

SWARTLAND MUNICIPALITY



VIREMENT POLICY

REVIEWED AND NOT AMENDED

MAY 2024

TABLE OF CONTENTS

	PAGE
1. PURPOSE OF THIS POLICY.....	3
2. DEFINITIONS	3
3. REGULATION ON BUDGET VERSUS EXPENDITURE	6
4. VIREMENT REQUIREMENTS	7
5. DELEGATIONS	8
6. OPERATING BUDGET VIREMENTS	8
7. CAPITAL BUDGET VIREMENTS	10
8. PROCESS AND ACCOUNTABILITY	11

1. PURPOSE

- 1.1 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.
- 1.2 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”.
- 1.3 It is the responsibility of each Executive Director of each Directorate to which funds are allocated, to plan and conduct assigned operations so as not to spend more funds than budgeted for and to ensure that funds are utilized effectively and efficiently.
- 1.4 Section 78 (1) of the MFMA states inter alia that “Each Senior Manager of a Municipality and each official of a Municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that in terms of Section 78(1) (b) the financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently”
- 1.5 No expenditure may be incurred unless provision therefore has been made in the operating and capital budgets. Refer to section 15 of the M.F.M.A. in this regard.

2. DEFINITIONS (CHAPTER 1 OF MFMA)

2.1 Accounting Officer

2.1.1 “(a) in relation to a municipality, means the Municipal official referred to in section 60”

“The municipal manager of a municipality is the accounting officer of the municipality for the purposes of this Act, and, as accounting officer, must—

- (a) *exercise the functions and powers assigned to an accounting officer in terms of this Act; and*
- (b) *provide guidance and advice on compliance with this Act to—*
 - (i) *the political structures, political office-bearers and officials of the municipality; and*
 - (ii) *any municipal entity under the sole or shared control of the municipality.”*

2.2 Adjustments Budget

Means a budget

- (a) As described in Section 28 of the MFMA i.e.
 - (1) *A municipality may revise an approved annual budget through an adjustments budget.*
 - (2) *An adjustments budget—*
 - (a) *must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
 - (b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
 - (c) *may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
 - (d) *may authorise the utilisation of projected savings in one vote towards spending under another vote;*
 - (e) *may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
 - (f) *may correct any errors in the annual budget; and*
 - (g) *may provide for any other expenditure within a prescribed framework.*
 - (3) *An adjustments budget must be in a prescribed form.*
 - (4) *Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*
 - (5) *When an adjustments budget is tabled, it must be accompanied by—*
 - (a) *an explanation how the adjustments budget affects the annual budget;*
 - (b) *a motivation of any material changes to the annual budget;*
 - (c) *an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
 - (d) *any other supporting documentation that may be prescribed.*
 - (6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

(b) Also in terms of Part 4 of the Municipal Budget and Reporting Regulations.

2.3 Approved Budget

“Means an annual budget –

2.3.1 (a) approved by a Municipal Council; or

2.3.2 (b) approved by a Provincial or the National Executive following an intervention in terms of section 139 of the constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28 and of the Municipal Budget and Reporting Regulations.”

2.4 Chief Financial Officer

2.4.1 “means a person designated in terms of section 80(2) (a)”.

“(2) A budget and treasury office consists of—

(a) A chief financial officer designated by the accounting officer of the municipality.”

2.5 Department

2.5.1 The definition of “Department will be set at the Directorate level e.g. Civil department, Financial services department etcetera.

2.6 Executive Directors

2.6.1 Section 56 of the Systems Act states inter alia that : “Appointment of managers directly accountable to Municipal Managers – (a) a Municipal Council, after consultation with the Municipal Manager, appoints a manager directly accountable to the Municipal Manager.”

2.7 Financial year

2.7.1 Means a year ending on 30 June.

2.8 Line Item

2.8.1 The definition of a line item for Swartland Municipality is a specific item within a functional area e.g. stationary and consumables.

2.9 MFMA Vote

2.9.1 “(a) one of the main segments into which a budget of a Municipality is divided for the appropriation of money for the different departments or functional areas of the Municipality; and

(b) Which specifies the total amount that is appropriated for the purpose of the department or functional area concerned.”

2.9.2 The definition of a “VOTE” for Swartland Municipality is set at the Directorate level in line with table A3 and A5 of the Municipal Budget Reporting Regulations e.g. Civil Services, Corporate Services etc.

2.10 Virement

2.10.1 The process of transferring an approved budgetary provision from one operating cost element or capital project to another during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

3. REGULATION ON BUDGET VERSUS EXPENDITURE – MFMA

3.1 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.

3.1.1 Section 15 – Appropriation of funds for expenditure

“A Municipality, may except where otherwise provided in the Act, incur expenditure only –

- (a) In terms of an approved budget, and
- (b) Within the limits of the amounts appropriated for the different votes in the approved budget.”

3.1.2 Unauthorised Expenditure (M.F.M.A. Definition)

“in relation to a Municipality, 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;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a Vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the Municipality otherwise than in accordance with this act.”

