



MARULENG MUNICIPALITY

FINAL VIREMENT POLICY

2026-2027

Council Resolution no:

Approval Date:

Maruleng Municipality Council resolves in terms of section 111 of Local Government Municipal Finance Management Act (No. 56 of 2003) to adopt this Document as the **Virement Policy** of Maruleng Municipality:

INDEX

1. Introduction
2. Purpose
3. Definitions
4. MFMA Regulation on Budget Versus Expenditure
5. Virement Requirements
6. Operational Budget Virements
7. Capital Budget Virements
8. Process and Accountability
9. Virement Documentation

VIREMENT POLICY

1. INTRODUCTION

- 1.1 For all intents and purpose of this policy, "Virement" is defined as "a regulated transfer or re-allocation of money from one account to another"
- 1.2 A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.
- 1.3 Changing circumstances and priorities during a financial period may give rise to a need to transfer funds within or between approved Votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustments budget is required or not.

2. PURPOSE

- 2.1 The Accounting Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality's virement policy and its underlying administrative process within the system of delegation is one of these controls.
- 2.2 Section 81(1)(d) of the MFMA state inter alia that " the chief financial officer of a municipality... must advise senior managers and other senior officials in the exercise of power and duties assigned to the in terms of section 78 or delegated to them in terms of section 79;..."
- 2.3 It is the responsibility of each Director of each Directorate to which funds are allocated, to plan and conduct assigned operations so as not expend more funds than budget and to ensure that funds are utilised effectively and efficiently.
- 2.4 Section 78(1)(b) of the MFMA states inter alia that "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...(b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;..."
- 2.5 This policy aims to provide guidelines to senior management in the use of virements as a mechanism in their day-to-day management of their budget. In addition it specifically aims to empower senior managers with an efficient financial- and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and municipality's system of delegations.

3. DEFINITIONS

3.1 Accounting Officer(MFMA)

- (a) In relation to a municipality, means the municipal official referred to in section 60; or..."

3.2 Approved Budget (MFMA)

"... Means an annual budget-

- (a) Approved by municipal council; or
- (b) Approved by provincial or the national executive following an intervention in terms of section 139 of the constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;"

3.3 Chief Financial Officer (MFMA)

"A person designated in terms of section 80(2) (a)"

3.4 Cost Centre

- 3.4.1 Cost centre is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

3.5 Cost element

- 3.5.1 Cost elements are expenditure items mainly generated outside the municipality, and also charges utilised to reallocate cost by means of assessments, internal billing or activity based recoveries.

3.6 Director

- 3.6.1 Section 56 of systems Act state inter alia "Appointment of managers directly accountable to municipal managers - (a) a municipality council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager..."

3.7 Financial year

- 3.7.1 The 12 month period 1 July and 30 June.

3.8 Vote (MFMA)

- 3.8.1 (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for different departments or functional areas of the municipality; and
- (c) Which specifies the total amount that is appropriate for the purpose of the department or functional area concerned."

3.8.2 In the case of Maruleng Municipality the definition of vote is set at directorate level, with the exception being tariff-funded services as a result of their closed account nature e.g. water and solid waste, and professional services in respect of 'non-infrastructure' related services, which are viewed as a vote encapsulating a cluster of support and capacity building initiatives across Directorates and functions.

3.9 Virement

- 3.9.1 The process of transferring an approved budgetary provision from one operating cost element or capital project to another within a vote during a municipal financial year

and which result from changed circumstances from that which prevailed at the time of the previous budget adoption.

4 MFMA REGULATION ON BUDGET VERSUS EXPENDITURE

4.1 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provision.

4.1.1 Section 15 – Appropriation of funds for expenditure “A municipality may, except where otherwise provided in this act, incur expenditure only-

- (a) In terms of approved budget; and
- (b) Within the limits of the amounts appropriated for the different votes in an approved budget.”

4.1.2 Unauthorised Expenditure (MFMA Definition)

“In relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- (a) Overspending of the total amount appropriated for in the municipality approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) of the definition of “allocation” otherwise than in accordance with any condition of the allocation; or
- (f) A grant by the municipality otherwise than in accordance with this Act;

4.1.3 Overspending (MFMA Definition)

- (a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;
- (b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;”

4.1.4 Section 71 (1) (g) (iii) states inter alia “(1) The accounting officer of the municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for that month and for the financial year up to the end of that month....(g) when necessary, an explanation of ...(iii) any remedial or corrective steps taken or to

be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget..."

5. VIREMENT REQUIREMENTS

5.1 The virement process represents the major mechanism to align and take corrective (financial/budgetary) action within a Directorate during a financial year.

5.2 In order for a "vote" (Directorate) to transfer from one cost element or capital project to another cost element or capital project, a saving has to be identified within the monetary limitations of the approved "giving" cost element or capital project allocations on the respective budget.

5.3 Sufficient, (non-committed) budgetary provision should be available within the "giving" vote's cost element or project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element or capital project the budget provision will be transferred to and provided a clear motivation of the transfer.

5.4 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA Section 28)

5.5 In terms of section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virement are permitted between operating and capital budgets.

