



## **RAA asks Phuentsholing Thromde to take over state land from RSTA**

July 3, 2018

Royal Audit Authority (RAA) has asked Phuentsholing Thromde to take over the land that is currently being occupied by M/s Rabten Engineering Workshop from the Road Safety and Transport Authority (RSTA).

RSTA has been managing and administering the land, according to a recently released performance audit report.

RAA found that the RSTA had leased out the land measuring 99,794 sq.ft to M/s Rabten Engineering Workshop in 1991. The two sides extended the lease agreement in 2012 to 2020.

According to the local government Act, the thromde is responsible for leasing out the land. The land falls within the boundary of the thromde.

Also, Section 186 of the Land Act 2007 states: “The local authority shall prescribe the rules on leasing the government land as well as approve leasing of government land subject to confirmation by the (land) commission.”

Phuentsholing Thromde had written several letters to the RSTA to hand over the leasehold as the thromde is mandated to administer and manage the state land under its jurisdiction. In response, the RSTA expressed their regrets that the land was required for development of bus terminal for inter-regional bus services to India and Bangladesh.

However, the RAA found that the place was not feasible for the construction of terminal of inter-regional bus services.

The land commission had deferred the approval of the user right certificate to the RSTA and asked the RSTA to terminate the lease agreement drawn with M/s Rabten Engineering Workshop and to hand over the land to the thromde.

Phuentsholing Thromde had lost substantial amount of revenue on account of lease rents, according to the RAA.

According to the report, wrong application of lease rents resulted in revenue loss of more than Nu 14.707 million (M). The land commission, therefore, had asked the RSTA to recover the money as per the approved Rules and Regulations for Lease of Government Reserved Forest Land and Government Land 2009.

“Since leasehold is one of the main sources of revenue for thromdes, it would render it difficult for thromdes to sustain financially if every agency leases out and collect lease rents individually while holding the thromde responsible for development activities in the area,” RAA said.

The RAA said that RSTA had not handed over the leasehold of M/s Rabten Engineering workshop to thromde despite the decision of the 48th National Land Commission Meeting held on November 3, 2017.

### **Encroachment of government land**

During the audit, the RAA found that there were cases of state land being occupied by the individuals in Phuentsholing and Thimphu thromdes.

It was noted that there were 73 such cases in Phuentsholing Thromde and four in Thimphu Thromde. The land parcels were used for storage, parking, garage, and rented out for commercial purposes.

The thromdes had neither resolved the matter nor imposed lease rents on the occupied state land.

Phuentsholing and Thimphu Thromde had lost revenue amounting Nu 8.396M and Nu 225,246 respectively.

Noodle factory popularly known as “Fin factory” in Phuentsholing was established in 1974. RAA noted that the land occupied by the manufacturing unit was neither registered nor leased since occupation in 1974.

The taxes or lease rents were due from the date of occupation. The area occupied by the manufacturing unit is 8150 sq.ft.

If the thromde was to levy land tax, the manufacturing unit has an outstanding land tax of Nu 119,805 and if the thromde was to charge lease rents, outstanding lease rents amounts to Nu 940,645.

The review of the short-term lease in Thimphu thromde, RAA learnt that a small portion of state land running parallel in between the houses and road located behind the Sunday market area was leased out to 14 residents.

The land was leased for a term of three years at the rate of Nu 20 per sq.ft with effect from February 2014 to February 2017. The residents had converted the leased land into parking space.

On physical verification, it was noted that the structures were not dismantled by the thromde. Thromde had also stopped collecting lease rents after the expiry of the agreement.

Maximum period for the short-term lease is three years and non-renewable thereafter. However, the short-term lease was approved for four years. While the parking space benefitted the residents in the area, the thromde had failed to enforce the legal stipulation of maximum period of the short-term lease. In addition, the lease rents were not collected after the expiry of the lease agreement.

### **Service charges irregularities**

Sewerage charges levied on the residents of Phuentsholing Thromde and Thimphu Thromde is 50 percent of the water charges as a component in water bill. In Phuentsholing, the sewer line connection is confined to only core area. The rest still resort to conventional septic tank.

In Thimphu Thromde, there are places such as Taba, Jungshina, Pamtsho, Hejo, Zilukha, Kawajangsa, Changangkha, Upper Motithang, Lower Motithang, YHS area, Babesa, and Serbithang that are still not connected to sewer line.

Review of the water bills charged to residents of Thimphu and Phuentsholing thromdes, RAA noted that even those residents whose buildings have no sewer line connections are charged 50 percent of the water bill as sewerage charges.

The audit found that the thromdes lack complete, accurate and reliable central registry of sources of revenue. The report stated that weak internal controls in Gelephu, Phuentsholing and Thimphu thromdes had resulted in non-accountal of revenues amounting to Nu 20.169 M.

“There have been also irregularities in the levy of vacant land tax, house tax, service charges, and service and amenity fees among other services. This not only resulted in revenue loss but also defeated the principle of equality and fairness,” RAA said.

RAA has recommended that thromdes maintain a comprehensive registry on sources of revenue, formulate a strategy for financial sustainability and to prepare grant phase out plan from the government.

The thromdes have also been asked to develop a revenue enhancement strategy, propose revision of taxes, fees and charges and ensure equality and uniformity in application of taxes, charges and fees.

Thromdes generate revenue from the provision of a wide-range of activities and services such as taxes, fees and charges. Unlike other government agencies, the local government Act 2009 authorises thromdes to manage and utilise the revenue generated from areas marked under their jurisdiction.

As of last year, Gelephu Thromde had raised Nu 122.94M as revenue, while Phuentsholing Thromde collected Nu 310M. Samdrupjongkhar Thromde collected Nu 46.23M and Thimphu Thromde Nu 485.85M. The four collected a total of Nu 965.18M.

**MB Subba**