

NDLAMBE LOCAL MUNICIPALITY



VIREMENT POLICY 2025/2026

(1) **PURPOSE**

The purpose of this policy is to provide directives relating to virements and to enable the accounting officer to amend budgets in the light of experience or to provide for anticipated changes.

(2) **DEFINITIONS**

In this policy –

“**accounting officer**” means the municipal manager as the accounting officer of the municipality;

“**approved budget**” means an annual budget approved by the council;

“**budget-related policy**” means a policy of the municipality affecting or affected by its annual budget;

“**capital budget**” means 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.

“**Council**” means the Council of Ndlambe municipality.

“**financial year**” means a 12-month year ending on 30 June.

“**MFMA**” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

“**municipality**” means the Ndlambe Municipality.

“**operating budget**” means the municipality’s financial plan, which outlines proposed expenditure for the coming financial year and the estimates of revenues to be received in order to finance them.

“**ring-fenced**” means an exclusive combination of line items grouped for specific purposes, such as salaries and wages.

“**service delivery and budget implementation plan**” means a detailed plan approved by the mayor of the 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.

“virement” is the process of transferring an approved budget allocation within a vote from one operating line item or capital project to another, with the approval of the relevant Manager.

“vote” means one of the main segments into which a budget of the 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.

“project segment” Project Segment provides for the setting-up of operational and capital projects by linking the IDP to the budget, providing in-time management information on project performance and spending against budget, and reporting on project funding. All activities of the municipality would therefore need to be aligned to “Projects” including institutional costs associated with the functioning of the municipality such as administrative and staff; this enables planning and budgeting at a project level.

“function segment” Function is the standardised vote structure referred to in Section 1 of the Municipal Finance Management Act. Function is one of the main segments into which the budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality specifying the total amount appropriated for the purposes of the department or functional area.

(3) **FINANCIAL RESPONSIBILITIES**

- (a) Strict budgetary control must be maintained throughout the financial year in order that potential overspends and/or income under-recovery within individual vote departments is identified at the earliest possible opportunity.
- (b) The accounting 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 those controls.
- (c) It is the responsibility of each manager or head of a department or activity to which funds are allotted, to –
 - (i) plan and conduct assigned operations so as not to expend more funds than budgeted; and
 - (ii) identify and report any irregular or fruitless and wasteful expenditure to the accounting officer in terms of section 78 and 102 of the MFMA.

(4) VIREMENT RESTRICTIONS

The following restrictions apply to virement transfers:

- (a)** Virements may not exceed a maximum of R200 000 per item segment per function segment and a maximum of R500 000 in total virements per item check.
- (b)** A virement may not create new policy, significantly vary current policy or alter the approved outcomes/outputs as approved in the Integrated Development Plan for the current or subsequent years.
- (c)** Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget together with altered outputs and measurements to the council for approval.
- (d)** No virement may commit the municipality to increasing recurrent expenditure which commits the Council's resources in the following financial year.
- (e)** No virement may be made where it would result in over-expenditure.
- (f)** No virement may add to the staff establishment of the municipality without the approval of the accounting officer.
- (g)** Virements may not be made in respect of ring-fenced allocations such as employee costs and transfers and subsidies paid.
- (h)** Budgeted allocations may not be transferred from –
 - (i)** salaries / allowances.
 - (ii)** interdepartmental costs.
 - (iii)** Insurance
 - (iv)** capital financing.
 - (v)** depreciation.
 - (vi)** contributions / provisions
 - Electricity, Water, Rates
 - Interest
 - Telephone
 - Uniforms
 - Skills Development Levy
 - Security Guards
 - Fuel/Diesel
 - (vii)** grant expenditure and Income forgone.
- (i)** Virements in capital budget allocations –
 - (i)** are permitted only within specified action plans.
 - (ii)** are not across funding sources; and
 - (iii)** must have a comparable asset lifespan classification.

- (j) No virements are permitted in the first three months and the final two months of the financial year without the express approval of the Chief Financial Officer (CFO).
- (k) Virement amounts may not be rolled over to subsequent years or create expectations on following budgets
- (l) No virement may be made within items of different funding segments.
- (m) No virement may be made on segments that do not have movements within the period of seven months
- (n) Virements must be effected across all the segments of mSCOA as per the approved virement form

(5) VIREMENT PROCEDURES

The accounting officer must determine procedures to be followed in respect of virement transfers that include but are not limited to the following:

- (a) All virement proposals must be completed on the prescribed form accompanied by supporting documentation if applicable and forwarded to the Budget and Treasury office for checking and implementation.
- (b) All virement proposals must be supported by the vote holder and the manager within which the vote is allocated.
- (c) A virement form must be completed, motivated and signed by the relevant manager for all budget transfers.
- (d) All virement transfer documentation must be in order and approved before any expenditure can be committed or incurred.
- (e) All Virements more than R200 000 must include details regarding changes to the SDBIP and be approved by the Director or an Authorised representative.

(f) All transfers must be motivated and need the approval of the accounting officer, or someone nominated by the accounting officer.

(g) The accounting officer must report to the Mayor and the Executive Committee on a quarterly basis on all virements that have taken place during that quarter. (Section 52 MFMA).

(h) The virement must be consolidated with the adjustment budget.

(6) **POLICY ADOPTION**

This policy has been revised and approved by the Council of Ndlambe Municipality.