

KOUGA LOCAL MUNICIPALITY



VIREMENT POLICY

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1. 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” means an annual budget approved by a municipal council.

“Budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality.

“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.

“Capital budget” this is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods.

“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.

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

“mSCOA” stands for “standard chart of accounts” and provides a uniform and standardised financial transaction classification framework. Essentially this means that mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.

“Operating budget” the town’s financial plan, which outlines proposed expenditures for the coming financial year and estimates that revenues used to finance them.

“Ring fenced” an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

“Service delivery and budget implementation plan” means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality’s delivery of municipal services and its annual budget.

“Virement” is the process of transferring an approved budget allocation from one operating line item to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

“Vote” means 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 purpose of the department or functional area concerned.

2. Abbreviations

CFO- Chief Financial Officer

IDP- Integrated Development Plan

MFMA- Municipal Finance Management Act

SDBIP- Service Delivery and budget implementation plan

CM- Council Minute/'s

mSCOA – Municipal Standard Chart of Accounts

3. Objective

To allow flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure, or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. Virement Clarification

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

5. Financial Responsibilities

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 69 MFMA)

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 these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity 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 irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

6. Virement Restrictions

- a. If virement result in a mSCOA segment change, by adding a new project, changing the region, or funding source, it is not allowed. Such a shifting of budgetary allocations may only be done through an adjustments budget. (MFMA mSCOA Circular Nr. 8, page 2, last paragraph)
- b. No funds may be transferred between Votes.
- c. Virements between votes will only be allowed where the proposed shifts in funding facilitate sound risk and financial management (e.g., virements in fuel & oil, cell phones, vehicle registration, insurance premiums etc from separate votes).
- d. Accumulated virements may not exceed a maximum 10% of the total approved operating expenditure of that Vote budget.

- e. 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 21 MFMA)
- f. No Virements may be made to a budget that is included in the approved SDBIP. These budget allocations can only be adjusted through an adjustment budget approved by Council. (Section 54(1)(C) MFMA)
- g. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year.
- h. No virement may be made where it would result in over expenditure. (Section 32 MFMA)
- i. No virement shall add to the establishment of the Municipality or increase personnel expenditure.
- j. Virements may not be made in respect to ring-fenced allocations, e.g., Environmental Management Fee budget.
- k. No virements are permitted between Trading Services e.g., Water, Sewerage, Electricity and Refuse.
- l. Budget may not be transferred from Interdepartmental cost, Capital Financing, Depreciation, Impairment, Interest charges, Contributions, Conditional Grants (except where specific in the relevant conditional grant framework), Bulk Purchases, Insurance, VAT or Income Forgone.
- m. Funds may only be transferred between personnel expenditure budgets within the same vote if approved by the CFO.
- n. Virements are not permitted for capital budget allocations. The capital budget can only be adjusted through an Adjustment budget approved by Council.
- o. No virements are permitted in the first and last month of the financial year.
- p. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- q. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- r. 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 as periodically reviewed.
- s. Virements may not be made between Expenditure and Income.
- t. Virements exceeding R5m will require the approval of Council with a full motivation.
- u. Virements will be allowed for mSCOA alignment with the segmentations required by the regulations and related Circulars with the approval of the Budget and Treasury Manager and Chief Financial Officer.

7. Virement Procedure

- a. All virement proposals must be completed on the Transfer of Funds Form (attached as **"Annexure A"**) and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- c. Virements less than R 10,000 require the approval of the Manager in Budget and Treasury office.
- d. Virements in excess of R 10,000 require the approval of the CFO and the Municipal Manager. (Section 79 MFMA)
- e. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- f. All virement forms must be allocated a sequential number by the Budget and Treasury office.
- g. The Municipal Manager will report to the Finance Portfolio Committee on a quarterly basis on all virements approved during that quarter on the Virement Reports Template (attached as **"Annexure B"**).



08 June 2026

MR. C DU PLESSIS
MUNICIPAL MANAGER

DATE