CHAPTER - XII

FINANCIAL ADMINISTRATION
Sources of revenue

Apart from grants and loans the most important sources of income of the District Council are land revenue, forest revenue, taxes on trades, ferries, markets, animals, taxes on entry of goods into market, taxes on vehicles, royalty on minerals and many other miscellaneous sources of revenue.

As regards income from taxes on minerals and vehicles the State Government is the collecting agency and the council gets a share of it. The royalty on minerals are to be shared between the State Government and the District Council in such ratio as may be agreed upon between them. At present 60% of the gross proceeds of such royalties is paid to the District Council. The revenue from motor vehicles is derived from certain fees collected under the Motor Vehicle Act, 1939 and the taxes under the Assam Motor Vehicles (Taxation) Act, 1936.

Let us now take up some important sources of revenue of the District Council.
Land Revenue

The land revenue is one of the important sources of revenue of the council. The receipts under this head are not very small. The actual receipts from land revenue in 1953-54 was about Rs. 1,08,021.00, in 1963-64 it was Rs. 1,92,442.00, in 1973-74 Rs. 5,97,694.00 and in 1983-84 Rs. 6,59,843.00.

Thus the figure of land revenue is gradually declining. In the first decennial period the growth rate, however, was quite encouraging as the growth itself was ten times the figure of 1953-54. In the second decennial period it had suddenly come down to three times the land revenue of the financial year 1963-64. The figures of the last decennial period gives an impression that there was no increase at all. This gradual decline in land revenue was due to certain important factors.

First, the Mouzadars while collecting land revenue collect and keep them outside their accounts which is highly irregular. It appeared from the inspection report of the Sarupather Mouza that atleast a sum of Rs. 24,612.81 being the amount of land revenue collected by the Mouzadar relating to the period from 1957-58 to 1962-63 was not deposited. The Mouzadar of Nomati Mouza retained a cash balance of Rs. 60,605.38 at the time of inspection by the A.R.O. in July, 1964. Besides the accounts maintained by him were manipulated and the figures
were changed by overwriting in order to conceal actual realisation of revenue. ¹ Similarly, the Mauzadar of Borjan retained a heavy cash balance of Rs. 55,000.00 after the collection of arrear land revenue although he was asked by the Revenue Officer to deposit the same immediately.² The Mauzadar of Jamunapar retained a sum of Rs.1,02,807.07 although he was asked by the Revenue Officer to deposit the same early.³ The Mauzadar of Rongkhang misappropriated a sum of Rs.13,500.73 which was clearly evidenced in the A.R.O's report submitted to the council.⁴ These are the very few cases which have been cited for observation. Thus the retention of heavy cash balance after collection of land revenue by the Mauzadars and non-submission of accounts in proper time was one of the important reasons for the decline in land revenue of the council.

Secondly, it is interesting to note that most of the Mauzadars did not furnish security which was in clear violation of the provisions of the Assam Land Revenue Manual. The Assam Land Revenue Manual categorically stated that the Mauzadars were to furnish a security to the extent of one fourth of the annual

1. Audit Notes of the A.G. on the accounts of the District Council (1964-65).
2. MHDE/REV/1/4/69-70/14/377 dated 9.1.70.
3. MHDE/REV/274/69-70/21/353 dated 8.1.70.
demand against them. Such security amount might suitably be increased in deserving cases and decreased or reduced when the Mauzadars had a high reputation and standing so that there might not be any risk or loss. It is significant to note that out of 31 Mauzadars only 8 had furnished security which too was not at all adequate. 5 Although the council served a notice to all Mauzadars for furnishing security to the extent of one fourth of mauza demand in cash and another one fourth of the periodic landed property to be lodged to District Council by 11.8.69 it appears from the security deposit register maintained by the Revenue Branch of the council that only a sum of Rs.34,100.00 could be collected from some of the Mauzadars. 6 The council authorities had taken steps against some of the Mauzadars but the actions taken did not seem to be sufficient. Thirdly, most of the mauzas were not inspected by the Revenue Officers of the council. Frequent inspection would have surely increased the land revenue of the council. During the financial year 1962-63 the accounts of only 3 mauzas out of 31 were inspected once by the A.R.O. 7 The existence of huge arrears might be partially ascribed to the non conducting of

5. Audit notes on the accounts of the District Council by the Accountant General (1962-63).
6. Ibid.
7. Ibid.
prescribed inspections frequently. A close examination of some of the inspection reports enables us to come to the conclusion that the basic records, such as, cash book, Dainik Amdani Register, monthly collection of returns were not at all maintained by some of the Mauzadars. The council authorities should make it a point that the Mauzadars who do not maintain these records properly and do not deposit the revenue collected to the council should be penalised. Such a step would surely result in good collection of land revenue.

**Forest Revenue**

The administration of all forests other than reserved forests were transferred by the State Government to the District Council of Karbi Anglong with effect from 1st July, 1955. Prior to that date the revenue derived were collected by the State Government was handed over to the council. Immediately after the transfer of forest the royalty from forest produce were being collected directly by the council. The Beat Officers and the Range Officers collect the royalty and sale proceeds on timber and other forest produce and send the same to the council. The actual receipts for the year 1953-54 was ₹4,617.62, in 1963-64 it was ₹7,76,380.62, in 1973-74 it was ₹12,10,648.95 and the figure for 1983-84 was ₹17,88,266.93. Thus the forest revenue is a very good source of revenue to the council. In the first decennial period the increase was fantastic. It was more
than 164 times of the revenue collected in 1953-54.

