

# SENQU MUNICIPALITY



# VIREMENT POLICY

Council Resolution Date	Resolution
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## **SECTION A: DEFINITIONS**

1. “Accounting officer” The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA.
2. “Approved budget” means an annual budget approved by a Municipal Council.
3. “Budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality.
4. “Chief Financial Officer” means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.
5. “Capital Budget” This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods.
6. “Council” means the council of a municipality referred to in section 18 of the municipal Structures Act.
7. “Financial year” means a 12-month year ending on 30 June.
8. “Line Item” means an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure.
9. “Operating Budget” The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues, used to finance them.
10. “Ring Fenced” an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
11. “Service Delivery and Budget Implementation Plan” means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) of the MFMA for implementing the municipality’s delivery of municipal services and its annual budget.
12. “Virement” is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

13. “Vote” means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.
14. “Project Segment” The Project Segment provides for the setting-up of operational and capital projects by linking the IDP to the budget, providing in- time management information on project performance and spending against budget, and reporting on project funding. All activities of the municipality
15. would therefore need to be aligned to “Projects” including institutional costs associated with the functioning of the municipality such as administrative and staff; this enables planning and budgeting at a project level
16. “Function Segment” The Function Segment is the location within the SCOA for creating the “vote” structure standardised for all municipalities.
17. “Municipal Standard Classifications” This segment contains the “votes” set- up by the municipality based on the organisational structure in place for the municipality. The “vote” structure needs to be aligned to the municipality’s organisational structure

## **SECTION B: ABBREVIATIONS**

1. CFO – Chief Financial Officer
2. IDP – Integrated Development Plan
3. MFMA – Municipal Finance Management Act No. 56 of 2003
4. SDBIP - Service Delivery and Budget Implementation Plan
5. mSCOA – Municipal Standard Chart of accounts
6. GFS – Government Finance Statistics
7. HOD – Head of Department

## **SECTION C: OBJECTIVE & PURPOSE**

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner

## **SECTION D: LEGISLATIVE REQUIREMENTS**

1. MFMA Section 15 (b); Section 28(2)(c ).
2. Standard Chart of Accounts for Local Government Regulations, 2014.
3. MFMA Budget Circulars No. 51 and No. 89.
4. mSCOA Circular No. 08 – Virement Policy Guidelines.

## **SECTION E: FINANCIAL RESPONSIBILITIES**

1. Strict budgetary control must be maintained throughout the financial year to ensure that potential overspends and / or income under- recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)
2. The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)
3. It is the responsibility of each Head of a Department (HOD) or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

## **SECTION F: VIREMENT RESTRICTIONS**

### **VIREMENT REQUIRMENTS**

1. Virement is only permitted for transfer within the same funding source. Virements to or from a different funding source should be done through an adjustments budget.
2. Virement is not permitted between Operating and Capital Budgets.
3. Virement is not permitted between municipal standard classification / main votes without prior Council approval through an approved adjustment budget.
4. A virement may not create new policy, significantly vary from current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
5. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13, page 3, paragraph 3)
6. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior

approval of the Municipal Manager. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines.

7. No virement may be made where it would result in unauthorised, irregular or fruitless and wasteful expenditure. (Section 32 MFMA)
8. No virement shall add to the staff establishment of the Municipality without the approval of the Municipal Manager.
9. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
10. Virements may not be made in respect of ring-fenced allocations.
11. Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework is not permitted.
12. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

### **Operating Budget Virements**

1. Budget allocations may not be transferred from support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Insurance, Grant Expenditure and Income Foregone.
2. Virements between the line items of Employee related costs and Remuneration of councillors are only allowed if the virements are within the same relevant item of expenditure.
3. Virements may not be made between Expenditure and Income.
4. Virements from decentralized votes (e.g. Training) may only be made through express consent of the Director of the responsible department (e.g. Corporate Services).

### **Capital Budget Virements**

1. Virements should not result in adding 'new' projects to the Capital Budget;
2. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.

