



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: VIREMENT

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury Office

Table of Contents

PREAMBLE..... 4

1 INTERPRETATION OF THE POLICY..... 4

2 MFMA REGULATION ON BUDGET VERSUS EXPENDITURE 7

3 VIREMENT REQUIREMENTS 7

4 AUTHORISATION OF VIREMENTS 7

5 PROCEDURE FOR VIREMENT..... 8

6 VIREMENT RESTRICTIONS 10

7 REPORTING 11

8 GENERAL 11

9 COMMENCEMENT 11

“COMPANIES ACT” shall mean the Companies Act, 2008 (Act No 71 of 2008), as amended from time to time;

“HGDA” means the Harry Gwala Development Agency (Pty) Ltd, a company duly incorporated in terms of the laws of the Republic of South Africa with registration number: 2011/001221/07, in which the Harry Gwala District Municipality, as Parent Municipality, holds a sole interest.

“HGDM” means the Harry Gwala District Municipality, a Category C Municipality established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa, 1996 and in terms of Section 12(1) of the Municipal Structures Act, 32 of 2000 (as amended) and its successors in title. Includes duly authorised officials of the Municipality who have been delegated any powers, functions and duties necessary to give effect to this Policy and decide upon and administer the matters referred to herein.

“COUNCIL” refers to the Municipal Council of the Harry Gwala District Municipality, as defined in Section 157 (1) of the Constitution of the Republic of South Africa, Act 108 of 1996, as amended from time to time;

“CEO” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“MEETING” shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

“MFMA” shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time

“MSA” shall mean the Municipal Systems Act 32 of 2000, as amended from time to time

“NON-EXECUTIVE DIRECTOR” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

“SHAREHOLDER” shall mean the Harry Gwala District Municipality.

“ACCOUNTING OFFICER” (MFMA) -(a) in relation to a municipal entity means the municipal entity official referred to in section 60;

“APPROVED BUDGET” (MFMA) means “- an annual budget

(a) approved by a municipal council; or

(b) approved by a 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 adjustment budget in terms of section 28;”

“CHIEF FINANCIAL OFFICER” (MFMA) – a person designated in terms of section 80(2)(a)

2 MFMA REGULATION ON BUDGET VERSUS EXPENDITURE

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

- 2.1 Section 15 – Appropriation of funds for expenditure “A municipal entity may, except where otherwise provided in this Act, incur expenditure only in terms of the approved budget and within the limits of the of the amounts appropriated for the different votes in an approved budget
- 2.2 Section 28(2) (d) read together with section 69 of the MFMA provides that “An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.” Transfers between votes may therefore be authorised only by the board of the Municipal entity.

3 VIREMENT REQUIREMENTS

- 3.1 The virement process represents the major mechanism to align and take corrective (financial / budgetary) action within a department during a financial year.
- 3.2 In order for a “vote” (department) to transfer funds from one line (cost element) item to another, a saving has to be identified within the monetary limitations of the approved “giving” line item budget allocation on the respective budgets.
- 3.3 In terms of Section 17 of the MFMA a municipal entity’s budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budget.
- 3.4 Virements are not permissible across, or between votes.
- 3.5 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 adjustment budget (per MFMA Section 28)
- 3.6 Sufficient, (non-committed) budgetary provision should be available within the “giving” votes line item to give effect to the budgetary transfer (virement). In addition the transferring function must clearly indicate to which line item the budget provision will be transferred to and provide a clear motivation for the transfer.

4 AUTHORISATION OF VIREMENTS

A transfer of funds from one item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- 5.3.5 The amount of the transfer does not exceed the amount referred to in section 4.1, but the transfer is between cost or functional centers, or if it falls within the range of amounts referred to in section 4.2, the Chief Financial Officer shall refer the proposal to the Chief Executive Officer who, after consultation with the Chief Financial Officer, shall approve or reject the proposal.
- 5.3.6 The amount of the transfer falls within the range of the amounts referred to in section 4.3, the Chief Financial Officer shall refer the matter to the Chief Executive Officer who in turn shall refer the matter to the Board, together with his recommendations, and the Board shall either approve or reject the transfer.
- 5.4 All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Department official for checking and implementation.
- 5.5 All virement must be signed by the vote-holder (per Department) and the Manager within which the vote is allocated. (Section 79 of the MFMA refers).
- 5.6 A virement form must be completed for all Budget Transfers.
- 5.7 All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 of the MFMA refers).
- 5.8 The Chief Executive Officer will report to the Board on a quarterly basis on those virements that have taken place during that quarter.
- 5.9 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipal entity's Supply Chain Management Policy.
- 5.10 Any virement exceeding the threshold should not be permitted unless otherwise accompanied by a motivation specifying reasons other than poor planning or any disastrous event which could have been avoided, such virement must be approved by the accounting officer even if it below threshold as depicted by the policy.

7 REPORTING

The Chief Executive Officer shall submit a report on all transfers made under this Policy to the Board.


8 GENERAL

- 8.1 The Chief Executive Officer shall be responsible for the implementation and administration of this Policy.
- 8.2 Accountability to ensure that the virement application forms are completed in accordance with Council's virement policy and are not in conflict with the department's strategic objectives manifests with the head of the relevant department.

9 COMMENCEMENT

This policy will commence on 1 July 2025, and must be reviewed annually together with the budget related policies.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
Mrs T.T. Thiyane-Magaqa		Acting Chief Executive Officer	22 May 2025