

THEMBISILE HANI LOCAL MUNICIPALITY



DRAFT VIREMENT POLICY

2025/26

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1. **DEFINITIONS**

MFMA – Municipal Finance Management Act, Act No: 56 of 2003

MSCOA – municipal Standard Chart of Accounts

Virement – the process of transferring/ moving of funds from one line item of a budget to another within or to another function(s).

VOTE/FUNCTION – means as per Section 1 of the MFMA:-

- (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
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2. **OBJECTIVE**

The objective of the virement policy is to provide guidelines to be followed, to effect Virements of approved budgeted expenditure during the course of financial year.

3. **PRINCIPLES**

3.1 Virements should not be permitted in relation to the revenue side of the budget;

3.2 Virements between function should be permitted where the proposed shifts in funding facilitate sound risk and financial management(e.g. the management of central insurance funds and insurance claims from separate segments/functions);

3.3 Virements from capital budget to the operating budget should not be permitted;

3.4 Virements from personnel to other operational expenditure should not be permitted, Except where:

Temporary/ contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff; or
- the budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority)

- 3.5 Virements to or from the following items should not be permitted: bulk purchases, debt impairment, interest charges, depreciation, grants to individuals, revenue foregone, insurance and VAT.
- 3.6 Virement(s) should not result in adding new projects on the budget;
- 3.7 Virement(s) of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted;
- 3.8 The percentage on the amount of funds that may be moved to and from functions and sub-function must not exceed 10 percent of the total budget. On conditional grant Quarter 1,2 and 3 ten (10) percent virement is applicable and on quarter 4 ten (10) percent virement on condition is not applicable
- 3.9 To Virement funds in only allowed after three months after the budget year has begun and after adjustment is allowed after two months

4 GUIDELINES

- 4.2 Virement of any budgeted expenditure between the line items within the function can only be approved by the Municipal manager with the recommendation from the Chief Financial Officer.
- 4.3 Virement of any budgeted expenditure between functions can only be approved by the mayor, upon consideration of a report from Municipal manager to support the necessity thereof, which also extends to the authorization of unforeseeable or unavoidable expenditure not provided for in the budget.

5 VIREMENT APPROVAL FORM

