



Umsobomvu Municipality
Continuously Rising

OK

VIREMENT POLICY

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ORIGINAL

UMSOBOMVU MUNICIPALITY
PRINCIPLES AND POLICY ON BUDGET VIREMENTS

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 “B” for current item structure]**
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) 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. **[See annexure “A” for current Vote structure]**

2. ABBREVIATIONS

CFO – Chief Financial Officer

IDP – Integrated Development Plan

MFMA – Municipal Finance Management Act No. 56 of 2003

SDBIP - Service delivery and budget implementation plan

CM – Council Minute/s

3. OBJECTIVE OF THE POLICY

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 CFO, 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 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.

6. VIREMENT RESTRICTIONS

- a. No funds may be viremented between votes (GFS Classifications) without approval of both vote holders and the Director Finance.
- b. Virements may not exceed a maximum of 0.1% 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 Council.
 - i. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copier's 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 establishment of the Municipality without the approval of 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 may not be transferred from interdepartmental costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k. Budget may only be transferred from Salaries if approved by the CFO.
- 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.

7. VIREMENT PROCEDURE

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- 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 a. requires the approval of the Chief Financial Officer. (Section 79 MFMA)
- e. Must include changes to the SDBIP.
- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- g. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

REVISION CHECKLIST

Approved per Council Resolution	34/05/2013	dd	31 May 2013
Reviewed per Council Resolution	90/05/2014	dd	30 May 2014
Reviewed per Council Resolution	3/05/2015	dd	25 May 2015
Reviewed per Council Resolution	03/06/2016	dd	31 May 2016
Reviewed per Council Resolution	03/03/2017	dd	31 May 2017

Reviewed per Council Resolution 03/05/2018 dd 31 May 2018
 Reviewed per Council Resolution 02/05/2019 dd 30 May 2019
 Reviewed per Council Resolution 03/05/2020 dd 28 May 2020

APPENDIX A

DEPARTMENTS, GFS CLASSIFICATIONS AND VOTE HOLDERS

VOTE	GFS CLASSIFICATION	DEPARTMENT	VOTE HOLDER	SUPPORT VOTE HOLDER
Executive and Council	Executive and Council	Council General	Mayor	Municipal Manager
		Municipal Manager	Municipal Manager	Municipal Manager
Finance	Finance and Admin	Finance	CFO	CFO
Corporate Services	Finance and Admin	Corporate Services	MANAGER;; Corporate Services	Manager;; Corporate Services
		Human Resources	MANAGER;; Corporate Services	Manager: Corporate Services
		Admin and Legal	MANAGER;; Corporate Services	Manager: Corporate Services
Community Development	Community Development	Planning and Development	Manager: Community Development	Manager: Community Development
		LED	MANAGER;; Planning and Development	Manager: Community Development
		IDP	Manager: Community Development	Manager: Community Development
		Land Use	Manager: Community Development	Manager: Community Development
Technical Services	Finance and Admin	Technical Services Admin	MANAGER;; Technical Services	Manager;; Technical Services
Technical Services	Road Transport	Roads and Stormwater	MANAGER;; Technical Services	Manager;; Technical Services
	Waste Management	Solid Waste	MANAGER;; Technical Services	Manager;; Technical Services
	Waste Water Management	Sanitation	MANAGER;; Technical Services	Manager;; Technical Services
	Water	Water	MANAGER;; Technical Services	Manager;; Technical Services
Technical Services	Electricity	Electricity	MANAGER;; Technical Services	Manager;; Technical Services
Community Services	Community and Social Services	Cemetery	Manager: Community Development	Manager Community Services
		Library	Manager: Community Development	Head Librarian

	Public Safety	Traffic	Manager: Community Development	Senior Traffic Officer
		Safety	Manager: Community Development	Manager: Community Development
	Sport and Recreation	Parks and Recreation	Manager: Community Development	Manager: Community Development

