

DRAKENSTEIN MUNICIPALITY



DRAKENSTEIN

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BUDGET VIREMENT POLICY

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1. BUDGET VIREMENT

1.1. Virement Clarification

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Executive Director, Head of Department, Section 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).

1.2. Financial Responsibilities

Strict budgetary control must be maintained throughout the financial year in order that potential overspending and / or income under recovery within individual vote departments are identified at the earliest 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 Policy is one of those controls. (Section 27(4) MFMA)

It is the responsibility of each Director or head of department of 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 section 78 and 102

1.3. GFS Function

The GFS Function is used to divide the budget into segments and the council then approves the budget according to these functions via a resolution

The GFS Function is to facilitate greater accountability for senior managers and in turn having a positive change on the level of service delivery.

Each and every cost centre of the municipality is linked to a function and sub-function depending on the definition.

Virements can be done within a function (between the various cost centres that are linked to the function regardless of the department).

Virement between functions need a council decision which approves the requested virement.

1.4. Virement Procedure

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by the Director of the directorate within which the vote is allocated. (Section 79 MFMA)
- c. All virements should be approved in line with Council's System of Delegation.
- d. Projected cash flows in the SDBIP should be adjusted in line with the virement.
- e. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)

- f. All virements of funds between votes (GFS Function) must be approved by the Executive Mayor Committee and reported to the Municipal Council on a monthly basis.

1.5. Virement Restrictions

- a. No funds can be transferred between the different types of budget (E.g. virement can only be made from basic capital to basic capital and operating to operating)
- b. No virement may be made where it would result in over expenditure of a line item. (Section 32 MFMA)
- c. No virement shall create new capital projects without the approval of the Municipal Council.
- d. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- e. Budget from the following line items may only be transferred by Financial Services:
 - i. Depreciation
 - ii. Capital Cost (Interest and Redemption)
 - iii. Bank Charges
 - iv. Audit Fees
 - v. Grants and Subsidies Paid
 - vi. Debt Impairment
 - vii. Bad Debts
 - viii. Appropriations
 - ix. Insurance Excess and Premiums
 - x. Contributions to Funds
 - xi. Interdepartmental Charges
 - xii. Bulk Purchases (Water and Electricity)
- f. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subjected to the procurement supply chain management policy of Council as periodically reviewed.
- g. Not more than 5% of the budget may be moved to or from a function, programme or project.
- h. Virements may not be made between Expenditure and Income.

1.6. Virements

1.6.1. Capital Budget Virement

- a) Transfers to capital items can only be possible if the transfer from is a capital item as well.
- b) Transfers will only be possible if the capital project is an approved project in the capital budget.
- c) It should also be noted that only the CFO can approve transfers of items between two different funding source (eg. Transfer between "Own funds" and "Ad-hoc" is not possible)

1.6.2. Operating Budget Virement

- a) Transfers to operating items can only be possible if the items you transfer from are an operating item as well.
- b) The following line items may only be transferred by Financial Services:
 - i. Depreciation
 - ii. Capital Cost (Interest and Redemption)
 - iii. Bank Charges
 - iv. Audit Fees
 - v. Grants and Subsidies Paid
 - vi. Debt Impairment
 - vii. Bad Debt
 - viii. Appropriations
 - ix. Insurance Excess and Premiums
 - x. Contribution to Funds
 - xi. Interdepartmental Charges
 - xii. Bulk Purchases (Water and Electricity)
- c) Please note that transfers with regards to “Interdepartmental Charges” can only be made within that category.