**Taxes on Trades**

In 1953, the District Council passed an Act i.e. the trading by non-tribals Act under which the non-tribals were to procure trading licenses for trade within the autonomous district. The actual receipt under this head was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953-54</td>
<td>₹ 2,282.00</td>
</tr>
<tr>
<td>1963-64</td>
<td>₹ 25,529.30</td>
</tr>
<tr>
<td>1973-74</td>
<td>₹ 31,585.52</td>
</tr>
<tr>
<td>1983-84</td>
<td>₹ 2,99,787.00</td>
</tr>
</tbody>
</table>

In the first decennial period the increase was quite encouraging. It was nearly twelve times the actual receipts of 1953-54. But the increase during the second decennial period was not at all encouraging. In the entire period there had been an increase of about ₹ 6,000.00 only average growth rate being ₹ 500.00 per annum. The Council’s apathy was the most important reason for this slow growth. In the last decennial period there had been a sharp increase of ten times the rate of growth of 1973-74. Thus, the taxes on trades is an important source of revenue to the council.
**Bazar Revenue**

The next source is the bazar revenue. The actual receipt under this head was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953-54</td>
<td>19,355.35</td>
</tr>
<tr>
<td>1963-64</td>
<td>71,721.50</td>
</tr>
<tr>
<td>1973-74</td>
<td>1,64,271.75</td>
</tr>
<tr>
<td>1983-84</td>
<td>3,16,468.00</td>
</tr>
</tbody>
</table>

In the first decennial period the increase was more than three times the revenue collected in 1953-54. In the second decennial period it was more than two times the figure of 1963-64 and in the last decennial period it was slightly less than two times the figure of 1973-74. Thus bazar revenue was gradually declining. Even in the period when the increase was not declining there were certain sources which the council authorities did not care to look into it. The bazars, in fact were settled on Kist basis and while settling those bazars the financial condition of the successful bidder was not taken into consideration. There was provision in the auction notice that previous defaulters were not allowed to bid. But the spirit of the notice was not strictly adhered to. Moreover, the successful bidder was required to pay one fourth of the bid money which was treated as security. The three other Kists were required to be paid in the first week of the last month.
of the first three quarters of the respective financial year. In case the successful bidder failed to pay a Kist his bid was liable to cancellation and resale could be made at his risk. It was, however, observed that proper actions were not taken for the resettlement of bazars in the case of defaulters. This defect persisted every year and during 1962-63 most of the bidders did not pay any kist. The arrears from bazar during the year was Rs.22,996.00. Thus it is seen that due to lack of proper action by the council the revenue from bazars was not much.

Taxes on motor vehicles

The taxes on motor vehicles is an important source of revenue of the council. As stated earlier this tax is collected by the agencies of the State Government till now. Prior to 1983 the State Government determined the cost of collection and the same was deducted from the amount collected and the rest was handed over to the council. In 1983, the Government decided to share 10% of the collected amount and the rest 90% would be shared by the council. The actual receipt under this head for the financial year 1953-54 was not recorded. Because the amount due to the council was not deposited to the

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8. Audit notes on the accounts of the District Council by Accountant General (1962-63)
District Fund during the period. It was from the financial year 1955-56 the tax had been regularly deposited to the District Fund. The actual receipt for the year 1955-56 was Rs. 1,151.00, for 1963-64 nil, in 1973-74 Rs. 28.00, in 1983-84 Rs. 19,92,094.00. This high rate of growth was mainly due to the arrear amount which was not released by the Government for a long time. Thus there were wide variations of the figures under this head.

Graziers Tax

The graziers tax was an important source of revenue to the council since 1959-60 under the Grazing Regulation of 1954. The receipts were as follows:

- 1959-60 - Rs. 12,605.81
- 1963-64 - Rs. 15,278.81
- 1973-74 - Rs. 15,785.75

There was, however, no receipt for the year 1963-64 due to its abolition. The Khutiwallas Act of 1983 was yet to open its account.

House Tax

The House Tax is an important source of revenue of the council. Till 1958-59 the District council of Karbi Anglong did not impose House Tax. There were certain practical difficulties in imposing this tax. First, the villages were very small.
Second, the people were shifting from one place to another. In order to discourage the smaller villages the council authorities introduced the double house tax system in those villages where there were less than fifteen houses. But all those steps did not pay good dividends to the council. Let us see the receipts under this head. The actual receipts for the year 1953-54 was ₹3,73,273.85 while the figure for 1963-64 was ₹39,166.65, the figure for 1973-74 was ₹21,088.20 and the figure for 1983-84 was ₹8,549.14 only. Thus there were wide variations of House Tax being collected by the council. This was due to the shifting nature of the tribals actual collection could not be ascertained. But the most important reason was the lack of proper land revenue administration of the council. Because the Mauzadars are to collect the house tax also. The Mauzadars after collection do not deposit the same to the District Fund. It is observed that till 31.3.63 the arrear house tax amounting to ₹2,06,145.52 could not be collected by the District Council of Karbi Anglong. The amount might have been naturally more during this period of twenty years.

Besides all those taxes mentioned above the council derived revenue from cattle pounds, ferries and ghats security deposits, earnest money, stamps and other miscellaneous sources of revenue. The miscellaneous receipts included seat rent of members hostel, sale proceeds of forms, hire charge of trucks, income from council's workshop, contractors' registration fee, hire charge of elephants, rent of bazar halls, application fee, cost of cement, sale proceeds etc. etc. Of late the District Council explored another source of revenue i.e. the profession tax under the Profession Tax Act of 1983. An amount of Rs.11,350.00 has been collected under this head during the financial year 1983-84.\(^\text{11}\)

Thus from the above two important conclusions may be drawn.

