

# LAINGSBURG MUNICIPALITY



## VIREMENT POLICY

### 2026/2027

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# 1. DEFINITIONS

In this Policy, unless the context indicates otherwise, the following definitions are applied:

TERM	DEFINITION
<b>Accounting Officer</b>	The Municipal Manager of the municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).
<b>Adjustments Budget</b>	A budget formally tabled and approved by Council in the course of a financial year, in accordance with MFMA Section 28, to authorize changes to the Approved Budget. An adjustments budget may, among other things, provide for the shifting of funds between votes, the introduction of new projects, or the appropriation of additional revenues, subject to the limitations of the MFMA. Virements executed under this policy that exceed certain limits or alter the budget structure must be incorporated into an adjustments budget for Council approval (see Sections 5 and 7 below).
<b>Approved Budget</b>	The annual budget as adopted by Council for a particular financial year, including any amounts appropriated for operating and capital expenditures per vote, and as revised by an adjustments budget adopted in terms of Section 28 of the MFMA.
<b>CFO</b>	means the Chief Financial Officer designated in terms of section 80(2)(a) of the MFMA.
<b>Financial Year</b>	The 12-month period to which the annual budget applies, running from 1 July to 30 June of the following year.
<b>mSCOA Segments</b>	Refers to the standardized financial classification segments prescribed by the mSCOA regulations (e.g. Function, Item, Funding, Project, Region, Costing, etc.). Virements are often discussed in terms of their impact on these segments. For example, a virement might involve shifting budget within the same Function segment (e.g. within one vote or department) and the same Funding source, but between different Item segments (e.g. from “Materials” to “Contracted Services”). This policy sets conditions on which segment changes are allowed via virement, and which require an adjustments budget (see Section 6).
<b>Virement</b>	A transfer or adjustment of an approved budgetary provision from one line-item or project to another. In practical terms, a virement is the process of transferring funds from one operating cost element or capital project to another, within the same vote (department or functional area) during a financial year. Virements are a mechanism to allow budget amendments within a municipal financial year, to facilitate flexibility while maintaining the overall approved budget total.
<b>Vote</b>	means one of the main segments (departments) into which a budget of a municipality is divided for the appropriation of money for the different functional areas (cost centres) of the municipality which specifies the total amount that is appropriated for the purposes of the vote’s functional areas concerned.

*Other terms in this policy have the meanings assigned to them in the MFMA, its regulations, and Laingsburg Municipality’s Budget Policy. For clarity, any term not defined here that is defined in the MFMA or mSCOA framework will have that meaning.*

## 2. PURPOSE AND OBJECTIVES

This Virement Policy provides a framework for transferring budgeted funds (virements) within the Laingsburg Municipality's approved annual budget in a controlled, accountable manner. The policy's objectives are to:

- **Guide Management:** Provide clear guidelines to senior management on the use of virements as a mechanism in day-to-day budget management. This empowers managers with flexibility to realign funds within votes (departments or functional areas) to meet operational needs without compromising service delivery.
- **Ensure Financial Control:** Ensure all budget shifts comply with the Municipal Finance Management Act (MFMA) and related regulations. Virements effected in terms of this policy are lawful and are not regarded as unauthorised expenditure, whereas any shift outside this policy would require Council approval via an adjustments budget (per MFMA Section 28).
- **Promote Responsive Service Delivery:** Allow responsible budget flexibility to address changing circumstances such as emergencies, unforeseen expenses, or savings, in order to accelerate service delivery in a financially prudent manner.
- **Maintain Accountability:** Clearly delineate the delegation of authority for approving virements (e.g. Chief Financial Officer vs. Council) and establish limits and reporting requirements. This ensures transparency and that all virements are tracked and reported as required by oversight authorities.

## 3. LEGISLATIVE AND REGULATORY FRAMEWORK

This policy is developed in accordance with the following laws, regulations and guidance:

- **Municipal Finance Management Act, 56 of 2003 (MFMA):**

Section 15 of the MFMA stipulates that a municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes. Section 28 of the MFMA provides for adjustments budgets, which must be used to authorise any changes to the approved budget that fall outside the scope of permitted virements. MFMA Section 28(2) and National Treasury regulations require Council approval (via an adjustments budget) for shifts that alter the approved budget beyond delegated limits or introduce new spending not initially budgeted.

