

CITY OF MBOMBELA



VIREMENT POLICY

TABLE OF CONTENTS

1. DEFINITIONS
2. OBJECTIVE OF THE POLICY
3. LEGISLATIVE REQUIREMENTS
4. DELEGATIONS ON VIREMENTS AND SHIFTING OF FUNDS
5. POLICY PRINCIPLES AND PROCEDURES
6. SHORT TITLE AND COMMENCEMENT

1. DEFINITIONS

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

Term	Definition
Accounting Officer	The municipal manager of a municipality within the meaning of section 82 of the Municipal Structures Act, no 117 of 1998.
Delegation	In relation to a duty includes an instruction or request to perform or to assist in performing a duty.
CFO	The chief financial officer appointed and designed to be administratively in charge of the budget and Treasury office in terms of section 80 and 81 of the MFMA.
MFMA	Municipal Finance Management Act 56 of 2003.
General Manager	A manager appointed in terms of Section 56 of the Municipal Systems Act and accountable direct to the Municipal Manager.
Senior Manager	A senior official accountable direct to the general manager or appointed as such in terms of the staff establishment.
Manager	Official accountable direct to the senior manager or appointed as such in terms of the staff establishment.
Virement	Transfer of funds from one vote to another in accordance with this policy.
Shifting of funds	Transfer of funds within a department and between sub-departments from one line item to another.
Sub- Departments	A budget for a specific area of responsibility for a senior manager as set out within the detailed budget of the municipality.
Department/ Function	<ol style="list-style-type: none"> 1. One of the main segment into which a budget of a municipality is divided for the appropriation of funds for the different functional areas of the municipality; and 2. That specifies the total amount that is appropriated for the purpose of the department or functional area concerned.
Policy Actor	All internal Departments.
Policy Sponsor	Manager Budget and Reporting
Policy Owner	Financial Management department
Policy Custodian	Budget and reporting division.
Technical Committee	Budget steering Committee/ Policy Review Committee.

The following shall be regarded as municipal departments and sub-departments as per the approve organizational structure;

Department	Division
Council	<ol style="list-style-type: none"> 1. Office of the Mayor 2. Mayoral Committee 3. Office of the Speaker 5. MPAC 6. MMC's 7. Chief Whip
Municipal Manager	<ol style="list-style-type: none"> 1. Office of the MM 2. Internal Audit 3. Enterprise Risk Management 4. Performance Monitoring and Evaluation 5. Environmental management and Planning. 6. Water Service compliance 7. Legal Services
Financial Management	<ol style="list-style-type: none"> 1. Office of the Chief Financial Officer and Deputy CFO 2. Accounting Services
	<ol style="list-style-type: none"> 3. Financial Planning and Budgeting

	<p>4. Accounting Services Fleet Management</p>
	<p>5. Supply Chain Management.</p> <p>6. Asset Management</p> <p>7. Revenue Generation and Enhancement</p> <p>8. Revenue Collection Municipal Valuations and Rating</p>
Corporate Services	<p>1. Office of the General Manager</p> <p>2. Human Resource Provisioning, OD and EE</p> <p>3. Performance management and Skills Development</p> <p>4. OHS, Wellnes and Employment Relations</p> <p>6. Facilities Management</p> <p>7. IT, Records Management and Archives</p> <p>8. Public and Stakeholder Participation and Petitions</p> <p>9. Council Secretariat</p> <p>10. Regional Center Co-Ordination</p>
Community Services	<p>1. Office of the General Manager</p>
	<p>2. Municipal Law Enforcement and Security</p>

	<ul style="list-style-type: none"> 3. Solid Waste Management 4. Disaster and Traffic Management 5. Parks and Cemeteries
Sports, Arts and Culture	<ul style="list-style-type: none"> 1. Sports Development and Recreational Facilities 2. Community Halls Arts and Culture 3. Library Services
City Planning and Development	<ul style="list-style-type: none"> 1. Office of the General manager 2. Human Settlement 3. Rural, Planning, Traditional Affairs and Agriculture 4. Spatial Development Planning Real Estate Management 5. Land use Management
Local Economic Development	<ul style="list-style-type: none"> 1. Office of the General Manager 2. Tourism, business Regulations and Governance 3. Local Economic Development and CWP
Technical Services	<ul style="list-style-type: none"> 1. Office of the General Manager
	<ul style="list-style-type: none"> 2. Project management Unit

	<ol style="list-style-type: none"> 3. Roads and Storm Water 4. Expanded Public Works Programme 5. Electricity Planning and Development 6. Alternative Energy, Compliance and Public Lighting 7. Electricity Operations and Maintenance 8. Water Services Planning and Development 9. Public Transport Operations Water Services Operations and Maintenance Support
<p>Strategic Management Services</p>	<ol style="list-style-type: none"> 1. Office of the General manager 2. Corporate Communication Strategic Planning 3. Cluster Co-Ordination 4. Mayoral Support 5. International and Intergovernmental relations 6. Transversal Services 7. Policy Formulations, By-laws and Research

2. OBJECTIVES OF THE POLICY

- 2.1 To empower managers and senior officials in terms of managing their budgets in line with the approved budget.
- 2.2 To empower the Municipal Managers, General Managers and Senior Managers with authority to recommend and/or approve the Virement and shifting of funds as per the guidelines outlined on this policy.
- 2.3 Provide guidance to managers and senior officials about how appropriated funds on departments and sub-departments can be transferred between departments, sub-departments, projects and line-items.
- 2.4 Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular department or sub-department, by offsetting with savings from another department or sub-departments.

