

BA-PHALABORWA LOCAL MUNICIPALITY



VIREMENTS POLICY

PROCEDURES AND PRINCIPLES ON VIREMENTS

2026-2027

1 Definition

1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer in terms of Section 60 of the MFMA
2. **“Approved budget”** means an annual budget approved by a municipal council.
3. **“Budget –related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality
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
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 fiscal periods
6. **“Council”** means the council of a municipality referred to in section 18 of the municipal structures Act
7. **“Financial year”** means a 12 month year ending on 30 June
8. **“Line Item”** an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [see annexure “B” for current item structures]
9. **“Operating Budget”** The town’s financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenue used to finance them.
10. **“Ring fenced”** “an exclusive combination of line items grouped for specific purposes, for instances salaries and wages.
11. **“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) for implementing the municipality’s delivery of municipal services and its annual budget.
12. **“Virement”** is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval

of the relevant manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

13. **“Function Segment”** 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 purpose of the department or functional area concerned.

2. Abbreviations

1. CFO-Chief Financial Officer
2. IDP –Integrated Development Plan
3. MFMA – Municipality Finance Management Act No .56 of 2003
4. SDBIP-Service delivery and budget implementation plan
5. CM-Council Minute’s
6. AC – Accounting Officer
7. MTREF – Medium term revenue and expenditure framework
8. MBP – Municipal budget policy

3. OBJECTIVES

- To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. As they arise to accelerate service delivery in a financially responsible manner

4. Virement Clarification

- Virement is the process of transferring budgeted funds from one line number to another, with the approval of the relevant 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)

5. Financial Responsibilities

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

- It is the responsibility of each manager or head of a department or activity to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than the approved budget. 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.

6. Virement Restrictions

- a. No funds may be transferred between votes (GFS Classifications) without approval of both vote holders and the Director Finance.
- b. Virement may not exceed a maximum of 0.3% of the total approved operating expenditure budget.
- c. A virement may not create new policy, significantly vary from current policy, or alter the approved outcomes\ outputs as approved in the IDP for the current or subsequent years. (*Section 19 and 21 MFMA*)
- d. Virement 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*)
- e. No virement may commit the municipality to increase current expenditure, which commits the Council's resources in the following financial year without the prior approval of the Mayoral Committee.
- f. This refers to expenditure such as entering into lease or rental agreements such as vehicles, photo copiers or fax machines.
- g. No virement may be made where it would result in over expenditure .(section 32 MFMA)
- h. No virement shall add to the establishment of the municipality without the approval of Municipal Manager.
- i. If the virement relates to an increase in the work force establishment, then the Council's existing recruiting policies and procedures will apply.
- J Virements may not be made in respect of ring –fenced allocations.

- K Budget may not be transferred from support service (interdepartmental) costs, Capital Financing, depreciation, Contributions, Grant Expenditure and income Foregone.
- L Budget may only be transferred from salaries if approved by the CFO and Director Corporate services
- M Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- N No virement are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- O. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- P Virement amounts may not be rolled over to subsequent years. or create expectations on following budgets. (Section 30 MFMA)
- q An approved virement does not give expenditure authority and all expenditure resulting from approved virement must still be subject to the procurement /supply chain management policy of council as periodically reviewed.
- R *Virements may not be made between Expenditure and Income.*

7. Virement Procedure

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Chief Financial Officer for checking and implementation.
- b. All virement must be signed by the Vote Holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- c. A virement form must be completed for all Budget Transfers.
- d. Virements in excess of R 250,000 with a maximum as determined under section 6a requires the approval of the Chief Financial Officer. (Section 79 MFMA)
- e. Must include changes to the SDBIP

- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- g. The Municipal Manager will report to the mayor on a quarterly basis on those virement that have taken place during that quarter.

Sources

Municipal Finance Management Act No .56 of 2003

MFMA Circular No.13- Service Delivery and Budget Implementation

Plan

MFMA Circular No.54

MFMA Circular No. 58

MFMA Circular No. 67

MFMA Circular No. 89

MFMA Circular No. 91

MFMA Circular No. 93

MFMA Circular No. 94

MFMA Circular No. 98

MFMA Circular No. 99

MFMA Circular No. 108

MFMA Circular No. 112

MFMA Circular No. 115

MFMA Circular No. 123

8. Policy Approval

This policy was formulated by Budget and treasury Management in consultation with the Treasury.

9. Review and amendment of the Policy


- This Policy must be reviewed periodically in order to ensure continued alignment with the MFMA, applicable regulations, National Treasury guidance, audit findings and the operational needs of the municipality.
- In addition to periodic review, the municipality must review this Policy where:
 - Legislative or regulatory amendments affect assets Management processes;
 - Audit findings or oversight recommendations indicate weaknesses in assets management;
 - Institutional changes require clarification of roles, procedures or reporting lines; or
 - Practical implementation challenges reveal gaps or ambiguities in the Policy.

- The Council must approve any amendment to this Policy following consideration of a formal submission setting out the reasons for the amendment, the proposed changes and the implications for financial governance and oversight.
- Until amendments are approved by Council, the existing provisions of this Policy remain binding on all officials and councillors.


10 . ADOPTION BY THE COUNCIL

Resolution NO:	Approved date:
Effective Date 01 July	Review date: Annually

AUTHORITY



**MUNICIPAL MANAGER
MS MOKOBI ST**



**COUNCIL SPEAKER
MR. NO MABUNDA**