(1) There were wide variations of figures under different heads of revenue sources which was not at all a healthy sign.

(2) The council did not collect revenue fully under the existing conditions. Therefore the administration should be geared up to meet the needs. There is no necessity of augmenting additional sources of revenue.

\(^{11}\) All figures pertaining to receipts are supplied by the Senior Cashier of the council.
Grants-in-Aid

The grants-in-aid is a payment from the treasury of the State Government to a local authority for carrying on a part or all its activities. Essentially it is an outright donation to the local authority though the gift is usually has strings tied in the form of supervision over its use.\(^{12}\)

In recent years local authorities have to play a very significant role in the context of expanding industrialization, increasing urbanization, speeded transport and communication and growing interdependence amongst the various sections of the community. Naturally, therefore, the local authorities like the District Councils can not serve the people with their meagre resources. The State Government must come forward to help the council with sufficient amount of grants-in-aid to meet the challenges that are confronted to-day.

The aims of grants-in-aid are several. First, the grants are provided to transfer the burden of the local to the national tax payers and to reduce the inequalities among various local authorities. Second, the grants-in-aid enables the Government to encourage and stimulate local bodies to extend and improve their services along desirable lines and thereby secure a national minimum standard in respect of the services it renders.

Third, the grants-in-aid facilitate cooperation between the State Government and the local authorities and can offer sound advice. Fourth, by means of grants-in-aid it is possible for Government to help and even to promote an object without becoming financially or administratively responsible for it. Fifth, the burden of onerous expenditure incurred by the local authorities must be compensated by the State Government as that would benefit not only the locality but the country as a whole.¹³

But there is opposition to grants-in-aid system also. First, the grants-in-aid discourages the spirit of local initiative and local responsibility. Too much of grants provided would surely reduce the autonomy to a considerable extent. Second, grants to a local authority which is very poor should not be sanctioned. Such local authorities should either be closed down or should be incorporated with other areas so that every part of the country is equipped with a genuine and efficient local Government. Third, the grants-in-aid ultimately results in a transference of some of the burdens of the poor areas to the richer areas and it is unfair to expect the local authorities to pay for services which do not benefit them.¹⁴

¹⁴ Ibid. PP 277-278.
But inspite of all these arguments against the grants-in-aid system it is to be noted that the system continues to exist which will serve the purposes of the local authorities in a big way in the near and the distant future.

The grants may be broadly classified into two - general grants and specific grants. The general grants are provided not for a particular purpose but for general purposes. While specific grants are those which are made available for specific purposes. Now the question is which type of grant is more favourable. Both the systems have some merits and demerits. The general grant is good because it provides maximum flexibility to local authorities to adjust their programmes thereby preserving its actual autonomy. But the specific grants facilitates the Government to exercise its powers over the autonomy of the local authority. Thus it is presumed that the powers of the Government are centralized when the specific grants are made available to the local authorities. But the greatest advantage of this grant is that the amount sanctioned is not likely to be misused since it is sanctioned for a specific purpose only.

Now let us see the grants made available to the District Council since its inception.\(^{15}\) From the limited records

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15. All records relating to grants were not traceable in the Hill Areas Department and the Council’s office. Only the figures could be collected from the Senior Cashier of the Council.
made available it is presumed that the grants were sanctioned for specific purposes only. No general purposes grants were given to the District Council. In the early years of the Council grants were sanctioned for the construction of roads, schools, timber bridge, improvement of play grounds and the construction of ring wells. But in the later years grants were more specific and were provided under some specific heads, such as, social welfare, primary education, forests, land reforms, minor irrigation, urban development grants and transport. Some grants were provided to the non-official voluntary organisations also. Most of the grants sanctioned in the early years of the council were the statutory grants sanctioned under Article 275 of the Constitution.

There were, however, a number of irregularities in respect of the utilization of grants by the District Council. The grant-in-aid amounting to $1,25,000.00 earmarked for District Council building had not been properly utilized by the council. Similarly, an amount of $50,000.00 was made available as grant-in-aid to the District Council in March 1956 for the encouragement of tribal literature but the amount was not utilized within the stipulated period. In another occasion the Government sanctioned

16. Audit Notes by the Accountant General on the accounts of District Council (1953-54).
an amount of ₹68,000.00 for improvement of rural communication during the financial year 1956-57. Out of that amount an amount of ₹57,560.67 was spent and the rest was not refunded to the Government. 17

The District Council committed irregularities in respect of disbursement of grants made available by the Government during the financial year 1975-76. Most of the grants sanctioned during the period were not utilized by the council within the stipulated period. 18 Thus the District Council did not utilize some of the grants meant for some specific purposes and also did not follow the Government instructions in respect of certain grants.

The grants-in-aid constituted a significant part of the total revenue of the council. The following table will give an exact picture of the grants in relation to the income of the council.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Income (in round figure)</th>
<th>Total grant (in round figure)</th>
<th>Percentage of grants to the income of the council</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953-54</td>
<td>5,00,995/-</td>
<td>2,29,430/-</td>
<td>44%</td>
</tr>
<tr>
<td>1963-64</td>
<td>16,59,860/-</td>
<td>7,82,035/-</td>
<td>46%</td>
</tr>
<tr>
<td>1973-74</td>
<td>44,14,238/-</td>
<td>17,70,354/-</td>
<td>53%</td>
</tr>
<tr>
<td>1983-84</td>
<td>3,52,78,791/-</td>
<td>2,89,81,574/-</td>
<td>82%</td>
</tr>
</tbody>
</table>

Average 56 percent.

