

Sarah Baartman

DISTRICT MUNICIPALITY

Province of the Eastern Cape

Previously Cacadu District Municipality

Virement Policy

May 2015

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Annexure "A" Virement Approval form

1. 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”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [**See annexure “D” for current item structure**]
9. **“Operating Budget”** The municipality'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) 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 to another, with the approval of the relevant Manager and the Accounting Officer. 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. **[See annexure “D” for current Vote structure]**

2. 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. **CM** – Council Minute/s

3. 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.

4. Virement Clarification

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

5. Financial 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 allocated, 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.

6. Virement Restrictions

- a. No funds may be viremented between line items within a vote without approval of the Municipal Manager.
- b. Virements may not exceed a maximum of 0.5% of the total approved operating expenditure budget
- c. 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)
- 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 recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Mayoral Committee.
- f. No virement may be made where it would result in over expenditure. (section 32 MFMA)
- g. Virements may not be made in respect of ring-fenced allocations.
- h. Budget may not be transferred from Support Service (interdepartmental) costs, Capital financing, Debt impairment, Interest charges, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- i. Amounts may only be transferred from Salaries if approved by the Municipal Manager.
- j. Virements in capital budget allocations are not permitted.
- k. No virements are permitted in the first three months of the financial year without the express agreement of the Municipal Manager.
- l. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets.
- m. 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.

- n. Virements may not be made between Expenditure and Income.
- o. Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted.

7. Virement Procedure

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Municipal Manager.
- b. All virements must be signed by the Vote holder (per department).
- c. A virement form must be completed for all Budget Transfers.
- d. Virements in excess of R 50,000 with a maximum as determined under section 6 (b) of this policy requires the approval of the Chief Financial Officer and Municipal Manager .
- e. 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 Executive Mayor on a quarterly basis on those virements that have taken place during that quarter.

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Annexure "A"

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Virement Approval Form

KINDLY EFFECT THE FOLLOWING CHANGES ON MY BUDGET:

<u>VOTE</u>	<u>AMOUNT</u>
FROM.....	(R.....)
TO.....	R.....

* **MOTIVATION** _____

AUTHORISED BY HEAD OF DEPARTMENT: NAME:
DATE:
SIGNATURE:

APPROVED BY CHIEF FINANCIAL OFFICER: NAME:
DATE:
SIGNATURE:

APPROVED BY MUNICIPAL MANAGER: NAME:
DATE:
SIGNATURE:

* **Any changes required to the SDBIP must be fully detailed and a report must be submitted to the Executive Mayor**

Sources

Municipal Finance Management Act No. 56 Of 2003

MFMA Circular No.13 - Service Delivery and Budget Implementation Plan

MFMA Circular No. 51 – Municipal Budget Circular for the 2010/2011 MTREF