➤ **MFMA Circulars No. 12, 51, 88:**

These National Treasury circulars (and any subsequent updates) outline principles for budget adjustments and virements that remain applicable under mSCOA. The policy incorporates these principles, as reaffirmed by MFMA Budget Circular No. 130 of 2025.

➤ **MFMA Budget Circular No. 130 (2025/26):**

This circular emphasizes that municipalities **must** review their virement policies annually to align with the latest guidance. It requires that virements be made only against existing budget provisions (no new budgets are created via virement) and that all virements be included in the municipality's adjustments budget for transparency and accountability. The circular also introduces new reporting obligations – from the 2025/26 year, municipalities must submit monthly virement reports and data strings to allow National and Provincial Treasuries to monitor all virements.

➤ **Municipal Regulations on Standard Chart of Accounts (mSCOA) and mSCOA Circular No. 8 (April 2020):**

The mSCOA Regulations and Circular 8 provide specific guidance on how virements should be handled in an mSCOA environment. This includes which segments of the budget can be affected by a virement and which cannot, ensuring that any budget shifts remain within the same functional area and funding structure, except in certain limited scenarios (detailed in Section 5 of this policy). Circular 8's Virement Policy Guideline has informed this policy's restrictions.

➤ **Other Applicable Legislation:**

The Municipal Budget and Reporting Regulations, 2009, and the Municipal Systems Act, 2000 (for alignment with the Integrated Development Plan and Service Delivery and Budget Implementation Plan) also inform aspects of this policy. Any virement must not conflict with the conditions of grants (Division of Revenue Act) or other applicable laws governing municipal finances.

This policy will be implemented alongside the Municipality's overall budget process and the System of Delegations. It must be read in conjunction with Council's approved Budget Policy and will be reviewed annually to remain compliant with prevailing legislation and Treasury guidance.

## **4. SCOPE OF APPLICATION**

This Virement Policy applies to all budget transfers within the Laingsburg Municipality's Operating Budget and Capital Budget during a financial year. It covers transfers initiated by any municipal

department or vote and is binding on all municipal officials who propose or authorize budget shifts. Key points on the scope include:

➤ **Operating Budget Virements:**

The policy governs transfers of budget provision between line-items (ledger accounts) within the Operating Budget, provided such transfers remain within the same functional area as originally approved by Council. Virements may occur between programs, cost centres or line items within a department's operational budget to address over/ under expenditure, subject to the conditions in Section 5 below.

➤ **Capital Budget Virements:**

The policy also governs shifting of funds between capital projects or within capital project allocations. Virements on the Capital Budget are permitted only between existing approved projects and within the same function, and only if they do not result in new projects being introduced or an increase in the total capital budget. Capital virements have additional restrictions (see Section 6.2) due to the nature of project funding and multi-year commitments.

➤ **Exclusions:**

This policy does not apply to any transfer of funds that would effectively change the Council-approved budget in a manner not allowed by delegated authority. For example, transfers between different votes (departments) or between operating and capital budgets are outside the scope of permissible virements and would require an adjustments budget as per the MFMA. Likewise, adjustments to the budget that involve additional revenue or funding (not originally budgeted) are handled through the adjustments budget process, not via virement.

➤ **Relationship to Adjustments Budget:**

Virements are a mechanism for in-year budget amendments within the limits set by Council. Any virement that falls outside the scope of this policy, or that exceeds the thresholds defined herein, must be referred for inclusion in an adjustments budget for approval by Council. Even for permissible virements, all such budget amendments will be reported and reflected in the next adjustments budget to ensure Council oversight and transparency.

In summary, this policy enables controlled budget flexibility for management while preserving Council's ultimate authority over the approved budget. It strikes a balance between operational agility and adherence to the approved budget and service delivery priorities (as outlined in the IDP and annual Service Delivery and Budget Implementation Plan).

