

# NDLAMBE LOCAL MUNICIPALITY



## VIREMENT POLICY 2026/2027

## (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;

**Senior Manager**” means *section 56 managers that are directly reporting to the accounting officer*

“**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 **property, plant and equipment, investment property, heritage assets and intangible assets** ~~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.

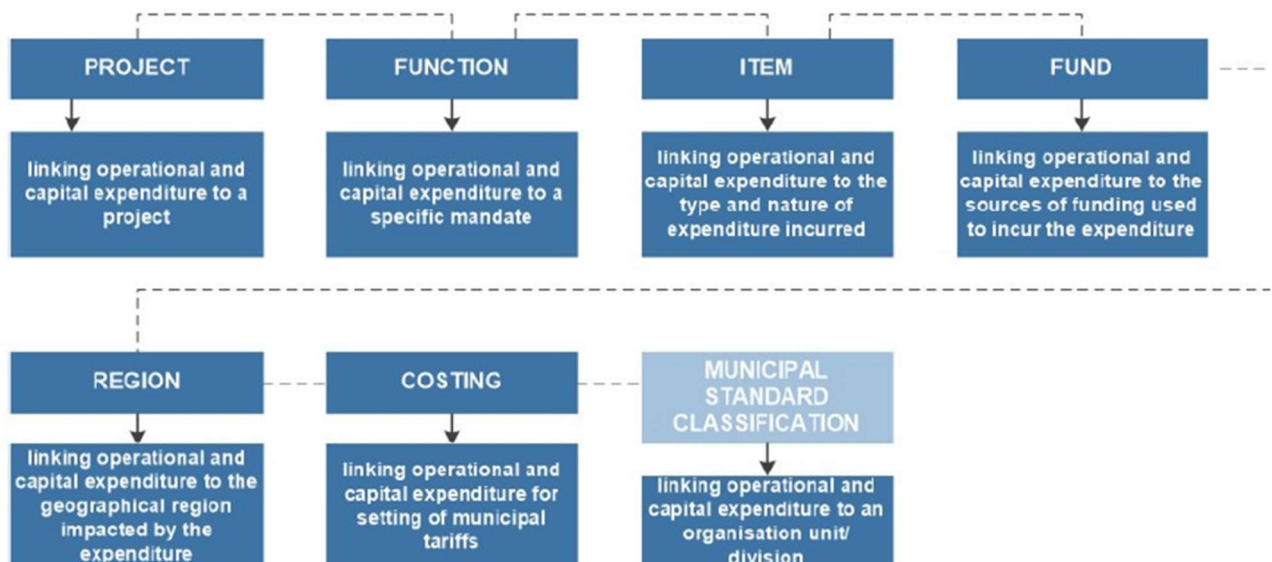
“virement” is the process of transferring an approved budget allocation within a vote from one operating line item or capital project to another, with the approval of the relevant Manager.

“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.

“Mscoa 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.

***MSCOA” means Municipal Standard Chart of Accounts; is a multi-dimensional budgeting and recording transactional across all seven segments:***



### **(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. **The virements may not exceed R1,500,000 per transaction within a vote.**~~

- ***A Virement should only be allowed within the Mscoa Function and Sub-function, except for the following cases:***
  - ❖ ***A Project extending over/ incorporating more than one mSCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;***
  - ❖ ***Where the Finance and Administrative function or sub function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or vice versa. Therefore virement between Rates Services and Trading Services and across Trading Service are not allowed;***
  - ❖ ***Virements should not be permitted in relation to the revenue side of the budget;***
  - ❖ ***Virement should not be done on repairs and maintenance projects.***
  - ❖ ***Virements between functions should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);***
  - ❖ ***Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget;***
- ***Virements towards personnel expenditure should not be permitted, except where:***
  - ❖ ***- temporary/ contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff;***  
***or***
  - ❖ ***- the budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority).***

- ❖ *Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT; Fuel/Diesel,*
  - ❖ *Virements should not result in adding 'new' projects to the Capital Budget;*
  - ❖ *Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant*
  - ❖ *framework must not be permitted; and*
  - ❖ *Any changes to Project, Function, Fund and Region will result in an adjustments budget.*
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- (b) *A virement may be utilised to correct the misallocation of segments within a vote and function arising from errors during budget consolidation. The original submission must be attached as supporting evidence.*
  - (c) 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.
  - (d) 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.
  - (e) No virement may commit the municipality to increasing recurrent expenditure which commits the Council's resources in the following financial year.
  - (f) No virement may be made where it would result in over-expenditure.
  - ~~(g) No virement may add to the staff establishment of the municipality without the approval of the accounting officer. ( Covered on the new points above restructured)~~
  - ~~(h) —~~
  - ~~(i) Virements may not be made in respect of ring-fenced allocations such as employee costs and transfers and subsidies paid. ( Covered on the new points above)~~
  - ~~(j) Budgeted allocations may not be transferred from — Virements may not be allowed to and from: ( Covered on the new points above)~~
  - (k) —
  - ~~(l) — salaries / allowances. **Employee related costs**~~
  - ~~(m) **Councillor's remuneration**~~
    - ~~(ii) Interdepartmental costs.~~
    - ~~(iii) Insurance~~

- ~~(iv)~~ Capital financing.
- ~~(v)~~ Depreciation.
- ~~(vi)~~ **Bulk purchases**
- ~~(vii)~~ **Transfers and subsidies paid**
- ~~(viii)~~ contributions / provisions:
  - ~~Debt impairment:~~ Electricity, Water, Rates, **Refuse, Sanitation/Sewerage**
  - Interest
  - Telephone
  - Uniforms and **protective clothing**
  - Skills Development Levy
  - Security Guards
  - Fuel/Diesel
- ~~(ix)~~ grant expenditure and Income forgone.

**(n)** Virements in capital project budget allocations—( Covered on the new points above its re structured)

~~(i)~~

- ~~(i)~~ are permitted only within specified action plans SDBIP targets.
- ~~(ii)~~ are not across funding sources; and
- ~~(iii)~~ must have a comparable asset lifespan classification.

**(o)** 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).

**(p)** Virement amounts may not be rolled over to subsequent years or create expectations on following budgets

~~(q)~~ No virement may be made within items of different funding segments.

**(r)** No virement may be made on segments that do not have movements within the period of seven months

**(s)** 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 and **authorized by senior managers responsible for the vote, except for the periods specified in the policy.**
- (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 **senior manager** 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) ***A report on the virements through the submission of a separate data string and report on virements must be uploaded to the GoMuni Upload portal.***
- (h) 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).
- (i) The virement must be consolidated with the **mid-year** adjustment budget.

## (6) POLICY ADOPTION

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