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DR. BEYERS NAUDÉ LOCAL MUNICIPALITY

VIREMENT POLICY

**APPROVED & ADOPTED
BY COUNCIL ON 23RD
MAY 2024.**
(RESOLUTION NO.
SCOUN-079.2/24)

**TO BE REVIEWED:
30TH JUNE 2025.**

**RESPONSIBLE
ADMINISTRATION UNIT:
BUDGET AND TREASURY**

**DIRECTORATE: FINANCIAL
SERVICES**

**DR. E.M RANKWANA:
MUNICIPAL MANAGER**

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PREAMBLE

In terms of the requirements of the Local Government: Municipal Financial Management Act, 2003, (Act 56 of 2003), the Dr Beyers Naudé Municipality hereby adopts this Virement Policy for implementation on 1 July 2024.

1. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Accounting officer” means 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 Dr Beyers Naude Municipality as referred to in Section 18 of the Municipal Structures Act;

“Financial year” The 12 month period between 1 July and 30 June;

“Line Item” means an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure;

“Operating Budget” means the municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates expenditures for the coming financial year and estimates the 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 in terms of section 53(1) (c) (ii) of the MFMA for implementing the municipality’s implementing the delivery of municipal services and its annual budget;

“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 relevant Manager to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes;

“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;

“Overspending” 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;

- a. in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- b. in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section.

“cost centre” is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

“Unauthorised expenditure” means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a. overspending of the total amount appropriated in the municipality’s approved budget; and

- b. overspending of the total amount appropriated for a vote in the approved budget;

“mSCOA” means municipal standard chart of accounts. In accordance with mscoa project based budgeting is done and all transactions are linked to six segments (project, fund, function, item, region and costing);

“Function” means the department of functional area to which the income or expenditure relates;

2. OBJECTIVE

The objective of this Policy is to allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure in cases of disasters, unforeseen expenditure or saving etc in order to accelerate service delivery in a financially responsible manner.

Virement is the process of transferring budgeted funds from one line item with an approved project to another, with the approval of the relevant Manager, Head of Department and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes (section 28(2)(c) MFMA).

3. FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year to ensure that potential overspending and/ or income under-recovery within individual vote departments are identified at the earliest possible opportunity (section 100 MFMA).

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).

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 for. In addition, they have the responsibility to identify and report any irregular, fruitless and wasteful expenditure in terms of the sections 78 and 102 of the MFMA.

4. VIREMENT RESTRICTIONS

- a. No funds may be virement between departmental main segments (functions) without prior Council approval.
- b. Virements may not exceed a maximum of R500 000 per project per financial year as periodically reviewed by Council.
- c. A virement may not create new policy, significantly vary from current policy or alter the approved outcomes/ outputs as approved in the IDP for the current of subsequent years (sections 19 and 21 MFMA).
- d. Virements resulting in adjustments to the approved SDBIP need to be submitted with and adjustments budget to the Council with altered outputs and measurements for approval (MFMA Circular 13, page 3 para 3).
- e. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year. This refers to expenditure such as entering into agreements, into leases or rental agreements such as for vehicles, photo copiers or fax machines.
- f. No virement may be made where it would result in over expenditure (Section 32 MFMA).
- g. No virement shall add to the staff establishment of the Municipality.
- h. If the virement relates to an increase in the work force of the establishment, then the Council's existing recruitment policies and procedures will apply.
- i. Virements may not be made in respect of ring-fenced allocations.
- j. Budget allocations may not be transferred from support services (interdepartmental) costs, capital financing, depreciations, contributions, grant expenditure and income foregone.
- k. Budget allocations may only be transferred from salaries if approved by the CFO and Municipal Manager.
- l. Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- m. No virements are permitted in the first month or the final month of the financial year without the express agreement of the Chief Financial Officer and the Municipal Manager.
- n. 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).

- o. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets (Section 30 MFMA).
- p. 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.
- q. Virements may not be made between Expenditure and Income.
- r. No virement shall be made from Repairs and Maintenance votes, however may be made between repairs and maintenance votes within a department.

5. VIREMENT PROCEDURE

- a. All virement proposals must be completed on the appropriate documentation (see Annexure A) and forwarded to the relevant financial officer for checking and implementation.
- b. All virements must be signed by the Head of the Department within which the vote is allocated (section 79 MFMA).
- c. A virement form (See Annexure A) must be completed for all Budget Transfers.
- d. Virements R1 to R500 000 need approval of the relevant Director and the Chief Financial Officer (section 79 MFMA).
- e. Virements R500 000 to R1million need approval of the relevant Director, Chief Financial Officer and Municipal Manager.
- f. Virements in excess of R1 million must be tabled to council for approval.
- g. Virement proposals must include changes to the SDBIP.
- h. All documentation must be in order and approved before any expenditure can be committed or incurred (section 79 MFMA).
- i. The Municipal Manager will report to the Mayor/ Executive Mayor (as the case may be) on a quarterly basis on those virements that have taken place during that quarter.

6. SUPPLEMENTARY

1. Once agreed, the virement policy will form part of the Municipal Manager's formal delegations and Financial Regulations of the Municipality.
2. Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of section 69 of the MFMA.
3. The implementation of this Policy takes effect on 1 July 2024 and the Policy must be reviewed within 12 months of its current date of effect or earlier if dictated by circumstances or any change to existing legislation.

7. POLICY APPROVAL AND COMMENCEMENT

This Virement Policy is approved by Council (RESOLUTION NO. SCOUN-079.2/24 on **23RD MAY 2024** and will be implemented with effect from 01st July 2024.

ANNEXURE A

VIREMENT APPLICATION: OPERATING / CAPITAL BUDGET

This form must be:

1. Accompanied by memorandum from the department requesting a budget move
2. Signed by both Vote Custodians
3. Signed by the Head of Department
4. Must be accompanied by print screens of votes

NOTE:

1. The maximum virement is R500 000 per project per financial year
2. The votes involved must be within the same service and transfers to/from operating to capital are not allowed.
3. No virements are allowed in the **first month** and the **last month** of the financial year.

TRANSFER REQUIRED: R _____ BUDGET YEAR: 20____/____

	FROM	TO
FUNCTION		
FUNDING		
ITEM DESCRIPTION		
VOTE NUMBER		
ORIGINAL/REVISED BUDGET PROVISION		
COMMITTED TO DATE (Excluding transfers)		

VOTE CUSTODIAN (FROM)

VOTE CUSTODIAN (TO)

Date: _____

Date: _____

HEAD OF DEPARTMENT

Date:

FOR FINANCE DEPARTMENT USE

Checked by Accountant BTO: _____ Date: _____

Recommended/Approved by Chief Financial Officer: _____

Date: _____

CFO *(Approved for all virements between R1 and R500 000)*

(Recommended for all virements between R500 000 and R1 million)

Approved by Municipal Manager: _____ Date: _____

Municipal Manager (for all virements between R500 000 and R1 million)

Budget adjustment processed by: _____ Date: _____