

GREATER LETABA MUNICIPALITY



DRAFT VIREMENT POLICY

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GREATER LETABA MUNICIPALITY – NEWLY DEVELOPED VIREMENT POLICY

1. PREAMBLE

The virement policy will monitor all the virements of the Greater Letaba Municipality.

2. OBJECTIVES

To allow a certain limit in the utilization of the budgeted amounts to enable administration to act on occasions that are beyond human control or savings, etc. depending on whether they arise to promote service delivery in a financially responsible manner. Since the budget is based on projected estimates the situation may arise that certain estimates are either under-budgeted or over-budgeted. It is on that basis that the council has to delegate certain authority for transfers to the Municipal Manager.

3. SCOPE OF APPLICATION

The policy is applicable to all employees and Councilors of Greater Letaba Municipality.

4. DEFINITIONS

Accounting officer - The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

Approved Budget (MFMA) - means an annual budget:

- (a) Approved by a municipal council; or
- (b) Approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;”

Chief Financial Officer - means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.

Council - means the council of a municipality referred to in section 18 of the Municipal Structures Act.

Financial year - means a 12-month year ending on 30 June.

Fruitless and wasteful expenditure - means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

Irregular expenditure- means:

(a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;

Virement Policy

(b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

Line Item - an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures.

Municipality - means the Greater Letaba Municipality

Overspending - means:

(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

Ring Fenced - an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

Virement - is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the Municipal Manager. To enable budget managers to amend budgets to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner. This is essentially a means of utilizing funds set aside for one purpose within a vote for expenditure of a different purpose.

Unauthorised expenditure - means:

Any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- (a) Overspending of the total amount appropriated in the municipality's approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the municipality otherwise than in accordance with the MFMA;

Vote - means one of the main segments into which a budget of a 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

5. VOTES BREAKDOWN

For the purpose of the operating budget, the following is classified as votes:

Executive and Council
Budget & Treasury
Municipal Manager
Corporate Services
Planning & Development
Infrastructure Development Department
Community Services
Housing
Public safety
Sports and Recreation
Waste Water Management
Waste Management
Roads Transport
Electricity

For the purpose of the IDP, the following priorities are classified as votes:

Improved Human Resources
Integrated Sustainable development
Integrated Sustainable Human Settlement
Access to sustainable Basic Services
Improved Governance and organisational excellence
Sustainable Financial Institution
Improved Local Economy
Improved quality of life

6. ABBREVIATIONS

CFO - Chief Financial Officer
IDP - Integrated Development Plan
MFMA - Municipal Finance Management Act No. 56 of 2003
MM – Municipal Manager
SDBIP - Service Delivery and Budget Implementation Plan
GLM – Greater Letaba Municipality

7. RESPONSIBILITIES

7.1 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. (Section 100 MFMA)

7.2 The Chief Financial 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 these controls. (Section 27(4) MFMA).

7.3 It is the responsibility of each manager or head of a department to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

7.4 A copy of all budget transfer forms must be kept in the virement file, together with any supporting workings / e-mails by the Divisional Head Budget and reporting.

7.5 Requests for transfers of funds shall be done beforehand and not afterwards. In the case where the expenditure is authorised afterwards, the actions of the S57 manager will have to be condoned by Council. The council

will have to consider the provisions of the MFMA regarding Unauthorised Expenditure and Irregular Expenditure.

8. RESTRICTIONS ON VIREMENTS

8.1. No funds may be transferred between votes without approval of both vote holders, the CFO, Municipal Manager and Council.

8.2. Virements may not exceed a maximum of 0.5% of the total approved operating expenditure budget.

8.3. Virements may not exceed a maximum of 12% of the line item on the approved IDP expenditure budget.

8.4. Virements may not exceed a maximum of 20% of the line item on the approved operating expenditure budget.

8.5. A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (Section 19 and 21 MFMA)

8.6. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)

8.7. No virement may commit the Municipality to increase recurring expenditure, which commits the Council's resources in the following financial years, without the prior approval of the Executive Committee. (This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines)

8.8. No virement may be made where it would result in over expenditure (section 32 MFMA).

8.9. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.

8.10. Virements may not be made in respect of ring-fenced allocations, namely personnel expenditure, operating expenditure and repairs & maintenance. E.g. this means virements may not be made from personnel expenditure to other operating expenditure & vice versa.

8.11. Budget transfers to or from the following items are not permitted: bulk purchases, debt impairment, interest charges, salaries, depreciation, insurance and VAT.

8.12. Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework is not permitted.

8.13. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources.

8.14. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO and Municipal Manager and then only in extreme circumstances.

