

**MAKHADO
LOCAL MUNICIPALITY**

BUDGET VIREMENT POLICY

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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 VIREMENT GUIDELINES

- 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 Capital expenditure budget

- Finance department will identify the vote from which funds can be transferred which will then be approved by the Finance Manager.
- The shifting of funds from one department to another should be effected only on prior written approval from the director of the department from which funds are shifted.
- The department to which funds are debited (beneficiary) should provide a written request approved by the sectional director indicating the need for additional funds.
- All virement proposals shall be recorded and submitted on the appropriate budget changes form together with evidence of approval by the sectional director and/or supporting documents and then captured on the system.
- 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 mayors approval should be filled for inspection by the Auditor General.