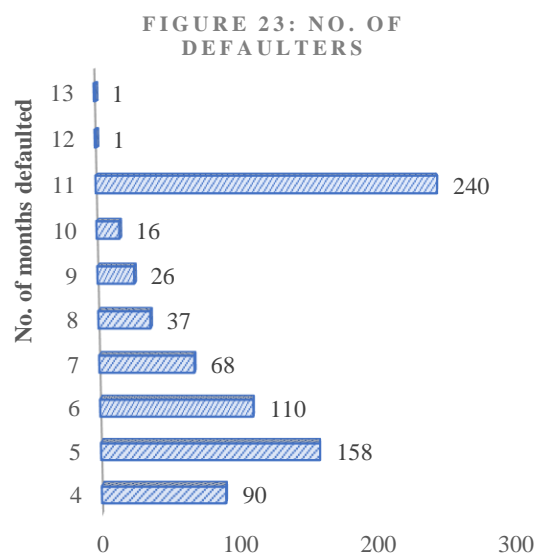
3) *Lack of sanctions for illegal tapping of water*

- i. There were reported cases of illegal tapping of water from the Thromde Water System. In May 2022 Thromde had identified 185 connections as trespassers who availed free water and sewerage services.
- ii. Clause 12.2 of the Water and Sanitation Rule, 1995, states that, “*any property connected by un-authorised persons or in any other ways illegally connected to the municipal water supply system shall be disconnected without notice to the property owner. The property owner is liable to a fine as specified by the City/Municipal Corporation. Unless the fine and unpaid water charges as estimated by the City/Municipal Corporation are paid in full the water supply will not be provided.*”
- iii. The RAA noted that Thimphu Thromde had not levied any penalties and/or fines on those 185 illegal connections. Such cases of illegal tapping would lead to leakage of revenue besides encouraging trespassers if appropriate sanctions are not invoked.

Thimphu Thromde has accepted and stated that notifications for violation of public properties is issued and has stated imposing fines for illegal water-tappers.

4) *Pending collection of water bills amounting to Nu. 7.128 million*

- i. As of May 31, 2022, the outstanding water bill collection remaining overdue from 747 clients totalling to Nu. 7,127,772.20 as detailed in Appendix XXXIV.
- ii. The outstanding water bill had remained overdue from 4 months to 13 months, as illustrated by the bar graph below. 240 customers had defaulted for 11 months followed by 5 months and 6 months with 158 defaulters respectively. There was also instance of remaining overdue for more than 13 months. The bill overdue amount ranges from Nu. 348.00 to Nu. 654,001.00.
- iii. As per the Clause 3.1 of the “**Water and Sanitation Rules, 1995**”, the Thromde reserves the right to deprive the water supply to delinquent consumers if the consumer fails to settle water bill dues within three (3) consecutive months including one month grace period of notice.
- iv. However, despite remaining outstanding for considerable period of time (more than 3 months), no actions were initiated as per the rules.



Source: Analysed by RAA from data

Thimphu Thromde has accepted stating that disconnection notices have been served to the defaulters, as detailed in Appendix APPENDIX XLIV.

5) *Erroneous water bills raised on consumers*

- i. The Water Section, Thimphu Thromde is often confronted with dispute arising out of abnormally high-water bill generation. Few obvious instances of abnormally high bills were raised to few residents as reflected in Appendix XXXV.
- ii. It was noted that water bill as high as Nu. 1.73 million was raised on a single consumer for a month based on the consumption of 99,699 cubic meters as per meter reading. The consumption was re-computed to 100 cubic meter for which the applicable bill amount was Nu. 435.00.
- iii. Even though such cases were treated as resolved after correction, there were no documents as to how the issues of faulty readings were addressed. Ideally, back-siphonage of the water meters is almost impossible unless it is interfered or damaged.
- iv. The reason for such irrational meter readings is attributed to errors in computation, technical glitch or back siphonage.
- v. When the consumer disagrees with the water bill generated, the complaint is lodged with water section and the water section re-direct the complaint to meter reader concerned for re-reading and/or verification. After verification by them, the outcome (either changes or no affect) is reported to water section who in turn direct the 'system administrator' to affect the variations in the system without maintaining proof of documents for the corrections made in the system.
- vi. While disposing the disputes, there is no transparency as it is done without formal authorization of changes and documentation. Furthermore, the negative meter reading (current reading less than previous reading) merits proper investigation since under ideal practice the negative consumption is unusual unless computation errors are committed by the dealing meter reader or manipulations are attempted by the consumers. If the foul play or manipulations were evident, the trespasser must be fined and penalised as per the standard practice.
- vii. If proper sytem of authorization of changes in the system are not put in place, there could be possibility of manipulations to avoid payment of applicable charges.

Thimphu Thromde has accepted to resolve the disputes through Dispute Redressal Committee which was absent earlier, as detailed in Appendix APPENDIX XLIV.

6) *Inadequacies in managing water sources*

- i. The RAA team along with officials concerned from water section visited water sources in Moegipang, Chamgang that supplies water to southern LAP of Semtokha, Babesa, Changbangdu, Lungtenphu and Olakha; and Dodena water source that provides water to areas of Taba, Langjophakha, Junshina, Pamtsho, Hejo Samteling, Yangchenphug, Changjiji, and Norzin.
- ii. The water sources at Moegipang water source were not fenced and are accessible to animals. It was reported that the periphery of the source is frequented by migratory yaks in winter. Although gabion wall was constructed initially, it was damaged by flooding as indicated in the figure depicted alongside.

Image 3: Water source at Maegepang



- iii. At Chamgang Water Treatment Plant, one of the filters was non-functional. The valve is an important component of the filter without which, the backwashing and rinsing of the filter could not be performed.
- iv. The sedimentation area at Dodena Water Source is near to the road which could be accessible to the picnickers and passer-by.
- v. Although the sedimentation tank is fenced with chicken mesh wires, the entry point has no provisions for locking system. Bamboo poles are used for the closing of the entry point as indicated in figures below:

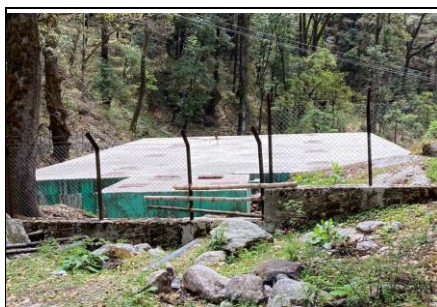


Image 4: Entry point to the sedimentation tank with bamboo pole fencing.



Image 5: Opening without provision for locking, and openings on top of the sediments.



Image 6: Leakage of water on the way to Tanggo

- vi. RAA noted leakages from the DI pipe on the road, on the way to Tago Dorden Tashithang Buddhist University as indicated in the figure shown alongside. The leakage was caused due to the damaged caused to the (Ductile Iron) DI pipe during the widening of the road. Since the continuous leakage would not only damage the road, there is a risk of damaging the DI pipe.

Thimphu Thromde has accepted and assured to carry out the periodic maintenance of water sources, as detailed in Appendix APPENDIX XLIV.

7) Deficiencies in administration of Sewerage Services

- i. The total current aggregate capacity of the Sewage Treatment Plants (STP) is 18.2 MLD. The per capita sewage discharge is assumed at 80 percent of the water per capita per day consumption³ and sewage per capita discharge/ waste water generation is 120 per Capita of litres per Day (150 pcd * 80%). With estimated population of Thimphu Thromde at 119,8764, the sewage generated is 14.38 MLD and can still accommodate 3.82 MLD of sewage/ waste water.
- ii. The current practice of imposing a sewerage charge is pro-rated to the water consumption wherein it is charged at 50 percent of the water charges. Over the past three financial year, Thimphu Thromde have



³ Thimphu City Development Strategy (2008)

⁴ Data collection by GEODATABASE DEVELOPMENT FOR THIMPHU THROMDE AND PERIPHERAL AREAS, MoWHS (2021).

received Nu. 51.56 million (50% of water charges) from the sewerage charge collection levied from 5998 clients.

- iii. As per the data collected for Geo-database development, there are 9,393 main structures/buildings out of which only 2200 buildings/structures constituting only 23.42% are connected to sewage line. However, as per the water charge collection list, the charges are collected from 5998 households/buildings, indicating inconsistencies in the data maintained by Thromde.
- iv. There were cases where buildings/structures are connected to sewer line but do not have water meters installed as the water is sourced from community water connections. For instance, 38 buildings in upper Taba which source water from community water source are connected to sewage line. There are similar cases in Dangrina, Jungshina, Pamtsho and Babesa. The few cases of sewerage charges forgone due to non-metered water is appended in *Appendix XXXVI*.
- v. Since sewage charges are based on water consumption, the sewage charges cannot be levied without water charges raised. Therefore, there is a substantial revenue loss sustained by the Thromde.
- vi. On the other hand, the RAA observed cases where buildings have water connections but septic tanks are not connected to sewage line for which sewage charges are levied.

Thimphu Thromde has accepted and agreed to implement the recommendations suggested by the RAA at the earliest.

VIII. Management of Parking Facilities in Multi Level Car Parking (MLCP)

To alleviate and improve traffic congestion and to prepare for future growth, International Finance Corporation (IFC), World Bank, recommended to come up with Multilevel Car Parking facility in the Central Business District. The IFC was appointed as the lead consultant and advisor to Thimphu Thromde and Ministry of Finance as on December 20, 2012 with the signing of Financial Advisory Services Agreement (FISA) agreeing to assist in the various phases of reviewing, structuring and implementation of transportation related projects. The PPP mode of designing, financing, building, operation and management of parking facilities in Thimphu Central Business District (CBD) was recommended by IFC. To execute the project, Thimphu Thromde in the capacity of Royal Government of Bhutan has entered into Concession Agreement under the Public Private Partnership (PPP) mode of implementation with Concessionary firm M/s KCR Private Limited (Consortium formed by: (i) M/s Rinson Construction Company Pvt Ltd. Bhutan; (ii) M/s CE Construction Company Pvt Ltd., Nepal; and (iii) M/s KNG Pvt Ltd., Bhutan) as on September 1, 2014. Whereas, the Concessionary is desirous to design, build, finance, and operate Two Multilevel Car Parking (MLCP), and transfer the know-how at the end of the concession period. The offered bid was Nu. 436.62 million (US\$ 8.25 million) as against the estimates of Nu. 475 million. On review of operation of MLCPs, following deficiencies were noted:

1) Non Pedestrainization of on-street parking along Norzin Lam leading to underutilization of MLCPs

- i. Prior to the construction and development of Two Multilevel Car Parking facility in Thimphu, on-street parking was the only parking facility available in Thimphu City. Parking along the street took significant open space on the main city arteries within the Central Business District (CBD). As a result, many of the arterial streets in the CBD remain

congested, crowded, haphazard and pedestrian unfriendliness blemishing the aesthetic view of the city.