17. Audit Notes by the A.G. on the accounts of the District Council (7/55 - 5/57).
18. Audit Notes by the A.G. on the accounts of the District Council (1975-76)
It is clear from the table above that in the year 1953-54 grant constituted approximately 44% of the total income of the council. The release of grant in 1963-64 had shown slightly an upward trend i.e. 46%. In 1973-74 still more upward trend was witnessed which was 53% of the gross income of the council. In 1983-84, the contribution went up to 82% of the total income of the council. Thus the contribution of the Government to the fund of the council as grant-in-aid was the highest in the financial year 1983-84. The above table also shows that the average rate of growth of the grant-in-aid provided to the District Council was 56%. In the last two decennial period the council apparently had a handsome revenue on account of the transfer of functions with effect from the 1st June, 1970. But the revenue derived from the transferred department was, in fact, not the revenue of the council. That revenue had been avoided for the purpose of this study. Thus District Council is too much dependent on grant-in-aid. This dependence on grants is not at all a healthy sign. Because every grant has some strings which adversely affects the autonomy of the council.

Thus from the above a few observations may be made.

(1) The grants made available to the District Council were specific grants meant for specific purposes. There were no
instances of general purposes grant made available to the council.

(2) Some of the grants provided by the Government to the District Council were not properly utilized within the stipulated period.

(3) The District Council of Karbi Anglong had been too much dependent on grants provided by the Government. This is not a healthy sign.

(4) Finally, the grants constituted a sizeable portion of the income of the council.

Loan

Besides revenue derived from taxes, fees, tolls, trading licences, land revenues, house tax and also grants-in-aid receipt local bodies like District Councils can acquire resources by procuring loans from various agencies. Loan, as a matter of fact, is not a source of revenue but it is a process of acquiring temporary right over the resources which have to be returned to the owner after the stipulated period along with the compensation for parting with the right over the resources. The District Council had been enjoying this right from the very beginning of its career by borrowing money from the State Government. The loans granted by the State Government were of two types. There were certain loans meant for specific purposes and others for general purposes. The loans for general purposes
were sanctioned on lumpsum basis while the loans for specific purposes were sanctioned against a scheme submitted by the District Council. There were instances of providing loan to the council to carry on the day to day administration also.

The loans may be interest free or interest bearing. The District Council of Karbi Anglong had been provided with both these two types of loans by the State Government.

Immediately after its inauguration, the District Council had to face a serious economic crisis. Naturally, the Government was approached for the construction of staff quarters, ring wells, roads in the interior, L.P. Schools and also two ten beded dispensaries, one at Diphu and the other at Baithalangso. The Government sanctioned ₹30,000.00 as interest free loan to the Council.\(^{19}\) The terms and conditions of the loan had, however, not been stated in the order which sanctioned the amount.

The council being dissatisfied with the meagre amount sanctioned again approached the Government to sanction an amount of ₹1 lakh for the construction of 50 mile road, 3 rest houses, 2 quarters for staff, 1 ten beded ward, 7 irrigation projects, 10 L.P. Schools and also for the payment of T.A. and D.A. and pay of the members of the council. The council further wanted to impress upon the Government that due to the scarcity

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condition that prevailed in the entire district land revenue and house tax for the period i.e. 1952-53 could not be collected leaving a balance of Rs.65,797/- Moreover, the revenue due to the council from 23rd June, 1952 to 31st March, 1953 had not been deposited to the District Fund by the various agencies of the State Government which was in clear violation of the provisions of the District Fund Rules.20

The Government on the other hand, insisted on the payment of instalments of the loans sanctioned earlier to the council. The council while ignoring the Government letter again approached the Government to sanction an amount of Rs.50,000.00 as it had to face a serious economic crisis due to the poor collection of land revenue and house tax and also failure of crops on account of draught and damages caused by rats. It also gave an impression that an outstanding arrear amounting to Rs. 1,45,060.00 was still left uncollected (land revenue and house tax) and an amount of Rs.10,000.00 was spent to meet relief to the effected people. It also stated that the expenditure on the entertainment of staff had increased due to the transfer of unclassed forest to the council.21 The council further stated that the forest revenue due to it and the grant for local

development schemes had not been paid to the council.

The Government after considering the points raised by the council sanctioned an amount of Rs.50,000.00 to be recovered in five equal instalments. 22 The loan was interest free but the terms and conditions were not laid down in the sanctioning letter.

The District Council being faced with severe economic crisis again approached the Government to sanction an amount of Rs.50,000.00 to carry on the day to day administration because of the failure of crops, non-adjustment of revenue collected from the district by the Governmental agencies, taking up of some developmental works, maintenance of village roads, establishment of L.P. Schools, supply of drinking water and maintenance of staff. 23 When the Government did not reply to the CEM's letter the council sent a telegram requesting it to sanction the loan at an early date. On receipt of the council's telegram the Government sanctioned an amount of Rs.50,000.00 to be recovered in 5 equal instalments. 24 The terms and conditions of the loan had not been laid down in this case also. The loan was interest free.

