



2016/17

KOU-KAMMA LOCAL  
MUNICIPALITY: VIREMENT  
POLICY 2016/17

**Index**

<b>SECTIONS</b>	<b>CONTENTS</b>	<b>PAGE</b>
<b>A</b>	<b>Definitions</b>	<b>2</b>
<b>B</b>	<b>Abbreviations</b>	<b>3</b>
<b>C</b>	<b>Objective</b>	<b>4</b>
<b>D</b>	<b>Virement Clarification</b>	<b>4</b>
<b>E</b>	<b>Financial Responsibility</b>	<b>4</b>
<b>F</b>	<b>Virement Procedures</b>	<b>5</b>
<b>G</b>	<b>Supplementary</b>	<b>6</b>

## 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”** The 12 month period between 1 July and 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.

## KOU-KAMMA LOCAL MUNICIPALITY: VIREMENT POLICY 2016/17

---

**14. “Overspending”** means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

**15. “cost centre”** is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

**16. “Unauthorised expenditure”** means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

(a) overspending of the total amount appropriated in the municipality's approved budget;

(b) overspending of the total amount appropriated for a vote in the approved budget;

## **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

## **SECTION C: 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.

## **SECTION D: 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 CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

## **SECTION E: 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 identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

## **SECTION F: VIREMENT RESTRICTIONS**

- a) No funds may be viremented between departmental main segments(directorates) without prior Council approval.
- b) Virements may not exceed a maximum of R150, 000 per vote per financial year as periodically reviewed by Council.
- 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 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, photocopiers 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 staff 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) Budget allocations maynot be transferred from support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k) Budget allocations may only be transferred from Salaries if approved by the CFO.

## KOU-KAMMA LOCAL MUNICIPALITY: VIREMENT POLICY 2016/17

---

- l) 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.
- m) No virements are permitted in the **first three months** or the final month of the financial year without the express agreement of the CFO.
- n) 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)
- o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- p) 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.
- q) Virements may not be made between Expenditure and Income.
- r) No virement shall be made from Repairs and Maintenance votes, however may be made between repairs and maintenance votes within a department.

### **SECTION G: 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) Virements in excess of R 10,000 with a maximum of R30 000 need approval of the relevant Director and the Chief Financial Officer. (Section 79 MFMA)

## KOU-KAMMA LOCAL MUNICIPALITY: VIREMENT POLICY 2016/17

---

- e) Virements in excess of R30 000 with a maximum to R75 000 need approval of the relevant Director, Chief Financial Officer and Municipal Manager.
- f) Virement in excess of R75 000 must be tabled to council for approval.
- g) Virement proposals must include changes to the SDBIP.
- h) All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- i) The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.
- j) The virement form (Annexure A) must be accompanied by a memorandum, motivating the need for budget move. This memorandum must address the following: reasons why it was not included in the original budget, implication on service delivery and effect on service delivery of the vote that will be decreased.



—  
**SECTION H: 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.

**Sources**

Municipal Finance Management Act No. 56 Of 2003

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

Mark Pearson National Treasury Advisor

Airedale Primary Care Trust Budget Virement Policy: 2004-5 UK

George Mason

Virement Policy – Knysna Municipality

Virement Policy – Bitou Municipality

# KOU-KAMMA LOCAL MUNICIPALITY: VIREMENT POLICY 2016/17

## Annexure A

(Must be accompanied by a memorandum from the departament requesting a budget move)

### KOU-KAMMA LOCAL MUNICIPALITY

#### VIREMENT APPLICATION: OPERATING / CAPITAL BUDGET

This form must be:

1. Accompanied by memorandum
2. Signed by both Vote Custodians
3. Signed by the Head of Department
4. Must be accompanied by print screens of votes

#### NOTE:

- 1.The maximum virement is R150,000 per vote per financial year
- 2.The votes involved must be within the same Service and transfers to/from operating to capital are not allowed.
- 3.No virements are allowed in the **first three months** and the **last month** of the financial year.

TRANSFER REQUIRED:                      R.....                      BUDGET YEAR:                      20..... / 20.....

	FROM	TO
DEPARTMENT		
SECTION		
VOTE DESCRIPTION		
VOTE NUMBER		
ORIGINAL/REVISED BUDGET PROVISION		
COMMITTED TO DATE (Excluding transfers)		
VOTE CUSTODIAN		

**KOU-KAMMA LOCAL MUNICIPALITY: VIREMENT POLICY  
2016/17**

---

\_\_\_\_\_  
**VOTE CUSTODIAN (FROM)**

**Date:** .....

\_\_\_\_\_  
**VOTE CUSTODIAN (TO)**

**Date:** .....

\_\_\_\_\_  
**HEAD OF DEPARTMENT**

**Date:** .....

**FOR FINANCE DEPARTMENT USE**

Checked by:.....(Manager: Budget & Treasury)

Signature : ..... Date: .....

Approved by:..... (Chief Financial Officer)

Signature : ..... Date: .....

*CFO (for all virements between R10, 000 and R30, 000)*

Authorised by: .....(Municipal Manager)

Signature : ..... Date: .....

*Municipal Manager (for all virements between R30, 000 and R75, 000)*

Budget adjustment processed by: ..... Date: .....