## **SECTION G: VIREMENT PROCEDURE**

1. All virement proposals must be completed on the appropriate documentation (See Annexure A) and forwarded to the relevant Finance Officer for checking and implementation. Virements should be implemented and approved within two to three working days from the date of submission of the signed virement form by the user department.
2. Virements must be effected across all the segments of mSCOA as per the approved virement form
3. All virements must be signed by the relevant Director of the Department within which the vote is allocated. (Section 79 MFMA)
4. All Virements in excess of R 30 000 must include details regarding changes to the SDBIP and be approved by the Director DTPS or an Authorised representative.
5. Virements in excess of R 30,000 with a maximum of R 500,000 need approval of the Chief Financial Officer. (Section 79 MFMA)
6. Virement proposals must include changes to the SDBIP and approved by the Municipal Manager for virements in excess of R 500 000.
7. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
8. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.


## **SECTION H: SUPPLEMENTARY**

This policy replaces any other policies or Council resolutions as far as they may refer to virements as defined in this policy.

Once agreed, the virement policy should form part of the Municipal Manager's formal delegations and Financial Regulations of the Municipality.

Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of section 69 of the MFMA.

# Annexure A

<b>Virement Number</b>	 <b>SENQU LOCAL MUNICIPALITY</b> <b>Virement Application - Operating /Capital Budget</b>												
<b><u>This Form Must Be</u></b> 1. Signed by the Relevant Manager 2. Signed by the Relevant Director of the Department 3. Approved by the Director DTPS / Authorised Representative for virements > R 30 000 effecting SDBIP related cha 4. Approved by the Chief Financial Officer for Virements greater than R 30 000 limited to R 500 000 5. Approved by the Chief Financial Officer and the Municipal Manager for Virements in excess of R 500 000.							<b><u>NOTE</u></b> All Virements must be done in accordance to approved virement policy No Virements are allowed in the first three months and the last month of the financial year without the approval of the Chief Financial Officer						
<b><u>Total Transfer Required:</u></b>  SCOA GFS _____ Municipal Standard Classification _____													
<b>Motivation</b>													
<b>FROM( - Credit)</b>							<b>TO ( + Debit)</b>						
Vote Number	Project Name	Item Name	Actual Budget Prior to Virement	Actual Expenditure Prior to Virement (Including) (Commitments)	Adjustment Required	Budget Amount Remaining	Vote Number	Project Name	Item Name	Actual Budget Prior to Virement	Actual Expenditure Prior to Virement (Including) (Commitments)	Adjustment Required	New Budgeted Amount Remaining
			R -			R -							R -
			R -			R -							R -
			R -			R -							R -
			R -			R -							R -
			R -			R -							R -
<b><u>Sum of Adjustments</u></b>			R -	<b><u>MUST BE Equal to ZERO</u></b>									
<b><u>Requested by Vote Custodian</u></b> _____				<b>Signature of HOD Confirming Request</b> _____				<b>Date Requested</b> _____					
<b><u>Authorisation: SDBIP Changes</u></b>													
<b><u>Key Performance Indicator Effected Negatively</u></b>							<b><u>Key Performance Indicator Effected Positively</u></b>						
<b><u>Project Description</u></b>							<b><u>Project Description</u></b>						
<b><u>Changes to SDBIP Target Q1</u></b>							<b><u>Changes to SDBIP Target Q1</u></b>						
<b><u>Changes to SDBIP Target Q2</u></b>							<b><u>Changes to SDBIP Target Q2</u></b>						
<b><u>Changes to SDBIP Target Q3</u></b>							<b><u>Changes to SDBIP Target Q3</u></b>						
<b><u>Changes to SDBIP Target Q4</u></b>							<b><u>Changes to SDBIP Target Q4</u></b>						
<b><u>SDBIP Changes Approved by Director IPME (Or Authorised Representative)</u></b>							<b>Signature</b> _____			<b>Date</b> _____			
<b><u>Authorisation: Virement Request</u></b>													
<b><u>Virement Approved</u></b> <b><u>YES</u></b> <b><u>NO</u></b>													
Approved by Manager: B&T (Only for Virements < R 30 000)				Signature _____				DATE _____					
Authorised By CFO (Virements < R 500 000)				Signature _____				DATE _____					
Authorised By MM (Virements > R 500 000)				Signature _____				DATE _____					