
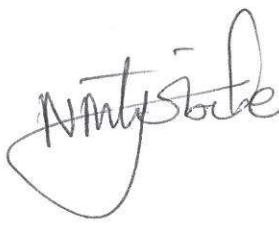




**Policy Title**

**VIREMENT POLICY**

**Policy Version**

	<u>Responsible Individual</u>	<u>Responsibility Accepted</u>
<u><b>Role &amp; Process</b></u>	<u><b>Name and/or Date</b></u>	<u><b>Signature</b></u>
<b>MUNICIPAL MANAGER</b>	<b>Ms. POB Makoma</b>	
Policy Custodian	CFO	
Policy Author	BTO	
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<b>HONOURABLE SPEAKER</b>	<b>Cllr. N Mtyobile</b>	
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## 1. POLICY 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.

## 2. POLICY 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 Project”** Capital Projects applies to expenditure of a "long term nature" and capitalized to the Property, Plant and Equipment group of accounts in the financial statements. Projects are therefore created along this definition of capital and the detail included under the labels for either infrastructure or non-infrastructure projects.
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. **“Revenue”** The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
10. **“Operating Project”** Operating projects refer to current and short term projects for which the cost is immediately recognised as an expense and funded from the municipalities operational budget.





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

**12. “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.

**13. “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.

**14. “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.

**15. “Expenditure”** Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decrease in net assets, other than those relating to distributions of owners.

**16. “Fund”** Funding sources available to the municipalities to invest in municipal activities.



### 3. LEGISLATIVE FRAMEWORK

1. **MFMA** – Municipal Finance Management Act No. 56 of 2003
2. **SCOA** – Standard Chart of Accounts Circular NO. 8, 24 April 2020
3. MFMA Circular No.13 - Service Delivery and Budget Implementation Plan
4. Sebata EMS Virement rules

### 4. POLICY OBJECTIVE

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.

### 5. SCOPE OF THE POLICY

Virement is the process of transferring ***budgeted*** funds from one line-item number to another within the same department vote, with the approval of the relevant Head of department and AFS manager, to enable budget office to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

### 6. TARGET AUDIENCE

6.1 This Policy applies to the following categories of the persons:

6.1.1 All user departments according to their functions

### 7. GENERAL PROVISION OF POLICY

Service providers and contractors are not covered by this policy.



## 8. POLICY

Virement is the process of transferring ***budgeted*** funds from one line-item number to another within the same department vote, with the approval of the relevant Head of department and AFS manager, to enable budget office to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA).

## 9. FINANCIAL RESPONSIBILITIES

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)

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 timely identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

## 10. VIREMENT RESTRICTIONS

- a) No funds may be viremented between departmental main segments / votes without prior Council approval.
- b) The municipality must consider the implications of possible mSCOA segment changes taking place because of the virement (the moving of budgetary allocations within a function or its sub-functions). If virement result in a mSCOA segment change, by adding a new project, changing the region or funding source, it is not allowed. Such a





shifting of budgetary allocations may only be done through an adjustments budget and not through the application of a virement.

- c) 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)
- d) 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)
- e) No virement may commit the Municipality to increase current expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Executive Committee. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines.
- f) No virement may be made where it would result in over expenditure. (Section 32 MFMA)
- g) No virement shall add to the establishment of the Municipality without the approval of the Municipal Manager.
- h) If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- i) Virements may not be made in respect of ring-fenced allocations.
- j) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted;
- k) Budget allocations may not be transferred from these items support service (interdepartmental) costs, Capital financing, Insurance, Interest (Finance Charges), Bad debts, Bulk Purchases, Depreciation, Contributions, Grant Expenditure and Income Foregone and VAT.
- l) Budget allocations may only be transferred from Salaries if approved by the CFO.
- m) Virements should not result in adding 'new' projects to the Capital Budget
- n) No virements are permitted in the first three months or after the adjustment budget has been approved or the final month of the financial year without the express agreement of the CFO.



- o) No virement proposal shall affect amounts to be paid to another Department without the agreement of the Head of that Department as recorded on the signed virement form. (Section 15 MFMA)
- p) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- q) 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.
- r) Virements may not be made between Expenditure and Income.
- s) Virements should not be permitted in relation to the revenue side of the budget.

## **11. VIREMENT PROCEDURE**

- a) All virement proposals must be completed on the appropriate documentation (See Annexure A) and forwarded to the relevant Finance Officer for checking and implementation.
- b) All virements must be signed by the Head of Department within which the vote is allocated. (Section 79 MFMA)
- c) A virement form (See Annexure A) must be completed for all Budget Transfers.
- d) All virements must be approved by the AFS manager.
- e) Virement proposals must include changes to the SDBIP.
- f) All documentation must be in order and approved before any expenditure can be committed or incurred.
- g) The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.





## **12. 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.



13.

## Annexure A

### EMALAHLENI MUNICIPALITY

#### **VIREMENT APPLICATION: OPERATING / CAPITAL BUDGET**

This form must be:

1. Completed in full.
2. Signed by the Head of Department
3. Approved by the AFS manager (All virements)

**NOTE:**

1. The votes involved must be within the same Service and transfers to/from operating to capital are not allowed.
2. No virements are allowed in the first three months and the last month of the financial year.

**TRANSFER REQUIRED: R..... BUDGET YEAR: 2023 / 2024**

	FROM	TO
DEPARTMENT		
FUNCTION		
PROJECT DESCRIPTION		
SCOA ITEM		
AVAILABLE AMOUNT OR TRANSFERABLE AMOUNT		
REQUESTER/CAPTURER		
SIGNATURES CUSTODIAN AND AFS Manager	.....	.....
DATE		

**MOTIVATION:**

.....  
 .....



**SDBIP CHANGES:**

**Key Performance Indicator:**

.....  
.....  
.....

**Cost to Budget: R .....**

**Target Date: .....**

**Quarterly Targets:**

Quarter 1: ..... (Indicate change from approved SDBIP)  
Quarter 2: ..... (Indicate change from approved SDBIP)  
Quarter 3: ..... (Indicate change from approved SDBIP)  
Quarter 4: ..... (Indicate change from approved SDBIP)

**DATE ADOPTED**

\_\_\_\_\_

**DATE REVISED**

\_\_\_\_\_

**EFFECTIVE DATE**

\_\_\_\_\_