

WATERBERG DISTRICT MUNICIPALITY



on the Go for Growth

VIREMENT POLICY

Reviewed

Virement Policy

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Virement Policy

1. PREAMBLE

The virement policy will monitor the budget transfers (virements) of Waterberg District Municipality. The MSCOA Regulations that was promulgated on the 22nd April 2014 prescribed not only a standardized financial classification for municipalities but also introduced a new era in planning, budgeting, transacting and reporting for Local Government. MSCOA is not limited to the recording of transactions in the financial system, but also impacts on the application of basic processes and procedures for the daily operation of a municipality and municipal policies in respect of financial management.

2. OBJECTIVES

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner. In practise, as the year progresses, circumstances may change such that certain estimates are under-budgeted and other over-budgeted. It is not practical to refer all such deviations to Council and it is therefore common practice to delegate certain authority for transfers to the Municipal Manager.

3. SCOPE OF APPLICATION

This policy is applicable to all employees and Councilors of WDM.

4. DEFINITIONS

Accounting officer	-	The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
Approved budget	-	means an annual budget approved by a municipal council.
CFO	-	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.
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.
Fruitless and wasteful expenditure	-	means expenditure that was made in vain and

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would have been avoided had reasonable care been exercised;

Irregular expenditure-

means:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

Line Item

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

MSCOA

- Municipal Standard Charts of Accounts

Municipality

- means the Waterberg District Municipality

Overspending

- means:

(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

Ring Fenced

- an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

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- 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 Municipal Manager. To enable budget managers to amend budgets to act on occasions such as disasters, unforeseen expenditure or savings, etc as they arise to accelerate service delivery in a financially responsible manner. This is essentially a means of utilising funds set aside for one purpose within a vote for expenditure of a different purpose.
- Unauthorised expenditure** - means:
any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-
- (a) overspending of the total amount appropriated in the municipality's approved budget;
 - (b) overspending of the total amount appropriated for a vote in the approved budget;
 - (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
 - (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
 - (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
 - (f) a grant by the municipality otherwise than in accordance with the MFMA;
- 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.

5. BREAKDOWN OF VOTES

For the purpose of the operating budget, the following is classified as votes:

Budget & Treasury Office

Office of the Municipal Manager

Corporate Support & Shared Services Department

Planning & Economic Development Department

Infrastructure Development Department

Executive Support Office

Social Development & Community Services Department

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Disaster Management

Environmental Health

Abattoir

And any other department as may be approved by Council

For the purpose of the IDP, the following priorities are classified as votes:

Municipal Environmental Health & Environmental Management

Disaster Management

Local Economic Development & Tourism

Municipal Roads & Storm water

Municipal Support & Institutional Development

Abattoir

Community Participation & Good Governance

Land

Transport

Safety & Security

Sports, Arts & Culture

Electricity

And any other IDP priority as may be approved by Council

6. ABBREVIATIONS

CFO - Chief Financial Officer

IDP - Integrated Development Plan

MFMA - Municipal Finance Management Act No. 56 of 2003

MM – Municipal Manager

MSCOA - Municipal Standard Charts of Accounts

SDBIP - Service Delivery and Budget Implementation Plan

WDM – Waterberg District Municipality

7. Guidance on Municipal Virement Policies in a MSCOA environment

MSCOA is a business reform and requires multi-dimensional budgeting and recording of transactions across the following seven segments:

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- a) Project – linking operational and capital expenditure to a project
- b) Function - linking operational and capital expenditure to a specific mandate
- c) Item - linking operational and capital expenditure to the type and nature of expenditure incurred
- d) Fund - linking operational and capital expenditure to the sources of funding used to incur the expenditure
- e) Region - linking operational and capital expenditure to the geographical region impacted by the expenditure
- f) Costing - linking operational and capital expenditure for setting of municipal tariffs
- g) Municipal Standard Classification - linking operational and capital expenditure to an organisation unit/division.