## **5. GENERAL PRINCIPLES FOR VIREMENTS**

The following overarching principles apply to any virement processed under this policy:

### **5.1. Within-Vote Transfers**

A virement may only occur within a defined vote (functional area / department) and its sub-functions as set out in the approved budget. In other words, funds can be shifted between programs or line items that fall under the same main function within a vote. Virements between different votes (e.g., moving budget from the Infrastructure Services vote to the Community Services vote) are not permitted and would require an adjustments budget approved by Council. The only exceptions to this rule are outlined in Section 6.1 below (limited cases where cross-function shifts might be allowed due to project or structural linkages).

### **5.2. No Change in Approved Total per Vote**

A virement shall not increase the total budgeted expenditure of a vote beyond the amount approved by Council, nor shall it increase the total approved budget (municipal wide). Virements are purely reallocations of existing funds. The sum of the municipality's budget and each vote's budget after all virements must remain as approved, unless adjusted by Council via formal budget amendment.

### **5.3. Existing Funding Only – No New Budget Creation**

Virements may only shift funds between existing budgeted items or projects. Under no circumstances should a virement be used to fund a new project, initiative, or budget line that was not part of the approved budget. Introducing any new project or item must be done through an adjustments budget (with Council approval), not through virement. Similarly, a virement cannot create an increase in funding that isn't already provided for; it can only transfer existing budget provision from one area to another.

### **5.4. Lawful and Purpose-driven**

All virements must be lawful, in that they comply with MFMA, this policy, and the intent of the budget. Virements should be driven by sound project or service delivery considerations – for example, shifting funds from an under-spending item to cover a shortfall in another item that is critical to service delivery. Virements must not be made for the sole purpose of utilising apparent “savings” in a way that is

inconsistent with Council's objectives or that circumvents procurement or other regulations. The CFO shall reject any proposed virement that contravenes the letter or spirit of this policy.

## **5.5. Financial Prudence**

Management must exercise prudence when proposing virements. Even where virements are permitted, they should not undermine the funding of core services or future obligations. Savings on one item should be confirmed (e.g., based on projected underspending) before being vired to another area. Virements should also not result in permanent funding shifts for ongoing costs without future budget implications being considered (for example, using one-time savings to fund a recurring expenditure in another area should be avoided unless properly planned). The Accounting Officer and CFO will ensure that virements do not jeopardize the funding of obligations such as asset maintenance, loan repayments, statutory commitments, etc.

## **5.6. Record-Keeping and Tracking**

The Chief Financial Officer must maintain clear records of all virements effected. Each virement must be documented (see process in Section 7) and captured in the financial system in a way that it can be reported on. The Municipality's budgeting system must be able to produce a log or report of all virements processed, with details of the source and application of funds. This ensures transparency and enables both internal and external stakeholders (e.g. Council, auditors, Treasury) to track how the budget has shifted during the year. Virements will be reported in the format and frequency required (see Section 8 on reporting).

## **5.7. Alignment with mSCOA Classification**

All virements must respect the integrity of the mSCOA segments. A virement that changes the classification of an expenditure must still comply with mSCOA rules (e.g. not moving funds in a way that misclassifies the function or funding source of the expenditure). The BTO will ensure that any budget transfer is done in line with mSCOA postings so that financial reports remain aligned to the standard chart.

## **5.8. Impact on Service Delivery and Performance**

Before any virement is approved, the responsible senior manager must consider the impact on service delivery and performance targets. Funds should not be moved away from an area if it will leave that program unable to meet a Council approved performance target (unless there is a valid reason such

as project cancellation or efficiency gains). Conversely, moving funds into an area should correspond to an ability to utilise those funds effectively within the financial year. Changes that significantly affect the service delivery and budget implementation plan (SDBIP) may require Council notification or approval.

By adhering to these principles, the Municipality ensures that virements are used as a supportive financial management tool without eroding accountability or the integrity of the budget.

## 6. VIREMENT RULES AND RESTRICTIONS

The following specific rules define what virements are **permissible** and what are **prohibited** under this policy. These rules apply to both operating and capital budget adjustments except, where stated otherwise.