3.1.3 Overspending (MFMA Definition)

- (a) “in relation to the budget of a Municipality, 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;
- (b) In relation to a Vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits in subsection (5) of that section.”

3.1.4 Section 71 (1) (g) (iii) states inter alia (i) “ The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the Municipality and the relevant provincial treasury a statement in the prescribed format on the state of the Municipality’s budget reflected the following particulars for that month and for the financial year up to the end of that month – (g) when necessary, an explanation of – (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the Municipality’s approved budget”.

4. VIREMENT REQUIREMENTS

4.1 Virements represents a flexible mechanism to affect budgetary amendments within a Municipal financial year, and represents the major mechanism to align and take corrective (financial / budgetary) action within a Directorate during a financial year.

4.2 To transfer funds from one vote (functional area) or capital project to another vote (functional area) or capital project, or transfer funds within a vote (line item to line item), a saving has to be identified within the monetary limitations of the approved vote or capital project allocations on the respective budgets.

- 4.3 Any budgetary amendments of which the net impact will result in exceeding the approved annual budget allocation for a vote and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA section 28)
- 4.4 In terms of Section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.

5. DELEGATIONS

- 5.1 Subject to the further stipulations and conditions in this policy, the authority is delegated to every Director to vire not more than four times (debits and credits combined) per line item within a given financial year. A fifth virement would require approval by the CFO and Municipal Manager via a memorandum. (Not applicable to capital virements between line items within the same capital project)

The same apply to not vire more than 25% of a line item's budget. This includes from and to a line item. Deviation would require approval by the CFO and Municipal Manager via a memorandum. (Not applicable to capital virements between line items within the same capital project)

- 5.2 Virements between departments would require approval by the CFO and Municipal Manager via a memorandum.
- 5.3 Only the CFO and MM may approve virements between the different finance sources, except for conditional grants or any other external source of finance.

6. OPERATING BUDGET

- 6.1 Virements are not allowed on special purpose operating budgetary allocations of Council, unless so considered by the CFO and MM.
- 6.2 Savings at year-end are not to be utilised for purposes not originally intended or planned as part of the normal operations to prevent fiscal dumping and or attempts to spend budget allocations in the week leading-up to the closure date for requisitions.

6.3 Salaries and Vehicle costing system

- 6.3.1 No Virements to and from salary related line items will be allowed unless special permission is received from the MM or CFO. Only the Budget Office will be permitted to do the virement.
- 6.3.2 Any savings identified for the filling of approved vacant posts not budgeted for can only be vired as stipulated under 6.2.
- 6.3.2 No Virements to and from the vehicle costing system will be allowed unless special permission is received from the MM or CFO. Only the Budget Office will be permitted to do the virement.
- 6.3.4 If a vehicle is needed to be repaired, a virement request will be completed and forwarded to the budget office for processing once approval has been given through by supply chain management officials. There will be one global amount under the Finance Department where the funds will be viremented to the respective vehicle costing item upon receipt of a valid virement request.

6.4 Other Expenditure

- 6.4.1 Virements to and from the following items are not allowed: Bulk purchases; Debt Impairment, Interest Charges; Depreciation, Grants to Individuals, Revenue foregone, Insurance, Vat and other non-cashed items as determined by the Chief Financial Officer.
- 6.4.2 Virements in respect of expenditure votes financed from grants or any other external source of finance must be aligned to the specific amended business or support plan.
- 6.4.3 No Virements to and from line items linked to contracts/tenders in the operating budget e.g. Security Services, Sweeping of Streets and Highlands Refuse Dump: Recycling will be permitted unless special permission is received from the MM and CFO. Only the Budget Office will be permitted to do the virement.
- 6.4.4 Budgeted amounts in respect of a new approved project which are due to changed circumstances, not executed at all, can only be viremented if approved by the MM and CFO.

6.5 Revenue

6.5.1 No virements are permitted in relation to the Revenue side of the Budget.

6.5.2 Revenue adjustments are to be adopted via an adjustments Budget.

7. CAPITAL BUDGET

7.1 Virements with the result in adding 'new' projects to the Capital Budget will not be allowed unless approved by council. Motivation will be required.

7.2 Virements in respect of savings on capital projects will only be permitted if allocated to projects approved as part of the annual or adjustment budgets or the 3 year capital program of the Council.

7.3 Budgeted amounts in respect of approved capital projects which are, due to changed circumstances, not executed, can only be vired by Council.

7.4 Virements of Conditional Grant funds to purposes outside of that specified in the relevant Conditional Grant framework is not permitted.

7.5 Virements of Capital Projects can only be approved between projects of similar funding sources (e.g. MIG to MIG).

8. PROCESS AND ACCOUNTABILITY

8.1 Virement applications must be completed on the Collaborator system in accordance with Council's Virement policy.

8.2 Virement applications must be verified by the Chief Financial Officer or delegee.

8.3 The purpose and objectives of virement in the main, is to ensure flexibility, but moreover not a mechanism to cater for spending not originally part of the procurement plan and or execution of the current year's operating plan.

8.4 No year-end fiscal dumping will be allowed through the use of virements in order to ensure that effect is given to management's fiduciary responsibility.

Review of the Policy

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