

MBASHE LOCAL MUNICIPALITY



VIREMENT POLICY

1.	PURPOSE.....	2
2.	DEFINITIONS.....	2
3.	FINANCIAL RESPONSIBILITIES.....	3
4.	VIREMENT RESTRICTIONS.....	4
5.	VIREMENT PROCEDURES.....	5

1. PURPOSE

The purpose of this policy is to provide directives relating to virements and to enable the accounting officer to amend budgets in the light of experience or to provide for anticipated changes.

2. DEFINITIONS

In this policy –

“**accounting officer**” means the municipal manager as the accounting officer of the municipality;

“**approved budget**” means an annual budget approved by the council;

“**budget-related policy**” means a policy of the municipality affecting or affected by its annual budget;

“**capital budget**” means 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.

“**Council**” means the Council of a municipality.

“**financial year**” means a 12-month year ending on 30 June.

“**MFMA**” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

“**operating budget**” means the municipality’s financial plan, which outlines proposed expenditure for the coming financial year and the estimates of revenues to be received in order to finance them.

“**ring-fenced**” means an exclusive combination of line items grouped for specific purposes, such as salaries and wages.

“service delivery and budget implementation plan” means a detailed plan approved by the mayor of the 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.

“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.

“vote” means one of the main segments into which a budget of the 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.

3. FINANCIAL RESPONSIBILITIES

- (a) Strict budgetary control must be maintained throughout the financial year in order that potential overspends and/or income under-recovery within individual vote departments is identified at the earliest possible opportunity.
- (b) The accounting 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 those controls.
- (c) It is the responsibility of each manager or head of a department or activity to which funds are allotted, to –
 - (i) plan and conduct assigned operations so as not to expend more funds than budgeted; and
 - (ii) identify and report any irregular or fruitless and wasteful expenditure to the accounting officer in terms of section 78 and 102 of the MFMA.

4. VIREMENT RESTRICTIONS

The following restrictions apply to virement transfers:

- (a) Due to the newly introduced mSCOA reforms the maximum amount allowed for Virements will be determined by the Budget & Treasury Office in consultation with the relevant directorate after considering the items that were budgeted for and the respective projects.
- (b) A virement may not create new policy, significantly vary current policy or alter the approved outcomes/outputs as approved in the Integrated Development Plan for the current or subsequent years.
- (c) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget together with altered outputs and measurements to the council for approval.
- (d) No virement may commit the municipality to increasing recurrent expenditure which commits the Council's resources in the following financial year.
- (e) No virement may be made where it would result in over-expenditure.
- (f) No virement may add to the establishment of the municipality without the approval of the accounting officer.
- (g) The Council's existing recruitment policies and procedures will apply if the virement relates to an increase in the staff establishment of the municipality.

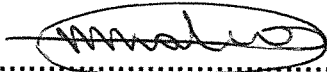
- (h) Virements may not be made in respect of ring-fenced allocations.
- (i) Budgeted allocations may not be transferred from –
 - (i) salaries;
 - (ii) interdepartmental costs;
 - (iii) capital financing;
 - (iv) depreciation;
 - (v) contributions; and
 - (vi) grant expenditure.
- (j) Virements in capital budget allocations –
 - (i) are permitted only within specified action plans;
 - (ii) are not across funding sources; and
 - (iii) must have a comparable asset lifespan classification.
- (k) No virement proposal may affect amounts to be paid to another department without the agreement of the manager of that department.
- (l) Virement amounts may not be rolled over to subsequent years or create expectations on following budgets.
- (m) No funds may be viremented between departmental main segments / votes without prior Council approval.
- (n) Virements may not be made between Expenditure and Income.

5. VIREMENT PROCEDURES

The accounting officer must determine procedures to be followed in respect of virement transfers that include but are not limited to the following:

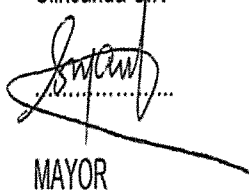
- (a) All virement proposals must be completed on the appropriate documentation and forwarded to the relevant departmental accountant for checking and implementation.
- (b) All virements proposals must be supported by the vote holder and the manager within which the vote is allocated.
- (c) A virement form must be completed, motivated and signed by the relevant manager for all budget transfers.
- (d) All virement transfer documentation must be in order and approved before any expenditure can be committed or incurred.
- (e) All transfers must be motivated and need approval of the accounting officer or someone nominated by the accounting officer.
- (f) All virement transfers must include changes to the SDBIP;
- (g) The accounting officer must report to the Mayor on a quarterly basis on all virements that have taken place during that quarter.

Signed and approve by:



**Mr NAKO M
ACTING MUNICIPAL MANAGER**

07/08/17
DATE

Cllr. Janda S.N

MAYOR

07/08/17
DATE