

POLICY 052/2016 RAADSBELEID

MUNICIPALITY DAWID KRUIPER MUNISIPALITEIT

SUBJECT/ONDERWERP: VIREMENT POLICY

REFERENCE/VERWYSING: 5.1.B

RESOLUTION NR/BESLUIT NO: 17.20/11/2016 (CM)

DATE/DATUM: 25 November 2016

To assist management and employees of the Council to implement and maintain consistent, effective and efficient budget control principles.

POLICY PHILOSOPHY:

Council is committed towards managing its budget to maximize resources and deliver effective service delivery.

DEFINITIONS

“Accounting Officer” means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000) as well as Section 60 of the Local Government: Municipal Finance Management Act (Act no 56 of 2003).

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

“Approved budget” means an annual budget (original or an adjustments budget) referred to in Section 15 of the Act approved by the Municipal Council in terms of Sections 24 and 28 of the Act.

“Chief Financial Officer” means an official designated by the Accounting Officer as the Chief Financial Officer in terms of Section 80(2)(a) of the Act.

“Cost Centre” means a function which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

“Cost category” means a category of expenditure or revenue as set out in the approved budget.

“Cost item” means a line item of expenditure or revenue as set out in the approved budget.

“Financial Year” means the twelve (12) month period between 1 July and 30 June of the following year.

“Director” means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Municipal Manager.

“Vote” means one of the main segments (directorates) into which a budget of a municipality is divided for the appropriation of money for the different functional areas (cost centres) of the municipality which specifies the total amount that is appropriated for the purposes of the functional area concerned.

“Virement” means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote during a municipal financial year and which results from changed circumstances from which prevailed at the time of the previous budget adoption.

1. LEGAL COMPLIANCE

Whereas Section 15(a) and (b) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (hereinafter referred to as the Act) determines that a municipality may, except where otherwise provided for in the Act, incur expenditure only in terms of an approved budget (original and adjustments budgets) and within the limits of the amounts appropriated for the different votes in an approved budget;

And whereas Section 23(1) of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations (hereinafter referred to as the Regulations) determines that an adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year;

And whereas Section 23(2) of the Regulations determines that only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year;

And whereas there will always be a need to transfer funds within or between approved votes, as defined in the Act, due to changing circumstances and priorities during a financial year;

Now therefore the Municipal Council of the Dawid Kruiper Municipality adopts the following Virement Policy:

2. SCOPE OF THE POLICY

This policy applies to the Dawid Kruiper Municipality.

3. OBJECTIVE OF THE POLICY

3.1 The Dawid Kruiper Municipality wishes to achieve the following objectives by adopting this Virement Policy:

3.1.1 To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.

3.1.2 To enable the Chief Financial Officer to advise the Accounting Officer and to assist Directors in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.

3.1.3 To provide guidelines to the Accounting Officer and Directors in the use of virements as a mechanism in their day-to-day management of their budget votes.

3.1.4 To empower the Accounting Officer and Directors with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality’s system of delegations.

4. VIREMENT PRINCIPLES

4.1 The Dawid Kruiper Municipality wishes to record that the following virement principles will apply:

4.1.1 In order for a Vote (Directorate) to transfer funds from one cost item or capital project to another cost item or capital project; a saving has to be identified within the monetary limitations of the approved cost item or capital project allocations on the respective budgets (operational and capital).

4.1.2 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this Virement Policy are to be considered for budgetary adoption via an adjustments budget (Section 28 of the Act).

4.1.3 In terms of Section 17 of the Act, a municipality's budget is divided into an operational and a capital budget. **Transfers are only allowed from the Operational budget to the Capital budget and not vice versa.**

4.1.4 Virements are not permitted in relation to the revenue side of the Operational Budget.

4.1.5 Virements between votes will be permitted where the proposed shifts in funding facilitate sound risk and financial management.

4.1.6 Virements to or from personnel expenditure are not permitted.

4.1.7 Virements to or from bulk electricity and water purchases, debt impairment, interest charges, depreciation, revenue foregone, insurance, grants to individuals (Donations) and VAT are **not permitted**.