- ii. In an attempt to address those existing challenges, the development of Multilevel Car Parking facility was envisioned. With construction of MLCP parking facility, it was intended and expected to ease the parking demand along the CBD lanes and pedestrianize the Norzin Lam. Pedestrianizing the Norzin Lam, the main spine of the core Thimphu city, was Strategized and articulated into ‘Thimphu Structural Plan 2002-2027’⁵ wherein the Strategy Eight stipulates ‘*Pedestrianizing Norzin Lam and various side lanes, linking the core into web of pedestrian passages, is an important strategy to achieve human scale, and a system of convivial places.*’ Further, Strategy Four of the same document spelt out ‘*the need for pedestrian zones in the heart of Urban Cores and pedestrian friendly automobile routes without crossing a dangerous street.*’
- iii. The Bhutan Transport 2040: Integrated Strategic Vision⁶, had called for ‘*improvement of facilities for pedestrians, including a safe and secure network of routes and priorities within the central area*’, from amongst the six key activities under the Urban Transport Strategy. Also, the Strategic Environmental Assessment⁷ (2018) for Thimphu Structure Plan (2004) conducted by Multi-Sectoral Core Team has also recommended for *Pedestrianizing Norzin Lam (between the fuel station and traffic intersection with Chorten Lam) basically to promote non-motorized transport such as pedestrianization and cycling by removing on-street parking.*
- iv. Aligning to those strategic objectives, the Thimphu Thromde had developed MLCP I and II which added 600 parking spaces in addition to the existing parking inventory (MLCP I – 220 slots & MLCP II – 380 slots).
- v. However, Thimphu Thromde’s plan to decongest the Norzin Lam by restricting the car parking along the artery lane and converting the area into a pedestrian zone is yet to be materialized even after completion of MLCPs. The Norzin Lam still remains to be the most congested area for vehicles due to the proximity to main shopping centres and commercial hubs.
- vi. On the other hand, the parking facilities at two MLCPs remained underutilized most of the time around the year. The underutilization of MLCPs is apparent from the revenue generated from the parking fees over the ten (10) quarters of operation i.e., July, 2019 – December 2021 since its operation.
- vii. The Concessionary M/s KCR Pvt Ltd. had received total income of Nu. 3,588,614.00 from operation and management of 600 parking slots at MLCPs operating 14.00 hours a day (8:00 A.M – 22:00 P.M) for the last 30 months in the 10 quarters. The details of the income generated are detailed in *Appendix XXXVII*.
- viii. The overall daily total revenue generated remains at Nu. 3,987.35 (Nu. 3.588 mil. ÷ 900 days) for 600 parking space. The daily revenue generated per parking space is at Nu. 6.65 (Nu. 3,987.35 ÷ 600) which is very insignificant.
- ix. Thus, the Thromde is not able to operationalize the pedestrianization of Norzin Lam and easing traffic congestions along its street resulting in underutilization of MLCPs.

⁵ Thimphu Structural Plan 2002 -2027 (Revision), 2004.

⁶ Bhutan Transport 2040: Integrated Strategic Vision (2013).

⁷ Strategic Environmental Assessment for the Thimphu Structure Plan, 2018. MoWHS, RGoB, Thimphu.

Thimphu Thromde accepted and informed the RAA that the pedestrianization of Norzin Lam is currently under review by Royal Commission for Urban Development and whose outcome shall be shared with the RAA, as detailed in Appendix APPENDIX XLIV.

2) Short collection of concessionary fees

- i.* To augment the economic viability of Concessionaire M/s. KCR Pvt Ltd. for designing, development, financing, operating and maintaining the two MLCP facilities, the right of operating and maintaining about 988 existing off-street and on-street public parking inventory in the city centre was granted. The Concessionaire's general obligation as per the Concession Agreement 2.1.a(iv) and (v) grants exclusively right to collect Parking Fees from Users and retain such Parking Fees and imposes obligation "to pay to the Authority the Concession Fees.
- ii.* In adherence to the Contract Agreement, the Concessionaire M/s. KCR Pvt Ltd. was required to pay concession fee of Nu. 129,204,326.66 to Thimphu Thromde for operation and management of vehicle parking spaces for more than seven years effective from September 2014 till October 2022 (3rd Quarter). The M/s KCR Pvt Ltd. had claimed or was granted Nu. 9,769,451.09 (On/Off Street) compensation to indemnify the revenue losses out of contingent eventualities. The periodical revenue share or concession fee accrued from Concessionaire is as summarized in the Table and workings detailed in *Appendix XXXVIII*.
- iii.* However, Concessionaire had deposited concession fee amounting to Nu. **106,812,281.28 (detail of deposit refer Appendix APPENDIX XXXIX)** into the revenue coffer of Thimphu Thromde over the span of seven years or 33 quarters (w.e.f. September, 2014 to September, 2022) Taking into account of those compensation claimed, the Concessionaire is still required to deposit/pay concessionaire fee of Nu. 18,806,687.73.
- iv.* The RAA noted that the 30 parking slots at MLCP1 was not counted in computing the concessionaire fees. The parking slots on ground was physically verified to be 380 slots as per the joint physical verification conducted as on April 24, 2022. However, Thimphu Thromde had accounted for 350 slots while computing the concession fees

Thimphu Thromde has accepted the revised short collection amount of Nu. 18.807 million and agreed to deposit the short-collection of concessionaire fees into the ARA, as detailed in Appendix APPENDIX XLIV.

3) Non-installation of Electric Charging Stations for Electric Vehicles

- i.* The General Requirements in the Concession Agreement for MLCP 1 and MLCP 2 under the Schedule 01 'Authority's General Project Requirement' requires Concessionaire to install not less than ten (10) percent of the Vehicle Parking Spaces with electrical charging points for Electrical Vehicles at MLCP 1 and MLCP 2.
- ii.* The Schedule 2 on 'Parking Specification and Completion Criteria' specifically set out following requirement in relation to electric charging station:
 - a)* *To have a plug-in with minimum twenty-five (25) foot length charging cable with an industry standard connector;*
 - b)* *It should be wall mounted, compact and should be able to work with all models of electric vehicles; and*
 - c)* *It should be protected against live power and should auto restart in the event of power outage.*

- iii. As required by above clauses of the Concession Agreement, the Concessionaire is required to maintain a provision of 60 parking spaces at MLCPs (MLCP 1 – 38 & MLCP 2 – 22) with electric charging stations for electric vehicles. In addition, the Concessionaire was supposed to design electrical charging points for electrical vehicles.



Image 7: Norma socket installed

- iv. However, it was observed that the provision for electric charging station were not laid out in the design and drawing of the Concessionaire. Moreover, the charging points provided by the Concessionaire are normal socket type and does not have an industry standard charging cables at site.
- v. Therefore, non-installation of electrical car charging station at MLCPs as per the requirement set out in the Concession Agreement was a breach of contract and facilities of charging vehicles are not provided to the users.

4) Incomplete and Missing Work components at MLCPs

- i. As per clause 17.1 (e) of the Concession Agreement, it states that, “on completion of Parking Facilities Without prejudice to the Independent Engineer’s discretion regarding the issue of Construction Completion Certificates, a Work Component shall not be regarded as Complete unless it has been designed and constructed in accordance with Schedule 1, Schedule 2, the Detailed Project Report, Good Industry Practice, Applicable Approvals and Applicable Laws (save for any minor works which in the opinion of Independent Engineer do not prevent the safe use of a Parking Facility).”
- ii. Inter alias thirty (30) different requirements, *the requirement for heating, ventilation and air-conditioning work (HVAC)* was well spelt-out in the Part 7 of section one (Design and Development of MLCP 1 and MLCP 2) of the Concession Agreement under the ‘Requirements in relation to the Detailed Project Report.’

- iii. The particulars of ventilation (HVAC) were laid out by clause ten of the Concession Agreement under Part 5 ‘Specifications in relation to MLCP 01 and MLCP 02’. The RAA noted that HVAC were not installed as it was not feasible for open ventilated type of structure and kept idle as shown in the picture.



Image 8: HVAC removed

- iv. The ‘specifications in relation to MLCP 01 and MLCP 02’ clause iii of the Concession Agreement specifies that, “the MLCPs shall be provided with at least one (1) elevator for the convenience of users as per the relevant design, mechanical and electrical standards and codes applicable in Thimphu and Bhutan. The elevator(s) shall be disable- friendly in every aspect as required by the Applicable Laws.”
- v. The RAA noted that one elevator at MLCP 02 was installed but non-functional (as on the date of audit). Upon inquiry, reasons cited included unavailability of spare parts for repair and consultant firm (responsible for commissioning the elevator) being held up due to

border-closure after the pandemic. Further, two elevators at MLCP 01 were found to be in process of installation.

- vi. Similar to that of HVAC equipment, M/s KCR Pvt Ltd had declared/claimed the 'Lifts system' work component as indemnifiable component of the MLCP structures with the RICBL for an amount of Nu. 11,691,164.40 and Nu. 7,794,109.60 for MLCP 1 and MLCP 2 respectively. This declared cost pertains to the cost of three elevator at MLCP 01 and two elevators at MLCP 2. However, only two elevators at MLCP 01 and one elevator at MLCP 02 were installed or in the process of installation.
- vii. As per Part 5 'Specifications in relation to MLCP 1 and MLCP 2' clause ix (on lighting) and clause xvii (on power back-Up), the MLCPs are required to be equipped with power back up and auxiliary emergency lighting system which will be activated automatically in the event of power failure. To address such issue the concessionaire is required to provide generator to have switch-over mechanism during power outages. However, the RAA noted that the Concessionaire have not provided with the power back-up system (as on the date of audit).
- viii. Thus, incomplete work items not provided as per the agreements had compromised the quality of facilities at the MLCPs.

