



VIREMENT POLICY
UTHUKELA ECONOMIC DEVELOPMENT AGENCY
2026/2027 FINANCIAL YEAR

POLICY TITLE	VIREMENT POLICY
DATE APPROVED	29 MAY 2026
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1. DEFINITIONS

"The CEO of an agency is designated as the accounting officer of the agency according to section 60 of the MFMA."

"An **'approved budget'** refers to the annual budget that has been approved by a municipal council."

"A **'budget-related policy'** is a policy of an agency that either influences or is influenced by the annual budget of the agency."

"**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.

"**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 several fiscal periods

"**Board**" means the board of an Agency referred to in section 18 of the Municipal Structures Act.

"**Financial year**" means a 12-month year ending on 30 June.

"**Line Item**" an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures.

"**Operating Budget**" The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues, used to finance them.

"**Ring Fenced**" is an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

"**Service delivery and budget implementation plan**" means a detailed plan approved by the Board of an Agency in terms of section 53(1)(c) (ii) for implementing the Agency's delivery services and its annual budget.

"**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.

"Vote" means one of the main segments into which a budget of an Agency is divided for the appropriation of funds for the different departments or functional areas of the Agency; and which specifies the total amount that is appropriated for the department or functional area concerned.

CFO - Chief Financial Officer

MFMA — Municipal Finance Management Act No. 56 of 2003

SDBIP – Service delivery and budget implementation plan

2. PURPOSE OF VIREMENT

A virement represents a flexible mechanism to effect budgetary amendments within entity financial year. Changing circumstances and priorities during a financial year may give rise to a need to virement (transfer) funds within Votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA)

3. LEGISLATIVE FRAMEWORK

Municipal Finance Management Act 56 of 2003 (MFMA)

ME-MA sections 78 and 102

Section 60 of the MFMA

4. POLICY STATEMENT

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

4.1 Scope of the policy

This policy and procedures shall be reviewed annually and if necessary, it will be revised, approved and adopted by the board members of the Entity.

4.2 Virement Clarification

Virement is the process of transferring budgeted funds from one-line item 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)

4.3 Financial Responsibilities

4.3.1 Strict budgetary control must be maintained throughout the financial year so that potential overspends and/or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)

4.3.2 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.

4.3.3 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 budgeted. 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.

4.4 Virement restrictions

No funds may be viremented between votes (GFS Classifications) without the approval of both vote holders and the Chief Financial Officer.

4.4.1 Virements may not exceed a maximum of 0.1% of the total approved operating expenditure budget.

4.4.2 A Virement may not create new policy, significantly vary current policy, or alter the approved outcomes/outputs as approved in the IDP for the current or subsequent years. (Section 19 and 21 MFMA)

4.4.3 Virement resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Board with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3).

4.4.4 No virement may commit the Agency to increase recurrent expenditure, which commits the Board resources in the following financial year, without the prior approval of the Board. (This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machine).

4.4.5 No virement may be made where it would result in over expenditure. (Section 32 MFMA).

4.4.6 No virement shall add to the establishment of the Agency without the approval of the Accounting Officer.

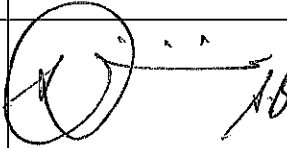
4.4.7 If the virement relates to an increase in the workforce establishment, then the Board's existing recruitment policies and procedures will apply.

4.4.8 Budget may not be transferred from Support service (Capital expenditure to operating expenditure vice versa, Depreciation, Contributions and Grant Expenditure.

4.4.9 Budget may only be transferred from Salaries if approved by the CFO.

4.4.10 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.

5. APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
MR SB SIBISI		ACTING CHIEF EXECUTIVE OFFICER	29/05/2026