23. CEM's letter No.4850 dated 1.9.56.
24. TAD/R/70/56 dated 3.11.56.
It is significant to observe that the council did not pay a single paise against all the loans taken so far. Although the Government pressed the council on a number of occasions for the payment of instalments the council did not take up the issue seriously and remained silent in most cases. At one time it had to request the Government to postpone realisation of the instalments till the fund position improved.\textsuperscript{25} The Government informed the council that the date of payment of instalments would be extended till 31st March, 1958 provided the council made a token payment of one of the several defaulted instalments. Surprisingly enough, the council authority decided to make a token payment of Rs.1,000.00 only against the loan of Rs.50,000.00 sanctioned in December, 1955.\textsuperscript{26} Although the Accountant General made several queries the council simply referred to the Government instructions of token payment and did not give detail explanations. Thus it is seen that the council interpreted the Government instructions in its own way very conveniently. It is important to observe that the Government while pressing the council hard for payment of instalments due to the loan suggested to make necessary adjustments from the taxes and fees on motor vehicles and forest revenues.\textsuperscript{27}

\begin{itemize}
\item \textsuperscript{25} GEM's letter No. 7144 dated nil 1956.
\item \textsuperscript{26} Proceedings of the E.C. meeting dated 27.2.58.
\item \textsuperscript{27} TAD/R/42/52/152 dated 2.6.59.
\end{itemize}
The council, on the other hand, requested the Government to extend more time for making repayment.

The next loan amounting to ₹1,82,755.00 was provided by the State Government for the construction of permanent building for council's office and the Members' Hostel on the following terms and conditions.28

(a) The amount of loan would be paid to the council in instalments the first being ₹50,000.00. The amount of further instalment would be fixed by the Government in the light of the progress made by the council in the construction of the buildings.

(b) The progress report should be submitted through the Deputy Commissioner to make payment of further instalments.

(c) The construction would be done in accordance with the plans.

(d) The loan was interest free.

It is not known whether all those terms and conditions were fulfilled by the council. But it is confirmed that the entire amount was made available by the Government to the council. It is important to note that not even a single paisa had been paid by the council authorities towards the loan sanctioned. Moreover, the terms and conditions of the loan

The next loan was made available by the Government for the construction of a children park and a bazar hall under the Second Five Year Plan the schemes for which had already been submitted by the council. The Government accordingly sanctioned amounts of Rs.15,000.00 and Rs.13,000.00 separately on the following terms and conditions. 29

(a) Loan for execution of work applied for.
(b) On the security of District Func.
(c) Repayment in 20 equal instalments at 4% interest per annum.
(d) Accountant General would show principal and interest.
(e) Council was to give T.V.Nos. and date of drawal of money.
(f) Council was to execute strictly according to specification.
(g) There should be no financial irregularity.
(h) The utilization certificate must be produced after the work was done.
(i) The progress report was to be submitted fortnightly.

    (b) TAD/LF/14/58 dated 5.7.58.
It is important to note that amounts of Rs.7,871.54 and Rs. 6,539.87 were paid by the council against the two loans respectively by making adjustment of revenues collected by the Government agencies. Practically speaking, this was the first repayment done by the council so far. The repayment of Rs.1,000.00 made earlier was done under some exceptional circumstances.

In 1966, when the District Council was being pressured by the State Government and the Accountant General to make early payment of all the instalments due to the loans, it requested the State Government to convert all loans both interest bearing and interest free into grants-in-aid. But the Government categorically refused to accept the request and moved the council to make the payments as early as possible.

The next loan made available by the Government was meant for the extension of the Members' Hostel and also the Council Hall. Prior to the sanctioning of the loan the Government, however, made a number of queries which included the total number of members of the council, the present accommodation available to the building, plan and estimate of the proposed construction, share from council's own resources and

31. TAD/R/90/52 dated 17.5.67.
the necessary utilization certificate for the earlier loan of Rs.1,82,753.00 sanctioned in 1957. On receipt of the queries the council submitted all the required information and the Government accordingly sanctioned an amount of Rs.1 lakh for the extension of the Member's Hostel and the Council Hall on the following terms and conditions.  

(a) Any additional amount required should be met by the council out of its own resources.

(b) The loan would bear an interest at the rate of 4% per annum.

(c) The loan was recoverable in ten annual instalments.

(d) Resolution to be adopted in the council to accept the above terms and conditions.

It is important to observe that no amount had been paid by the council against the loan referred to above. The Accountant General had been requesting the council times without number for payments of instalments but the council said that it was not possible to make the payments due to paucity of fund. Another important point which is to be observed is that the Government did not make it obligatory on the part of the District Council to adopt resolutions under the provisions of the Fund Rules in respect of the earlier loans sanctioned. This is highly

32. TAD/R/29/65 dated 18.1.67.
irregular and the council can easily disown the liabilities of the loans provided.

The next loan amounting to ₹1,00,000.00 came from the State Government for the construction of tribal rest house at Gauhati and a bazar hall etc. on the following terms and conditions.33

(a) On security of District Fund.
(b) Loan was to be repaid within twenty years.
(c) Loan would bear an interest at the rate of 4% per annum.
(d) First instalment to be paid after one year from the date on which the loan was withdrawn.
(e) Resolution agreeing to said terms and conditions to be adopted in the council.
(f) Formal loan application supported by a statement showing receipts and expenditure of the council for the last three years and detail estimate of the scheme with the counter-signature of local Executive Engineer was also necessary.
(g) Subject to approval of Finance Department.

It is important to note that the council did not attempt to repay by instalments towards the above loan sanctioned. The Government had to remind the council to make payments

33. TAD/LF/272/66/60 dated 27.3.68.
of the instalments and stated that if it failed to repay the same it might be compelled to recover the outstanding dues by making the adjustments against the amount of grant sanctioned to the council that year. The council urged the Government to assess the actual amount of royalty on minor minerals right from 1.7.52 to 31.5.70 and deduct the interest bearing loan (including the principal and the interest) from the share of the District Council. Accordingly, an amount of Rs. 10,842.90 was deposited against the loan sanctioned by making necessary adjustments. This is the major instalment paid by the council against the loans sanctioned. Another noticeable feature is that all instalments paid so far, were made by making adjustments only.

