

# Theewaterskloof Municipality



## Virement Policy

*Approved by Council on: 28 May 2026*

*Resolution: SC06/2026*

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## **SECTION A:        DEFINITIONS**

1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
2. **“Approved budget”** means an annual budget approved by a municipal council.
3. **“Budget-related policy”** means a policy of a municipality affecting or affected by the annual budget of the municipality
4. **“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.
5. **“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
6. **“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
7. **“Financial year”** means a 12-month year ending on 30 June.
8. **“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
9. **“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
10. **“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) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget.
11. **“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.
12. **“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 appropriated for the purposes of the department or functional area concerned. **The definition of vote is set at Directorate level.**

## **SECTION B:        ABBREVIATIONS**

1. **CFO** – Chief Financial Officer
2. **IDP** – Integrated Development Plan
3. **MFMA** – Municipal Finance Management Act No. 56 of 2003
4. **SDBIP** - Service delivery and budget implementation plan

## **SECTION C:        DEFINING VIREMENT**

Virement is the process of transferring funds from one vote 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)

## **SECTION D:        FINANCIAL RESPONSIBILITIES**

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 MFMA)

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 those controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, 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

## **SECTION E:        VIREMENT RESTRICTIONS**

- a. ~~Virements may not exceed a maximum of R200, 000.~~  
Virement limit on the amount of funds that may be moved to and from votes and sun-votes may not exceed five (5) per cent of the budget unless approved by council and incorporated as part of the adjustment budget.
- b. 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)
- c. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- d. No virement may commit the Municipality to increase recurrent expenditure, which commits the Councils resources in the following financial year, without the prior approval of the Finance Committee.
- e. No virement may be made where it would result in over expenditure. (section 32 MFMA)

## **SECTION E:            VIREMENT RESTRICTIONS (CONTINUES)**

- f. No virement shall add to the establishment of the Municipality without the approval of Municipal Manager or his delgatee.
- g. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- h. Virements may not be made in respect of ring-fenced allocations.
- i. Budget may not be transferred from Salaries, Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions and Grant Expenditure.
- j. 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 classification.
- k. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- l. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- m. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- n. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to Municipal Supply Chain Management Policy and Systems as periodically reviewed.
- o. Virements may not be made between Expenditure and Income unless there is a change in the accounting policies which reclassified items.
- p. If there are changes to the regional segment in the application of a virement, then a virement may not be done but an adjustments budget is required, because Council allocates the project and funding to a specific region.
- q. A Project extending over/ incorporating more than one mSCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source.

## **SECTION F:            VIREMENT PROCEDURE**

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by Vote holder and the Manager within which

- the vote is allocated. (Section 79 MFMA)
- c. A virement form must be completed and motivated and signed by the relevant Director / **Town Manager** for all Budget Transfers.
- d. All transfers must be motivated and need approval of the Municipal Manager or his delegate after the Chief Financial Officer has recommended said transfer.(Section 79 MFMA)
- e. Must include changes to the SDBIP.
- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)

### **OPERATING BUDGET VIREMENTS**

- a. Virements are not allowed to utilise any special purpose operating budgetary allocations approved by Council and which is specifically mentioned and highlighted as such during the approval of the budget.
- b. Only Council may consider the virements of these funds mentioned above and only after full motivations were provided for these virements.
- c. Virements in respect of expenditure line items funded from Transfers and Subsidies or any other external source of finance must be in line with approved business plans and must comply with the conditions of the specific contract / grant conditions.
- d. When a virement is requested, it should be from the same funding source.

### **SECTION G: SUPPLEMENTARY**

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

Once agreed, 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 69 of the MFMA, Except for virements after year-end. These virements may include:

- Virements between capital and operating votes.
- Virements between any vote in order to comply with GRAP requirements.
- Such virements will be considered and approved by the CFO.

Direct any questions on this policy to the Budget Office.

### **SOURCES**

Municipal Finance Management Act No. 56 Of 2003

Mark Pearson National Treasury Advisor

Airedale Primary Care Trust Budget Virement Policy: 2004-5

George Mason University

MFMA Circular No.13 - Service Delivery and Budget Implementation Plan