8.15. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Director of that Department, as recorded on the Budget Transfer Form. (Section 15 MFMA)

8.16. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

8.17. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council.

8.18. Virements are not permitted in relation to the revenue side of the budget.

8.19. Virements between votes shall be included in the Adjustment Budget.

8.20. No virements shall create new capital projects without the approval of Council.

8.21. Virements between votes should only be permitted where the proposed shifts in funding facilitate sound risk and financial management.

8.22. Virements from the capital budget to the operating budget are not permitted.

8.23. No virement may be made to entertainment votes above what was originally budgeted.

9. PROCEDURE FOR VIREMENTS

9.1. All virement proposals must be completed on the appropriate documentation and forwarded to the Divisional Head Budget and reporting for checking, after which it is submitted to the CFO and MM for approval and then back to the Divisional Head Budget and reporting for implementation.

9.2. All virements must be signed by the Director within which the vote is allocated.(Section 79 MFMA)

9.3. A virement form (Budget Transfer Form) must be completed for all Budget Transfers.

9.4. All virements require the recommendation of the CFO and approval of the Municipal Manager. (Section 79 MFMA)

9.5. All virements must include changes to the SDBIP, especially on the capital works plan of projects.

9.6. All documentation must be in order and approved before any expenditure (including the order) can be committed or incurred. (Section 79 MFMA)

10. DELEGATIONS ON CAPITAL BUDGETS

A Capital Budget is approved per line items or per project. This in effect means that council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to council for them to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project. If however, a transfer is needed between two projects within the same priority and the transfer is less than 12% of the votes, this can be done with the approval of the Municipal Manager.

11. DELEGATIONS ON TRANSFERS

A vote in terms of the National guidelines is determined as one of the main segments into which a budget of a municipality is divided into for the appropriation of funds. In GLM, a vote is either a Priority on the IDP or a Department in the operating budget. Council therefore decides on the total amount that is allocated to that specific priority of department and classifies it as a vote. Because Council approved the “vote” only the shifting of funds within this “vote” can be delegated to the Municipal Manager. As far as the reallocation of funds between votes is concerned, it cannot be delegated and Council has to decide on each of these items in the Adjustment Budget annually.

12. LEGISLATIVE REQUIREMENTS

In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act (MFMA) and related circulars and guideline that are prescribed by National Treasury.

13. POLICY IMPLEMENTATION

This policy must be implemented by all employees of GLM, but directorates should ensure that this policy is implemented effectively.

Any employee who breaches this policy shall be liable for disciplinary measures.

14. POLICY REVIEW

This policy will be reviewed annually and revised as necessary.

15. ANNEXURE

Budget Transfer Form.



**GREATER LETABA MUNICIPALITY
BUDGET TRANSFER FORM**

DATE : _____

DEPARTMENT : _____

BUDGET TRANSFER FROM:	VOTE NUMBER	AMOUNT
	_____	R _____
	_____	R _____
	_____	R _____
	_____	R _____

REASON FOR SAVINGS

BUDGET TRANSFER TO:	VOTE NUMBER	AMOUNT
	_____	R _____
	_____	R _____

PURPOSE: _____

DATE REQUESTED: _____ DATE REQUIRED: _____

ADDITIONAL COMMENTS BY DEPARTMENTAL DIRECTOR:

DIRECTOR (Department requesting transfer)

DATE

FOR BTO USE ONLY

PRE-APPROVAL

POST-APPROVAL

BUDGET VOTE NUMBER TRANSFERRED FROM:

VOTE NUMBER BUDGET AVAILABLE CURRENT BUDGET NEW BUDGET

R _____ R _____ R _____ R _____

R _____ R _____ R _____ R _____

BUDGET VOTE NUMBER TRANSFERRED TO:

VOTE NUMBER BUDGET AVAILABLE CURRENT BUDGET NEW BUDGET

R _____ R _____ R _____ R _____

R _____ R _____ R _____ R _____

COMMENTS BY BTO

DIVISIONAL HEAD: BUDGET AND REPORTING

DATE

Any transfer within a vote should be approved by the Municipal Manager. A vote is either a department on the operating budget or a priority on the IDP:

CHIEF FINANCIAL OFFICER

DATE

APPROVED / NOT APPROVED

MUNICIPAL MANAGER

DATE

Note: The form must be signed by S57 manager, BTO and MM before submission of the original signed transfer form to Divisional Head: Budget and Reporting for budget adjustment. A copy of this document must be attached to the order/request for payment of the service being procured.

CAPTURED

DIVISIONAL HEAD: BUDGET AND REPORTING

DATE