### 6.1. Permissible Virements (Allowable Adjustments)

Subject to the limitations in this policy, the following types of virements **may be allowed**:

#### ➤ Within a Function/Department

Virements within the same mSCOA function (vote) and subfunction are generally allowed. Managers can recommend shifting funds between cost elements (e.g. from one type of operating expenditure to another) within their departmental budget to address changing needs, provided that all other restrictions are observed (e.g. not shifting funds to non-allowed items or beyond limits). For example, if the Roads section has savings on “Travel Costs” and needs additional “Materials” budget, a virement can shift funds between those line items since both fall under the Roads function in the operating budget.

#### ➤ Within Capital Projects or Programs

For capital budgets, virements are permissible within an existing project’s allocation, or between line-items of the same project. If a capital project budget was allocated across multiple cost items (e.g. construction contracts, professional fees, equipment purchases), the project manager may vire funds from one item to another within the project, with CFO approval, as needs change – as long as the total project budget stays the same. Additionally, if a capital program (group of related projects) was approved with a lump sum for distribution among specific sites or wards, the Accounting Officer may reallocate funds between those approved project sites, provided no new sites are added and the

projects are substantially the same as originally approved. All capital virements must still respect any funding source restrictions (e.g. conditional grants – see prohibitions below).

➤ **Operating to Operating and Capital to Capital Only**

Virements are allowed within the operating budget or within the capital budget, respectively, but not between the two (operating funds cannot be used for capital purposes via virement, and vice versa – see 6.2 below for prohibition).

➤ **Expenditure Category Changes**

A virement may involve shifting funds between different expenditure categories (mSCOA “Item” segment) – for example from “General Expenses” to “Repairs and Maintenance” – only if such a shift is within the same function and does not violate any specific restriction in 6.2. If the virement is merely an “item segment change” within an existing project or program (i.e., the only change is the type of expense, not the purpose or function), it is generally allowed. Managers should, however, ensure that moving funds to a different item is appropriate (e.g., not moving operational expense budget to a completely different purpose that was not intended).

➤ **Virements Involving Grant-Funded Projects**

If an operating or capital project is funded by a conditional grant and is underspending, it may be possible to transfer/vire funds within that same grant framework to another project or item under the same grant, provided the grant’s conditions (Scope) allow such reallocation. For example, some grants allow reallocation between line items of the same program with the grantor’s consent. This must still be within the same function. Any virement of grant funds must strictly adhere to the conditions of the grant and usually also requires notification to or approval from the funding agency. Shifting conditional grant funds to a purpose outside the approved grant business plan is prohibited (see 6.2), so this point is mainly about reallocating within the scope of the grant. The CFO must verify compliance with the grant conditions before approving such virements.

*(Note: Even when a virement is listed as “permissible” above, it is not automatic – it must still be motivated, reviewed, and approved through the process in Section 7, and it must not conflict with any prohibitions or exceed delegated authority limits. The CFO or Accounting Officer may refuse any virement that is not in the municipality’s best interest or that could compromise financial discipline.)*

## 6.2. Prohibited Virements (Restrictions)

In line with national guidelines and sound financial management, the following virement actions are NOT allowed under any circumstances (or allowed only as indicated). If a funding shift is required in these cases, it must be done through an adjustments budget and approved by Council:

### ➤ No Virements Between Votes/Functions

As stated, transferring funds from one vote (department or main function) to another is not permitted through virement. Such shifts alter the original purpose of funds as approved by Council and therefore must be considered via an adjustments budget. Virements across votes are forbidden by this policy.

### ➤ No Virements from Operating to Capital (and vice versa)

Funds appropriated in the Operating Budget cannot be vired to the Capital Budget, and funds in the Capital Budget cannot be vired to Operating expenses.

### ➤ No Virements on Revenue Budgets

Virements shall not be made on the revenue side of the budget. In other words, projected revenues cannot be increased or decreased via virement. Any adjustment to revenue projections (such as recognizing additional income or shortfalls) must be done through an adjustments budget. Additionally, non-cash items like depreciation, fair value adjustments, etc., are not subject to virement; they follow accounting determinations.

