

## **Budget Circular No: 122**

My No: BD/POBA/PLS/1  
Department of National Budget  
General Treasury  
Colombo 01.  
26<sup>th</sup> April 2005

Secretaries to Ministries/Heads of Departments/  
District Secretaries.

### **GRANT OF PROPERTY LOANS THROUGH BANKS – GUIDELINES ON ACCOUNTING**

Your attention is drawn to the Public Administration Circular No. 08/2005 of 31.03.2005 issued by the Ministry of Public Administration and Home Affairs. The guidelines on accounting as per para 11.7.2 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 para 11.11.4 of the above Public Administration Circular, the relevant particulars should be obtained from the Bank as per Annex 3 of the said Circular.
- 1.2 As per Annex I of this Circular, before the 1<sup>st</sup> 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.
- 1.3 As the loan is released in stages in case of construction of houses, when interest is recovered by the Bank for sums of money released prior to the determination of the loan installment, particulars should be furnished in such a manner to indicate clearly the interest to be payable by the officer and the interest to be borne by the government as per annex I of this Circular.

#### **2. Remittance of Loan Installments**

- 2.1 In terms of para 11.7 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.
- 2.2 In respect of the difference in interest borne by the government and reported to the Treasury by a Expenditure Head through a monthly summary of accounts at the end of each month, a return prepared as per the Annex 3 of this Circular should be submitted to the National Budget Department before the 10<sup>th</sup> of the following month.

- 2.3 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.
- 2.4 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 05<sup>th</sup> 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.
- 2.5 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. **“1803 – Property Loan Interest”**.
- 3.2 As required provision has not been made in the Budget Estimates for 2005 for the difference in interest to be borne by the government, Ministries and Departments should obtain required additional allocations under their Heads, from the National Budget Department of the Treasury before 01.07.2005. For this purpose, particulars should be submitted as per Annex 4 of this Circular in terms of the Public Administration Circular No. 08/2005 dated 31.03.2005 and the amendments made thereto. In this process, particulars should be furnished on the number of applications recommended and expected to be recommended, and on the loan amounts in respect of these applications.
- 3.3 The loan applications should be recommended to Banks so as not to exceed the additional allocations made for this purpose for 2005 by the National Budget Department of the Treasury.
- 3.4 The required provision will be made in the Budget Estimates from the year 2006 onwards for Ministries and Departments.

**4. In case of Death or Total Disablement of an Officer**

- 4.1 In terms of para 11.8.8 of the above Public Administration Circular, in case of death or total disablement of an officer while in service, necessary action should be taken in respect of such officers as per the stipulations in the Establishment Code.
- 4.2 In terms of the above Public Administration Circular (Annex 01), particulars of monthly loan installments payable to the Bank on behalf of such an officer, should be notified to the Treasury Operations Department assuming that the officer concerned has been transferred to the Treasury.
- 4.3 In accordance with the other guidelines of this Circular such loan installments payable will be remitted to the Bank in monthly installments by the Treasury Operations Department out of the Loan Guarantee Fund, until the loan is paid up in full.

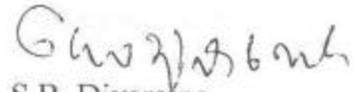
**5. Maintenance of the Loan Guarantee Fund**

- 5.1 The Loan Guarantee Fund should be maintained by the Treasury Operations Department of the Treasury.
- 5.2 The detailed information on all investments, interest accruing to such investments, and payments made as per the provisions of para 4 of this Circular, should be maintained by the Treasury Operations Department.
- 5.3 Final Accounts in respect of the Loan Guarantee Fund should be prepared at the end of the each financial year.
- 5.4 No payment, other than the payments stipulated by para 4 of this Circular, should be made out of this fund.

**6. General Issues**

- 6.1 The rate of bank interest per annum is 10% for the loans obtained during the year 2005 as per para 11.4.1 of the above Public Administration Circular. Accordingly, the difference in interest to be borne by the government should be verified.
- 6.2 Before the commencement of the each financial year, the Treasury Operations Department of the Treasury will take action to inform Ministries and Departments, of the bank rate of interest applicable for the that financial year.

- 6.3 Where an officer has been temporarily released for the service in a State Corporation/Statutory Board as per para 11.8.9 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.
- 6.4 When this loan scheme is implemented by the Provincial Councils, the difference in interest payable by the government should be borne by the relevant Provincial Council. At the same time, the Provincial Council concerned should come to an Agreement with the Banks operating in the Province, on the implementation of this Loan Scheme.

  
S.B. Divaratne

Deputy Secretary to the Treasury

- 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

.....,  
 .....  
 ..... (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 :

<b>Year</b>	<b>Month</b>	<b>Instalment recovered from loan</b>	<b>4 % of interest recovered from the officer</b>	<b>Monthly loan instalment with interest recovered from the officer</b>	<b>Interest borne by government</b>	<b>Total loan instalment receivable of Bank</b>
<b>2005</b>	<b>January</b>					
	<b>February</b>					
	<b>March</b>					
	<b>April</b>					
	<b>May</b>					
	<b>June</b>					
	<b>July</b>					
	<b>August</b>					
	<b>September</b>					
	<b>October</b>					
	<b>November</b>					
	<b>December</b>					
<b>Total for the year</b>						

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  
instalment is paid :-

Particulars of the Cheque:

Cheque No :-

Bank & Branch :-

Date of Cheque :-

2. Loan instalment :- Rs. xxx

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

Interest borne by the government :- Rs. xxx

Total amount remitted to Bank :- Rs. xxx

SECRETARY OF THE MINISTRY /  
HEAD OF THE DEPARTMENT

Date :

Copy: 1. (to the officer concerned) .....

**AMOUNT OF THE INTEREST BORNE BY THE GOVERNMENT AS REPORTED  
TO THE GENERAL TREASURY BY WAY OF MONTHLY SUMMARY OF ACCOUNTS**

HEAD NO :

MINISTRY / DEPARTMENT :

MONTH :

SERIAL NO.	NAME OF THE OFFICER	BANK BRANCH FROM WHICH THE LOAN HAS BEEN OBTAINED	INTEREST BORNE BY THE GOVERNMENT	SPECIAL REMARKS
		TOTAL RS.	----- =====	

**REQUEST FOR ADDITIONAL ALLOCATIONS**  
**FOR THE INTEREST TO BE BORNE BY THE GOVERNMENT**  
**FOR THE YEAR 2005**

	NAME OF THE LOAN APPLICANT	REASON FOR APPLYING A LOAN	MAXIMUM AMOUNT OF LOAN RECOMMENDED	AMOUNT OF INTEREST EXPECTED TO BE BORNE BY THE GOVERNMENT FOR 2005
01				
02				
03				
04				
05				
06				
07				
08				
09				

TOTAL      RS.      -----  
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