APPENDIX B

Item	Description	Comment	Virement	Virement
			From	To
	EMPLOYEE RELATED COSTS - WAGES/SALARIES			
	BASIC SALARY	Expenditure	Yes	No
	BONUS - ANNUAL	Expenditure	Yes	No
	BONUS - LONG SERVICE	Expenditure	Yes	No
	ALLOWANCE - ACTING	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCE - HOUSING	Expenditure	Yes	No
	ALLOWANCE - OTHER	Expenditure	Yes	No
	ALLOWANCE - STANDBY	Expenditure	Yes	No
	ALLOWANCE - TRAVELLING	Expenditure	Yes	No
	OVERTIME	Expenditure	Yes	No
	EMPLOYEE RELATED COSTS - SOCIAL CONTR			
	BARGAINING COUNCIL LEVY	Expenditure	Yes	No
	GROUP INSURANCE	Expenditure	Yes	No
	INDUSTRIAL COUNCIL LEVY	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	PROVIDENT FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
	WORKMAN'S COMPENSATION	Expenditure	Yes	No
	REMUNERATION OF COUNCILLORS			
	BASIC SALARY	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCES - TRAVELLING	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	WORKMEN'S COMPENSATION	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
	BAD DEBTS			
	BAD DEBTS	Expenditure	Yes	Yes
	DEPRECIATION			
	DEPRECIATION	Expenditure	No	No
	REPAIRS & MAINTENANCE			
	MAINT.: BUILDINGS	Expenditure	Yes	Yes
	MAINT.: BULK REFUSE BUCKETS	Expenditure	Yes	Yes
	MAINT.: CEMETERIES	Expenditure	Yes	Yes
	MAINT.: COMMUNITY HALLS	Expenditure	Yes	Yes
	MAINT.: COMPUTER HARDWARE	Expenditure	Yes	Yes
	MAINT.: COMPUTER NETWORK	Expenditure	Yes	Yes
	MAINT.: COMPUTER SOFTWARE	Expenditure	Yes	Yes
	MAINT.: DUMPING SITES	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL METERS	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL NETWORK	Expenditure	Yes	Yes
	MAINT.: EMERGENCY EQUIPMENT	Expenditure	Yes	Yes
	MAINT.: FURNITURE & FITTINGS	Expenditure	Yes	Yes

MAINT.: GROUND & FENCING	Expenditure	Yes	Yes
MAINT.: LAND FILL	Expenditure	Yes	Yes
MAINT.: MOTOR VEHICLES REPAIRS	Expenditure	Yes	Yes
MAINT.: MOTOR VEHICLES TYRES	Expenditure	Yes	Yes
MAINT.: OFFICE EQUIPMENT	Expenditure	Yes	Yes
MAINT.: PLANT & MACHINERY	Expenditure	Yes	Yes
MAINT.: PRINTERS	Expenditure	Yes	Yes
MAINT.: RADIO NETWORK	Expenditure	Yes	Yes
MAINT.: RESORT & PARKS	Expenditure	Yes	Yes
MAINT.: ROADS AND STORM WATER	Expenditure	Yes	Yes
MAINT.: SANITATION NETWORK	Expenditure	Yes	Yes
MAINT.: SECUR MEASURES - ACCESS CONTROL	Expenditure	Yes	Yes
MAINT.: SIDEWALKS	Expenditure	Yes	Yes
MAINT.: SPEED CONTROL EQUIPMENT	Expenditure	Yes	Yes
MAINT.: STREET LIGHTS	Expenditure	Yes	Yes
MAINT.: SWIMMING POOLS	Expenditure	Yes	Yes
MAINT.: TRANSFORMERS	Expenditure	Yes	Yes
MAINT.: WARDS	Expenditure	Yes	Yes
MAINT.: WATER NETWORK	Expenditure	Yes	Yes
MAINT.ROADS : MATERIALS	Expenditure	Yes	Yes
MAINT.ROADS : OTHER	Expenditure	Yes	Yes
MAINT.ROADS : TRAFFIC SIGNS	Expenditure	Yes	Yes
MAINT.ROADS : WORKSHOP EQUIPMENT	Expenditure	Yes	Yes
MAINT.: TELEPHONE SYSTEM	Expenditure	Yes	Yes
MAINT.: REFUSE REMOVAL	Expenditure	Yes	Yes
INTEREST EXPENSE - EXTERNAL BORROWINGS			
INTEREST PAID: BANK OVERDRAFT	Expenditure	Yes	Yes
INTEREST PAID: CREDITORS	Expenditure	Yes	Yes
INTEREST PAID: EXTERNAL BORROWING	Expenditure	No	No
BULK PURCHASES			
BULK PURCHASES - ELECTRICITY	Expenditure	Yes	Yes
BULK PURCHASES - WATER	Expenditure	Yes	Yes
CONTRACTED SERVICES			
PROCONSE	Expenditure	Yes	Yes
ITEC	Expenditure	Yes	Yes
GESTETNER	Expenditure	Yes	Yes
SASFIN	Expenditure	Yes	Yes
AUTOPAGE	Expenditure	Yes	Yes
NETCASH	Expenditure	Yes	Yes
VODACOM	Expenditure	Yes	Yes
EPIC	Expenditure	Yes	Yes
CARTRACK	Expenditure	Yes	Yes
SECURITY SERVICES	Expenditure	Yes	Yes
GRANTS & SUBSIDIES PAID - OPERATING			
PEANUT OIL	Expenditure	No	No
FMG - PROJECT 1	Expenditure	No	No
MSIG - PROJECT 1	Expenditure	No	No
PROVINCIAL GRANTS PAID			
GENERAL EXPENSES			
ADMIN CHARGES	Expenditure	Yes	Yes
ADVERTISING: GENERAL NOTICES	Expenditure	Yes	Yes
ADVERTISING: RECRUITMENT	Expenditure	Yes	Yes
AFFILIATION FEES: SALGA MEMBERSHIP	Expenditure	Yes	Yes
AUDIT FEES	Expenditure	Yes	Yes
BANK CHARGES	Expenditure	Yes	Yes
BURSARIES	Expenditure	Yes	Yes
CLEANING MATERIALS	Expenditure	Yes	Yes
COMMISSION PAID	Expenditure	Yes	Yes
COMPUTER SOFTWARE	Expenditure	Yes	Yes
CONTINGENCIES	Expenditure	Yes	Yes