The District Council again approached the State Government to sanction a loan of Rs. 6 lakhs to tide over the acute financial crisis during the financial year 1968-69. It said that the amount was required for the payment of bills to contractors, refund of security deposits, payment of salary and T.A. of the officers and staff (except L.P. School teachers) for five months, payment of salaries to the members due to

34. TAD/MISC/147/70/3 dated 7.6.70.
35. Proceedings of the E.C.meeting dated 10.7.70.
enhancement and refund of D.A. to fourth grade employees. It was further stated that due to poor collection of land revenue and house tax, large scale jhuming and destruction of forest were responsible for the shortfall in income. The council, however, assured the Government to improve the revenue position and to repay the loan within two years.

The Government accordingly sanctioned an amount of Rs. 3 lakhs to meet the cost of administration during the current financial year 1968-69 on condition that the said amount should be repaid within two years. The detailed terms and conditions had not been laid down in the sanctioning letter of the Government. It is interesting to note that although Government and the Accountant General pressed the council hard for payment of the above loan. The council did not make the payment.

Now what are our conclusions?

(1) The State Government was the only source of loan to the District Council.

(2) The loans provided by the State Government were both interest free and interest bearing. The loans were not repaid.

37. TAD/R/275/69/18 dated 27.11.69.

38. (a) A.G's letter No.In-11 DN/63 dated 14.10.71.

(b) Council's letter No.MHC/GA-Ln/33/69-70/17 dated 30.10.71.
(3) Payments were made by adjustments from the revenue collected by the State Government on behalf of the council.

(4) There had been the clear violation of the District Fund Rules of 1952 which categorically provided for a resolution to be adopted by the council with two-thirds majority agreeing to the terms and conditions of the loans. In the case of some of the loans given by the State Government such resolutions were not adopted. This was highly irregular.

Expenditure

One of the most important features of the District Council finance is the expenditure incurred by it. The council prepares statement of expenditure along with the receipts for every financial year starting from 1st April to 31st March. The estimates of expenditure must be approved by the council in its session which, in fact, acts as a check on it. In other words, it may be said that whenever any expenditure is incurred it must be carefully seen that the budget has provided for it.

Expenditure may be classified into two - obligatory and optional. Obligatory expenditures are those the local authorities must incur while the optional expenditures do not make it obligatory on the part of the local authority to incur the same. Neither the Sixth Schedule nor the rules framed thereunder make
any provision of such type of classification of expenditure to be incurred by the District Council. The expenditure of the Karbi Anglong District Council is divided into 25 detailed heads. But it may be classified under the following major heads.

1. Land Revenue
2. General Administrations
3. Works
4. Education
5. Forest
6. Rural Communications
7. Public Health
8. Agriculture
9. Taxes
10. Stamps

Under the head land revenue expenses mainly relate to pay, allowances including travelling allowances of the officers and staff and other contingencies, such as, permanent advance to revenue circles, eviction charges, hire charges of vehicles, commission to mauzadars, tokens, coats and notice boards to Gaon buras. The general administration expenses

relate to pay and allowances of the OEM, E.M's, members of the council, pay and allowances of the Chairman, Deputy Chairman, office establishment, maintenance of Members' Hostel, office building, staff quarters, tubes and parks, contingencies, such as, stationary and office requirements, telephone connection bills, electric consumption charges, printing and advertisement etc. etc. Under the head education expenses relate to pay and allowances of the officers and staff primary school teachers under the council and the contingencies, such as, stationary for offices and schools etc. etc. The expenses under the rural communication relate to construction and repair of roads, bridges and culverts inspection bunglows etc. etc. The public health expenses relate to construction, repair of ring well, tube wells water reservoirs etc. etc. The work expenditure relate to pay and allowances of the officers and staff of Works Branch including that of council workshop and also contingencies, such as, purchase of P.O.I., repair of vehicles, purchase of motor vehicle parts, purchase of mathematical and drawing instruments and survey instruments. The expenditure also includes the construction and repair of staff quarters of the Branch concerned. The forest expenditures relate to pay and allowances of forest staff, contingencies, such as, purchase of stationery, uniform, carriage of seized timbers, legal charge, telephone charge etc. etc.
Now let us see how these expenditures were incurred under different heads during different periods of the council. The following table will give us an idea about the expenditure incurred by the council for the period under review.

In 1953-54 the expenditure under the head land revenue was only Rs. 12,764 while in the year ending 1963-64 rose to Rs. 4,98,202.00. Thus in the first decennial period the growth rate was nearly 12 times the figure of 1953-54. In the next decennial period the growth rate of expenditure became slow and it was slightly more than 3 times the figure of 1963-64.

