



WEST COAST DISTRICT MUNICIPALITY

BUDGET VIREMENT POLICY

This policy was adopted by the West Coast District Municipality on 07 December 2016, in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Effective Date: 1 JULY 2016

TABLE OF CONTENTS

- 1. OVERVIEW**
- 2. RESPONSIBILITIES AND DELEGATIONS**
- 3. PROCESS FOR PROCESSING VIREMENTS**
- 4. VIREMENT FORM**

1. Overview

- 1.1. The municipality's budget is the expression of its policies, strategies, service delivery and performance targets, in financial terms. It is crucial that budgets are established that reflect these approved policies, strategies and targets. Any changes to these must also be captured in financial terms and this budget adjustment procedure must be used to that effect.

- 1.2. Financial regulations require that spending should be a true statement of costs incurred on a service and on a particular type of cost. Therefore, transactions must be appropriately coded. Coding of items to alternative account codes, on the basis that there are insufficient funds within the appropriate account code is not allowed.

- 1.3. If there is insufficient budgetary provision for anticipated expenditure in a line-item then there are two possibilities:
 - a) Do not spend on that item of expenditure; or

 - b) Identify where there are offsetting savings (or additional revenue) and effect a budget adjustment to ensure appropriate budget provision.

- 1.4. There is no authority to overspend on a budget line-item except in terms of 'unforeseen and unavoidable expenditure' (section 29 of the MFMA) and in accordance with the adopted policy. However, even in these cases appropriate corrective action must include identification of appropriate funding to cover the additional cost incurred.

1.5. The annual budget can be revised through an adjustments budget in accordance with provisions of section 28 of the MFMA. This budget adjustment procedure, if adhered to, will enable those provisions to be fulfilled.

1.6. The virement policy –

- a) enables the council, accounting officer, senior managers and their staff, to manage budgets with a degree of flexibility within the overall policy framework determined by the council; and
- b) Optimises the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular vote or sub-vote, by offsetting savings in another vote or sub-vote or additional revenue.

2. Responsibilities and delegations

2.1. These are set out in the budget adjustment policy, which can only be amended by council resolution. The main areas are:

- a) The overall management and administration is delegated to the accounting officer. The accounting officer must approve;
 - i. Budget adjustments from non-staff to staff budgets and vice versa.
- b) Council must approve –
 - i. Virements between different votes;
 - ii. Virements between capital and operational budgets;
 - iii. Virements between different IDP strategies; and
 - iv. Virements from non-staff to staff budgets.

- c) The main delegated approval limits are –
- i. up to a cumulative value for the financial year of R1 million or 25% of the total sub-vote (whichever is the lesser amount) budget adjustments within and between sub-votes can be approved by the accounting officer;
 - ii. Approval for budget adjustments within the same Vote (between different departments or within the same department) may be sub-delegated by the accounting officer, but only to the Chief Financial Officer (CFO).

2.2. The CFO is responsible for ensuring appropriate systems are in place to coordinate these procedures and ensure compliance with reporting and approval requirements.

3. Procedure for processing virements

3.1. The need for a virement will normally be established as part of the regular in-year monitoring process. Before deciding that a virement is required, heads of department (Directors) must ensure that –

- a) All orders and commitments have been reviewed to ensure that expenditure forecasts are accurate;
- b) All areas have been examined to identify potential savings (or additional revenue), in the following order –
 - i. Within the same account code (department);
 - ii. Within the same summary level budget;
 - iii. Within the same sub-vote;

All of the above to be within the same IDP strategy and within the same budget type (operational or capital)

iv. Within the manager's wider budget responsibility

3.2. Should the above be unsuccessful then the HoD must look to alternative solutions by consultation with other HoDs and the CFO.

3.3. Virements must not be made from budgets that are 'ring-fenced' for specific purposes unless there is appropriate approval for this. For example, this may include projects that are subject to external funding and agency functions (which will require approval from the funding organisation).

3.4. All budget adjustments must be rounded to the nearest R100.

3.5. No virements will be accepted for less than R1000, except in exceptional cases.

3.6. All virements will be processed by the Snr Manager: Income/expenditure, who will ensure that the appropriate approval process is complied with.

4. Virement form

- a) A virement form as attached must be completed and sent to the Snr Manager: Income/Expenditure. This should be attached to the monthly budget commentary unless there is a need for more urgent approval e.g. is the virement requires council approval.
- b) Instructions for completion of the form are included in the form.
- c) All queries should be addressed to the Snr Manager: Income/Expenditure



DOCUMENT NO :.....

WEST COAST DISTRICT MUNICIPALITY DIRECTORATE FINANCE TRANSFER OF BUDGET FUNDS

DIRECTORATE :.....

AMOUNT : R.....

TRANSFER FROM VOTE :.....UKEY:.....

TRANSFER TO VOTE :.....UKEY:.....

EXPLANATION:.....

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.....
Signature : Director

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Date

.....
Signature : Municipal Manager `

.....
Date

For Finance Directorate use only

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Approved

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Date

.....
Not Approved

.....
Date

.....
Budget Adjusted

.....
Date