DISASTER MANAGEMENT	Expenditure	Yes	Yes
DUMPING SITES	Expenditure	Yes	Yes
ENTERTAINMENT - COUNCIL	Expenditure	Yes	Yes
INDIGENT SUBSIDIES PAID	Expenditure	Yes	Yes
INSURANCE	Expenditure	Yes	Yes
LIBRARY LOST BOOKS REPLACE	Expenditure	Yes	Yes
LICENSES	Expenditure	Yes	Yes
MEDICAL CHECK UPS	Expenditure	Yes	Yes
OFFICE REQUIREMENTS: INVENTORY	Expenditure	Yes	Yes
PAUPER BURIALS	Expenditure	Yes	Yes
POSTAGE	Expenditure	Yes	Yes
PRINTER CONSUMABLES	Expenditure	Yes	Yes
PRINTING & STATIONERY	Expenditure	Yes	Yes
PROTECTIVE CLOTHING	Expenditure	Yes	Yes
PURIFICATION WORKS - CHEMICALS	Expenditure	Yes	Yes
RADIO LICENSES	Expenditure	Yes	Yes
REFRESHMENTS	Expenditure	Yes	Yes
REFUSE BAGS	Expenditure	Yes	Yes
RENTAL EQUIPMENT	Expenditure	Yes	Yes
RENTAL: BUILDINGS	Expenditure	Yes	Yes
RENTAL: TRANSPORT	Expenditure	Yes	Yes
REZONING	Expenditure	Yes	Yes
SECURITY SERVICES	Expenditure	Yes	Yes
SMALL TOOLS	Expenditure	Yes	Yes
SPORTS DEVELOPMENT	Expenditure	Yes	Yes
SUBSCRIPTIONS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING COUNCILLORS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING OFFICIALS	Expenditure	Yes	Yes
TELECOMMUNICATIONS: CELLPHONES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: DATA LINES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: TELEPHONE	Expenditure	Yes	Yes
TENDER FEES	Expenditure	Yes	Yes
TEST CONSUMABLES	Expenditure	Yes	Yes
TOOLS	Expenditure	Yes	Yes
TRAINING	Expenditure	Yes	Yes
TRAINING MATERIAL	Expenditure	Yes	Yes
TRAVEL EXP: ACCOMMODATION	Expenditure	Yes	Yes
TRAVEL EXP: ACCOMMODATION COUNCILLORS	Expenditure	Yes	Yes
TRAVEL EXP: TRANSPORTATION	Expenditure	Yes	Yes
TRAVEL EXP: TRANSPORTATION COUNCILLORS	Expenditure	Yes	Yes
VALUATION COSTS	Expenditure	Yes	Yes
TOWN PLANNING	Expenditure	Yes	Yes
RENTAL: PARKING	Expenditure	Yes	Yes
LOSS ON DISPOSAL OF PROP PLANT & EQUIP			
LOSS ON SALE OF ASSETS (GAMAP)	Expenditure	Yes	Yes
CONTRIBUTIONS TO PROVISIONS			
BAD DEBTS	Expenditure	No	No
CONTR TO CAPITAL REPLACEMT RES	Expenditure	No	No
LEAVE	Expenditure	No	No
INDIRECT OPERATING EXPENDITURE			
DEPARTMENTAL CHARGES	Expenditure	No	No