### ➤ No Change in Funding Source

A virement that would result in changing the source of funding for a given expenditure is not allowed. For example, an item originally funded by an external conditional grant cannot be changed to be funded by the municipal own funds (or vice versa) through virement. Similarly, you cannot swap funding between two grants or between a grant and the Equitable Share, etc., via a virement. Such changes affect the funding structure and often the conditions attached – they require an adjustments budget and possibly approval from the grantor. The budgeted funding allocations (mSCOA Funding Segment) must remain as approved. *Note:* If an approved project has multiple funding sources and underspends on one while overspending on another, the adjustment of funding mixes should be handled in an adjustments budget.

### ➤ No Virements that Create New Projects or Programs

Virements must not be used to introduce a new capital project or a new spending program that was not part of the approved budget. Creating a new project requires Council's approval. All virements should be between existing budget provisions only.

➤ **No Virements of Conditional Grant Funds to Non-Grant Uses**

Funds allocated via a conditional grant or any other external funding with conditions cannot be vired to purposes outside of those conditions. Grant funds are “ring-fenced” for their intended purpose and using them elsewhere would violate the grant conditions and MFMA (and likely be regarded as unauthorized expenditure). Any change in use within the grant framework (if allowed at all) typically requires formal approval from the grant administering authority.

➤ **No Virements Involving “Un-allocatable” Expenses**

Virements to or from certain provisions and fixed cost items are not permitted. Specifically, the following categories are protected and funds budgeted for them may not be reduced via virement (nor can funds be added to other votes from these items):

- *Bulk purchases*: e.g. electricity or water bulk purchases cannot be cut via virement to fund other expenses, as this could jeopardize service delivery or reflect non-collection issues.
- *Debt impairment (Provision for Bad Debts)*: This is a calculated provision based on revenue collection rates; it should not be tampered with via virement.
- *Interest charges (Finance charges on debt)*: These are contractual obligations; any surplus here would only arise if debt were restructured, and should be handled in budget adjustments, not virements.
- *Depreciation and asset impairment*: These are non-cash, formula-driven expenses; they are not funding sources for other expenditures and cannot be “reallocated”.
- *Grants to individuals or organizations*: e.g. bursaries, grants-in-aid – if Council approved a certain amount for grants, management cannot vire part of it elsewhere, as that would change a Council priority.
- *Insurance*: Budget for insurance premiums or self-insurance contributions should remain as is unless adjusted by Council; similarly, payouts from insurance might go to specific purposes and not be freely vired.
- *Value-Added Tax (VAT)*: Input and output VAT accounts are statutory; one cannot vire from a VAT provision to something else, as it could cause compliance issues.

Essentially, these items are either externally driven, formula-based, or policy-determined allocations that should not be repurposed. Any surplus or saving on such a provision would typically flow to the bottom line (and eventually to surplus or next year's budget) rather than be diverted mid-year. The CFO will reject any virement request that seeks to tap funds from these categories.

➤ **No Virements to Increase Personnel Expenditure**

As a rule, virements towards personnel costs (salaries, benefits, overtime) are not allowed. The employee-related costs budget is based on approved organograms and collective agreements; allowing virements into it could effectively create unfunded positions or rewards outside the approved HR budget.

➤ **No Virements from Repairs & Maintenance if it jeopardizes minimum targets**

Any virement that would reduce the Repairs and Maintenance budget below the required benchmark or that undermines asset care should be avoided or strictly controlled. While not an absolute prohibition, it is strongly discouraged to vire away maintenance funds as it could lead to asset deterioration. Such proposals would be scrutinized by the CFO and likely denied unless there is compelling reason, and it does not violate any regulated norms.

➤ **Prudent Limits on Virement Size**

All approved virements shall be subject to defined quantitative limits to safeguard the integrity of the Council-approved budget.

In line with prudent financial management practices, no single virement may exceed **5% of the total approved budget of the source vote, programme, or project**.

In addition to the percentage limit, the following **monetary thresholds and delegations** shall apply:

- **Operating Budget Virements:** Up to a maximum of **R200,000** may be approved by the Municipal Manager, subject to compliance with this policy.
- **Capital Budget Virements:** Up to a maximum of **R500,000** may be approved by the Municipal Manager, subject to compliance with this policy.

Any virement exceeding either the **5% threshold** or the applicable **monetary limit**, or which has a material impact on service delivery or budget structure, shall be **submitted to Council for approval**.

