

BOJANALA PLATINUM DISTRICT MUNICIPALITY



VIREMENT POLICY

2025/2026

I N D E X

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SECTION 1: DEFINITIONS

- 1.1 **"Accounting Officer"** - The municipal manager of a municipality is the Accounting Officer of the municipality in terms of section 82(1) of the Structures Act and section 60 of the MFMA.
- 1.2 **"Approval budget"** means an annual budget approved by a municipal council.
- 1.3 **"Budget-related policy"** means a policy of a municipality affecting or affected by the annual budget of the municipality.
- 1.4 **"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.
- 1.5 **"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 financial years.
- 1.6 **"Council"** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
- 1.7 **"Financial year"** means a 12-month year ending on 30 June.
- 1.8 **"Operating budget"** - The Municipality's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
- 1.9 **"Ring fenced"** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

- 1.10 **"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.
- 1.11 **"Virement"** is the process of shifting funds between line items, projects, programmes and to enable Heads of municipal departments and programmes to have greater flexibility in managing their budgets.
- 1.12 **"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 2: ABBREVIATIONS

- 2.1 **CFO** - Chief Financial Officer
- 2.2 **IDP** - Integrated Development Plan
- 2.3 **MFMA** - Local Government: Municipal Finance Management Act No 56 of 2003
- 2.4 **SDBIP** - Service Delivery and Budget Implementation Plan

SECTION 3: OBJECTIVE OF THE VIREMENT POLICY

- 3.1 The objective of this policy is to put in place control measures in the process of shifting funds between line items, projects, programmes and votes to enable Heads of municipal departments and programme managers to have greater flexibility in managing their budgets. (Section 28 (2)(c) of the MFMA).

SECTION 4: LEGISLATIVE CONTEXT

- 4.1 This policy is mandated by the Municipal Budget and Reporting Regulations that stipulates that each municipality must prepare or amend various policies, including a policy regarding the Shifting in Funds (Virement Policy).
- 4.2 The following Sections of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) and the MFMA Circulars are applicable for the Virement Policy.

4.2.1 Section 79 of the MFMA stipulates as follows:

"79. Delegations

- (1) The accounting officer of a municipality -
- (a) must, for the proper application of this Act in the municipality's administration, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration.
 - (b) may, in accordance with that system, delegate to a member of the municipality's top management referred to in section 77 or any other official of the municipality -
 - (i) any of the powers or duties assigned to an accounting officer in terms of this Act; or

- (ii) any powers or duties reasonably necessary to assist the accounting officer in complying with a duty which requires the accounting officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act; and
 - (iii) must regularly review delegations issued in terms of paragraph (b) and, if necessary, amend or withdraw any of those delegations.
- (2) The accounting officer may not delegate to any political structure or political office-bearer of the municipality any of the powers or duties assigned to accounting officers in terms of this Act.
- (3) A delegation in terms of subsection (1) -
 - (a) must be in writing.
 - (b) is subject to such limitations and conditions as the accounting officer may impose in a specific case.
 - (c) may either be to a specific individual or to the holder of a specific post in the municipality.
 - (d) may, in the case of a delegation to a member of the municipality's top management in terms of subsection (1)(b), authorise that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility; and

- (e) does not divest the accounting officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.
- (4) The accounting officer may confirm, vary or revoke any decision taken in consequence of a delegation or sub-delegation in terms of this section, but no such variation or revocation of a decision may detract from any rights that may have accrued because of the decision".

4.2.2 Section 53(1)(c)(ii) of the MFMA stipulates as follows:

"53. Budget processes and related matters

- (1) The mayor of a municipality must -
 - (c) take all reasonable steps to ensure -
 - (i) that the municipality approves its annual budget before the start of the budget year.
 - (ii) that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget: and.

4.2.3 Section 28 of the MFMA. Stipulates as follows:

"28. Municipal adjustments budgets

1. An adjustments budget will be tabled once a year after the end of the second quarter to :

- a. adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year.
- b. 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. within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.
- d. authorise the utilization of projected savings in one vote towards spending under another vote.
- e. 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 fore seen at the past financial year where the time to include projected roll-overs when the annual budget for the current year was approved by the council.
- f. correct any errors in the annual budget; and
- g. provide for any other expenditure within a prescribed framework.

4.2.4 Section 100 of the MFMA stipulates as follows:

"100. Budget implementation

The accounting officer of a municipal entity is responsible for implementing the entity's budget, including taking effective and appropriate steps to ensure that -

- (a) the spending of funds is in accordance with the budget.

- (b) revenue and expenditure are properly monitored; and
- (c) spending is reduced as necessary when revenue is anticipated to be less than projected in the budget."