Table III

<table>
<thead>
<tr>
<th>Head of Account</th>
<th>Expenditure incurred (in round figures)</th>
<th>Expenditure incurred (in round figures)</th>
<th>Expenditure incurred (in round figures)</th>
<th>Budget Estimate (in round figures)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Revenue</td>
<td>12,764</td>
<td>1,45,014</td>
<td>4,98,202</td>
<td>14,57,500</td>
</tr>
<tr>
<td>General Admin-</td>
<td>1,25,178</td>
<td>2,40,535</td>
<td>13,92,802</td>
<td>25,90,650</td>
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<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td>-</td>
<td>52,449</td>
<td>4,77,519</td>
<td>48,78,690</td>
</tr>
<tr>
<td>Education</td>
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<td>6,76,878</td>
<td>2,17,127</td>
<td>6,35,010</td>
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<td>Forest</td>
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<td>1,73,363</td>
<td>15,17,262</td>
<td>68,88,600</td>
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<tr>
<td>Rural comm-</td>
<td>72,772</td>
<td>86,590</td>
<td>3,00,072</td>
<td>13,93,000</td>
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<tr>
<td>unication</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public health</td>
<td>37,746</td>
<td>2,535</td>
<td>77,004</td>
<td>3,20,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,098</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stamps</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Superintendent of Accounts, Karbi Anglong District Council.
The budget estimate under the head rose to 14,57,500.00 in 1983-84. Thus although there had been sharp increase of the estimates the actual revenue collection did not seem to be satisfactory. The fantastic growth rate during the first decennial period was not at all surprising. The revenue administration had not been fully handed over to the council during the period.

Next comes the expenditure on general administration. The actual expenditure during the year 1953-54 was ₹1,25,178.00 the figure for 1963-64 was ₹2,40,535.00 while the figure for 1973-74 was ₹13,92,802.00. The growth rate during the first decennial period was two times the figure of 1953-54. But the growth rate during the second decennial period was five times the growth rate of 1963-64. Although it was partially due to the transfer of functions in 1970 the growth rate should not have been abnormally high. The budget estimate for the year 1983-84 was more than 25 lakhs being the double the figure of 1973-74. The salary and allowances and other charges of the CEM and E.M.'s alone estimated to be ₹3,20,400.00.

41. Most of the copies of the budget of the council were not traceable. The actual expenditure incurred during the period 1983-84 could not be supplied by the Superintendent for ready reference. The budget for the said period, however, was procured which will give only the budget estimates & not the expenditure incurred.

42. Budget, Karbi Anglong District Council, 1983-84.
The most striking features, the Pataskar Commission remarked, the heavy cost incurred by the District Councils on their staff and establishment. In proportion to their own resources (excluding the grants-in-aid) the Commission remarked that the average expenditure (exclusive of expenditure on education) during the five years commencing from 1960-61 to 1964-65 incurred by the District Council of Karbi Anglong was 44%. The expenditure under the head education did not seem to be encouraging during the financial year 1973-74, in comparison to the expenditure on general administration which had gone up to nearly 14 lakhs. The budget estimates of 1983-84 had earmarked only 6½ lakhs for education.

Next comes the expenditure on works. The expenditure for the period 1963-64 was only Rs. 52,449.00 while the figure of 1973-74 was Rs.4,77,519.00 the figure being more than nine times the figure of 1963-64. The budget estimates for the period 1983-84 was Rs.48,78,690.00. Thus from the above it is seen that the growth rate under the head Works was unimaginable. This was, however, due to the expanding nature of functions under the head in recent years.

It is significant to observe that the council incurred some avoidable expenditures on repair of vehicles.

Although the council had a well equipped workshop with experienced engineers the vehicles on certain occasions were repaired outside thereby paying exhorbitant rates. Some times the cost of the repair of vehicles went far above the cost of the vehicle itself. In January, 1974 an ambassador car was repaired at a cost of Rs.58,766.00 which was considered to be a wasteful expenditure. Moreover, the stock register of tyres and tubes were not properly maintained. Thus the expenditures incurred under the head Works were most discouraging and all wasteful expenditures should be stopped.

The expenditures under other heads such as rural communications and public health, taxes and stamps did not witness galloping growth rate. This was mainly due to the fact that the Government had taken over most of the important roads and the expenditure incurred come from the exchequer of the State Government. Similarly, the State Government has already come in a big way to supply drinking water in the entire autonomous district.

What are our conclusions?

(a) The District Council incurs heavy expenditure on general administration than on other important subjects.

(b) The District Council of Karbi Anglong had incurred some wasteful expenditure which were not stated to be regular.

44. Audit Notes by the A.G. on the accounts of the council (5/76-7/77).
Audit

Audit may be defined as the examination or investigation of accounting books and records by one who has had no part in their preparation. The purpose of audit is to ascertain the actual financial condition and earnings of an enterprise for its proprietors, executives, investors, bankers receivers, trustees, recipients of royalties and for public and Governmental regulatory bodies. It is expected that the employment of independent experts auditing will detect fraud and errors, particularly those of principle. The auditor must ascertain that all the assets and liabilities as shown by the books are actuals and that the assets are properly valued and the liabilities properly incurred.45

Audit may be of two types. Pre-audit and post-audit; Pre-audit is conducted before payments are made and post-audit after payment is made. The aim of post-audit is to ascertain whether the transaction is regular. But post-audit is just like locking the door after the theft is committed. The audit may be either detail or test. A test audit is one which scrutinizes a part of the entire financial transaction. It is satisfied if that portion does not reveal any financial irregularity.