These limits are intended to prevent excessive in-year reallocations that could materially alter the budget as originally approved by Council. – see Section 7 on Delegations.

In summary, the above restrictions are designed to ensure virements are used in a responsible manner. They incorporate the latest mSCOA-aligned guidance on virement limitations. Any virement proposal that falls under the prohibited categories will not be processed; instead, if still necessary, such changes must be tabled to the Council through the adjustments budget or other appropriate Council resolution. All managers and directors must familiarize themselves with these restrictions when considering budget shifts.

## **7. VIREMENT PROCESS AND DELEGATIONS OF AUTHORITY**

All virements must be initiated, documented, and approved through the proper process. This section outlines the procedural steps, and the levels of authority required for virement approval in Laingsburg Municipality.

### **7.1. Virement Initiation and Documentation**

#### **➤ Proposal by Department**

The need for a virement is typically identified by a departmental manager or project manager responsible for a vote or project. For example, if a certain line item is likely to overspend while another has savings, the manager will propose reallocating funds. The manager must prepare a virement request on the prescribed form or system module, providing details including: the amount to be transferred, the vote and line items/projects “from” and “to”, the reason for the transfer, and confirmation that it complies with this policy (i.e. within the same vote, permissible category, etc.).

#### **➤ Motivation**

A motivation or justification must accompany the virement request. This should explain why the transfer is necessary (e.g. “Electrical repairs budget is insufficient due to unexpected breakdowns, while there are savings in the training budget due to postponed workshops”). It should also certify that the source of funds indeed has surplus available and that the transfer will not negatively affect performance in that area. Any implications for service delivery must be noted. If the virement is related to a specific project, the project name and ID (per mSCOA Project segment) must be cited.

#### **➤ Checking Against Policy**

Before proceeding, the initiating manager must ensure the proposal doesn’t violate any prohibition in Section 6. A basic check would include: “Is this within my department? Does it avoid protected line items (e.g. I am not taking money from depreciation or salaries)? Is it within the 5% or R 100 000 limit?”

➤ **Completion of Virement Form**

The municipality will have a standardized Virement Request Form (or electronic workflow) which the manager fills out. All required information (vote numbers, item numbers, project numbers if applicable, amounts, motivations, date, etc.) must be completed. Incomplete forms will be returned. The manager of the source vote (and if different, the manager of the receiving vote, but since within one vote it's usually the same or within the same directorate) must sign off to confirm accuracy and necessity. Section 79 of the MFMA requires officials to ensure they have authority – here the manager confirms the funds are within their responsibility and they support the shift.

## **7.2 Review and Approval Process**

➤ **Recommendation by Finance Officials**

Once the requesting department has completed the virement application, it must be submitted to the Budget and Treasury Office for processing.

Finance officials (e.g. Budget Office) shall review the submission to ensure compliance with the approved Virement Policy and the accuracy and completeness of the financial information provided.

The Manager: Financial Services shall thereafter verify that:

- the source vote/line item has sufficient uncommitted budget available and is not already contractually or operationally committed;
- the receiving vote/line item is appropriate and will be utilised for its intended and lawful purpose;
- the proposed virement will not result in overspending within any vote or category; and
- the transaction is fully aligned with mSCOA classification requirements (i.e. correct segment application).

Where all requirements are satisfied, the Manager: Financial Services shall endorse the virement and submit it to the Chief Financial Officer (CFO) for review and recommendation then submit to the Municipal Manager or the delegated official for approval.

Where deficiencies or non-compliance are identified, the submission shall be returned to the originating department with documented comments for correction and resubmission.

## ➤ Approval Authority Levels

Authority to approve virements is delegated as follows, taking into account the MFMA and Council's System of Delegations:

- **Chief Financial Officer (CFO)**

The Chief Financial Officer (CFO), as the duly delegated financial authority, may approve individual virements **within the same vote** up to a maximum of **5% of the total approved budget of that vote or R99,999 per virement, whichever is lower**, provided that all provisions of this policy are complied with.

The CFO's approval confirms that the virement:

- is financially sound;
- complies with legislative and policy requirements; and
- does not alter the approved strategic intent of the budget.

