

GRAET KEI MUNICIPALITY



VIREMENT POLICY

2023/2024

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1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA.
2. **“Approved budget”** means an annual budget approved by a municipal Council.
3. **“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality.
4. **“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.
5. **“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.
6. **“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
7. **“Financial year”** means a 12-month year ending on 30 June.
8. **“Line Item”** means an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure.
9. **“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues, used to finance them.
10. **“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
11. **“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) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget.
12. **“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.
13. **“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.

SECTION B: ABBREVIATIONS

1. **CFO** – Chief Financial Officer
2. **IDP** – Integrated Development Plan
3. **MFMA** – Municipal Finance Management Act No. 56 of 2003
4. **SDBIP** - Service Delivery and Budget Implementation Plan
5. **HOD** – Head of Department
6. **MSOCA** – Municipal Standard Chart of Accounts

SECTION C: 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.

SECTION D: 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. (Section 28 (2) (c) MFMA)
- Virement from one line item to another line item, within the same function, but different funding sources is allowed.

SECTION E: FINANCIAL RESPONSIBILITIES

Strict budgetary control must be maintained throughout the financial year to ensure that potential overspends 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. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

SECTION F: VIREMENT RESTRICTIONS

- a) No funds may be viremented between departmental main segments / votes without prior Council approval.
- b) Virements may not exceed a maximum of **R500, 000 per vote 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 or subsequent years. (section 19 and 21 MFMA)
- d) 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)
- 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 Council. This refers to expenditures such as entering into agreements into lease or rental agreements such as 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 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 allocations may not be transferred from support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k) Budget allocations may only be transferred from Salaries if approved by the CFO.
- 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 two months of the financial year without the express agreement of the CFO.

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.

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 as periodically reviewed.

q) Virements may not be made between Expenditure and Income.

r) No virements are allowed in terms of income line items.

s) No transfers are allowed in terms of capital and operating budget.

t) Transfer should not result in new projects on the capital budget.

u) Transfer of conditional grant funds to a purpose outside than that specified in the relevant conditional grant framework are not permitted.

SECTION G: VIREMENT PROCEDURE

a) Requests for the virements should be signed by the relevant HOD and forwarded to the office of CFO for recommendations and AO for approval

b) The request should include

- ❖ Name and vote number (Scoa Item Code) of line item from which the funds would be taken
- ❖ Name and vote number (Scoa Item Code) of the line item which the funds will be transferred to.
- ❖ The following MSCOA Segments
 - Funding
 - Project
 - Costing
 - Function
 - Item
 - Regional
- ❖ Amount to be transferred.
- ❖ Signature of the HOD authorizing the virement

- c) Upon receipt of the virement request, the AO/CFO to consider whether to approve or not approve the virement, placing specific emphasis on the virement restrictions.
- d) For approved virement requests, CFO to instruct the Budget office to process the virement (for those virements which are approved by the AO, these must upon approval by AO, returned to the office of the CFO for only the CFO is to instruct the budget office to process the virement)
- e) Budget office to receive and process in the accounting system approved virements as per the instruction of the CFO.
- f) Budget office to safely keep the approved virement request after processing.
- g) For virements that were not approved by AO/CFO, office of the AO/CFO to return the requests to the relevant HOD with reasons for non- approval.

SECTION H: SUPPLEMENTARY

This policy replaces any other policies or Council resolutions as far as they may refer to virements as defined in this policy.

Once agreed, the virement policy should form part of the Municipal Manager's formal delegations and Financial Regulations of the Municipality.

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.

Sources

Municipal Finance Management Act No. 56 Of 2003

MFMA Circular No.13 - Service Delivery and Budget Implementation Plan

Virement Policy – Great Kei Municipality

REVISED BUDGET VIREMENT FORM




APPROVED BUDGET VIREMENT APPLICATION FORM

DATE		2021			
Project Name	Item Description	Item Code	Budget Available	Debit	Credit
TOTAL				0	0
COMMENTS -					
REQUESTED BY HOD:		Signed		Date	
RECOMMENDED BY: (CFO)		Signed		Date	
APPROVED BY: MUNICIPAL MANAGER		Signed		Date	
PROCESSED BY MANAGER BUDGET:		Signed		Date	

Signature of the Mayor..... 

Date 29 June 2023

MM : 
29 June 2023



