

JOE MOROLONG LOCAL MUNICIPALITY



VIREMENT POLICY

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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 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

15. **“Function Segment”** The Function Segment is the location within the SCOA for creating the “vote” structure standardised for all municipalities.

16. **“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

1. 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: VIREMENT CLARIFICATION

1. Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant HOD and CFO and Municipal Manager, to enable budget Manager to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

SECTION E: FINANCIAL RESPONSIBILITIES

1. Management 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.
2. 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 avoid any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

SECTION F: VIREMENT RESTRICTIONS

1. Virement may not be applied between municipal standard classifications / main votes without prior Council approval through an approved adjustment budget.
2. Virement may not exceed a maximum of R 5 000, 000 per project per financial year as periodically reviewed by Council.
3. 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)
4. Virement 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. 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.

6. No Virement may be made where it would result in unauthorized, irregular or fruitless and wasteful expenditure. (Section 32 MFMA)
7. No Virement shall add to the staff establishment of the Municipality without the approval of the 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. Virement may not be made in respect of ring-fenced allocations.
10. Budget allocations may not be transferred from Contract services (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
11. Budget allocations may only be transferred from Salaries if approved by the CFO.
12. Virement 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 Virement are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
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 Virement must still be subjected to the procurement/supply chain management policy of Council as periodically reviewed.
17. Virement may not be made between Expenditure and Income.
18. Virement must be effected across all the 7 segments of *mSCOA* as per the approved Virement form.

SECTION G: VIREMENT PROCEDURE

1. All Virement proposals must be completed on the appropriate documentation (See Annexure A) and forwarded to the Chief Financial Officer for checking and verification.
2. All Virement must be signed by the Head of Department within which the vote is allocated. (Section 79 MFMA)
3. Virement of R 0 to a maximum of R 500,000.00 need the approval of the Chief Financial Officer. (Section 79 MFMA)
4. Virement proposals must include changes to the SDBIP and approved by the Municipal Manager for Virement in excess of R 5 000, 000.00
5. All documentation must be completed, accurate and approved before any transfer can be processed. (Section 79 MFMA)

6. The Municipal Manager will report to the Mayor on a quarterly basis on those Virement transactions that have taken place.

SECTION H: SUPPLEMENTARY

Once approved, the Virement policy should form part of the Municipality's budget policies.

Annexure A

		VIREMENT FORM FY	
Northern Cape Province Joe Morolong Local Municipality			
Date	DD / MM / YEAR		
Month			
Name of Financial System	INZALO Financial Management System		
Motivation for virement			
FROM:			
		Allocation	
		Project Description	
Project			
Item			AMOUNT
TO:			
		Allocation	
		Project Description	
Project			
Item			AMOUNT
Compiled By	Signature	Date	
Checked by (Budget Office)	Signature	Date	
RECOMMENDED/ NOT RECOMMENDED			
Departmental Director	Signature	Date	
RECOMMENDED/NOT RECOMMENDED			
Chief Financial Officer	Signature	Date	
APPROVED/ NOT APPROVED			
Acting Municipal Manager	Signature	Date	
Captured by (Budget Office)	Signature	Date	