The CFO may approve multiple virements; however, **cumulative virements within a vote must be monitored**. Where cumulative reallocations **materially alter the composition of the vote (e.g. exceeding 5–10%)**, the CFO shall escalate the matter to the Municipal Manager and consider inclusion in an **adjustments budget**.

Any virement **equal to or exceeding R100,000** shall be referred to the Municipal Manager for approval.

- **Municipal Manager (Accounting Officer)**

The Municipal Manager, as the Accounting Officer, may approve virements **from R100,000 up to the delegated limits approved by Council**, subject to full compliance with this policy and the municipality's system of delegations.

The Municipal Manager shall exercise oversight over virements that:

- exceed the CFO's delegated authority;
- may be sensitive or high-risk in nature; or
- could have a notable impact on service delivery or budget execution.

Where a virement is **material in value or impact**, or where it **alters the approved budget structure, strategic priorities, or service delivery commitments**, it shall **not be approved administratively**, but instead be **submitted to Council** for consideration through the **adjustments budget process**, in accordance with applicable legislation.

- **Council Approval (Adjustments Budget)**

Virements that fall outside the delegated authority must be referred to Council. This is done by incorporating them into an Adjustments Budget document as per MFMA Section 28. Examples include: any shift above the financial limits set, any transfer between votes or that effectively changes the purpose of funds in a way not covered by this policy, creation of new projects, or use of accumulated savings. The Council, when approving the adjustments budget, is effectively approving those budget amendments (including such virements). No such change may be implemented before Council approval.

**This policy stipulates that only the CFO and the Accounting Officer have direct authority to approve virements within the limits described.**

- **Final Authorization and Processing**

Once the appropriate authority signs off (CFO or MM or Council), the BTO will implement the virement in the financial system and the budget records will be updated. The effective date of the virement will be recorded (date of approval). It is important that no expenditure is committed against the proposed receiving item until the virement is formally approved and processed. Managers cannot act on the assumption of a virement – they must wait for confirmation that budget has been shifted. This prevents overspending if a virement request were to be denied.

- **Notification**

The initiating department will be notified once the virement has been processed. The CFO's office may issue a summary report or memo of approved virements monthly to all departments, so they are aware of budget changes. Departmental managers should then adjust their spending plans and projections in line with the revised budgets.

- **Filing and Audit Trail**

All documentation related to the virement (request form, approvals, any correspondence) must be filed by the BTO. Virements will be subject to review by internal audit, the Audit Committee, and external auditors as part of checking budgetary controls. An audit trail must exist to show who requested and approved each virement and the rationale behind it.

## **7.3 Conditions and Safeguards**

- **Availability of Funds**

A virement can only be made if the source line-item or project has adequate budget provision that will not be needed for its original purpose. The CFO will not approve a virement from an item that is

projected to be fully spent or where underspending is uncertain. Essentially, “savings” or surplus must be evident.

➤ **Multiple Virements & Fragmentation**

Departments should not try to circumvent approval limits by splitting one large transfer into many smaller virements. The CFO will monitor for fragmentation. If several virement requests appear related and together they exceed limits, the CFO may treat them as one aggregate change.

➤ **No Virement to cover Unauthorized/Irregular Expenditure**

Virements must not be used to “clean up” or mask overspending that has already occurred. If a department has exceeded a budget vote without prior virement, that expenditure is unauthorized and must be dealt with per MFMA processes, not retrospectively fixed by virement. A virement is a proactive tool, not a remedy for breaches. Similarly, one cannot vire funds to pay for expenditure that is irregular or not legally committed.

➤ **System of Delegations**

This virement policy operates within the broader context of the municipality’s System of Delegations. Managers and officials must adhere to their delegated financial responsibilities. The CFO’s statutory duties (MFMA Section 81) include advising the Accounting Officer and senior managers on financial matters and ensuring effective budget control – this policy is one instrument for that purpose. The Accounting Officer’s MFMA Section 79 powers allow delegation of certain budgetary amendments to officials, which the Council formalizes via this policy. Any abuse of delegated authority (e.g. unauthorized virement) will be viewed as financial misconduct.

