



## **ILEMBE DISTRICT MUNICIPALITY**

### **Virement Policy**

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**ANNEXURE “A” VOTE CLASSIFICATION**

**ANNEXURE “B” REQUEST FOR VIREMENT TEMPLATE**

## 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, no 56 of 2003.
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 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 financial period. Capital items are fixed assets such as Property, Plant and Equipment, the cost of which is normally written off over a number of financial periods.
6. **COUNCIL** – means the Council of a municipality referred to in section 18 of the Municipal Structures Act, no. 117 of 1998.
7. **FINANCIAL YEAR** – means a 12 month period ending 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.
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.
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 or capital project or 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. (see annexure A)

### **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 Budget Implementation Plan
5. **CM** – Council Minutes

### **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, 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 to another, with the approval of the relevant Director and Chief Financial Officer, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

### **5. FINANCIAL RESPONSIBILITY**

Strict budgetary control must be maintained throughout the financial year so that potential overspends and /or income under- recovery, within individual vote Departments, are identified at the earliest possible opportunity.

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.

It is the responsibility of the Executive Director of each Department, 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 prevent any unauthorised; irregular or fruitless and wasteful expenditure, in terms of section 78 of the MFMA.

### **6. VIREMENT RESTRICTIONS**

- a) No funds may be transferred between Departments without the approval of both the Head of department and manager, and the Chief Financial Officer.
- b) Total virement per line item per annum may not exceed a maximum of 15% of the vote from which virement is requested. 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 of the MFMA refers).
- c) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to Council, with altered outputs and measurements, for approval.
- d) 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 Council.
  - i) This refers to expenditures such as entering into lease or rental agreements such as vehicles, photo copiers or fax machines.
- e) No virement may be made where it would result in over-expenditure.
- f) If the virement relates to an increase in the workforce establishment, then the Council's existing recruitment policies and procedures will apply.
- g) Virements may not be made in respect of ring- fenced allocations.
- h) Budget may not be transferred from Grant expenditure and Income votes. This will be done via the Section 28 Adjustments Budget Process.
- i) Budget may only be transferred from Salaries if approved by the Chief Financial Officer in consultation with the Payroll Office, as the salaries budgeted is according to all positions relating to a particular financial year.
- j) 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. Virements should not result in adding "NEW" projects to the Capital Budget.
- k) Virements from the Capital Budget to the Operating Budget and vice versa, are not permissible.
- l) No virements are permitted within the first 3 months of the financial year without the express agreement of the Chief Financial Officer.
- m) 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.
- n) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets.

- o) An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.
- p) Virements may not be made between Expenditure and Income.

### **7. VIREMENT PROCEDURE**

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

### **8. General**

The Municipal Manager shall be responsible for the implementation and administration of this Policy.

### **9. Legal Framework**

- Municipal Finance Management Act No. 56 of 2003
- MFMA Circular No.13 – Service Delivery Budget Implementation Plan
- MFMA Circular No.51 – 2010/11 MTREF
- MFMA Municipal budget and reporting regulations

### **10. Commencement**

This policy shall come into force on 1 July 2013.

**ANNEXURE A**

**VOTE CLASSIFICATION**

<b>DIRECTORATES AND DEPARTMENTS</b>		
<b>VOTE- DIRECTORATE CLASSIFICATION</b>	<b>DEPARTMENT</b>	<b>RESPONSIBLE INDIVIDUAL</b>
<b>CORPORATE SERVICES</b>	040 Legal Services 045 Administration 065 Support Services 105 ICT 110 Human Resources 460 Health and Safety	<b>DIRECTOR: CORPORATE SERVICES</b>
<b>MUNICIPAL MANAGER</b>	055 Office of the Municipal Manager 056 Internal Audit 057 PMS 058 Risk Management	<b>MUNICIPAL MANAGER</b>
<b>CORPORATE GOVERNANCE</b>	050 Council General 060 Corporate Governance 070 Corporate Communications 400 Disaster Management	<b>DIRECTOR: CORPORATE GOVERNANCE</b>
<b>FINANCE</b>	080 Supply Chain Management 085 CFO 090 Financial Management 100 Revenue Management 150 LED	<b>CHIEF FINANCIAL OFFICER</b>
<b>LED &amp; PLANNING</b>	155 Planning 420 Tourism	<b>MANAGER: PLANNING</b>
<b>TECHNICAL SERVICES</b>	200 KwaDukuza Sewerage 230 Mandeni Sewerage 240 Maphumulo Sewerage 300 Overheads 310 KwaDukuza Water Reticulation 315 KwaDukuza Water Treatment 320 Umgeni Bulk Water 330 Mandeni Water 350 Ndwedwe Water 370 Maphumulo Water 390 Siza Water Concession 450 MIG Sanitation Projects	<b>DIRECTOR: TECHNICAL SERVICES</b>

**BUDGET TRANSFER REQUEST FORM**

DOCUMENT NO.

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REQUESTED BY: .....

REQUEST DIRECTED TO: The Chief Financial Officer

DATE: .....

FINANCIAL YEAR: 

2	0		
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 / 

2	0		
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PLEASE EFFECT VIREMENT AS FOLLOWS:

FROM VOTE NUMBER : .....

FROM VOTE DESCRIPTION : .....

VOTE CATEGORY : .....

TO VOTE NUMBER : .....

TO VOTE DESCRIPTION : .....

VOTE CATEGORY : .....

AMOUNT: R.....

REASON OF VIREMENT :

.....

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## iLembe District Municipality: Virement Policy - 2014

1. Are the above votes within your directorate?

Y	/	N
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If no, obtain the approval of the relevant Executive Director

NAME: .....

DATE: .....

2. Has the total virement on the above votes exceeded the limit as disclosed in paragraph 6b of the Virement Policy? 

Y	/	N
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3. Will the above virement cater to the approved outcomes/ output of the IDP or adjust service delivery targets, as set in the SDBIP, down / up?

Y	/	N
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4. Is the virement required to increase recurrent expenditure, such as lease / purchase of assets?

Y	/	N
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5. Will the virement affect the following line items and categories of expenditure:

- Employment Costs Category 

Y	/	N
---	---	---
- Departmental Charges 

Y	/	N
---	---	---
- Charge out Allocations 

Y	/	N
---	---	---
- Grant Expenditure 

Y	/	N
---	---	---
- Income Category 

Y	/	N
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I hereby declare that I fully understand the contents of the Virement Policy and request that the above virement be approved.

DIRECTOR: ..... (signature)

NAME IN FULL: ..... (print name)

DATE: .....

CHIEF FINANCIAL OFFICER: .....

NAME IN FULL: ..... (print name)

DATE: .....

CAPTURED BY: ..... (signature)

DATE: .....

CHECKED BY: ..... (signature)

DATE: .....

DRAFT POLICY