

## BITS development fiasco: Who is accountable?

November 18th, 2024

***The government has awarded the contract to develop the BITS to Data Torque, a New Zealand-based tech firm, with an estimated project cost exceeding Nu 1 billion***

### **Sherab Lhamo**

Even as the finance minister withdrew the Goods and Services Tax (GST) Amendment Bill of Bhutan 2022 from the ongoing Parliament session citing the unreadiness of the Bhutan Integrated Tax System (BITS), audit objections related to the project's failure—despite a multi-million-ngultrum investment—have now been resolved.

According to the Annual Audit Report for 2022-23, the Department of Revenue and Customs (DRC), under the Ministry of Finance (MoF), spent Nu 119.111 million to develop BITS—an initiative aimed at supporting the country's GST system.

The project, initially handed over to DHI-TechPark Limited in June 2020, with the assistance of Armenian counterparts, was meant to streamline tax administration through a fully integrated system. However, by April 2022, the contract with TechPark was terminated due to consistent delays and failure to meet project milestones despite multiple extensions.

The MoF stated that the audit objection concerning the incomplete BITS 1 project was dropped following justifications from the Office of the Prime Minister and Cabinet (OPMC) in February 2024. This decision was communicated to both the MoF and the GovTech agency on February 19, 2024.

In its communication, the OPMC emphasised that the lessons learned from BITS 1 should inform future efforts, especially as the government prepares for the development of BITS 2.

“The government is committed to ensuring that lessons learned from BITS 1 inform our approach to similar initiatives moving forward,” the MoF stated.

Despite the acknowledgment of salvaging outputs from the failed system, the project has already incurred significant financial losses, leaving many to question whether adequate accountability measures have been taken.

The Royal Audit Authority (RAA), which had flagged the failure of the BITS project, had urged the government to demand accountability for the wasted resources.

The RAA findings highlighted several key issues that led to the project's failure, including poor planning, an inadequate assessment of the consultant's capacity, and insufficient monitoring and evaluation of progress.

According to the DRC, the primary reason for the failure to complete BITS was the overestimation of the country's capacity to handle complex software development for modern tax systems.

The government's policy to develop the system domestically, through DHI, led to the awarding of the contract to TechPark instead of opting for a ready-made solution. This decision was made despite the availability of pre-built, commercial-off-the-shelf (COTS) software that could have been implemented more quickly.

In a previous statement, the DRC explained that after evaluating the tender process, they had originally planned to use COTS software for the GST system. However, they were later directed to cancel the tender and instead award the project to DHI, which then sub-contracted the work to TechPark.

The DRC stated that all the preparatory activities for GST implementation were completed, except for BITS development by TechPark.

To avoid further delays, the government outsourced the development of the system to Data Torque Limited, a New Zealand-based tech firm with experience in tax system software.

On August 23, 2024, the government awarded the contract to Data Torque, with an estimated project cost exceeding Nu 1 billion.

The new timeline sets a target for the system to be fully operational by 2029. The proposed approach and timeline for completing BITS development was by July 2024, Tax deducted at source (TDS) and non-tax by December 2024 and income tax by December 2025.

The delay has pushed back the implementation of GST, as BITS is essential for the successful rollout of the system.

The project's cost overruns and delays have raised concerns as the government is spending additional resources to get the system up and running by 2029.

"There is no accountability. The government must take responsibility for the mismanagement of this multi-million project. Such a massive waste of resources cannot be ignored," said an owner of a private IT firm.