The Defence Services Budget Estimates are presented in five demands: four on Revenue Account (one each for the Army, Navy, Air Force and Ordnance Factories and one on Capital Account).

2. The expenditure for which provision has been made in the Defence Services Budget Estimates, falls broadly into the following categories:
   (a) Pay and allowances of the personnel of the Armed Forces,
   (b) Payments to Industrial Establishment employed in Stores Depots, Factories, etc.,
   (c) Transportation and miscellaneous expenditure,
   (d) Stores purchases,
   (e) Works expenditure, and
   (f) Capital Outlay such as, Capital Works, purchase of vessels, plant and machinery.

3. Expenditure falling under category (a) mentioned in para 2 above represents for the most part obligatory charges dependent upon the strength and composition of the Armed Forces maintained for the defence of the country. Government of India in the Raksha Mantri (Ministry of Defence) decide on the policy regarding strength and composition of the Armed Forces. Hence the responsibility for implementing the decision and ensuring proper control over expenditure is vested with the Armed Forces Headquarters authorities and no distribution of provision is made to the subordinate authorities.

4. Expenditure falling into categories (b) to (f) mentioned in para 2 above, is, in general, susceptible to control against budget provision by the various administrative and executive authorities subordinate to the Government of India. The three important stages in exercising this control are—
   (1) Initial distribution of budget grants,
   (2) Watching expenditure against allotments, and
   (3) Re-appropriations.

**Initial distribution of budget grants**

5. The ultimate responsibility for ensuring that expenditure does not exceed the corresponding budget allotment rests on the Principle Staff Officers at the Service Headquarters, within whose control, the relative activities fall. This responsibility is usually undertaken on their behalf by the Director administering the activities concerned. To cite an instance, the Director of Military Training is responsible, under Deputy Chief of Army Staff, for controlling expenditure on specialised training institutions and schools. It is for these officers to see that the amount provided in the Defence Estimates falling under (b) to (f) of para 2 above and subject to their respective controls are allotted to commands and lower formations. The authorities at the Service Headquarters responsible for allotting the funds to lower formations keep but certain amounts as 'Reserve', to meet unforeseen requirements from the formations. The quantum of this 'Reserve' is decided by the Controlling Officer, the Service Headquarters, in consultation with the Deputy Financial Adviser concerned. The authorities at lower stages in the chain of control have the discretion to hold in Reserve a portion of the allotment placed at their disposal.

6. All communications of allotment from the Service Headquarters issue with the concurrence of the respective Deputy Financial Advisers and these orders are endorsed to the Controller General of Defence Accounts and Controllers of Defence Accounts. Sub-allotments by Command or formation Headquarters are also notified to the Controllers of Defence Accounts.

**Watching expenditure against allotments**

7. It is the primary responsibility of the authorities to whom allotments are made, to watch the progress of expenditure and to see that the expenditure does not exceed the allotment. To facilitate this, the Controllers of Defence Accounts render monthly statements to the allottees showing the Serial Nos. of claims admitted in audit and the amounts debited against the allotment. In the case of Military Engineer Services, the instructions laid down in the MFS Regulations are followed. The Controllers of Defence Accounts also keep a watch on the progress of expenditure against sanctioned allotments and bring to the notice of the allottees and the immediate higher authorities, cases in which the trend of expenditure in their opinion, is abnormally heavy or unusually low.

8. This procedure enables the controlling authorities to initiate remedial measures either by regulating the trend of expenditure or by approaching higher authorities for additional allotment with full justification, if the progress of expenditure is heavy. They may also surrender such portion of the allotment as is not likely to be necessary for the rest of the year.

9. Authorities competent to sanction additional allotment do so either from the 'Reserve' held by them or from the surrenders reported to them. If the 'Reserve' is inadequate and no surrender is forthcoming, such additional allotment may be sanctioned in anticipation of provision of funds, only with the concurrence of the concerned Controller of Defence Accounts. Additional allotments sanctioned by the Services Headquarters, issue with the concurrence of the Deputy Financial Adviser concerned.