➤ **Training and Awareness**

The Budget Office will ensure that all directorates are briefed on the virement policy at the start of each budget year (and when any changes are made). Only authorized templates and processes may be used; any informal adjustments are strictly prohibited.

By following the above process and respecting delegated authority limits, Laingsburg Municipality ensures that virements are executed in a controlled manner, with appropriate checks and balances.

## 8. MONITORING AND REPORTING

All virement activity will be monitored on an ongoing basis by the CFO and Budget Office:

### ➤ **Internal Monitoring**

The Budget Office will keep a register or log of all approved virements. They will track the cumulative impact of virements on each vote and key line items. If it appears that frequent virements are being done in one area, this might signal a need to adjust the original budget (to be addressed in the adjustments budget or next budget cycle). The CFO will periodically review virement patterns.

### ➤ **Report to Management**

A summary of virements may be included in the monthly budget statements (Section 71 MFMA reports) submitted to the Mayor and Provincial/National Treasury. Although the Section 71 format compares actuals to the original or adjusted budget, the CFO can attach a note on any significant virements processed, especially those that affect the interpretation of financial results. Additionally, department heads should be kept informed of the state of their budgets after virements; this can be through updated vote reports or budget meetings.

### ➤ **Provincial/National Treasury Reporting**

As required by MFMA Circular No. 130, Laingsburg will submit a separate **virement report / data string** each month to the National Treasury GoMuni portal. This report will detail all virements processed in the month, in the format prescribed (Annexure D of Circular 130 provides the layout – **Annexure A to this Document**). The data string will allow Treasuries to validate that virements are within the rules (for instance, the validation rules will check that no virement crosses a function). These submissions ensure external monitoring. Note that National Treasury has indicated these virements will be tracked separately and will not distort the standard in-year budget publications (i.e., they won't count virements as "expenditure" but rather as budget shifts). However, including them in the adjustments budget as we do ensure alignment of reporting.

If any issues are identified through monitoring (e.g. a virement processed incorrectly or one that should have had Council approval), the CFO will take corrective action. This could include reversing an improper virement or tabling an urgent adjustments budget if needed to ratify a critical transfer.

## 9. ANNUAL REVIEW AND POLICY UPDATE

This Virement Policy shall be reviewed at least annually, during the budget preparation process. The CFO is responsible for initiating the review and proposing any amendments to the policy. The review will consider:

- Changes in relevant legislation or regulations (MFMA, treasury circulars, mSCOA updates). For example, if National Treasury issues new guidance (such as an MFMA Circular) affecting virements, the policy will be updated to comply.
- Practical challenges or observations from implementing the policy in the past year.
- Alignment with best practices.

Any revisions to the policy must be submitted to Council for approval, together with other budget related policies when the draft budget is tabled (or via a separate Council item if mid-year). Once approved, the updated policy becomes effective from the start of the new financial year (or as specified by Council).


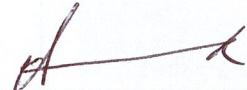
### **Council Adoption and Implementation**

This policy is a formal Council-adopted policy of Laingsburg Municipality. It shall take effect on the date of Council approval (unless otherwise stated) and remain in effect until repealed or amended by Council. Upon adoption, all municipal departments must implement and adhere to the policy.

## DOCUMENT CONTROL

### VERSION AND DOCUMENT CONTROL



<b>POLICY NAME:</b>	Virement Policy		
<b>POLICY OWNER:</b>	Finance and Compliance Services / BTO		
<b>RELATED POLICIES:</b>	Budget Policies MBRR Reg. 7		
<b>REVIEW:</b>	Annually	<b>Budget Policy</b>	Yes
<b>POLICY EFFECTIVE DATE:</b>	01 July 2026	<b>Budget Policy Nr</b>	17
<b>Version</b>	<b>Date</b>	<b>Adoption</b>	<b>Revision</b>
1	12 April 2023	1 <sup>st</sup> Adoption	
2	3 March 2026	28 May 2026	1 <sup>st</sup> Revision
3			2 <sup>nd</sup> Revision
4			3 <sup>rd</sup> Revision
			
Municipal Manager J. Booyen		Mayor A. Theron	
Date: 28 May 2026		Date: 28 May 2026	

