



BEAUFORT WEST MUNICIPALITY

BUDGET RELATED POLICY NO. 11 **VIREMENTS POLICY**

DOCUMENT AND VERSION CONTROL

Version: Revision 4

Date: 06 June 2023

Summary:

This document describes the Virements Policy that will be applicable with effect from **1 July 2023**.

Copies of this document can be viewed at the offices of the Municipality, all the public libraries in the municipality and the municipal website.

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1. Legislative Framework

3.1 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

3.2 Section 81(1)(d) of the MFMA states inter alia that "The Chief Financial Officer of the Municipality must advise senior Managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79".

3.3 It is the responsibility of each Executive Director to which funds are allocated, to plan and implement their budget accordingly.

2. Objective

To allow limited 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.

3. Definitions

"Accounting Officer" The municipal manager 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 expenditure

“Operating Budget” The Town’s financial plan, which outlines proposed 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 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 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 appropriating for the purposes of the department or functional area concerned.

4. Abbreviations

CFO - Chief Financial Officer

IDP - Integrated Development Plan

MFMA - Municipal Finance Management Act No.56 of 2003

SDBIP - Service Delivery and Budget Implementation Plan

5. Financial Responsibility

- a) Strict budgetary control must be maintained throughout the financial year in order that potential overspends and/or revenue under-recovery within individual Project codes departments is identified at the earliest possible opportunity. (Section 69 of MFMA).
- b) 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 of MFMA).
- c) It is the responsibility of each Director to which funds are allocated, 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 section 78.

6. Virement Restrictions

- a) No funds can be transferred between project codes and can only be done through an adjustment budget.
- b) Virements may not exceed a maximum of R100,000 per case. Anything above that amount must be referred to the Accounting Officer for approval under his/her limitation of R500,000 per case. Anything above R500,000 must be referred to Council for approval.
- c) 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 of MFMA).
- d) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustment budget to the council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3).
- e) No Virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval

of the Mayoral Committee. This refers to expenditures such as entering into lease or rental agreements e.g. vehicles, photo copiers or fax machines.

- f) No Virement may be made where it would result in over expenditure. (Section 32 of MFMA).
- g) No Virement shall add to the staff establishment of the Municipality without the approval of the Municipal Manager.
- h) If the Virement relates to an increase in the work force 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 may not be transferred from Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k) Budget may only be transferred from Salaries if approved by the CFO.
- l) Virements in the 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 three months or the final month of the financial year.
- n) No Virement proposal shall affect amounts to be paid to another Department without the agreement of the Director of the Department, as recorded on the signed Virement form. (Section 30 of MFMA).
- o) 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.
- p) Virements may not be made between Expenditure and Income.

- q) Virements may not be done on Entertainment allowance and Travelling & Subsistence project codes unless the approval has been granted by the Accounting officer in writing.
- r) Virements should not be permitted in relation to the revenue side of the budget;
- s) Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget;
- t) Virements between Rates and Trading Services are not allowed;
- u) Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;
- v) Virements should not result in adding 'new' projects to the Capital Budget;

7. Virement Procedure

- a) All virement proposals must be completed on the appropriate documentation and forwarded to the Budget office for checking and implementation.
- b) All virements must be signed by the Director within which the project codes is allocated, by the Municipal Manager. (Section 79 of MFMA). A virement form must be completed for all budget Transfers.
- c) Virements in excess of R50,000 with a maximum as determined under section 6(b) above requires the approval of the Chief Financial Officer. (Section 79 of MFMA)
- d) Must include changes to the SDBIP.
- e) All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 of MFMA)
- f) The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

8. Supplementary

- a. This policy replaces any other policies or Council resolutions as far as they may refer to virements (transfer of funds) as defined in this policy.
- b. Once approved, the virement policy should form part of the Municipal Manager's formal delegations and Financial Regulations of the Municipality.
- c. Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of Section 28 of the MFMA.

9. Date of Approval & Signature

As approved by Council at the Council meeting which was held on 6 JUNE 2023

Signed at..... B/WEST..... on the 14.....the day of..... JUNE 2023


Municipal Manager

Appendix A: Virement Form

BEAUFORT WEST MUNICIPALITY

VIREMENT APPROVAL

KINDLY EFFECT THE FOLLOWING CHANGES ON MY
BUDGET:

<u>VOTE</u>												<u>AMOUNT</u>
DEBIT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
CREDIT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

MOTIVATION:

AUTHORISED BY HEAD OF DEPARTMENT:	NAME: _____ DATE: _____
AUTHORISED BY MUNICIPAL MANAGER:	NAME: _____ DATE: _____
AUTHORISED BY CFO:	NAME: _____ DATE: _____
BUDGET AMENDED BY	NAME: _____ DATE: _____