Thimphu Thromde has accepted and agreed to install electric charging stations for EVs and make the mechanical lift system functional by December 2022. However, it was justified that for HVAC the requirement was not met in open space parking such as MLCPs and the emergency lighting system and power back-up system were installed.

5) Commercial Space Allowed Beyond the Authorized Limit Without Corresponding Revenue Benefits Accrued to Thimphu Thromde

- i. Establishment of Commercial Activity Area in each MLCP with the ceiling of twenty percent of the built-Up Area was permitted by clause 7.13 (b) of the Concession Agreement. However, the commercial space at MLCP-1 stands at 27.51% of the total Built-up Area of 196,900.90 sq. ft. while the for MLCP 02 commercial space is within the allowable limits at 18.90% against the total built-up area of 123,326.22 sq.ft.
- ii. As per the rental agreement reached between M/s KCR Pvt Ltd. and Thimphu Thromde, as of April 2021, there are thirteen (13) and fifteen (15) business vendors commercial units (shared by M/s KCR Pvt Ltd.) established in MLCP 01 and MLCP 02 respectively with agreed total monthly rental of Nu. 2,275,820.00 from these 28 vendors.
- iii. Nevertheless, the Concession Agreement does not specify on the stake in the revenue from the commercial space in MLCPs for Thimphu Thromde. The agreement is silent on share of contributions to Thimphu Thromde for the use of this space except for Parking space in MLCP. There were no inspection reports and handing taking note on the physical structure of MLCPs and it also lacked clarity on the use of Commercial Space.
- iv. Therefore, the commercial space at MLCP 01 which stands at 27.51 percent of the total built-up space is found in violation of the agreed terms of the Agreement. Further, the proposal letter KCR/GENERAL/2021/049 dated September 22, 2021 proposing to increase the commercial space by adding two floors on the existing G+3 with two additional basements thereby making the structure G+5 was accepted and forwarded to MoF and MoWHS by Thimphu Thromde.

Thimphu Thromde justified that the commercial space beyond the allowable limit of 20% was as per the approval of the 2nd Contract Management Committee (CMC) meeting, and was assured to convert it to parking space(s) if/when the demand for parking space increases.

6) Non payment of land tax of MLCPs

- i. Under the PPP Model of parking operation and management, the M/s KCR Pvt Ltd. was granted the right to build and operate two Multilevel Car Parking within the land area of 58,388.00 Sq.ft. and 36,647 Sq.ft. at MLCP 1 and MLCP 2 respectively.
- ii. The clause 7.4 of the Concession Agreement on Land Cost states that, *“any charges, rates or taxes arising or payable in respect of the license granted (whether temporary or permanent) by the Concessionaire of land or buildings or of any rights or interests in respect of land or buildings shall be paid by the Concessionaire.”*
- iii. As per the above clause, M/s KCR Pvt Ltd is liable to pay land tax to the tune of Nu. 47,517.50 annually (95,035.00 Sq. ft. x Nu. 0.50) on account of license granted to build and operate two MLCPs. The accumulated land tax for the period of eight (8) years from the date of signing the Concession Agreement (September 1, 2014) aggregated to Nu. 380,140.00 before levying penalty. However, the land tax is still found not paid to Thimphu Thromde (as on the date of audit.) It is a clear indication of weak enforcement of the agreement clause in the interest by Thimphu Thromde.

Thimphu Thromde has accepted and instructed KCR Pvt. Ltd. to pay the land tax since 2015 till date by December 2022.

7) Non-enforcement of maintenance and automated parking fee collection system

- i. As per Clauses 6.2 and 6.3 of the Detail Project Report, 2014, the M/s KCR Pvt Ltd. was required to mark parking spaces, install information ground indicating the number of parking spaces available at each location and applicable parking fee tariff.
- ii. Further Clause iv of the Concession Agreement requires to *“perform the routine and periodic maintenance work by the Concessionaire at the minimum: the legible, clean and visible signage at all times; parking space marking; and repair maintain or replace all equipment used for parking management and operation.”*
- iii. The RAA noted that instead of obligating the concessionaire, the said works were carried out by Thromde entailing avoidable cost.
- iv. Further, the M/s KCR Pvt Ltd. was also required to install information board(s) indicating the number of Parking Spaces available at each location and the Parking Fees applicable which should be installed at the start and end of each on-Street Parking location with more than fifty Parking Spaces, and at the start of each On-Street Parking location with less than fifty Parking Spaces. The RAA noted that information board was not provided.
- v. The parking fee collection system for both on-street and off-street parking is still operated manually contrary to the agreement.

8) Inadequacies in the management of Parking Areas outside MLCP

1. Outstanding revenues due from operator of parking space

- i. The RAA reviewed the operation and management of parking areas outside of MLCPs specifically in four areas of Sunday Market, Memorial Chorten and Hospital, Motithang and Olakha. M/s Lhaki Enterprise was awarded the contract with highest offer of revenue share of Nu. 36,000,270.00 for period of three years from July 2020 to June 30, 2023.
- ii. Over the nine quarters since entering into contract i.e., July, 2020 – June, 2022, the RAA observed that the firm had deposited Nu. 6,329,053.21 into Thimphu Thromde revenue coffer, as detailed in *Appendix APPENDIX XL*.

- iii. As per the clause 3.6 of the bidding document, the contractor was liable to deposit the quarterly instalment within the tenth (10th) working days of each preceding month. Upholding the clause 3.6 and schedule of payment, the Thromde should have received its ninth (9th) instalment payment by June 10, 2022.
- iv. However, the 6th Thromde Management Meeting convened on December 5, 2021 decided to consider waiver of Nu. 6,107,683.78 on request the operator. After the waiver, the operator was liable to deposit outstanding due of Nu. 20,118,518.72. The RAA noted that the Operator had paid Nu. 6,329,053.21 leaving the balance of 13.789 million yet to be deposited.
- v. Despite reminder the amount has not been deposited and Thromde is yet to enforce penal provision of 0.1% per day as per the work order.

Thimphu Thromde has accepted by justifying that the contractor had failed to deposit despite several notice served. It was agreed that the short deposit amount of Nu. 13.789 million to be collected from M/s Lhaki Enterprise and deposited into the ARA.

2. Over charging of parking fees

- i. As per the clause 2.2.1 of the Bidding Document, *“the parking fee permitted for collection from the users shall not exceed Nu. 10 for 4-wheelers and Nu. 5 for 2-wheelers per slot for the first 30 minutes or less as per the structure indicated in the table. Violation of these limits shall be tantamount to a breach of contract and will lead to cancellation of the contract.”*
- ii. Further, as per the point No. 1.21 of the bidding document it is specified that the quoted rates shall remain valid for a period of three years from the date of the award of the contract i.e., from 1st July, 2020 to 30th June, 2023. There was no provision for revision of rates in the bidding document.

- iii. The RAA verified parking tariff charged to vehicle users as on April 27, 2022 and found that the parking fees was charged at Nu. 15 per 30 minutes for two-wheelers (light vehicles) which was over and above the agreed rate of Nu. 10 per 30 minutes. The ‘Panel-A’ represents parking ticket charged at Nu. 15 per 30 minutes. The ‘Panel-B’

Image 9: Parking ticket issued by parking fee collectors



- indicates the tariff-slab chargeable for every interval of 30 minutes.
- iv. Also, from Parking Fee receipt (Panel-B) above that the repeated issuance of receipt to users may result into under-reporting of the revenue generation; consequently, leading to misrepresentation of the income/revenue information to tax authorities. Furthermore, it can be transpired from Penal ‘B’ that the parking fees collectors do not specify vehicle number, date and time of entry and exit, and total fare collected indicating lack of monitoring by Thromde.

Thimphu Thromde has accepted that the parking fees were charged over and above the agreed rates without the formal consent of the Thromde management.

3. Non enforcement of uniform code of parking fees collectors

- i. The condition of the contract 2.16 requires the contractor to provide proper uniform (traditional dress – Gho/Kira) with name cards and Identity Number (printed at the back of the dress) duly approved by the competent authority to all parking fee collectors employed by the firm to maintain their identities from the date of commencement of the contract.
- ii. However, the RAA during verification observed that the parking attendants were without proper uniform and/or dress code.
- iii. *Therefore*, there is a need to enforce the uniform codes as per the conditions of the contract through proper monitoring by the Thromde.

The contractor through the Thromde management accepted to ensure proper presentation of the parking fee collectors as per the contract norms.

IX. Waste Management

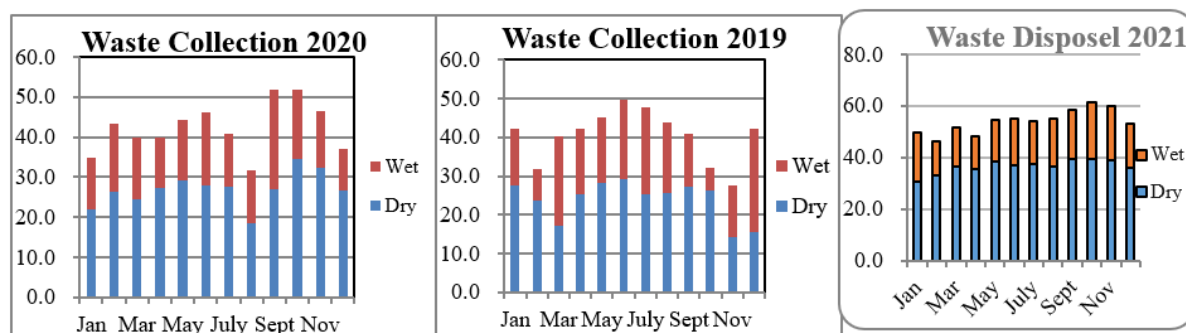
The RAA reviewed waste management of Thromde and noted the following inadequacies as discussed below:

1) Exhausted capacity of landfill

- i. Memelakha landfill in Thimphu was constructed in 1994 with a design capacity of eight years when the waste generation was 8 to 10 metric tons per day and the population was around 15,000. Since then, the landfill has been extended and spread across an area of about 2.7 acres. The waste generation from Thimphu Thromde has persistently increased over the year with average daily disposal of 43.90, 45.9 and 61.10 metric tons for three years; 2019, 2020 and 2021 respectively.

