

Secretaries to Ministries/Heads of Departments/
District Secretaries.

**GRANT OF LOANS TO PUBLIC OFFICERS FOR PURCHASING OF A MOTOR VEHICLE/
MOTOR BIKE/ SCOOTER THROUGH BANKS - GUIDELINES ON ACCOUNTING**

Your attention is drawn to the Public Administration Circular No. 13/2006 of 07.08.2006 issued by the Ministry of Public Administration and Home Affairs. The guidelines on accounting as per paras 7.7.2 and 8.7.2 of the said Circular are as follows:

1. **Provision of Particulars on Loan Installment and Applicable Interest**
 - 1.1 Subsequent to the release of the loan in terms of the paras 7.10.4 and 8.10.4 of the above Public Administration Circular, the relevant particulars should be obtained from the Bank as per Appendix 27 of the said Circular.
 - 1.2 As per Annex 1 of this Circular, before the 1st of January of each year, installments of the loan should be recovered from the officer and the particulars on 4% interest and the interest to be borne by the government should be obtained from the Bank. In accordance with these details, it should be ascertained first whether the difference in the interest to be borne by the government is correct. If there is any discrepancy, action should be taken to rectify it by informing the Banks.
2. **Remittance of Loan Installments**
 - 2.1 In terms of paras 7.7 and 8.7 of the above Public Administration Circular, particulars on the monthly loan installments deducted from the salary and remitted to the Bank and the interest to be borne by the government, should be as per Annex 2 of this Circular and a copy thereof should be given to the officer concerned. However, the annex 2 is not necessary if these particulars are indicated in the monthly pay slip which is given to the employee with the monthly salary.
 - 2.2 In making deductions in the preparation of salaries, priority should be given for loan installments and interest to be remitted to the Bank and for loan installments and interest to be payable to the government.
 - 2.3 The cheques should be posted so as to ensure that the loan installment of the Bank deducted from the salary of an officer is received by the Bank before the 05th day of the following month. If a penalty is imposed by the Bank on the officer who has obtained the loan, on account of non-receipt of the loan installment on due date, that penalty should be deducted from the salary of the ensuing month of the officer in charge of the subject/officer responsible and remitted to the Bank, if the delay in sending the loan installment to the Bank is caused due to the negligence or within the subject limit of the officer in charge of the subject/officer responsible.

- 2.4 The loan installments should always be remitted to the Bank Branch from which the loan has been obtained by the officer. If several installments are remitted to one particular Bank Branch, details should be submitted so as to ensure that these installments are easily identified by the Bank.
3. **Accounting of the Difference in Interest**
- 3.1 The difference between the Bank rate of interest and the interest charged from the officer, is the difference in interest to be borne by the government. That interest to be borne by the government should be accounted under the Object Code No. **“1006 – Property Loan Interest”**.
- 3.2 Provision for interest borne by the Government will be provided in Estimates from the year 2007 for Ministries, Departments and Provincial Councils. The interest borne by the Government for the year 2006 should be accounted under Object Code No. “1006 – Property Loan Interest”. Due to unavoidable reasons if this provision is not enough, an additional allocation should be obtained from the National Budget Department.
4. **General Issues**
- 4.1 **Until the rate of interest is revised, the annual Bank Interest rate for loan installments is 11% with effect from 1st August 2006 for loans obtained under the paras 7.4.1 and 8.4.1 of the above Public Administration Circular.**
- 4.2 Where an officer has been temporarily released for the service in a State Corporation/Statutory Board as per paras 7.9.2 and 8.9.2 of the above Public Administration Circular, the Ministry/Department that has released the officer concerned should take action to make the officials of the State Corporation/Statutory Board aware of the instructions of this Circular on the remittance of loan installments to the Bank.
5. **Interest expenditure in respect of Provincial Council officers to be borne by the Government.**
- 5.1 All accounting instructions contained in this Circular should be invariably followed by the Provincial Councils as well. Provision for interest expenditure borne by the Government are provided in the estimates under Object Code “1006 – Property Loan Interest” from the year 2006.
- 5.2 The interest expenditure borne by the Government on loan taken by Officers who are attached to the Local Authorities should be incurred from the Local Authority fund. The interest expenditure which is incurred by the Local Authority should be reimbursed from the relevant Provincial Council.
6. If you need any clarification of this Circular instructions you may please submit a request for advice in writing to the Director General of National Budget.

Sgd, M.B.Ekanayake
Director General of National Budget

- Copy to :
01. Secretary, Ministry of Public Administration & Home Affairs
 02. All Chief Secretaries of Provincial Councils
 03. Director General, Dept. of Treasury Operations
 04. Director General, Dept. of State Accounts
 05. Auditor General

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 (Address)

**FURNISHING PARTICULARS ON ANNUAL RECOVERY OF
 LOAN INSTALMENTS AND INTEREST**

1. Name of Officer :
2. Loan Entitlement No. :
3. Address of Duty Station :
4. Amount of Loan :

| Year | Month | Installment recovered from loan | 4 % of interest recovered from the officer | Monthly loan installment with interest recovered from the officer | Interest borne by government | Total loan installment receivable of Bank |
|---------------------------|------------------|--|---|--|-------------------------------------|--|
| | January | | | | | |
| | February | | | | | |
| | March | | | | | |
| | April | | | | | |
| | May | | | | | |
| | June | | | | | |
| | July | | | | | |
| | August | | | | | |
| | September | | | | | |
| | October | | | | | |
| | November | | | | | |
| | December | | | | | |
| Total for the year | | | | | | |

Bank Manager:

Date :

RECOVERY AND REMITTANCE OF LOAN INSTALMENTS

My No :-

Your No :-

Manager,

Bank

Branch

Month :

Year :

1. Name of the Officer :-

Loan Entitlement No :-

Month for which the loan

installment is paid :-

Particulars of the Cheque:

Cheque No :-

Bank & Branch :-

Date of Cheque :-

2. Loan installment :- Rs. xxx

Interest payable by the officer (4%) :- Rs. xxx

Interest borne by the government :- Rs. xxxTotal amount remitted to Bank :- Rs. xxxSECRETARY OF THE MINISTRY /
HEAD OF THE DEPARTMENT

Date :

Copy: 1. (to the officer concerned)