**INKOSI LANGALIBALELE MUNICIPALITY**

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**VIREMENT POLICY**

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**1. Definitions**

**“Accounting officer’’** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

**‘‘Approved budget’’** means an annual budget approved by a municipal council.

**“Budget-related policy’’** means a policy of a municipality affecting or affected by the annual budget of the municipality

**‘‘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.

**“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

**‘‘Council’’** means the council of a municipality referred to in section 18 of the Municipal Structures Act.

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

**“Line Item”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures **[See annexure “B” for current item structure]**

**“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

**“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

**‘‘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) 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. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

**‘‘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**.**

2. OBJECTIVE

* The  objective  of  the  policy  is  to  provide  the  guidelines  to  be  followed,  to  effect  virements  of  approved  budgeted  expenditure  during  the  course  of  a  financial  year. 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.

3. PRINCIPLES

in terms of section 28 of the MFMA, the Mayor of the municipality may in emergency or other exceptional circumstances authorise enforceable and unavoidable expenditure for which no provision was made in a prescribed framework and may not exceed a prescribed percentage of the approved annual budget and should be reported by the mayor to the municipal council at its next meeting and must be passed within 60 days after the expenditure was incurred failing which such expenditure is unauthorised and consequences apply.

 4. Clarification

Virement is the process of transferring budgeted funds from one line item number to

another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

5. GUIDELINES

5.1. Virement  of  line  items  within  a  vote  can  be  approved  as  follows:

5.1.1. Strategic  managers  can  approve  of  a  Virement  to  line  items  within  a  vote  under  their  responsibilities  to  a  maximum  of  R10,000  (net  of  Input  Value  Added  Tax);

5.1.2.

The  Chief  Financial  Officer  can  approve  of  a  Virement  of  line  items  within  a  v

ote,  within  any  vote/department,  to  a  maximum  of  R20,000  (net  of  Input  Valu

e  Added  Tax);  and

5.1.3.

The  Municipal  Manager  can  approve  of  Virements  in  respect  of  line  items  within  a  vote,  even  if  it  exceeds  R200,000.

5.2. Virement  of  any  budgeted  expenditure  between  votes  can  only  be  approved  by the  Mayor,  upon  consideration  of  a  report  from  the  Municipal  Manager  to  support  the  necessity  thereof,  which  also  extends  to  the  authorisation  of  unforeseeable  or  unavoidable  expenditure  not  provided  for  in  the  budget.

6. Procedure

1. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
2. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
3. A virement form must be completed for all Budget Transfers.
4. Virements in excess of R 50,000 with a maximum as determined under section 6 a. requires the approval of the Chief Financial Officer. (Section 79 MFMA)
5. Must include changes to the SDBIP.
6. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
7. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

7. Restrictions

1. No funds may be viremented between votes (GFS Classifications) without approval of both vote holders and the Director Finance.
2. Virements may not exceed a maximum of 10% of the total approved operating budget total less income foregone and the contribution to the Government Grant Reserve as at 30 June of each year.
3. A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)
4. 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) 5
5. 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 Mayoral Committee. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines
6. No virement may be made where it would result in over expenditure. (section 32 MFMA)
7. No virement shall add to the establishment of the Municipality without the approval of Municipal Manager.
8. If the virement relates to an increase in the work force establishment, then the Council’s existing recruitment policies and procedures will apply.
9. Virements may not be made in respect of ring-fenced allocations.
10. Budget may not be transferred from Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
11. Budget may only be transferred from Salaries if approved by the CFO.
12. 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.
13. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
14. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
15. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
16. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
17. Virements may not be made between Expenditure and Income.

8. Responsibilities

* Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)
* 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)
* It is the responsibility of each manager or head of a department 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.

9. AUTHORISATION

All  changes  to  be  authorised  in  the  Adjustment  budget,  or  by  a  Council  committee  subsequent  thereto.

10. 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. Direct any questions on this policy to the Budget Office.

11. Approval Form

 KINDLY EFFECT THE FOLLOWING CHANGES ON MY BUDGET:

Debit vote no. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Credit vote no. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Amount R\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

*Motivation\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.*

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| --- | --- | --- | --- | --- |
| AUTHORISED BY HEAD OF DEPARTMENT: | NAME :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SIGNATURE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  DATE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | | |
| APPROVED BY CHIEF FINANCIAL OFFICER/ :  APPROVED BY MUNICIPAL MANAGER | NAME :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SIGNATURE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  DATE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| BUDGET AMENDED BY: | | NAME :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SIGNATURE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  DATE :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |