**VIREMENT**

**Purpose:**

1. The Provincial Treasury issued **Treasury Circular No. 23/2006** dated 14 September 2006 to provide a uniform interpretation and application of section 43 (clause on virement) of the Public Finance Management Act, Act No. 1 of 1999 (PFMA), and National Treasury Regulation 6.3 issued in terms thereof, and to assist Accounting Officers (AOs) with the interpretation and application of section 43, especially during the Adjustments Budget stage and when formulating departmental Annual Financial Statements.
2. Virement is defined in section 43(1) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA):

An accounting officer for a department may utilise a **saving** in the amount appropriated under a **main division** (i.e. a programme) within a vote towards the defrayment of **excess expenditure** under **another main division** within the same vote, unless the relevant treasury directs otherwise.

**Background**:

1. The PFMA places greater responsibility for planning on Accounting Officers (AOs).
2. During a financial year an AO, in terms of section 38 of the PFMA, is responsible for effective monitoring of expenditure and revenue collection and corrective action when departmental operations do not happen as planned.
3. In terms of section 31(2)(e) of the PFMA, an Adjustments Budget provides for the **shifting of funds** between and within votes, as long as it is approved by the Provincial Parliament as part of an Appropriation Act. Shifts approved by Parliament in an Appropriation Act is not defined as virement.
4. However, apart from the aforementioned adjustments, Section 43(1) of the PFMA allows for mechanism of corrective action outside of Appropriation Acts - An accounting officer for a department may utilise a **saving** in the amount appropriated under a **main division** (i.e. a programme) within a vote towards the defrayment of **excess expenditure** under another main division within the same vote, unless the relevant treasury directs otherwise.
5. Weak or no planning is discouraged by limiting the amount to be shifted to 8 per cent of the amount appropriated under that main division.
6. The shifting of funds by an AO after the Adjustments Budget (i.e. virement) must be reflected in the Annual Financial Statements, which must be tabled in the Provincial Parliament for discussion.

**Implication:**

1. **Shifts between programmes:** AOs can exercise the power to do virements ito section 43(1) of the PFMA independently. Treasury approval is only needed in certain cases when virement is applied between programmes (see section 43(4) of PFMA, as well as Treasury Regulation 6.3).
2. **Shifts within programmes:** Virement does not limit the utilisation of savings within a main division of a vote (e.g. between sub-programmes or economic classifications in same programme). AOs can thus shift funds between sub-programmes and economic classifications within a programme.