The following stacked column graph illustrates the wet and dry waste collected and disposed over three years.

Figure 24: Wet and dry waste collected over three 2019-2021



Source: Derived by RAA from the waste collection and disposal data shared by Thromde

- ii. In absence of the landfill design and drawings, the RAA could not verify and comment on how the landfill was designed and constructed. The RAA's environment report on waste management issued in 2008 reported that *"the landfill at Memelakha, Thimphu had crossed*

its estimated life by almost 7 years and operating more as an open dump site than a landfill”.

- iii. The Memelakha landfill had reached its end-of-life decades ago but the Thromde continues to expand the existing landfill through excavation of the upper terrace/hill. During the site visit, the RAA observed that Thimphu Thromde is continuing the landfill extension work including widening the road, gas venting pipes, surfacing and underground piping for leachate with the objective to cater for another few years. In absence of proper design and management of the landfill site, it is being operated more as a dump yard and not engineered sanitary landfills due to overloading and space constraints.
- iv. As per the report on *Consideration regarding waste disposal future vision in Thimphu City, Kingdom of Bhutan*, by Japan International Cooperation Agency (JICA) the remaining years of the landfill is less than 3 years as provided in table below:

Table 41: Landfill capacity at mameylakha

Operation start year	1994
Landfill area	6,310 m ²
Remaining landfill capacity^①	40,000m ³
Weight of dry waste	26.5 t/day
Volume in the landfill site^②	33.1 m ³ /day
Volume including cover soil^③	36.4 m ³ /day
Years of remaining landfill capacity^④	3 years
① As of 2019, ② Specific gravity = 0.8t/m³, ③ Cover Soil = 10% ④ In case of excluding the wet waste	

Source: Landfill capacity study by JICA

- v. The lifespan of the landfill was estimated based on the waste volume as of March 2018. At present both dry and wet waste end up at the landfill site although collected separately. The disposal of wet waste in the landfill area have significantly reduced the life span of the landfill. Due to the lack of composting plant, the landfill currently intakes both dry and wet waste with an average disposal of 61.1 m³/day.
- vi. Although organic matter in the waste is known to be occupying over 40% but compost plants are not installed. The RAA was informed that, Thimphu Thromde has identified succeeding sanitary landfill area and facility to compost wet waste. Thimphu Thromde Administration had carried out surveys and demarcation of new landfill site including road alignments under the Integrated Waste Management Facility, Waste Flagship Program (WFP) in collaboration with Thimphu Dzongkhag and Project Management Unit, WFP. But it is not yet facelifted and Thromde continues dumping the wet waste in the existing landfill which shall be continuing for some time until the construction of the waste management facility is completed.

2) Unscientific Waste Disposal Practices

- i. The RAA observed that, the required planning and proactive response to mitigate the risks associated in absence of waste recycling and processing facilities has not been timely, nor adequate. As a result, major chunk of waste collected are being dumped in landfill on daily basis, which is not fulfilling the Country’s development policy of conservation of environment.
- ii. At present, Thimphu does not have a sanitary landfill. Thimphu Thromde through its waste management partners continues to practice dumping of solid wastes in an un-engineered landfill site, including open burning and incineration. Though Thromde manages its solid waste disposal site with the given resources but it’s far from being scientific. The following photographic evidences suggest the lack of segregation and separate dumping yard/landfill for dry and wet municipal waste.



Image 11: Wet waste and Dry Waste dumped in the same landfill



Image 12: Recyclable cardboard and plastic waste forming the major

- iii. The RAA observed that both the dry and wet/organic waste collected by the private waste management contractor are dumped at the landfill site with other wastes without segregation of household hazardous wastes (batteries, glasses, etc.) and no disposal sites for special wastes.
- iv. Two excavators deployed at the landfill site on daily basis, consigned the waste underground through digging trenches into the earth and burying them. The Figure 2 shows waste before burial underground. Animals such as dogs, cows, rats and other vermin are spotted in the areas and which shelter them as a new habitat for them.
- v. The RAA observed practice of open burning of waste that poses grave health and environment risks. The hazardous cocktail of emissions released into the atmosphere through open burning of waste impacts the environment and the health of those who work at the landfill and live nearby. Upon inquiry it was learnt that the waste collected from the quarantine facilities are burnt at the site as there was no other alternatives. There are three open burning pits where wastes are burnt. Although burning is not the desired treatment, the private contractors do not adhere to the SOP issued by the MoH on disposal of waste from quarantine facilities.
- vi. There is no practice of reporting on air quality at Memelakha when toxic gases are continuously emitted into the atmosphere. Incineration is also done which adds to the depletion of the air quality. Strong wind and storm spreads dust and filth from the open solid waste dump site to the adjacent areas.
- vii. The RAA observed that the Thromde and private waste contractors were not equipped with protective gears such as gloves and gum boots while handling waste at the landfill. Upon enquiry, it was learnt that they were aware of the health hazards and even supplied with protective gears but were found not using them.
- viii. Other types of dangerous wastes like chemical and hospital wastes are also not disposed of properly. In the absence of alternatives, the landfill has long been overflowing, leading to

Image 13: unscientific treatment of waste by burning the waste in open air



its instability and environmental problems. Further, biomedical wastes from hospitals are considered hazardous and infectious which requires proper treatment and disposal mechanisms. There is lack of proper design and management of the landfill site and it is being operated more as a dump yard.

- ix. Further, there is also lack of systematic reuse or recycling of wastes, which results in almost all the waste collected over the years being dumped into the landfill. Dumping of waste in an unscientific way have serious environmental issues. The current disposal practice at Memelakha and its social and economic impacts have not been studied by agencies concerned.

3) Lack of Waste Management Infrastructure

- i. There is lack of waste infrastructure and facilities in place, despite the Waste Management Authorities identifying this as a priority in 2009 during the enactment of Waste Prevention and Management Act 2009. The RAA review revealed that Thimphu lacks in waste treatment, recovery and recycling. Although residents of Thimphu have been segregating waste into dry and wet however, in absence of 3Rs infrastructures and facilities, most of the wastes collected are dumped in the landfill.
- ii. There is inadequate waste segregation, recovery of recycling of waste as most of the wastes are transported to the landfill. At present, valuable dry wastes through waste picking and scrap dealing are collected and sold to the recyclers in India. Instances were noted where support staff of government agencies are encouraged to segregate waste for sale to the local scrap dealers.
- iii. During the RAA's site visit, it was noted that the waste collection vehicles were allowed to enter the landfill freely without any check/inspection by Thromde's official to identify and confirm the types of wastes being brought in to the landfill for disposal, indicating lack of proper mechanism in place to ensure proper segregation of wastes for disposal in the landfill. The lack of monitoring mechanism also applies to residents who are expected to segregate the waste.
- iv. The RAA noted negligible recovery of valuable waste for the period 2018 and 2020 as presented in table below:

Table 42: Waste recovery information

SN	Particulars	2018	2020
1	Cardboard/Papers (Kg)	47,618.00	132,899.00
2	Pet bottles (Kg)	30,900.00	123,558.00
3	Tins/metals (Kg)	18,133.00	12,521.00
4	Rubber items (Kg)	29,456.00	26,416.00
5	Plastics (Kg)	-	106,956.00
6	Non-Ferrous Metal (Kg)	-	17,520.00
7	Ferrous Metal (Kg)	-	35,741.00
8	OCC (Kg)	-	60,840.00
Total Recycled (Kg)		126,107.00	516,451.00
Total Generated (Kg)		12,573,600.00	10,153,300.00
Percentage Recycled		1%	5%

Source: Thimphu Thromde, Environment division

- v. On review of the main contract documents between Thromde and Private contractors, the RAA noted that there is no obligations or targets for contractors to improve rates of waste recycling or reprocessing. Although the private parties are only responsible for collection and disposal of waste as per contract agreements, reducing and recycling of waste has been an additional initiative. Moreover, there is no plan to do it either by the Thromde or Civil

Society Organisations (CSO). The contract is focused mainly on timely waste collection and its transportation further to the landfill.

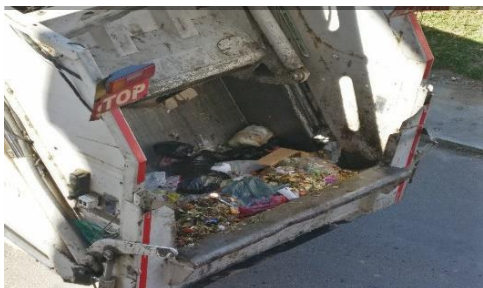
There is no adequate composting of organic waste. At present, all the wet/organic waste collected by the private contractors are just dumped at the landfill site with other wastes although it is segregated at source. Although Thromde reported community composting constituted just under 10% of total wet waste, the data on composting was not available readily.

- vi. There is no clear responsibility on handling of harzardous waste management specifically the e-waste which could be hazardous. Even for infectious and harzardous waste from health care facilities, recyclable waste after autoclaving is not sent to the MRFs.

Image 14: Vehicles used for collection of waste



Image 15: Vehicles used for collecting all types of waste

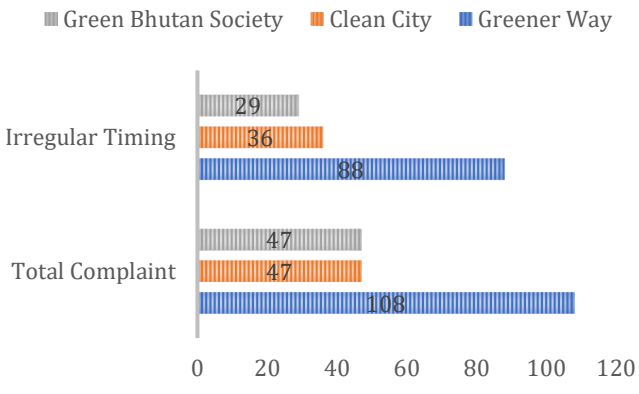


- vii. The RAA noted that the waste collection is not facilitated with adequate number of vehicles which are as old as 20 years and are faced with frequent breakdowns. The waste collection frequency has increased due to increase in population and households under each zone but the fleet of vehicles supplied by Thromde has remained static or rather decreased due to off-road/breakdown. The fleet of vehicle remains disproportionate to that of increase in collection frequencies with no provisions to provide additional vehicles to cater the increasing demand for waste collections. Besides, no separate vehicles are allotted for dry and wet waste resulting in poor and unhygienic ways of sorting and segregation.