**Re-Appropriation**

10. The procedure of re-appropriation provides some flexibility by which savings in the budget provision under one head can be utilised to meet excess
DEFENCE SERVICES ESTIMATES FOR THE YEAR 1996-97

Expenditure under another head, provided the heads are in the same Demand voted by the Parliament. The cardinal principle is that an authority can re-appropriate only in respect of savings arising out of the allotments placed at his disposal. The normal rules governing re-appropriation of funds in the case of Defence Estimates are indicated below:

1. Powers of re-appropriation between different minor heads under a major head are exercised by the Government of India.

2. Full powers of re-appropriation between the sub-heads within the minor heads under each Demand have been delegated to the Ministry of Defence.

3. Powers of re-appropriation are also exercised by the following lower authorities:
   (a) Central Controlling Authorities;
   (b) Command Headquarters;
   (c) Independent Area Headquarters;
   (d) Air Force Commands; and
   (e) Independent Stations.

4. In the case of direct Controlling Officers of these headquarters, re-appropriations are permissible only between control heads falling under the same sub-head. In the case of Navy, powers of re-appropriation between different detailed heads falling under the same minor head are exercised by Naval Headquarters.

5. The powers of re-appropriation between different sub-heads falling under the same head will be confined to Principal Staff Officers except in the case of Military Engineer Services, which are governed by the instructions laid down in M.E.S. Regulations and such other instructions as may be issued by Government from time to time.

6. All re-appropriations are formally sanctioned and copies endorsed to the accounts authorities. Re-appropriations are sanctioned by the Principal Staff Officers and the Raksha Mantralaya (Ministry of Defence) in consultation with the Internal Financial Advisers.

7. No re-appropriation is permissible between funds allotted for charged items of expenditure in terms of Article 112(3) of the Constitution and voted items of expenditure.

8. Re-appropriations are permissible only between expenditure heads. Thus, excess receipts and recoveries which are required to be accounted for as such, cannot be utilised to meet expenditure in excess of Sanctioned Grant.

9. The sanction of Government of India is required to any re-appropriation which affects the following:
   (i) Savings due to non-expenditure of amount provided for a specific measure.
   (ii) An error in estimates.

Note.—No formal re-appropriation is sanctioned for transferring funds under the same control head between Commands, Areas, Sub-Areas, Institutions, Depots, etc. Such transfers are effected by first withdrawing savings surrendered by one Command, etc. and then reallothing as required.

Periodical Estimates and Reviews

11. The Raksha Mantralaya (Ministry of Defence) and the Services Headquarters review the trend in expenditure and assess future requirements at periodical intervals. For this purpose, the lower formations furnish estimates in respect of locally controlled heads so as to reach the respective branches at the Service Headquarters by the dates prescribed for the purpose, through the Controllers of Defence Accounts concerned except in the case of MES formation, Ordnance & Clothing Factories and R&D Organisation who furnish the estimates direct to Headquarters.

In addition, periodical reviews are conducted by the Raksha Mantralaya (Ministry of Defence) to ensure prompt and effective utilisation of the provisions made. Likely achievements of targets are examined and procedural and practical difficulties thrown up during the discussions are also tackled during these reviews.

12. The fundamental rule on which the whole system of budgetary control may be said to rest is that no item of public expenditure may be incurred unless provision exists to meet it in the sanctioned budget estimates of the year concerned. This rule applies to the nature of expenditure as well as the amount; in other words, the provision in the budget must have been made, for the purpose of meeting the particular kind of expenditure involved. Certain authorities are vested with limited powers of "re-appropriation" i.e. transfer of funds from one budget head to another—as explained in paragraph 10 but with this exception, the rule referred to above is absolute. It follows that each individual officer to whom any portion of a grant provided in the budget to meet a specified class of expenditure is allotted, is responsible for seeing that the allotment is utilised solely for that class of expenditure and is not overspent.