

**MAKHADO  
LOCAL MUNICIPALITY**

**DRAFT BUDGET VIREMENT POLICY**

**Council Resolution A.30.30.03.15**

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## 1. DEFINITION OF VIREMENT

Virement is the process of transferring a revenue budget from one budget heading to another, with the approval of the relevant sectional director. It can be used to enable accountable managers to amend budgets in the light of experience, or to reflect anticipated changes in the pattern of future income or expenditure.

## 2. LEGAL REQUIREMENTS

This policy has been compiled in accordance with the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003.

Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

## 3. PRINCIPLES

- ❖ No virement may be made where it would potentially result in an overspending.
- ❖ Virements may not be made in respect of ring-fenced allocations.

### 3.1 Procedure for Virements

#### 3.1.1 Operational budget

- ❖ It remains the responsibility of Assistance Manager or Manager Budget to identify the accounts on which virements is necessary to allow continued normal operations of activities of the affected departments or to allow the processing of year-end/month-end journals.
- ❖ Virement can only be done from the votes within the same department and must not result in overspending of the votes within the affected department.
- ❖ All virement proposals shall be recorded and submitted on the appropriate budget changes form and approved by of Assistance Manager or Manager Budget and then captured on the system.

#### 3.1.2 Capital budget

- ❖ For all the projects that are listed in the approved Integrated Development Plan (IDP), the written motivation of the virement signed by the relevant Director must be recommended by the **Chief Financial Officer and approved by the Accounting Officer** before shifting of funds can be effected.
- ❖ The Mayor of the municipality may in terms of the Municipal Finance Management Act 56 of 2003 section 1 approve the unforeseen and unavoidable expenditures for which no or insufficient provision was made. The limits of the expenditure that can be approved in terms of the MFMA will apply.
- ❖ Copies of the virement supporting documentations will be filed for audit purposes and future references.

### **3.2 Shifting of funds between multi-year appropriations**

When funds for a capital programme are appropriated for more than one financial year, the expenditure for the programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that:

- The increase does not exceed 20 percent of that year's appropriation for the programme.
- The increase is funded within the following year's appropriation for that programme.
- The municipal manager certifies that :
  - a) The actual revenue for the financial year exceeds the budgeted revenue.
  - b) Sufficient funds are available for the increase without incurring further borrowing beyond the budget limit.
- Prior written approval is obtained from the mayor for the increase, and
- The municipal manager and mayor's approval should be filled for inspection by the Auditor General.

### **4. COMMENCEMENT**

The policy shall come in force with effect from 1 July 2015.