- viii. The RAA noted that substantial number of public complaints related to irregular collection timing as depicted in the graph. This indicated weak compliance to the collection schedule by the service provider and lack of monitoring by the Thromde.

- ix. There were instances where clearances of waste from drop-off centers were not regular. RAA was informed by the caretakers that the waste collection reach at DOCs in three-four days routine time resulting into overflowing of the waste and spillage of the odorous leachate around the premise and

Figure 25: waste related complaint



Source: Analysed by RAA from the complaint recors

vicinity. The photographic evidence below suggests the overly loaded Drop-off centres and unscientific dumping into the waste cabins without preventive measures:

- x. The waste drop-off cabins do not have any provision of mechanical handling of the waste. Often the leachate is observed spilling around the DOCs and moreover, the dropped in waste are handled by caretaker manually.

Image 16: Over loaded DOC and unscientific duping at DOC



4) Non-existence of Extended Producers Responsibility Scheme

- i. Extended Producers Responsibility is a strategy designed to decrease the total environmental impact from the product by making the producers/manufacturers responsible for the end of life-cycle of the product in taking back, recycling and final disposal of the products. The EPR scheme shifts the financial burden of managing wastes generated by consumer products to the producer of the product.
- ii. Literature review on the EPR strategies in other countries revealed take-back programs as a simple and effective method in managing solid wastes. Under this strategy, consumers deposit a nominal amount when products are bought (usually beverages), which is refunded when the packaging waste is returned to the wholesalers/retailers. Such arrangement places a legal responsibility on the wholesalers/retailers to take back containers for recycling/reuse/proper disposal. EPR programs in the European Union requires the producers, manufacturers, brand owners, and first importers of products and packaging for collection, recycling, and end-of-life management of material. Similarly, Canada, Japan, and South Korea have sound EPR policies and programs for a wide range of products.
- iii. At present, there are no take-back policies or programs or voluntary agreements with local producers/manufacturers that is formally recognized as EPR schemes within the country. Thimphu Thromde have outsourced waste management by hiring the services of a private waste management companies.
- iv. The RAA noted that in waste management, the private entities and scrap dealers play an important role in collecting waste and returning it to its sources. For example, Greener Way in collaboration with Army Welfare Project (AWP) have started an initiative 'Every Bottle Back' whereby Greener way collects used AWP product bottles and send them back to AWP for recycling. This is a part of their corporate social responsibility and to encourage other companies to increase their effort and demonstrate a strong commitment to sustainable development and circular economy.

- v. Further, one of the strategic tools under the National Waste Management Strategy (NWMS) 2019 is to pilot EPR as part of corporate social responsibility. Upon discussion with the National Environment Commission (NEC), the RAA was informed that the National Waste Flagship Program have devised measures to account on the issues and implementation would start from 2023.
- vi. From the field visit at Memelakha landfill and facilities of waste management in private companies revealed that wastes such as glass bottles, plastic bottles, tetra packs, beer bottles, liquor bottles, and other beverage and juice bottles etc. are not segregated and are collected along with dry waste and dumped in the landfill. Enquiries with individuals involved in waste collection informed that most of the glass bottles are broken indicating no awareness on reuse and recycling of such wastes.
- vii. Upon inquiry with Thromde officials and local manufacturers, the RAA learnt that there is huge cost involved in recycling and as such, purchasing of new raw materials are preferred for production. It is also believed that reuse/recycling waste to be used as raw materials for new products increase the cost of production and increased product price.

The RAA opines that an EPR scheme in place will significantly reduce the quantity of wastes being transported and dumped at the landfill. There is a need for the waste management authorities to develop and implement a strong buy-back policy. A synergy of both voluntary and mandatory EPR approaches to waste management should be encouraged in consultation with relevant stakeholders.

For the waste management, while the Thromde has agreed on the issues raised and the Thromde justified that they are awaiting for the recommendations of the Office of the Performance Management of the Government who has recently initiated the waste management system as whole, as detailed in Appendix APPENDIX XLIV. With regard to the non-installation of weighing bridge, it was justified that installation of weigh bridge was not feasible at the landfill site and the budget was reappropriated to other capital works.

X. Process of Planning and Implementation of Development Activities

Thimphu Thromde is mandated to provide infrastructure services via development and maintenance of various infrastructure and amenities within Thromde besides day-to-day municipal services. The RAA reviewed the process planning and execution of annual activities of development and maintenance of infrastructure to identify opportunities for improvement. Some of the shortcomings and deficiencies noted were as follows:

1) Lack of Extensive Public Consultation in identification and prioritization for Developmental Activities

- i. The infrastructure development activities are found complaint-based that is compiled by different Divisions/Sections over the year, while some activities are found submitted by the Thuemis supposedly in consultation with the Public, although there were no documents maintained. On discussion with the elected local leaders, difficulties in consulting the public were expressed and as a result of which meetings with the public could be hardly conducted over the years. Therefore, the consultation and involvement of the public are found limited in the identification and prioritization of the developmental activities.

- ii. Once these activities are compiled, a technical assessment is conducted by the Infrastructure Division's Planning Section in consultation with the Urban Planners and Thuemis; scrutinizing and scoring the activities based on the criteria of feasibility, criticality, beneficiaries surrounding the vicinity, and the infrastructure type.
- iii. For the FY 2021-2022, a total of 156 activities were found compiled (Demkhong-wise) for assessment. Of the 156 activities, 39 activities (representing 25%) were found deferred or cancelled either due to budget constraints, being not critical enough, and the ROW (Right OF WAY) issue. Following the assessment completion, proposals and costings were prepared for the qualified activities for submission to the Tshogde. The final prioritization is found done by the Tshogde based mainly on the budget availability.
- iv. Therefore, there are limited consultation with the public in the identification and prioritization of the developmental activities planned and executed by Thimphu Thromde. The 2009 LG Act section 146 specifically requires the Local Government such as Thimphu Thromde to make every effort to ensure public participation in the development of various plans and programs. Also, the section 145 of the Act states that the all sessions of the Tshogde shall be open to public to participate as audience except for the closed-door sessions. However, there were no public participation in the Tshogdes conducted till date.

2) No Projections and Planning for Maintenance Services

- i. Thimphu Thromde provides maintenance services based on complaints received through the G2C system as well as through walk-in applications. Thromde does not have a system of planning for maintenance of infrastructure.
- ii. The Thromde outsourced the maintenance of services such as sewerage, drains, and potholes to the private contractors through the Annual Contract Framework (ACF). This arrangement is expected to ensure uninterrupted and continuous maintenance services in these areas. For the purpose of annual budgeting, the concerned engineers prepare an inventory of areas and infrastructure that requires maintenance. Accordingly, the budget is proposed for the maintenance to be outsourced to the contractors. Such planning will reduce delay in service delivery as well as facilitate the Thromde in projecting the required manpower, budget, tools and machineries. Further, the Thromde would be able to consider systematic and timely maintenance of infrastructures without requiring the public to complain.

Thimphu Thromde has accepted to improve on the planning for infrastructures and maintenance works that is based on certain projects and extensive consultations with the public.

3) Issues of time and cost overrun in Infrastructure Development

- i. The provision of sustainable infrastructure and amenities within the Thromde is the core municipal services and to provide quality infrastructural facilities to its residents, a robust monitoring and supervision of implementation needs to be in place. The RAA's past reports both performance and financial audits, indicate serious deficiencies in the internal control systems pertaining infrastructure development as well as financial management.
- ii. The RAA through its reports had nudged the management on various systemic deficiencies in range of operational areas and service delivery resulting in compromising overall effectiveness and efficiency of its performance and use of public resources. It

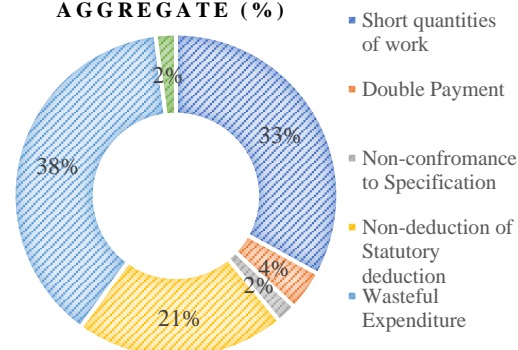
was noted that, despite earlier cautions, most of the issues pointed out in the past still remain to be addressed.