3. LEGISLATIVE REQUIREMENTS

Chapter 4 of the Municipal Finance Management Act, No. 56 of 2003, states that the approval of the budget 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.

The process, format and other compliance requirements are regulated by the Municipal Finance Management Act no. 56 of 2003 (MFMA) and its Municipal Budget and Reporting Regulations no.32141.

4. DELEGATIONS ON VIREMENTS / SHIFTING OF FUNDS

4.1 OPERATIONAL BUDGET

4.1.1 Virement between departments

The transfer of funds between departments must be approved by council on recommendation by the Municipal Manager and the Chief Financial Officer.

4.1.2 Virement within the same department

Transfers within the same department be recommended by the relevant Senior Manager and approved by the General Manager, Chief Financial Officer or other senior delegated Official in the Budget and Treasury Department.

4.1.3 Virement within Sub-departments

The shifting of funds within a sub-departments must be recommended by the relevant the Manager responsible for that relevant section and approved by the Senior Manager of that sub-department.

4.1.4 MSCOA alignment

All 6 MSCOA segments must be considered when making a Virement especially on the function and the funding source in order to track the reporting of funding shifts.

The function segment is not build as a separate segment in our current structure hence we cannot align this policy to the requirement of circular 89 however we do adhere to the other leg where transfers are not done from different sources.

4.1.5 Non-permissible Virement or shifting of funds

- (a) The transfer of funds is not permitted from the following operating expenditure category;

EXPENDITURE VOTES NOT TO BE USED BY DEPARTMENTS		
DESCRIPTIONS	TYPE	GROUP
SALARIES VOTES - SM BASIC SALARIES & ALLOWANCES	2	03
SALARIES VOTES - SM SOCIAL CONTRIBUTIONS	2	05
SALARIES VOTES - SM COST COPITALISED	2	07
SALARIES VOTES - SM POST RETIREMENT BENEFITS	2	09
SALARIES VOTES - MS- BASIC SALARIES & ALLOWANCES	2	11
SALARIES VOTES- MS SOCIAL CONTRIBUTIONS	2	13
SALARIES VOTES- MS POST RETIREMENT BENEFIT	2	14
SALARIES VOTES-MS COST CAPITALISED	2	15
SALARIES VOTES- ROC ALLOWANCES	2	21
SALARIES VOTES- ROC SOCIAL CONTRIBUTIONS	2	22
SALARIES VOTES- COUNCILLORS REMUNERATIONS	2	24
DEBT IMPAIRMENT VOTES	2	40
DEPRECIATION VOTES	2	72
BULK PURCHASE VOTES	2	34
FINANCE CHARGES	2	36

- (b) The transfer of funds from any revenue line item is not permitted
- (c) The transfer of funds between operating and capital expenditure is not permitted.
- (d) The amount of a saving under a vote that may be transferred to another vote must not exceed ten (10) percent of the amount appropriated under that main category of expenditure.

4.2 CAPITAL BUDGET

- 4.2.1 The transfer of funds within a vote and between individual projects must be approved by the Chief Financial Officer on recommendation by the General Manager responsible for the vote.
- 4.2.2 The transfer of funds between departments must be approved by the Municipal Manager on recommendation by the Chief Financial Officer.
- 4.2.3 The transfer of funds from one source of funding to another is not permitted.
- 4.2.4 The transfer of funds from one municipal priority to another is not permitted.
- 4.2.5 Savings under capital expenditure budget may not be used to defray operating expenditure

5. POLICY PRINCIPLES AND PROCEDURES

- 6.1 The transfer of funds should not result in a new project being created in the capital expenditure budget as the approval of capital expenditure budget is done per individual project by council.
- 6.2 All virements made during the first half of the budget year must form part of the adjustments budget to be tabled not later than 28 February of every year.
- 6.3 All virements made after the adjustments budget must form part of the virements budget to be tabled to council not later than 25 August of every year to regularize the virements and shifting of funds done in line with standards of the Generally Recognised Accounting Practices on the process of the preparation of the Annual Financial Statements.
- 6.4 Any transfer of funds done in contravention of this policy will result in an unauthorized expenditure and the regularization process outlined on section 32 of the Municipal Finance Management Act will apply.

6. SHORT TITLE AND COMMENCEMENT

This policy will be known as the Virement Policy for City of Mbombela and will be implemented with effect from 01 July 2024.