4.1.8 Virements of conditional grant funds for purposes outside of that specified in the relevant conditional grant framework are not permitted.

5. OPERATING BUDGET VIREMENTS

5.1 Sound motivations should be provided for all virements, as provided for on pro forma virement documentation attached as Annexure A to this Policy.

5.2 Cost categories

5.2.1 Employee Related Costs and Council Related Costs

(a) Virements are allowed between cost items and votes within this category.

(b) No virements to and from this category are allowed.

(c) Virements within this expenditure category are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

5.2.2 General Expenditure, Contractual Costs, Repairs and Maintenance

- (a) Virements to and from cost items within these categories and between votes are allowed.
- (b) Virements within these expenditure categories within a single vote are subject to the approval of the relevant Director and the Chief Financial Officer.
- (c) Virements within these expenditure categories between votes are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

5.2.3 Bulk Purchases, Finance Charges and Depreciation, and, Provisions

- (a) No virements will be permitted to and from cost items and between votes within these categories, unless such virements are necessary for a cost item to be allocated to a correct cost centre.
- (b) Virements between the same cost item between cost centres and / or votes are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

5.2.4 Departmental Charges and Departmental Recharges

- (a) Virements are allowed between cost items and votes within this category but only to reallocate costs correctly.
- (b) No virements to and from this category are allowed.
- (c) Virements within this expenditure category are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

5.2.5 Operating Projects

- (a) Virements are allowed between all cost items within this category.
- (b) No virements between cost centres and votes are allowed.
- (c) Virements within this expenditure category are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

5.2.6 General Income, Rates & Taxes, Grants & Subsidies, Interest, Tariff Charges, Housing, Rental Income, Licences & Fines

- (a) No virements will be allowed on any revenue element.
- (b) Revenue provisions' amendments are to be adopted via an adjustments budget.

5.3 Cost Centres

5.3.1 Conditional Grant Operating Projects (1000 range)

- (a) Virements are allowed between all cost items and cost categories within a single cost centre.
- (b) No virements between cost centres and votes are allowed.
- (c) Virements within this cost centre category are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.

6. CAPITAL BUDGET VIREMENTS

- 6.1 No virements which relate to capital projects approved as part of the annual or adjustments budgets will be permitted except otherwise indicated in paragraph 5.2. and 5.6 below.
- 6.2 No virements of which the affect will be to add “new” projects onto the Capital Budget will be allowed; except in cases where in the opinion of the Accounting Officer it is necessary to purchase assets from the funds allocated to the administration from the Capital Replacement Reserve to enable them to perform their duties effectively, efficiently and economically.
- 6.3 Motivations for virements in paragraph 5.2 above should clearly state the reason for the need of a new project as well as the saving within an approved capital project/s.
- 6.4 Virements may not cause an increase to individual projects’ total project cost without a resolution of Council.
- 6.5 Virements are subject to the approval of the relevant Director, Chief Financial Officer and the Accounting Officer.
- 6.6 Ward Allocations Projects:
 - (a) Only virements within the amount allocated to a specific ward will be allowed if the capital projects were not identified with the approval of the annual budget or adjustments budget.

7. PROCESS AND ACCOUNTABILITY

- 7.1 Accountability, to ensure that virement application forms are completed in accordance with Council’s Virement Policy and which is not in conflict with the directorate’s strategic objectives, manifests with the head of the relevant directorate.
- 7.2 Completed virement documentation is to be effected by the Chief Financial Officer for audited purposes.

Dawid Kruijer MUNICIPALITY							
ANNEXURE A: Application form for the virement of budgeted funds							
Financial year: _____							
FROM				TO			
Cost Centre (Function)	Cost Item	Item Description	Amount	Cost Centre (Function)	Cost Item	Item Description	Amount
Totals				Totals			
Designation		Signature	Date	Virement Motivation			
Applicant							
Director							
Chief Financial Officer							
Accounting Officer							