

VIREMENT POLICY

2026/2027



(*Virement*: derived from the *French* term meaning – commerce transfer, an authorized transfer of funds from one use to another)

APPROVED BY COUNCIL ON: 27 MAY 2026

COUNCIL RESOLUTION NUMBER: A085/05/2026

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1. Definitions

- **“Accounting Officer”** means a person appointment in terms of section 82(l) (a) or (b) of the Municipal Structures Act.
- **“Approved Budget”** means an annual budget:
 - (a) approved by a municipal council; or
 - (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the Municipal Finance Management Act.
- **“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality.
- **“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.
- **“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 a number of fiscal periods.
- **“Council”** means the council of a municipality 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.
- **“Operating Budget”** The Municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
- **“Ring Fenced”** 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 mayor of a municipality in terms of section 53(1) (c) (ii) for

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implementing the municipality's delivery of municipal services and its annual budget.

- **“Virement”** is the process of transferring an approved budget allocation from and/or between votes/line item or capital project to another.
- **“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality, and which specifies the total amount that is appropriating for the purposes of the department or functional area concerned.

2. Objective

The objective of the virement policy is to set out as follows:

- To give Head of Departments greater flexibility in managing their budgets
- To provide clear guidance how shifting of funds may take place between items, projects, programmes and votes.
- To ensure that proposed virements must at all times facilitate sound risk and financial management.

3. Virement Clarification

Virement is the process of transferring **budgeted** funds from one line item to another, with the approval of the relevant Manager, CFO and Accounting Officer to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28(2) (c) of the MFMA)

4. Financial Responsibility

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

4.2 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. (Section 27(4) of MFMA)

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4.3 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. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA section 78 and 102 stated as follows:

78. Senior Manager and other officials of the Municipality. -

(1) 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 -

(a) that the system of financial management and internal control established for the municipality is carried out diligently;

(b) that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;

(c) that any unauthorized, irregular or fruitless and wasteful expenditure and any other losses are prevented;

(d) that all revenue due to the municipality is collected;

(e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;

(f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and

(g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

102. Irregular or fruitless and wasteful expenditure.-

(1) On discovery of any irregular expenditure or any fruitless and wasteful expenditure, the board of directors of a municipal entity must promptly report, in writing, to the mayor and municipal manager of the entity's parent municipality and the Auditor-General -

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- (a) particulars of the expenditure; and*
- (b) any steps that have been taken-*
 - i. to recover the expenditure; and*
 - ii. to prevent a recurrence of the expenditure.”*

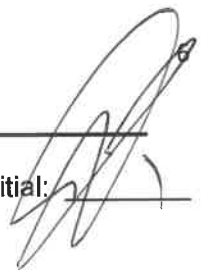
5. Virement Restrictions

- a. No funds can be transferred between votes and this process can only be done through an adjustment budget.
- b. Virements for operating budget may not exceed a maximum of R 1 million per case. Anything above that amount must be referred to the Accounting Officer for approval under his/her limitation of R 2 million per case.
- c. Virements for capital budget funded internally may not exceed R1.5 million per case. Anything above that amount must be referred to the Accounting Officer for approval under his/her limitation of R 3 million. Anything above that amount R 3 million must be referred to Council for approval.
- d. Any virements for capital project budget funded through grants (i.e Municipal Infrastructure Grant, Integrated National Electricity Programme Grant, Water Service Infrastructure Grants and any other conditional grant) must be referred to Council for approval.
- e. 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 of MFMA)
- f. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustment budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- g. No Virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Mayoral Committee.
 - This refers to expenditures such as entering into lease or rental agreements e.g. vehicles, photo copiers or fax machines.

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ANNEXURE B

- h. No Virement may be made where it would result in over expenditure. (Section 32 of MFMA – unauthorized, irregular or fruitless and wasteful expenditure.)
- i. No Virement shall add to the establishment of the Municipality without the approval of the Municipal Manager.
- j. If the Virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- k. Virements may not be made in respect of ring-fenced allocations.
- l. Budget may not be transferred from Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- m. Budget may only be transferred from Salaries if approved by the CFO.
- n. Virements in the Capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- o. Virements of conditional grant funds, which fall outside what is specified in the relevant conditional grant framework, are not permissible.
- p. Virements should not result in adding new projects to the capital budget.
- q. Virements on the capital budget must remain within:
 - the same main vote;
 - the same programme name; and
 - the same funding source
- r. Virements on capital projects are only allowed if sufficient proof can be provided that a saving realized on the completion of the project, from which funds are to be moved.
- s. No virements are permitted in the **first three months nor the last month** of the financial year.
- t. No Virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of the Department, as recorded on the signed Virement form. (Section 30 of MFMA).

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- u. An approved Virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement / supply chain management policy of Council as periodically reviewed.
- v. Virements may not be done between Expenditure and Income, and may not increase the total approved budget.
- w. Virement may not be done between different source of funding.
- x. Virements may not be done on Entertainment allowance and Traveling & Subsistence votes unless the approval has been granted by the Accounting officer in writing.

6. Virement Procedure

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the Budget office for verification.
- b. All virements must be signed by the Vote holder (per department) and the Head of Department within which the vote is allocated. (Section 79 of MFMA)
- c. A virement form must be completed for all Budget Transfers.
- d. All Virements requires the approval of the Chief Financial Officer and where appropriate Municipal Manager in terms of Item 5b and 5c above. (Section 79 of MFMA)
- e. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 of MFMA)

7. Unforeseen and Unavoidable Expenditure

- a. In the case of an emergency or any other exceptional circumstances, virements shall be submitted by the Accounting Officer to the Executive Mayor to authorize any possible unforeseeable and unavoidable expenditure for which no provision was made in an approved budget only if the delay that will be caused pending approval of an adjustment budget may:
 - result in significant financial loss for the municipality;

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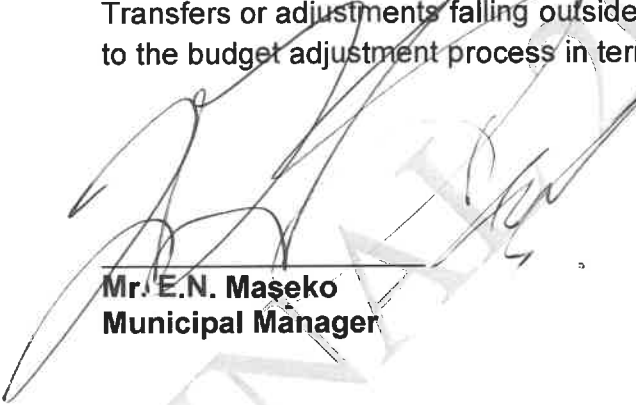
- cause a disruption, a suspension or a serious threat to the continuation of a basic municipal service;
 - lead to loss of life or serious injury or significant change to property; or
 - obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
- b. The Executive Mayor must report on such expenditure to the Council at its next meeting and pass an adjustment budget within sixty (60) days after the expenditure was incurred.

8. Supplementary

This policy replaces any other policies or Council resolutions as far as they may refer to virements (transfer of funds) as defined in this policy.

Once approved, the virement policy should form part of the Municipal Manager's formal delegations and Financial Regulations of the Municipality.

Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of Section 19 of the MFMA.



Mr. E.N. Maseko
Municipal Manager

Date