

CITY OF MATLOSANA



TRANSFER OF FUNDS (*VIREMENT*) POLICY

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TRANSFER OF BUDGETED FUNDS POLICY

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POLICY REGARDING THE TRANSFER OF BUDGETED FUNDS

INTRODUCTION

Webster's New Millennium™ Dictionary of English defines "Virement" as "a regulated transfer or re-allocation of money from one account to another, especially public funds."

- Changing circumstances and priorities during a financial period may give rise to a need to virement (transfer) funds within or between approved Votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustment budget is required or not.

BACKGROUND

Council approves a medium term expenditure framework budget before the start of the financial year. A budget is an estimation of the activities as far as finances are concerned for a specific period. In the case of local government it is for a period of three years. The operating budget is approved on a functional level whilst the capital budget is approved in terms of specific capital projects per strategic objectives. Because of practicalities it happens that certain estimates are under-budgeted and others over-budgeted. It is not practical to refer any such deviations to Council and it is therefore common practice to delegate certain authority for transfers to the executive mayor and senior officials.

LEGISLATION 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 and related circulars and guideline that are prescribed by National Treasury. There is no legislation that prevents council from delegating authority to other levels as far as line items are concerned.

BUDGET TRANSFERS

The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent (20%) of the amount appropriated under that main expenditure category.

No virements will be approved on any Revenue element. Revenue provisions' amendments are to be adopted via an adjustments budget.

Savings in an amount appropriated for capital expenditure may not defray operational expenditure.

TRANSFERS FROM REPAIR AND MAINTENANCE

As per directive from National Treasury only transfers to Repair and Maintenance votes will be allowed. No transfers from Repair and Maintenance to any other cost functions like Salaries; General Expenditure will be allowed.

YEAR-END TRANSFERS

This policy make provision for the transfer of funds at any financial year end to avoid any unauthorised expenditure. Such transfers must be approved within the framework set out in the delegations below.

CAPITAL BUDGET TRANSFERS

Only virements which relate to projects approved as part of annual or adjustments budgets, will be permitted.

No virements of which the affect will be to add "new" projects onto the Capital Budget, will be allowed.

Virements must be between projects of similar funding sources (e.g. grant funded ↔ grant funded).

Implementation of the project from which funds are viremented may not be prejudiced (i.e. must not hinder completion of the project).

Motivations for virements should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

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 Council to decide on the future utilisation 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. Because of the fact that Council in fact decide on the individual projects or purchases this cannot be delegated and any discussion around such an item and changes must be approved by the Council.

DELEGATION ON TRANSFERS IN OPERATING BUDGETS

TRANSFERS BETWEEN VOTES

A "Vote" in terms of National guidelines is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of money for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area. Council therefore only decide on the total amount that is allocated to that specific function and classifies it as a vote. As far as the reallocation of funds between "Votes" is concerned it cannot be delegated and Council has to decide on each of them, e.g. when amounts are transferred from vote 2005/01/1/05/0002 to 2070/05/105/5702.

TRANSFERS BETWEEN COST/FUNCTIONAL CENTRES

Transfer between line item budgets between cost/functional centres within a specific "vote" is delegated to the Executive Mayor through a procedure that must be informed by the Budget Steering Committee. The Executive Mayor is a chairperson of the Budget Steering committee where he/she will play their political oversight and where he/she can be informed by the Accounting Officer, the Chief Financial Officer and other senior functional managers. Any transfer of funds between cost/functional centres by the Executive Mayor must be informed in writing by comments from the Accounting Officer and the Chief Financial Officer. The amount of transfer by the Executive Mayor is limited to R200 000 and any amount larger than this must be approved by Council. It is also a requirement that any transfer approved by the Executive Mayor be reported to full Council on a monthly basis, e.g. when amounts are transferred from vote 2005/01/105/0003(Advertising) to 2005/05/105/0003(Advertising).

TRANSFERS BETWEEN DIFFERENT CATEGORIES WITHIN COST/FUNCTIONAL CATEGORIES

The transfer of budgets between different categories within a functional or cost centre can be delegated. Although no legal prevention exists to delegate such a function it can create a strategic problem. Although council approves a strategic document in the form of "Votes" the decision is based on information provided by a budget report. Based on this report certain assumptions are made. If the delegated person or party now decides to use staff expense money for maintenance it can create a problem. It is for this reason why delegation between different categories by delegated to the Budget Steering Committee for consideration. The approval will then be signed by the Executive Mayor (as chairperson of the budget steering committee) on condition that a report for information must be submitted to Council every quarter. Any transfer application must be accompanied by comments from the Accounting Officer and the Chief Financial Officer. Transfers in terms of this delegation is limited to R300 000. In cases where this amount is exceeded, it will have to be submitted to Council for approval, e.g. when amounts are transferred from 2005/05/105/5702 (Call Charges) to 2005/05/110/5702 (Telephone Switchgear).

TRANSFERS WITHIN CATEGORIES

The transfer of budgeted amount within categories is delegated to the Accounting Officer and can only be considered on advice in writing by the Chief Financial Officer who will report to the Budget Steering Committee on a monthly basis on all transfers that were approved. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be transferred in term of this delegation is R 150 000 per case. Anything above that amount must be referred to the Executive Mayor for approval under his limitation of R

300 000 per case. Anything above R 300 000 must be referred to Council for approval, e.g. when there is a transfers from 2005/05/105/0303 to 2005/05/105/0619.

The transfer of funds between line items within the category "General Expenses" and "Maintenance" up to a maximum of 5% of the budgeted line item amount can be delegated to senior management and manager budget office by the Accounting Officer.

GENERAL

The purpose of this delegation is to improve the pace at which service delivery is done and to make functionaries more accountable for their actions. The delegation can be withdrawn at any stage for whatever reason.