

National Budget Circular No. 118

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Dept. of National Budget
General Treasury
Colombo 01.

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To : All Secretaries of Ministries,
Heads of Departments and
Accounting Officers.

Settlement of Loan Balances under Public Officers Advance “B” Account, between Heads, Determination of Limits, Settlement/Take over of Loan Balances to/from Provincial Councils and other Advance Accounts Guidelines

Following procedures and other advance accounts guidelines should be followed from 01st November 2004 towards the settlement of loan balances granted under the Public Officers Advance “B” Account in respect of officers transferred to/from/ Ministries, Departments, Corporations, Statutory Bodies and Provincial Councils.

1. Settlement of loan balances between Heads :
 - 1.1 Loan balances of officers transferred to/from/ Ministries/Departments and District Secretariats should be settled by way of summary of accounts as per the following procedures
 - 1.1.1 Loan particulars of the officer on transfer should be sent along with his/her salary particulars only after intimation of reporting for duty in writing at the Department to which the transfer has been made
 - 1.1.2 In the preparation of loan particulars:
 - (a) Loan balances to be settled should be indicated separately by type of loan
 - (b) Public Officers Advance Account number from which the loan balance is to be settled, should also be clearly indicated
 - 1.1.3 Respective loan balance should be settled through the monthly summary of accounts to the Department in which the officer on transfer was in employment, at the time of payment of his/her first salary
 - 1.1.4 The Department in which the officer on transfer was in employment should be informed in writing with the relevant details of loan balances settled through the monthly summary of accounts

- 1.1.5 If loan balances of more than one officer are settled by way of the same monthly summary of accounts, the total loan balance should be intimated in detail separately, by officer and type of loan, in writing to the department from which the transfer was made
 - 1.1.6 In case, the loan balance has not been settled within 02 months of the transfer, the Department from which transfer was made, should ascertain that the officer concerned is in employment at the Department to which the transfer was made, and recover the loan balance in the 3rd month by way of the monthly summary of accounts after informing the Department concerned accordingly in writing. The Auditor General and the Department of National Budget should also be informed accordingly
 - 1.1.7 You are advised not to show loan balances, which have not been settled after 02 months from the “transfer in” or 03 months from the “transfer out”.
2. Determination of Limits :
 - 2.1 As per public finance circular No. 401 dated 29th Aug. 2002, debits and credits arising out of the settlement of loans between Ministries and Departments should not be taken into account for the purpose of ascertaining whether there is or not an excess/shortfall on the prescribed limits in the Advance Accounts.
 - 2.2 Using the facility provided under Section 2.1 above, immediate action should be taken to take over/settle loan balances between heads in terms of instructions in para 01
 - 2.3 Accordingly, you are advised not to show inter-departmental debtors/creditors balances when preparing the annual reconciliation statements.
 3. Settlement/Take over of loan balances to/from Provincial Councils :
 - 3.1 If officer is on transfer from a Provincial Council
 - 3.1.1 Loan balances of officers on transfer from Provincial Councils should be taken over at once, only if sufficient provision is available within the maximum limit of expenditure
 - 3.1.2 When provision is insufficient within the maximum limit of expenditure, loan balances of officers should not be taken over, and loan installments together with interest recovered from the monthly salary of respective officers should be remitted to the relevant Provincial Council. Particulars of such recoveries and interest should be duly furnished by name of officer and type of loan

- 3.1.3 In instances where, loan balances are not taken over from the officers on transfer from Provincial Councils, such balances and installments recoveries should be clearly indicated in a separate C.C. 10 register for identification at any time
- 3.1.4 If such officer is transferred under any circumstances, the Provincial Council concerned should be informed in this regard and all the details of the Provincial Council for which recovery of loan balance should be made, should be intimated to the new institution to which officer is transferred
- 3.2 If officer is on transfer to a Provincial Council :
 - 3.2.1 Action should be taken to recover the loan amount in full at once from the relevant Provincial Council
 - 3.2.2 If this is not possible, action should be taken to recover the loan installment together with the interest on monthly basis from the Provincial Council concerned and obtain particulars by type of loan recoveries and interest by name of officer
 - 3.2.3 If, loan installments and interest have not been received regularly from the officer on transfer, immediate action should be taken to obtain information of such officer and recover loan installment together with interest from the respective institutions. Therefore, it is the responsibility of the staff officer in charge of the subject to pay special attention on recovery of arrears of loan installments together with interest at once or on monthly basis.
- 3.3 Granting new loans to officers on transfer from Provincial Councils :
 - 3.3.1 New loans should be granted in terms of the provisions of the Establishment Code having regard to loans obtained from the Provincial Council
 - 3.3.2 Particulars of loans granted by the Central Government should be included in the C.C. 10 register of the Central Government
 - 3.3.3 Recovery of loan installments together with interest of Central Government loans and those of the Provincial Council loans should be made separately from the monthly salary.
 - 3.3.4 Loan installments to be recovered for the Central Government and for the Provincial Council should be decided by the Accountant, subject to the provisions of the Establishment Code and also considering convenience of accounting

