

MBOMBELA LOCAL MUNICIPALITY



VIREMENT POLICY

GOVERNS SHIFTING OF FUNDS



VIREMENT POLICY

INDEX

1. DEFINITIONS

2. OBJECTIVE OF THE POLICY

3. LEGISLATIVE REQUIREMENTS

4. DELEGATIONS ON VIREMENTS - CAPITAL BUDGET

5. DELEGATIONS ON VIREMENTS - OPERATION BUDGET

5.1 Virement between votes

5.2 Virement between Sub-Votes

5.3 Virement within Sub-Votes

5.4 Virement within Functional Areas

5.5 Virement on non-cash items

5.6 Virement on cash items

6. PRINCIPLES TO BE ADHRED TO IN THE POLICY

7. COMMENCEMENT

1 DEFINITIONS

In this policy unless the context indicates otherwise, the following definitions are applied-

- (a) **Accounting Officer**- The municipal manager of a municipality within the meaning of section 82 of the Municipal Structures Act, no 117 of 1998.
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- (b) **Delegation**- In relation to a duty includes an instruction or request to perform or to assist in performing a duty.
- (c) **CFO** – The head of the budget and Treasury office designated in terms of section 80 (2) of the MFMA.
- (d) **MFMA** – Municipal Finance Management Act no 56 of 2003.
- (e) **General Manager** – An official reporting directly to the accounting officer.
- (f) **Senior Manager** – An official reporting directly to the general manager.
- (g) **Manager** – An official reporting directly to the senior manager.
- (h) **Virement** – Transfer of funds from one department to another
- (i) **Sub - department** – A budget for a specific area of responsibility.
- (j) **Department /Vote** –
 - (i) One of the main segment into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
 - (ii) That specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

The Municipality's Departments and Sub-Departments are:

1. Council

- 1.1 Office of the executive mayor
- 1.2 Office of council
- 1.3 Office of the chief whip

2. Municipal Manager

- 2.1 Internal Auditing
- 2.2 Legal Services
- 2.3 Enterprise Risk Management
- 2.4 Environmental Management

3. Deputy Municipal Manager- governance cluster

4. Planning, performance, M&E, Communications and ICT

- 4.1 Executive secretariat support
 - 4.2 Corporate communication
 - 4.3 Information and communications technology
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- 4.4 Mayoral support
- 4.5 International and intergovernmental relations and protocol
- 4.6 Macro policy and planning
- 4.7 Monitoring and evaluation

5. Transversal services

- 5.1 Office of the people with disability
- 5.2 Office on the rights of a child and youth
- 5.3 Elderly and gender/women
- 5.4 HIV/AIDS

6. Corporate services

- 6.1 Human resources provisioning and performance management
- 6.2 Human resources maintenance and employment equity
- 6.3 Service center management
- 6.4 Archives
- 6.5 Logistics management
- 6.6 Facilities management

7. Financial services

- 7.1 Supply chain management
- 7.2 Accounting services and reporting services
- 7.3 Budget and treasury office
- 7.4 Revenue management
- 7.5 Asset Management

8. Technical services

- 8.1 Road and storm water
- 8.2 Project implementation unit
- 8.3 Concession monitoring unit
- 8.4 Water and sanitation
- 8.5 Electrification engineering

9. Community services

- 9.1 Social development
 - 9.2 Public safety and emergency
 - 9.3 Parks and cemeteries management
 - 9.4 Solid waste
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2. OBJECTIVES

- (a) Give heads of departments, senior managers and managers greater flexibility in managing their appropriations / budgets.
- (b) Provides guidance to managers on how and when they may shift funds between items, projects, programmes within their areas of responsibilities.
- (c) Comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations to implement a council approved virement policy as one of the budget related policy.
- (d) Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular department, sub-department and functional area by offsetting or transferring savings in another department, sub-department and functional area.
- (e) Allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen/unavoidable expenditure as they arise to accelerate service delivery in a financially responsible manner.

3. LEGISLATIVE REQUIREMENTS

Chapter 4 of the Municipal Finance Management Act, No. 56 of 2003, states that the approval of the budget/appropriation is the responsibility of the council. This does not mean the approval of every line item but rather the approval of the budget which will give effect to the planned strategic priorities of the municipality (IDP, SDBIP). The process, format and other compliance requirements are regulated by the Municipal Finance Management Act no. 56 of 2003, the Municipal Budget and Reporting Regulations no. 32141 and in National Treasury circular 51 as guide.

4. DELEGATIONS ON VIREMENTS ON – CAPITAL BUDGET

A Capital budget is approved per line items or per project. This in effect means that council does not allow any discretion to an official other than delivering on the decision taken. Any savings or shortfall must be reported to council for it to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project.

Shifting of funds in the capital budget must be authorized by the Municipal Manager and Chief Financial Officer in consultation with the executive mayor.



5. DELEGATION ON VIREMENTS ON – OPERATIONAL BUDGET

5.1 Virement between departments/votes

A “vote” in terms of the Municipal Finance Management Act no 56 of 2003 is defined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas of the municipality. This specifies the total amount that is appropriated for the purposes of the department or functional area.

Council therefore decides on the total amount that is allocated to that specific department and classifies it as a vote, because council approves the “vote” only the shifting of funds within the “vote” can be delegated to the Executive Mayor in consultation with the Accounting Officer and the Chief Financial Officer.

5.2 Virement between sub-departments

Transfer of funds from one sub-department to another sub-department within a specific department is delegated to the general manager of the respective department and must be within the same category of expenditure e.g. Supply chain (general expenditure) – Revenue management (general expenditure).

5.3 Virement within sub- departments

Transfer of funds within sub-departments is delegated to senior Managers and must be within the same category of expenditure e.g. debt collection (repairs and maintenance) – customer care (repairs and maintenance).

5.4. Virement within Functional Areas

Transfer of funds within a functional area is delegated to Managers e.g Manager Budget must be within the same category in line items.

5.6 Virement on non-cash items

Virement cannot be permitted on the following non-cash items:

- 5.6.1 Depreciation
- 5.6.2 Debt impairment
- 5.6.3 Inter departmental charges

5.7 Virement on cash items

Virement cannot be permitted on the following cash items:

- 5.7.1 Personnel expenditure
 - 5.7.2 Bulk purchases
 - 5.7.3 Interest charges
 - 5.7.4 Revenue forgone
 - 5.7.5 Insurance
 - 5.7.6 VAT
 - 5.7.7 Special Operational Projects
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6. PRINCIPLES TO BE ADHERED TO IN THE POLICY

- (a) Virement in relation to the revenue side of the budget should not be permitted.
- (b) Virement from the capital budget to the operating budget should not be permitted.
- (c) Virement should not result in adding “new” projects to the capital budget.
- (d) Virement of conditional grant funds for purpose outside of that specified in the relevant conditional grant framework must not be permitted.
- (e) Funds to be transferred to or from vote programmes and projects should be limited to the delegation of powers and all approval procedures must be followed.
- (f) The amount of expenditure that the executive mayor may authorize in terms of section 29 of the MFMA is limited to R15 million in if the approved total revenue in the current budget is more than R500 million.
- (g) All virements made during the first half of the budget year including section 29 and 32 of the MFMA must form part of the adjustments budget.
- (h) All virements made after the adjustments budget e.g. additional allocation made by National or provincial government must be approved by council and form part of the Annual Financial statements at the end of the budget year.

7. COMMENCEMENT

This policy takes effect on 1 July 2011.
