



MAKHADO LOCAL MUNICIPALITY

VIREMENT POLICY, 2026/2027

(Approved by Council Resolution A.46.28.05.26)

Vision: A dynamic hub for socio-economic development by 2050

Mission: To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism

Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

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1. DEFINITION OF VIREMENT

Virement is the process of transferring a Expenditure budget from one budget heading to another, with the approval of the relevant sectional director. It can be used to enable accountable managers to amend budgets in the light of experience, or to reflect anticipated changes in the pattern of future income or expenditure.

2. LEGAL REQUIREMENTS

This policy has been compiled in accordance with the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003.

Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

MFMA Circular No 51 issued on 19 February 2010 states that each municipality must put in place a Council approved Virement Policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

3. OBJECTIVE OF THIS POLICY

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.

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 Municipality's virement policy and its underlying administrative process within the system of delegations is one of these controls.

It is the responsibility of each Head of Department to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilised effectively and efficiently.

This policy aims to provide guidelines to management in the use of virement as a mechanism in their day-to-day management of their budgets. In addition it specifically aims to empower Head of Departments with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.

4. PRINCIPLES

- ❖ Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management
- ❖ Virement in relation to the revenue side of the budget should not be permitted
- ❖ Virement from the capital budget to the operating budget should not be permitted
- ❖ Virement should not result in adding "new" projects to the capital budget
- ❖ Virement of conditional grant funds for purpose outside of that specified in the relevant conditional grant framework must not be permitted

- ❖ Funds to be transferred to or from vote programmes and projects should be limited to the delegation of powers and all approval procedures must be followed
- ❖ All virement made during the first half of the budget year including section 29 and 32 of the MFMA must form part of the adjustments budget
- ❖ Virements may not be made in respect of ring-fenced allocations
- ❖ Virements should be done to the same funding segments as per MSCOA

4.1. Procedure for Virements

4.1.1. Operational budget

- ❑ It remains the responsibility of Assistant Manager or Manager Budget to identify the accounts on which virement is necessary to allow continuity in normal operations of activities of the affected departments or to allow the processing of year-end/month-end journals.
- ❑ Virement can only be done from the votes within the same department and same funding must not result in overspending of the votes within the affected department.
- ❑ All virement proposals shall be recorded and submitted on the appropriate budget changes form and approved by of Assistance Manager or Manager Budget and then captured on the system.

4.1.2. Capital budget

- ❑ For all the projects that are listed in the approved Integrated Development Plan (IDP), the written motivation of the virement signed by the relevant Director must be recommended by the Chief Financial Officer and approved by the Accounting Officer before shifting of funds can be effected.
- ❑ The Mayor of the municipality may in terms of the Municipal Finance Management Act 56 of 2003 section 1 approve the unforeseen and unavoidable expenditures for which no or insufficient provision was made. The limits of the expenditure that can be approved in terms of the MFMA will apply.
- ❑ Copies of the virement supporting documentations will be filed for audit purposes and future references.

4.2. Shifting of funds between multi-year appropriations

When funds for a capital programme are appropriated for more than one financial year, the expenditure for the programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that:

- ❖ The increase does not exceed 20 percent of that year's appropriation for the programme.
- ❖ The increase is funded within the following year's appropriation for that programme.
- ❖ The municipal manager certifies that:

- ✓ The actual revenue for the financial year exceeds the budgeted revenue.
- ✓ Sufficient funds are available for the increase without incurring further borrowing beyond the budget limit.

- ❖ Prior written approval is obtained from the mayor for the increase, and

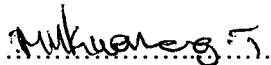
- ❖ The municipal manager and mayor's approval should be filled for inspection by the Auditor General.

5. COMMENCEMENT

The policy shall become effective from 1 July 2026.

AUTHORIZED BY SIGNATURE

I, THE UNDERSIGNED, CLLR GT MUKWEVHO MITILENI, SPEAKER, HEREBY CERTIFY THAT THIS VIREMENT POLICY, 2026/27 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 640th EXECUTIVE COMMITTEE MEETING HELD ON 26 MAY 2026 AND APPROVED BY COUNCIL AT ITS 194th SPECIAL MEETING HELD ON 28 MAY 2026 UNDER COUNCIL RESOLUTION A.46.28.05.26.


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CLLR GT MUKWEVHO MITILENI


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DATE