- iii. The magnitude of the infrastructure developmental related irregularities on account of above broad categories of excess and inadmissible payment is exhibited in the table and with Pie-chart below:

Table 43: different types of irregularities reported in Audit Report

Nu. in million				
Category of Irregularity	FY 2018-19	FY 2019-20	FY 2020-21	3 FYs Aggregate
Short quantities of work	10.216 (64%)	0.158 (7%)	2.079 (11%)	12.452
Double Payment	1.142 (7%)	0.078 (4%)	0.445 (2%)	1.666
Non-conformance to Specification	0.608 (4%)	0.080 (4%)	0.155 (1%)	0.843
Non-deduction of Statutory deduction	0.687 (4%)	1.663 (4%)	5.390 (28%)	7.741
Wasteful Expenditure	2.767 (17%)	0	11.339 (58%)	14.106
Acceptance of Defective Works	0.521 (3%)	0.227 (10%)	0	0.747
Total	15.941	2.206	19.408	37.555

FIGURE 26: 3 YEARS AGGREGATE (%)



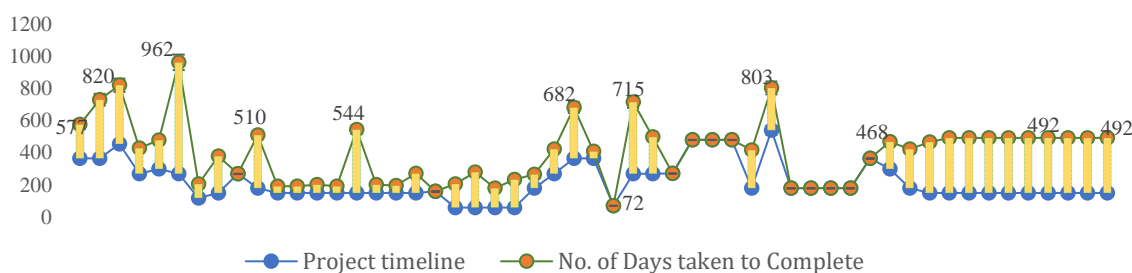
Source: Analysed by RAA from the 3 years Audit Report issued to Thimphu Thromde

- iv. The RAA in the current review also noted substantial cases of delays in completion of infrastructure development. Out of 57 major construction works for last three FYs 2018-2021 reviewed, only 6 activities representing 10.52% were found completed within stipulated time. The remaining works comprising of 89.47% were found working either under time extension or liquidity damage period. This indicated serious impediment to timely delivery of infrastructure.
- v. The deadline extension sanctioned/approved ranged from 30 days to 390 days. Even after sanctioning the extension, only thirteen (13) activities out of 57 comprising of 22.81% could be completed and remaining thirty-eight (38) activities had exceeded the extended deadline. The total delay days from the original planned project duration ranged from 43 days to 692 days. The two glaring instances observed for delay in infrastructure development is highlighted as cases in the box.

Cases 1:

- For the construction of cable duct cum footpath near Druk School and from Telecom junction till Motithang Substation, the project duration was 270 days (9 months) but the activity is still ongoing (As on the date of Audit - April 2022). The contract was terminated as on November 26, 2020 owing to the poor work progress but only after elapsing 138 days from original deadline and 46 days from revised deadline (i.e., 11.10.2020). At the time of termination, the contract was under liquidated damage (LD) period by 46 days and the work progress was valued at only 60% then. Due to termination of the contract, the work status still remains ongoing (as on the date of audit).
- Another case of prolonged delay in completion is 'The Construction of 4-Lane Road with Footpath and Drainage at Taba till Dechencholing Bridge'. The allotted project duration was 450 days (9 months) but the activity was found still ongoing (as of April 2022). The contract was terminated as on April 21, 2022 owing to the poor work progress but only after elapsing 251 days from original deadline and 179 days from revised deadline (i.e., 24.10.2021). At the time of termination, the contract was under liquidated damage (LD) period by those 179 days and the work progress was valued at only 75% then.

Figure 27: Project timeline vs actual completion period (delayed)



Source: Analysed by RAA from the list of infrastructure development projects undertaken by TT

- vi. These two cases are the result of extending the completion deadline without considering the work progress. Prolonging the project deadline ultimately leads to deprivation of benefits and service on time to the beneficiaries and causing prolonged inconveniences to the general public in terms of workfront and space accupied.
- vii. The reasons attributed to were generally forced majeure, and variation of scope of work during execution. The RAA also noted that one of the factors contributing to delays was due to lack of coordination with other stakeholders in terms of obtaining right of way and access as illustrated in the table below:

Table 44: Coordination issues faced by Thimphu Thromde

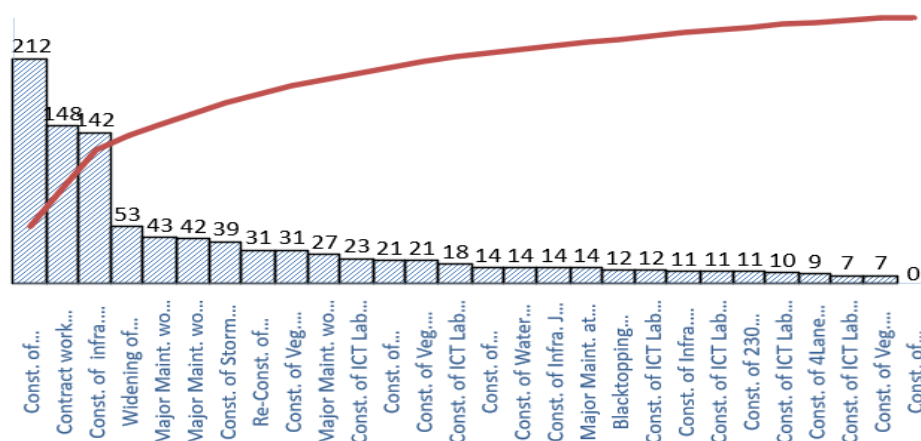
Activity	Entrustee Agency	Activity	Delayed/ Action	Remarks
Development of junction at 9 locations within TT	BPC	Shifting of 500KVA Substation at Changangkha	20 months	Delayed by 20 months after serving the letter and depositing the 'Deposit Work' amount
Construction of different infrastructure within Jungzhina – Pamtsho Demkhong	BPC	Shifting of Electric pole at Changbandu	12 months	Delayed by one year after sending the request letter to BPC
Improvement of Road from Hotel Dusit D2 till MLCP Junction end and Olakha	BCP	Shifting of Electric pole at MLCP junction	BPC	Request letter send after 175 days of commencement of work
	BT	BT pole near hotel Ugyen at Olaka		Request letter send after 175 days of commencement of work
	BPC	Reallocate the mini feeder pillars and LT poles falling within ROW	Not acted	BPC had either not acted or denied to the request resulting into stoppage of the work due to failing to clear the Right of Way
	Land owner			Dispute with landowners due to lack of proper maps and plot demarcation
Re-surfacing/ Reinstatement of road and construction of drains within Thimphu Thromde	BPC	Reallocation of Electric pole	After commencement of work	Request for reallocation of electric poles send BPC after commencement of work

Source: Compiled by RAA from the list of Construction

- viii. The RAA also noted cases where there were delays in taking over of completed works. From the review of the 57 works, 27 works are found handed over and/or taken over in the period ranging from Zero day to 212 days from the day of work completion report submitted to Thimphu Thromde. Remaining 30 activities were found ongoing during

the review by RAA and the completion reports were yet to be submitted to TT. The variation in ‘Handing-Taking over’ of the work after completion can be understood from the graph represented below:

Figure 28: List of infrastructure development executed by Thimphu Thromde



Source: Analysed by RAA from the construction list provide by Thromde

- ix. There were also issues of cost overruns due to delays in completion of the project as evidenced through one of the examples. The work of Development of 4-Lane Road with footpath and drainage at Taba till Dechencholing Bridge awarded to M/s T. Tobgay Construction for the duration of 15 months was terminated as on 21.04.2022 after 180 days and 251 days of revised and initial completion deadline respectively. Subsequent upon termination, the balance work was re-tendered and awarded to M/s/ P.G Construction. The work was finally completed and taken over as on 13.06.2022 - delayed by 295 days after the intended completion date i.e., 13.08.2021. The work was completed at the cost of Nu. 72.798 million as against the initial quoted price of Nu. 49.55 million.
- x. These issues point to the inadequacies in planning of activities to ensure prerequisites of finalized drawings and designs leaving little room for changes, lack of coordination with other agencies and internal organization of ensuring that the completed works are taken over in time.

Thimphu Thromde has accepted and justified various unavoidable circumstances for delayed completion of infrastructure development works. However, going forward, it was stated that the Thromde has placed a stern monitoring mechanism by restructuring the existing section, as detailed in Appendix APPENDIX XLIV. Thimphu Thromde has accepted and ensured that henceforth all contractors to submit their time extensions request before the completion deadline, as detailed in Appendix APPENDIX XLIV.

4) Lack of inventory of infrastructures

- i. The reliable and accurate database are paramount for decision making, planning, resource allocations and timely intervention. The need to digitize the inventory of road networks within Thimphu Thromde was recommended by RAA through two audit reports in the past (2018-19 and 2019-20) mainly to serve the following purposes:
 - To determine the age and lifespan of the infrastructure

- To draw professional estimates for present and imminent repair and maintenance works;
 - Standardize the road and drainage network in the city; and
 - To avoid duplication, overlapping and repetitive repair and maintenance over the same stretch.
- ii. The RAA noted that the procurement of GNSS RTIC N90 survey equipment during FY 2019-20 amounting to Nu. 1,299,998.50 and ex-country travel expenses of Nu. 483,040.00 for institutional visit to Pune, India attended by official from four Divisions and Sections (UPD, DRD, Land Section and ICT Section). An additional expenditure of Nu. 4,485,000.00 under the budget head '55.01: ICT Complete Property Inventory (Land, Building, All assets)' was expended for ICTisation of property inventory under Thimphu Thromde. In principle, the Budget was appropriated for development of digital base map for Thimphu Thromde. The inventory digitalization as assured and committed in their response by Thimphu Thromde is yet to materialize.
- iii. The RAA noted that the following App-based and Web-based services were initiated by Thimphu Thromde:

Table 45: Apps and IT system developed by Thimphu Thromde

SL. No	Type of App	Intended function	Development Cost	Functionality Status	Remarks
1	TTPay	Online payment (property tax, water bill, house rent/stall rent)	420,000.00	Active	Contract awarded to iTechnologies
2	Spot Meter Reading	Instant water bill generation and printing used by meter readers and the billing officials.		Active	
3	BI Monitoring App	Building inspection and monitoring/supervising tasks management system used by Building inspectors and the building head		Launched but to be put to use after Tab procurement	
4	City Works	Project management/tracking system used by engineers and the project managers to keep records/tracks of the ongoing projects	220,000.00	Active	Contract awarded to NGN Technology
5	TTCMS	Complaints management system - where general public can lodge their complaints using the app and track the action taken by the Thromde authority.		Active but lack public familiarization	
6	TT Waste	Garbage collection vehicle tracking app for the general public	JICA Funded	Active	NA
7	ARMS	Asset and Revenue Management System	2,970,750.00	Asset Management is partly non-functional	iTechnologies
			3,610,750.00		

Source: List shared by IT division, Thimphu Thromde

- iv. From review of related documents, test checking of the system and Apps, enquiry with the dealing officials showed partial utilization of various IT systems.
- v. However, the 'Asset module' of the ARMS was meant for recording/accounting of all the moveable and immovable assets registered under the ownership of the TT. The Asset component of ARMS comprises of the modules for classification of asset, asset codification, asset information (general information, technical specification and financial information), asset inspection, maintenance and asset disposal information.

