

Budget Circular No: 130

My No: BD/POBA/PLS/1
Department of National Budget
General Treasury
Colombo 01.
28th June 2006

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 to its amendments to date made 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 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.
 - 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 1 of this Circular.
 - 1.4 As the loan is released in stages in case of construction of houses, the interest to be borne by the Government may be recovered from the loan installments by the Bank. If such interest is recovered by the Bank from the officer, after getting confirmation from the Bank the interest to be borne by the Government should be reimbursed to the officer by the Ministry or Department where officer is employed.
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 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 have been provided in Estimates from the year 2006 for Ministries, Departments and Provincial Councils. Due to unavoidable reasons if this provision is not enough, an additional allocation should be obtained from the National Budget Department.

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.

- 5.3 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 Loans obtained in terms of clause 11.4.1 of the Public Administration, the annual rate of bank interest for loan installments is 10% from 01.01.2005 to 31.07.2006. The annual rate of bank interest for installments will be 11% from 01.08.2006 and until the rate is revised again.
- 6.2 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.
7. **Interest expenditure to be borne by the Government for Provincial Council officers.**
- 7.1 All the accounting instructions given in this Circular should be followed by Provincial councils as well in the same manner. Provisions required for accounting of interest expenditure borne by the Government from the year 2006 are included in the Estimates.
- 7.2 The interest expenditure, to be borne by the Government on loans taken by the Officers of the local government institutions governed by the Provincial Council should be paid from the funds of the local government institutions concerned and action should be taken to get these interest expenditure payment reimbursed from the relevant Provincial Council.
8. **Budget Circulars No.122 of 26.04.2005 and No.122 (1)of 03.06.2005 issued by the Department of National Budget on Grant of Property Loans through banks – guidelines on accounting are hereby rescinded.**



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. xxx

Total amount remitted to Bank :- Rs. xxx

SECRETARY OF THE MINISTRY /
HEAD OF THE DEPARTMENT

Date :

Copy: 1. (to the officer concerned)