The basis of test audit is confidence in the administration.\textsuperscript{46}

Of the two kinds of audit, pre-audit is most effective. But it is costly and cumbersome and therefore post-audit is the system which is adopted in this State.\textsuperscript{47}

It is important to observe that the system of maintaining accounts and the conduct of audit had been specifically laid down in the constitution. The Sixth Schedule provides that every District Council shall have a District Fund of its own and all moneys received by the council in the course of its administration shall be deposited to the said fund.\textsuperscript{48} The Schedule further provides that the Governor may make rules for the management of the District Fund which will provide the procedure to be followed in respect of payment of moneys into the said fund, withdrawal of moneys therefrom, the custody of moneys therein and any other matter connected with it.\textsuperscript{49}

It is important to note that prior to 1971 the District Council was the authority to make the rules subject to the approval of the Governor. The Schedule also provides categorically that

\textsuperscript{47} Ibid.
\textsuperscript{48} Sub para 1 of para 7 of the Sixth Schedule to the Constitution.
\textsuperscript{49} Sub para 2 of para 7 of the Sixth Schedule to the Constitution (Substituted by Act 81 of 1971).
the accounts of the council shall be kept in such form as the Comptroller and Auditor General of India may with the approval of the President prescribe. The Schedule finally provides that the accounts of the District Council shall be audited by the Comptroller and Auditor General in such manner as he may think fit and the report shall be submitted to the Governor who shall cause them to be laid before the council.

Now let us see to what extent the provisions of the Fund Rules and the other subsequent provisions had been followed by the District Council of Karbi Anglong.

In the early years of the council large number of irregularities were noticed in respect of the maintenance of accounts. The most important of them were the defects in the maintenance of cash books, retention of heavy cash balance in hand, absence of monthly physical verification of cash balance, non maintenance of clear accounts of grants-in-aid, non acceptance of lowest tenders, absence of physical verification of stock accounts. On receipt of the report the council did not

50. Sub Para 3 of para 7 of the Sixth Schedule to the Constitution.
51. Sub para 4 of para 7 of the Sixth Schedule to the Constitution.
52. The audit report on the accounts of the council had not been made available by the council authorities. The H.A.D., however, made certain reports available for examination.
53. Audit Notes by the A.G. on the accounts of the District Council (1953-54).
take prompt steps and therefore both the Government and the Accountant General had to remind the council to make expeditious reply. The council on receipt of the reminders met most of the objections and assured compliance in respect of others. On another occasion the Accountant General raised a number of issues which were stated to be irregular. They were non maintenance of monthly accounts, absence of trading licence fee register, defective budgeting, irregular maintenance of vehicle log book, maintenance of heavy cash balance in hand, irregularities in work expenditure, absence of proper maintenance of stock book for service postage stamps and many other irregularities. It is important to note that although the council assured compliance in respect of most of the objections they were not actually complied with by it. There was an occasion when the Accountant General had to point out large number of irregularities, such as, non disbursement of amounts within the stipulated period, non-compliance of Government instructions in respect of certain schemes, non submission of utilization certificate, repair of vehicles without inviting quotations, non acceptance of lowest tenders,

54. (a) Government letter No. TAD/R/13/56 dated 4.5.56.
(b) Accountant General’s letter No. OA/5-35/55/2711 31.10.56.

55. Audit Notes by the Accountant General on the accounts of the District Council (7/55 - 5/57).
non maintenance of stock book for cement and C.I.Sheets, payment of carrying cement at different rates, delay in remittance of forest revenue and finally the retention of heavy cash balance in chest and payment of huge amount in cash instead of in cheques. The council authorities on receipt of the Accountant General's report systematically replied to the objections. The Accountant General, however, did not drop all the objections. The council tried to meet some of the queries but when more queries were made the council did not reply to them. In 1963, the audit for the financial year 1962-63 was conducted by the Accountant General and detected the most important defects in the collection of land revenue, bazar revenue, write off revenue, non maintenance of proper accounts of the council, non recovery of agricultural loan and non maintenance of proper cash book. The council, on receipt of the report took prompt action and tried to meet most of the objections. But the Accountant General was not convinced with most of the replies and made a series of queries up to 1970. When the District Council did not care to write even a single letter against the queries the Accountant General wrote a

56. Audit Notes on the accounts of the council by the Accountant General (1/59-1/60).
57. The Accountant General's last letter No.0A/4-35/59/60/2764 dated 2.11.63 in respect of the audit note.
D.O. letter to the CEM requesting him to make expeditious reply. The letter, however, referred to the audit notes of the past 1962-63 also. The actions taken by the CEM is not known. The accounts for the year 1964-65 were audited by the Accountant General and found certain persistent irregularities, such as, retention of land revenue by the Mauzadars, irregularities in receipt and issue of receipt books, heavy outstanding revenue, non deposit of security by Casniper, non maintenance of register of works, procedural defects in connection with the collection of revenue. Although the council tried to meet some of the objections most of the queries of the Accountant General were not attended by it. The audit notes for the periods, 1969-70, 1975-76, 1977-78 had witnessed the same type of irregularities which were initially committed by the council in its early years.

The Pataskar Commission after obtaining from the Accountant General a memorandum containing his comments on the State of accounts of the District Councils pointed out the following irregularities.

(a) Delay in the deposit of revenue collection in treasury;

(b) Delay in the reconciliation of accounts with the treasury pass book;

(c) Improper maintenance of Cash book;
(d) Submission of wrong utilization certificate in respect of Government grants;
(e) Non maintenance of proper account of demand, collection and arrears and
(f) Delay in the settlement of audit objections.59

But now the question is how to make an end to all those irregularities. It is a fact that too much of interference in the affairs of the council might adversely affect the autonomy of the council. But on the other hand, local autonomy does not mean liberty to play with public funds. The State Government should make it a point that the minimum norms of financial propriety are observed by the council in all possible ways. Non compliance of Government instructions should be followed by certain restrictions imposed by Government, such as, non release of grants advances etc. Then only the council would be able to set its own house in order.