- vi. The functional responsibility was delegated to Asset Manager, who was exclusively recruited for accounting, recoding, managing and monitoring of property. However, the asset module is not operationalized due to following reasons as explained to RAA:
 - ✖ Asset aspect of ARMS was never operationalized.
 - ✖ Unavailability of detail information about the property (e.g., Length, Width or Breadth of Roads, Footpaths and specification of computers etc.) recorded in earlier DAR;
 - ✖ Lack of cooperation extended by other Division and Sectors in providing and/or bypassing the Asset Management Unit while acquiring the property and distributing to officials; and
 - ✖ Procurement section and Asset Management Unit working in silos and oversight of the unit in sharing the information for all the properties or assets acquired.

5) Underutilization of Building Inspector Monitoring App

The BI Monitoring App was developed for the purpose of inspection or monitoring of building construction to ensure compliance to the approved design and drawings and the overall Building Codes. The App was developed mainly to be used by the building inspectors and their supervisor.

- i. During the course of inspection or monitoring, if they come across any deviations and observation, the Building Inspectors can update in the App and report to their supervisors. Additionally, the same App is intended to use as a tool to monitor the Building Inspectors while at field.
- ii. The RAA noted that the App was not in use and remains inactive till date. It was asserted that the App is only compatible with Tablets and incompatible with mobile phone for viewing and referring the drawings and designs. The delay in procuring the Tablets was reasoned as one of the main reasons for underutilization of BI monitoring App.
- iii. Therefore, it is evident from the facts that the ARMS system and Apps were developed without proper study of reliability and compatibility. The development cost of IT systems and APPs as well as expenditure incurred for trainings are yet to deliver benefits to Thromde.

Thimphu Thromde has accepted and justified stating that while CAS (City Addressing System) has helped achieve inventorize/digitize the asset it will be enhanced, improved and updated on timely manner, as detailed in Appendix APPENDIX XLIV.

6) Infrastructure Development Lacks Inclusiveness and equal Accessibility

- i. The differently-abled-people are not only those with impairment such as mobility disability, communication disability, sensing disability, self-care disability and cognition-induced disability but can also be expanded to elderly, ill, pregnant, obese, children, persons with fracture or with luggage.
- ii. There are 15,567 people suffering from disabilities in Bhutan known as differently-abled people and they constitute around 2% of the population (Bhutan at a Glance, 2021). 80% of them are known to be residing in Rural while the remaining 20% are in the Urban Areas. Recognizing the importance of empowering them and giving an equal access to public and private infrastructure, the MoWHS has come up with the 'Guideline for

Differently-Abled Friendly Construction (GDAFC), 2016,' urging the engineers, architects, urban planners and developers to use and advocate the simple designs and concepts illustrated in the guideline to make cities a place which is accessible and safe for all.

- iii. The RAA noted that the recently build public infrastructure are deficient in necessary facilities to support disabled people as shown in the pictures below:

Image 17 (a): Underpass below Kuzu FM	Image: 17(b): Underpass below Swimming Pool	Image 17(c): Footbridge at Olakha
Image 17(d): Footpath without Ramp	Image 19(e): Footpath Steep without side Ramp	Image 17(f): Steps at MLCP1

Thimphu Thromde has justified that where feasible differently-abled initiatives in some projects were included, and has ensured to further compliance with the guidelines and strategies developed hereon.

7) Issues of Illegal structures and Encroachment of State Land

- The RAA reviewed the cases of illegal encroachment on state land by individual land owners within Thimphu city from the list submitted by Land Record and Survey Division. As on 14th June 2022, 54 cases of State land encroachment by individual (private) land owners (detailed in *Appendix APPENDIX XLI*) with varying nature of trespassing such as partial and/or full occupancy of the state land was noted.
- The state land was found occupied for different purposes including, as construction of semi-permanent structures (store, labour camp, huts etc.), boundary wall, permanent structure for resident, garages, staircase, and water tank.
- However, from the satellite imagery map of Thimphu Throm from Google Earth, the RAA observed other notable instances of illegal settlement or encroachment in addition to the 54 cases shared by the Land Record and Survey Division. The imagery evidences of the following twenty illegal state encroachments detected from Google Earth, which are found not included in the 54 cases, are reproduced as *Appendix APPENDIX XLII*.
- As such, the 54 cases of state land encroachments detected and maintained by Thimphu Thromde are not comprehensive to cover the entire state land encroachments within Thimphu Thromde. It is a clear indication of a lack of proper system in detecting and preventing such illegal encroachment issues.

- v. Moreover, from amongst the 54 cases, only one case was found resolved by demolishing the structure by Thimphu Thromde while the remaining 53 cases are still pending. As per the section 128 of Land Act of Bhutan 2007 *Encroachment on any state owned and private registered land shall be prohibited*. Further, as per section 299(e) of the Act the Encroachment on a state owned and private registered land, *“is categorically the offence of petty misdemeanour where it states that “Any person committing any of such acts shall be guilty of an offence of petty misdemeanour and shall be liable to be sentenced in accordance with Bhutan Penal Code.”*
- vi. The RAA was furnished with a total of 85 illegal structures (details in *Appendix APPENDIX XLIII*) detected during the routine inspection by the DRD, Thimphu Thromde. On review and discussion on the same, almost 80% (66 of the 85 illegal structures) were unauthorized structures within the building-setback, while the remaining were found to be structures on the state land and conversion to uses other than the approved ones (unapproved commercial purposes). Majority of these illegal structures related to the building setbacks as there are no clarity in the Set-back and its requirements.
- vii. Development Control Regulations 2016 specifies procedures for demolishing such structures which the Thromde is yet to enforce. Of the 85 illegal structures, 76 were found served only notice (without penalty) while the remaining nine were served infringement notice. Of late, few demolitions were found carried out after its recent notification No. TT/UPD/22/2021-2022/001118 dated 26th May 2022 especially for those structures encroaching on the state land. For the other unauthorized structures (such as on the setbacks), only notices were found served. No other actions, as provisioned, were found taken against the defaulters.
- viii. Thus, there is a lack of enforcement of the Act and DCR in terms of invoking appropriate penalties and sanctions by Thromde on defaulting individuals.

Thimphu Thromde having accepted the issues of illegal encroachment of state lands and illegal structures have justified stating various actions taken against the incumbents (within the legal provisions and rules), as detailed in Appendix APPENDIX XLIV.

CHAPTER 4: RECOMMENDATIONS

On the basis of audit findings, the RAA has developed following recommendations in order to help the authorities and agencies in addressing the issues pointed out by RAA and also initiating improvements in Thimphu Thromde management. The recommendations were in principle agreed by the agencies during discussions. Nevertheless, the agencies should not be restricted by these recommendations in coming out with policies and decisions which will serve as better alternatives to address the findings in this report.

4.1 Thimphu Thromde should Strengthen its Human Resource Development and Management

In order to ensure overall capacity and performance of human resource as well as to ensure HR actions are in compliance to the governing rules and regulations, Thromde needs to reinforce its process of HR Development and Management particularly in the areas of:

- Reassessing its human resource requirement for both regular and contract employees to enhance efficiency and effectiveness of service delivery;
- Enforce transfer of employees as per the BCSR or the relevant transfer guidelines to manage risk of familiarity that might lead to manifestations of undesirable behaviours, avoid burnout due to prolonged placement and provide opportunity for growth and development for employees;
- While regular transfers of employees (after every five years) as stipulated is desired, however, transfer of employees are mostly initiated by the Parent Agencies and is beyond Thromde's authority. Therefore, Thimphu Thromde should get clarity and direction from the RCSC in order to ensure regular transfers of employees (with Parent Agencies) as required by the BCSR and the respective Transfer Guidelines.
- Reinforce monitoring of employees attendance through existing system of biometric log ins and proper documentation of leave records of both within and onsite engagements;
- Regulate and monitor overtime engagement of works specifically on specifying overtime works, engagement and payment, tracking and recording of hours worked to ensure that workers are engaged for works that are necessary to be done beyond normal working hours, wages are paid appropriately, records are maintained properly and that work-life balance is maintained.
- Reinforce Occupational Health Safety measures and strategies to ensure protection from workplace hazards, improve health and well being of employees and also to ensure compliance to legal requirements.

4.2 Thimphu Thromde should improve internal control systems in managing its revenues

In the backdrop of various instances of revenue mismanagement, there is a need for Thromde to improve its internal control system in revenue management to prevent revenue losses due to fraud or mismanagement and ensure that revenue is managed effectively and efficiently. A well-designed revenue management system would be critical for its financial sustainability. Specific actions are critically desirable in following aspects, among others:

- i. Authorization and approval process: Thromde should have clear authorization and approval process for revenue management activities for various revenue sources;
- ii. Segregation of duties: Assigning different responsibilities to different officials to prevent a single official from having control over all aspects of the revenue management process;
- iii. Monitoring, reporting and review: There should be a system of continuous monitoring as well as periodic reporting and review to ensure that revenue is managed in accordance with extant rules and regulation. These include periodic reconciliations of revenue demands, collections and deposits, regular reporting and review.
- iv. Proper documentation: There should be a system of proper record keeping of all revenue transactions relating to demands raised, actual collections, and deposits to ensure accurate and up-to-date revenue information;

4.3 Thromde should ensure reconciliations of differences of revenues and receipts as reflected under specific paras.

The RAA observed differences of revenues and receipts books which should be reviewed and update and reconciled as specified below:

- i. i) The month-wise and head-wise revenue report do not reconcile to the tune of Nu. 10,500,128.60 for FY: 2018-19, 2019-20 and 2020-21 as reflected in **Chapter 3, Para 6 (V.a).** and **Chapter 3, Para 6 (ii).** Thimphu Thromde should reconcile the difference;
- ii. It was unvailed that the 280 revenue receipt booklets were issued to Customer Service Division of Thimphu Thromde. However, it's trail of record were unavailable for review by RAA and could not conclude on the proper utilization of the revenue receipt booklets as reflected in **Chapter 3, Para 6 (iv.a).** Thimphu Thromde should trace the record of those 280 revenue receipt booklet and intimate to RAA for further review.