4.2.5 Section 78 of the MFMA stipulates as follows:

"78. Senior managers and other officials of municipalities

- (1) 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 -
 - (a) that the system of financial management and internal control established for the municipality is carried out diligently.
 - (b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.
 - (c) that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented.
 - (d) that all revenue due to the municipality is collected.
 - (e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary.

- (f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and
- (g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of Section 79, are complied with."

4.2.6 MFMA Circular 13: SDBIP and 12: Definition of Vote

4.2.7 Section 15 of the MFMA stipulates as follow:

15. "Appropriation of funds for expenditure

A municipality may, except where otherwise provided in this 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 an approved budget."

SECTION 5: FINANCIAL RESPONSIBILITIES

- 5.1 Strict budgetary control must be maintained throughout the financial year in order that potential over-expenditure and/or income under-recovery within individual vote departments are identified at the earliest possible opportunity (Section 100 of the MFMA).
- 5.2 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 those controls (Section 27(4) of the MFMA).

- 5.3 It is the responsibility of each manager or head of a department or programme 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 6: VIREMENTS RESTRICTIONS

- 6.1. Virements should not be permitted in relation to the revenue side of the budget.
- 6.2. Virements from the capital budget to the operating budget is not permitted.
- 6.3. Virements towards personnel expenditure is not permitted.
- 6.4. Virements to or from the following items is not permitted: bulk purchases; debt impairment, interest charges; depreciation, grant to individuals, revenue foregone, insurance and VAT.
- 6.5. Virements should not result in adding 'new' projects to the Capital Budget.
- 6.6. Virements from conditional grants for purposes outside of that specified in the relevant conditional grant framework is not permitted.
- 6.7 A virement may not alter the approved outcomes/outputs as approved in the IDP for the current or subsequent years (Section 19 and 21 of the MFMA), or any other policy of Council.
- 6.8 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).

- 6.11 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 Budget Steering Committee.
- 6.12 No virement may be made where it would result in over expenditure (Section 32 of the MFMA).
- 6.13 No virement shall add to the staff establishment of the Municipality without the approval of Municipal Manager.
- 6.14 If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- 6.15 Virements may not be made in respect of ring-fenced allocations.
- 6.16 Budget may not be transferred from salaries, support service (interdepartmental) costs, capital financing, depreciation, contribution and grant expenditure. Non-discretionary expenditure, (expenditure that are costs that must be incurred) in a specific vote may not be transferred to another vote (MFMA Circular 13 and 12). Salaries are budgeted for specific approved posts in the organizational structure and are thus non-discretionary expenditure.
- 6.17 No virements are permitted in the first three months of the financial year without the express agreement of the CFO.
- 6.18 Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets (Section 30 of the MFMA).
- 6.19 Any expenditure incurred that is not in accordance with a vote (or exceeds the amount for a vote/department) is classified as unauthorised expenditure, which sets off corrective and disciplinary mechanisms against the Accounting Officer.

Any movement of funds between "votes" or performance indicators therefore requires an adjustment budget and a further council resolution. That is, a council resolution is required to deviate from the original council resolution that approved the budget. (MFMA Circular 12, page 7).

SECTION 7: IMPLEMENTATION

7.1 Not more than 20 per cent of the budgeted amount may be moved to or from an item, programme, project etc, unless there is valid motivation submitted and approved by the Accounting Officer, prior to the completion of the virement form.

7.2. No virements between votes is allowed.

7.3 Any over expenditure on votes must be disclosed in the vote where the actual expenditure has occurred.

7.4 No expenditure may be allocated to another account for the sole reason as to not Disclose the actual over expenditure.

SECTION 8: VIREMENT PROCEDURE

8.1 All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.

8.2 All virements must be signed by Vote Holder and the Manager within which the vote is allocated (Section 79 of the MFMA).

8.3 A virement form must be completed for all Budget Transfers.

8.4 Transfers below R30 000 need approval of the Chief Financial Officer and transfers more than R30 000 with a maximum of 20% of budgeted amount need approval of the Municipal Manager (Section 79 of the MFMA).

8.5 All documentation must be in order and approved before any expenditure can be committed or incurred (Section 79 of the MFMA).

8.6 The Accounting Officer will report to the mayor on a quarterly basis on those virements which have taken place during that quarter.

8.7 A monthly report must be submitted by the Head of the Department indicating the virements that has been implemented during the quarter and such report will be Consolidated by Chief Financial Officer quarterly and submitted to Accounting Officer as part of legislated reports.

COMMENCEMENT

This policy takes effect from the 1ST of JULY 2025.

COUNCIL RESOLUTION NUMBER : B123/23/24

RESOLUTION DATE : 28 MAY 2025

MRS BEAUTY MAKGANYE

ACTING MUNICIPAL MANAGER