



## **P/ling and Gelephu Thromdes fail to implement RAA recommendations**

June 22, 2019

The two thromdes of Phuentsholing and Gelephu have not implemented any of the recommendations the Royal Audit Authority (RAA) made following a performance audit on revenue collection and management in the thromdes.

This was the highlight of the joint sitting yesterday as the review report of the public accounts committee (PAC) was deliberated.

The RAA issued the final report to the four thromdes on May 25 last year along with 14 recommendations and asked the thromdes to submit the management action plan, action taken report and implementation of recommendations before August 30, 2018. However, only Thimphu and Samdrupjongkhar thromdes managed to resolve the observations and reported on the status of implementation though not in entirety. The thromdes of Gelephu and Phuentsholing have not implemented any of the recommendations.

The RAA found that thromdes lack complete, accurate and reliable central registry of revenue sources. Weak internal controls in Gelephu, Phuentsholing and Thimphu thromdes had resulted in non-accounting of revenue amounting to Nu 20M.

The Audit also observed inadequacy in Thromde land administration, which resulted in encroachment into government land and unauthorised lease. This resulted in a revenue leakage of Nu 27M in Phuenstholing and Nu 225M in Thimphu.

The audit also pointed out that taxation policy was never revised for the last 26 years and thromdes lack strategy to achieve financial sustainability.

Of the 14 recommendations, Thimphu Thromde has fully implemented four and partially nine recommendations. Samdrupjongkhar Thromde has fully implemented one and partially implemented seven recommendations. Two of the recommendations were not applicable to Samdrupjonkhar thromde. While Gelephu and Phuentsholing have not implemented any of the recommendations, one recommendation to prepare a grant phaseout plan has not been implemented by any of the thromdes.

Deputy chair of the committee, Choida Jamtsho said that the committee held virtual meetings with the two thromdes of Gelephu and Phuentsholing. “We were told that since the performance audit is relatively a new system and that it was done for the first time in the thromde, they spent 10 months corresponding with the RAA,” he said. However, he said that the PAC did not accept the excuse and asked them to respond as soon as possible.

### **PAC's recommendation**

The PAC noted that huge amount of revenue have been lost due to inadequate administration and management of government land. To this effect the committee recommended the thromdes to recover and deposit foregone revenue from concerned entities latest by March 2020.

The committee also recommended that the finance ministry and thromdes should formulate a grant phaseout plan by September 2019. This was because the PAC noted continuous dependence of the thromdes on grants from the government. "There is a huge deficit between total expenditure and revenue collection in the thromdes," the PAC review report stated. It was also mentioned that the finance ministry and thromdes have not been able to meet so far.

The committee also recommended that the RAA have a clear procedure of fixing accountability even on the lapses pertaining to performance audit latest by September 2019.

The chairperson of the PAC, eminent member Phuntsho Rapten said the RAA Act empowers the audit to fix accountability on issues surfacing from the financial audit. However, he said that the law is not clear on fixing accountability when it comes to performance audit since it was relatively new.

### **The deliberation**

Opposition Leader Pema Gyamtsho (PhD) said that thromdes are given a "step-motherly treatment."

While thromdes are part of local government, he said that as per the LG Act, thromdes should directly be under the supervision of home ministry. But currently, he said thromdes have multiple agencies to report to.

On grant phaseout, Panbang MP Dorji Wangdi said that thromdes are entitled to grant by Constitution. The Article 22 (18) states that local governments are entitled to adequate financial resources from the government in the form of annual grants.

However, Prime Minister Dr Lotay Tshering said it is not necessary for the thromdes to avail grant. He said the provisions of the Constitution are not rigid. He added that if the thromdes can self-fund its expenses it should be allowed to do so.

The chair of the PAC also clarified that it is not expected of the thromdes to phaseout grant immediately. However, he said the intent is to make the thromdes self-sustaining. Currently, even with the liberty to collect taxes and fees, he said the thromdes have to rely on finance ministry for current expenditure.

The house, however, decided to support all the recommendations made by the PAC.

### **Tshering Dorji**