5.6 Virements are not permissible across, or between, votes.

5.7 Virements between Trading – and Rate-funded functions are not allowed, due to the differing impacts on respective tariff- or Rates-borne services budget, unless adopted via adjustment budgets (per MFMA Section 28)

5.8 Virement should not result in significant variations from, but support existing performance targets and indicators contained in the approved SDBIP.

6. OPERATING BUDGET VIREMENTS

6.1 Virement are not allowed to utilised special purpose budgetary allocations, adopted by council as such and to which specific Council recommendations apply (e.g. budget strategy for growth in repairs and maintenance provisions) and which result from specific resolutions adopted when adopting the budget, as virement sources.

6.2 Sound motivations should be provided for all virements.

6.3 Specific virement limitations:

6.3.1 No virements are permitted to and from Grants and Subsidies paid.

6.3.2 Salaries, wages and allowances

6.3.2.1 Virements are allowed between cost elements.

6.3.2.2 Virements to and from this subjective expenditure category are subject to the approval of the Accounting Officer.

6.3.3 Remuneration of Councillors

6.3.3.1 Virements within this category are allowed, as long as they do not increase the benefits and allowances of councillors above the determined upper limits.

6.3.3.2 No virements to and from this category are allowed.

6.3.4 General Expenditure and Repairs and Maintenance

6.3.4.1 Virements to and from cost elements **within** and **between** these categories are allowed.

6.3.4.2 The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category:

- Training related expenditure
- Insurance related provisions

6.3.4.3 No virements are allowed to and from the following cost elements or provisions:

- Capital expenditure-related elements
- Scraping of assets/stock
- VAT

6.3.4.4 Professional fees and training related costs

- Training is considered a professional service and virement within and between these categories and is allowed as long as the cost elements do not relate to infrastructure projects.

6.3.4.5 Contracted service and Collection Cost

- Virement to and from these elements are allowed.

6.3.4.6 Municipal Service Provision Agreement

- Virement to and from cost elements between municipality (own) function and function provided on behalf of a service Authority in terms of municipal powers and functions not allowed.

6.3.4.7 No virement will be permitted to and from the following expenditure categories, unless such amendments are effected within the cost element:

- Bulk purchase
- Bad debts
- Interest charges and depreciation

- Indigent relief and income forgone
- Appropriation accounts

6.3.4.8 Revenue

- No virements will be approved on any revenue element. Revenue provisions amendments are to be adopted via an adjustments budget.

6.3.4.9 Virements may not increase the total approved budget of that cost element.

6.3.4.10 Virements are not permissible in relation to support service charges.

6.3.5 Ward Allocation Projects

6.3.5.1 All conditions under "Operating Budget Virements" section above should be met, as well as the following when making virement between ward allocation projects

6.3.5.1.1 Only virement between existing projects approved by Council and supported by the project managers and finance managers of the projects involved and the accounting officer.

6.3.5.1.2 Virement will only be considered if approved by the council resolution.

6.3.5.1.3 Motivations for virements between projects should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required

7. CAPITAL BUDGET VIREMENTS

7.1 Only virements which relate to projects approved as part of annual or adjustments budgets, will be permitted

7.2 No virements of which the affect will be to add "new" projects onto the Capital Budget, will be allowed.

7.3 Virements may not cause an increase to individual projects' total projects cost.

7.4 Virements must be between projects of similar funding sources (e.g. MIG).

7.5 Implementation of the project from which funds are transferred may not be prejudiced (i.e. must not hinder completion of the project).

7.6 Motivations for virements should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

7.7 Capital Cost Elements:

7.7.1 Virements are permissible only within the same cost elements of different projects.

7.7.1.1 The service requestor and service provider must endorse such virements.

7.7.1.2 Proposed capital expenditure virements must be approved by the Accounting Officer.

7.8. Ward Allocations Projects:

7.8.1 Only virements between existing projects approved by council, within the same function (e.g. water) will be permitted.

7.8.2 Virements will only be considered if approved by Council Resolution and supported by the project managers and finance managers of the projects involved and the accounting officer.

7.8.3 Motivations for virements between projects should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

8. PROCESS AND ACCOUNTABILITY

8.1. Accountability to ensure that virement application forms are completed in accordance with council's virement policy and are not in conflict with the directorate's strategic objectives resides with the head of the relevant directorate.

8.2. Completed virement document is to be effected by the Chief Financial Officer.

8.3. Virement approved and processed will be reported for information to the Executive Mayor on a quarterly basis.

9. VIREMENT DOCUMENTATION

9.1 The Accounting Officer must ensure that pro-forma virement request forms are developed for use in applying for virements and obtaining requisite approvals.

9.2 Virements effected during the first half of the financial year will be ratified through the mid-year adjustments budget.

9.3 Virements effected during the last half of the financial year will be properly recorded for reconciliation of variances between the budget in the financial system as at 30 June and the Council approved mid-year adjustments budget.

SIGNED BY



MUROA ML

ACTING MUNICIPAL MANAGER

DATE

28/05/2026