4.4 Thromde should restitute total amount of Nu. 45,075,122.55 on account revenue loss due to misuse, penalty for late deposit, outstanding concessionaire fee and outstanding revenue

Thromde should initiate restitution of Nu. 45,075,122.55 on account of revenue loss due to misuse, penalty for late deposit, outstanding concessionaire fee and revenue as specified below:

- a) Thromde should initiate recovery of Nu. 7,118,044.23 from the dealing revenue officials along with the applicable penal interest and deposit into Audit Recoveries Account. The amount pertain to short accountal of revenue as worked out by RAA and confirmed by the Thromde as reflected in **Chapter 3, Para II,6(i).** Besides, appropriate actions must be initiated against the officials involved in misuse of revenue as per the outcome of the investigation of Anti-Corruption Commission.
- b) Thromde should impose 24% penalty amounting to Nu. 5,360,934.08 for delay in deposit of revenue and deposit into Audit Recoveries Account. This is in reference to issues reflected in **Chapter 3, Para II,6(iii)** of the report. Besides, appropriate actions must be initiated against the officials involved in misuse of revenue as per the outcome of the investigation of Anti-Corruption Commission.
- c) Thromde should initiate collection of concessionaire fees of Nu. 18,806,687.73 from the concessionaire and deposit into Audit Recoveries Account. The issue has reference to **Chapter 3, Para VIII (2).**
- d) Thromde should initiate collection of outstanding periodic bid amount of Nu. 13,789,456.51 along with applicable penal interest and deposit into Audit Recoveries Account. The issue is reflected in **Chapter 3, Para VIII(8).**

4.5 Thromde should improve its service delivery through clear SOPs and TATs

While SOPs and TATs are developed for some of the municipal services, in the backdrop of issues related to delivery of services, there is a need to reinforce its strategies in order to meet the expectations of the residents in a timely and efficient manner. Thromde should specifically focus on the following aspects:

- a) Review the existing SOPs and consider extending to all services rendered by Thromde outlining specific steps involved in delivering, identifying officials responsible and realistic timeframe (TATs) within which the service can be delivered.
- b) SOPs should be communicated to all stakeholders both within and outside to be able to create awareness on the expectations and responsibilities.
- c) There should be a regular monitoring and evaluation of performance against the established TATs to hold officials accountable for not meeting the standards, to investigate the root cause and initiate improvement through appropriate strategies.
- d) Institute a mechanism of regular reviews and feedbacks to further improve the SOPs and TATs to ensure that it is responsive to the expectations of the service recipients.
- e) Leverage on ICT for better efficiency in delivery of services and also to improve documentations on the services provided by the Thromde.

4.6 Thimphu Thromde should work towards reducing Non-Revenue Water

There is a substantial Non-Revenue Water (NRW) consisting of 41.05% as against the production of 32.9MLD or 11.84 million m³ and the value of NRW at minimum water tariff rate of Nu. 2.9 is Nu. 14.09 million. To minimize NRW and maximize revenue, the Thromde should work towards higher water network coverage by identifying the illegal water tapping and eliminating community/private water connections through detail survey and assessment besides imposing fines and penalties to illegal tappers. This will help maintain robust data and information, and will deter future trespassers. It will also ensure availability of safe and secure drinking water by properly treating the water resources.

4.7 Thimphu Thromde should maintain a comprehensive inventory of sewerage connections of buildings and houses

The sewerage charges are pegged at 50% of the water charges per consumption in the system. As per the capacities of the STPs, it has a capacity to cater sewage service to more than population of 120,000. However, currently there is incomplete data on households connected to sewerage network. There are cases where building resort to private water connection but having connected to sewerage network and thereby they are exempted from sewerage charges since they avail the unmetered water services/private water source. On the other hand, there are residents with city water line but without sewerage network connected, who ends up paying the 50% of water bills as sewerage charges. Therefore, in order to ensure equitable and fair sewerage charges, Thimphu Thromde must have a holistic and up-to-date inventory of the households connected to sewerage network by conducting the detail survey and assessment.

4.8 Infrastructure Development and Maintenance Services must be strengthened with robust monitoring and supervision in place

In view of the numerous issues related to management of infrastructure development and maintenance specifically of time overruns, quality, irregular maintenance, etc, there is a need for Thromde to strengthen construction project management specifically focusing on the following:

- i. Strengthening system of planning, scheduling and monitoring of constructions to ensure that infrastructure development take place in a planned manner and completed within stipulated time. Roles of each parties, contractors, engineers, etc., must be communicated for better implementation.
- ii. Improving quality control and monitoring through a robust quality control measures to ensure that infrastructure delivered meet the standards sought. These must be backed by proper documentations of regular site inspections and monitoring.
- iii. Institute a system of maintenance to ensure that infrastructure is regularly inspected and maintained including drawing up schedule of regular inspections, maintenance plans with proper guidelines for reporting and tracking maintenance activities.

4.9 Waste Management in/by Thimphu Thromde need to be Strengthened in Collaboration with the Waste Management Authorities and Private Waste Management Firms

Waste management is a national concern and assigning it a high priority, the government has as flag-ship program. However, the waste management in the areas of collection, segregation, disposal and treatment of wastes generated within Thimphu Thromde needs more attention. Priority must be assigned in the following areas:

- i. Improve landfill management in terms of capacity, segregation for dry and wet, as well as hazardous and non hazardous waste to ensure safe disposal of all types of waste generated;
- ii. Improve infrastructures of waste collection like trucks, bins and personnel to reduce littering and illegal dumping and also composting facilities.
- iii. Ensure adequate recycling facilities to encourage recycling of wastes;
- iv. Collaborate with relevant authorities to implement waste reduction program through which reusable products are promoted.
- v. Ensure regular monitoring and evaluation of waste management system by establishing performance indicators, maintenance of data, periodic evaluation and initiate improvements.

4.10 Strict enforcement of rules and regulation must be ensured by Thimphu Thromde on illegal structures and illegal encroachment of State land

Existence of state land encroachment cases within Thromde suggests need for improvement in preventing, detecting and enforce relevant laws and rules that prohibit illegal encroachment. Some of the actions that need to be taken are:

- i. Conducting thorough assessments to identify and determine the total cases of illegal state land encroachment cases within the Thimphu Throm.
- ii. Enforcing laws and rules that prohibit illegal encroachment and taking legal actions against offenders, imposing fines and penalties or any other actions specified in the authorities.
- iii. Ensuring continuous monitoring to prevent encroachment cases.

4.11 IT systems needs to be integrated and ensure proper controls to enhance data integrity and consistency besides cleaning the data in the systems

In view of the numerous issues related to incorrect and inconsistent data noted in the Asset and Revenue Management System (ARMS), there is a need to initiate data cleaning of the existing records in relation to issues pointed out in **Chapter 3, Para II, 6(vii)**. There are opportunities to enhance validation and controls process to ensure correctness and completeness of the data maintained in the system specifically the information relating to tax payers, land and property owned, applicable taxes and status, etc.

Further, inconsistencies of information related to land in the ARMS and eSAKOR needs to be sorted out and explore the opportunities of integrating the systems to offer single source of truth for land related information in reference to **Chapter 3, Para III (a,b&c)**.

4.12 Thimphu Thromde should improve the onstreet and off-street vehicle parking regulation and management

- i. The Multilevel Car Parkings (MLCPs) were built to alleviate and decongest the onstreet parking mainly the Central Business District (CBD). The plan to decongest the Norzin Lam by restricting the car parking along the artery lane and converting the area into a pedestrian zone is yet to be materialized even after completion of MLCPs. Thimphu Thromde should alternative course of actions in realising its overarching objectives to pedestrianise the Norzin Lane;
- ii. Thimphu Throdme should also regulate the parking fee tariff on a periodical basis as the parking tariffs outside of the concessionaire area are charged at increased rate (Nu. 15 per 30 minutes) without the prior consent from authority and without pro-rata revenue share to the authority as reflected in **Chapter 3, Para VIII (8.2)**. A robust monitoring mechanism needs to be in place to regulate parking fee tariff applied by the parties.

4.13 2 Thimphu Thromde should institute controls for managing its Vehicles

Thromde should ensure that appropriate systems and process are put in place to ensure that the government property management practices are complied with in acquiring, using and disposing of government vehicles. This would ensure proper safeguards against possible misuse and optimum use of the government property. Further, in terms of providing designated vehicles to officials, it must be regulated by the extant rules of entitlement specified in the Pay Revision Act 2019.

CHAPTER 5: AUDIT CONCLUSION

The RAA conducted the performance audit to assess the efficiency and effectiveness in the operation and management of Thimphu Thromde specifically focussing on systems and process of financial management including revenue, delivery of municipal services, human resource management and administration, IT systems, waste management among others.

The RAA noted various deficiencies and lapses that potentially undermine overall internal control systems in the delivery of its mandates. The issues range from inadequacies in the human resource management, financial management systems, revenue management systems, service delivery of various municipal services, waste management, regulation of overtime works etc. Besides, there RAA also noted cases of misuse of revenue amounting to **Nu. 7,118,044.23** which need to be recouped from the relevant officials. Further, penalty for late deposit of revenue amounting to Nu. **5,360,934.08** must be levied on officials identified as responsible. As per the existing practice, the cases of misuse is shared with the Anti-Corruption Commission for further investigation and pursue legal actions on the officials responsible based on the outcome of the investigation..

Based on the issues observed, the RAA formulated thirteen recommendations to act to address the issues pointed out by RAA and also facilitate Thimphu Thromde to put appropriate measures and remedies for the improvement of organizational systems and process to enhance efficiency and effectiveness in delivery of its services. It is expected that the Thimphu Thromde would act on this report and recommendations and formulate necessary strategies for improvement.



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