4 Other Advance Accounts Guidelines

- 4.1 In case loan particulars of an officer on transfer have not been received the loan installment and the interest indicated in the salary particulars of such officer should continue to be recovered. Installments so recovered should be stated in the C.C. 10 register and should not be transferred to Deposit Account under any circumstances.
- 4.2 When a loan installment of an officer is received in respect of a loan balance which has not been taken over by the department, action should be taken to include such loan installment in the C.C. 10 register as a receipt and make corrections later. Such receipts should not be transferred to Deposit account under any circumstances
- 4.3 New loans should not be granted under any circumstances until the loan particulars of an officer on transfer are received by the respective institution.
- 4.4 Loan installments should be recovered from the salary in accordance with the loan type and according to the loan agreement signed
- 4.5 In case, an officer who obtained a loan, has not submitted the documents which should be submitted in terms of the provisions of the Establishment Code and Financial Regulations, within a specified period, and disciplinary action has also been taken against such officer in this regard, no loan or salary advance should be granted until the matter is finally determined
- 4.6 Officers who are on temporary release to corporations and statutory bodies should be dealt with in the following manner
 - 4.6.1 Relevant loans should be recovered at once from the corporation or statutory board concerned
 - 4.6.2 If such settlement is not possible, action may be taken to recover the loan installments together with interest on monthly basis from the statutory board concerned
 - 4.6.3 When loans have been availed of, from the Corporation/Statutory Body concerned by officers returning to a Ministry/Department, the extent of such loan balances subject to the provisions of Establishment Code and the relevant circulars provisions should at one stretch be paid off in favour of the Corporations/Statutory Body concerned. As regards any excess, the relevant officer should be informed to settle such loans personally to the respective institution.
5. Property Loans

- 5.1 When taking over a property loan balance of an officer a written statement has to be obtained from the department in which officer was in employment, stating that the deed relevant to the property loan has been collected and it has been registered at the office of the Land Registration concerned. Such particulars should be filed with the department which the loan balance has been taken over
- 5.2 When an officer has evaded payment of installments of the property loan, action should be taken to auction such property subject to the instructions of the Attorney General and to recover the loan.
- 5.3 In case, an officer who obtained a property loan in terms of the Establishment Code has not submitted the relevant documents within the specified time period, action should be taken to recover double the loan installment in terms of the Establishment Code and charge it with fined interest. In addition to recovery of installments, disciplinary action should be taken against the officer concerned in terms of the provisions of the Establishment Code and Financial Regulations for misuse of state money. The Accountant should follow this up and inform the Treasury accordingly.

6. Reconciliation of Accounts

- 6.1 At the end of every month, each office/sub office which maintains a Public Officers Advance Account should reconcile the balance of the control account with the balance of the C.C. 10 Register
- 6.2 In addition to the reconciliation mentioned in 6.1 above, a reconciliation statement should be prepared through reconciling the balance of the control account with the balance of the Treasury books or books of the Head Office.
- 6.3 It is the responsibility of the Staff Officer in charge of the subject to correct such differences detected through the monthly reconciliation statement, by the end of the following month

7 Submission of Annual Reconciliation Statements

At the end of each financial year, when the reconciliation statements of advance 'B' account in terms of F.R. 506 (d), are submitted to the Auditor General, the name and number of the Advance Account should be clearly indicated and a copy of same should be submitted to the Department of National Budget

8. It is the responsibility of the Staff Officer in charge of the subject and the non-staff officer to carry out the daily work in accordance with the above guidelines, without any delay. If due to some reason or other there has been neglect in the performance of day to day activities with the accounts not been maintained properly, the Staff/Non staff officer in charge of the subject shall be

disciplinarily dealt with in terms of the provisions of the Establishment Code and action taken to clear the arrears of work by the officer concerned. **It is the responsibility of the Head of the Department to satisfy himself before granting transfers to officers who are preparing Advance Accounts that they have updated all their work.**

- 9 Budget Circulars No. 95 of 24.09.2001 and No. 102 of 03.09.2002 issued in this connection are hereby repealed
- 10 If you need any clarification of these circular instructions you may please submit a request for advice in writing to the Director General of National Budget.



H.L.A. de Silva
Director General of National Budget

- Copies to :
1. Secretary – Ministry of Public Administration
 2. Director General – Dept. of Public Finance
 3. Director General – Dept. of State Accounts
 4. Auditor General