If virement result in an MSCOA segment change, by adding a new project, changing the region or funding source, it is not allowed. Such a shifting of budgetary allocations may only be done through an adjustment budget and not through the application of a virement.

8. RESPONSIBILITIES

- 8.1 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 MFMA)
- 8.2 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) MFMA).
- 8.3 It is the responsibility of each manager or head of a department 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 unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.
- 8.4 A copy of all budget transfer forms must be kept in the virement file, together with any supporting workings / e-mails by the Divisional Manager Expenditure.
- 8.5 Requests for transfers of funds shall be done beforehand and not afterwards. In the case where the expenditure is authorised afterwards, the actions of the S57 manager will have to be condoned by Council. The council will have to consider the provisions of the MFMA regarding Unauthorised Expenditure and Irregular Expenditure.

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9 VIREMENT RESTRICTIONS

- 9.1** No funds may be transferred between votes without approval of both vote holders, the CFO, Municipal Manager and Council.
- 9.2** Virements may not exceed a maximum of 0.1% of the total approved operating expenditure budget.
- 9.3** Virements may not exceed a maximum of 10% of the line item on the approved IDP expenditure budget.
- 9.4** Virements may not exceed a maximum of 15% of the line item on the approved operating expenditure budget
- 9.5** 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)
- 9.6** 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)
- 9.7** No virement may commit the Municipality to increase recurring expenditure, which commits the Council's resources in the following financial years, without the prior approval of the Mayoral Committee. (This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines)
- 9.8** No virement may be made where it would result in over expenditure (section 32 MFMA).
- 9.9** No virement shall add to the establishment of the Municipality without the approval of Municipal Manager.
- 9.10** If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.

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- 9.11** Virements may not be made in respect of ring-fenced allocations, namely personnel expenditure, operating expenditure and repairs & maintenance. E.g. this means virements may not be made from personnel expenditure to other operating expenditure & vice versa.
- 9.12** Virement towards personnel expenditure should not be permitted, except where:
- Temporary/contracted(budget for as contracted services in terms to the MSCOA Clasification) staff status has changed to permanent staff; or
 - The budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority.
- 9.13** Budget transfers to or from the following items are not permitted: bulk purchases, debt impairment, interest charges, salaries, support service costs (interdepartmental), depreciation, insurance and VAT.
- 9.14** Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework is not permitted.
- 9.15** Virements in capital budget allocations are only permitted within specified action plans and not across funding sources.
- 9.16** No virements are permitted in the first two months or the final month of the financial year without the express agreement of the CFO and Municipal Manager and then only in extreme circumstances.
- 9.17** 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 Budget Transfer Form.
(Section 15 MFMA)
- 9.18** Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- 9.19** 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.

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9.20 Virements are not permitted in relation to the revenue side of the budget.

9.21 Virements between votes shall be included in the Adjustment Budget.

9.22 No virements shall create new capital projects to the Capital Budget.

9.23 Virements between functions should only be permitted where the proposed shifts in funding facilitate sound risk and financial management.

9.24 Virements from the capital budget to the operating budget are not permitted. Operational funds to the Capital Budget may be done, but only via Adjustments budget.

9.25 No virement may be made to entertainment votes or for catering above what was originally budgeted.

9.26 Virement between Rates Services and Trading Services and across Trading Services are not allowed.

9.27 There should be prudent limits on the amount of funds that may be moved between a function and its sub-functions. In terms of national best practice, a maximum percentage or monetary value of the budget of a function/programme/project may be re-allocated/shifted through virement

10 VIREMENT PROCEDURE

10.1 All virement proposals must be completed on the appropriate documentation and forwarded to the Divisional Manager Expenditure for checking, after which it is submitted to the CFO and MM for approval and then back to the Divisional Manager Expenditure for implementation.

10.2 All virements must be signed by the Manager within which the vote is allocated.(Section 79 MFMA)

10.3 A virement form (Budget Transfer Form) must be completed for all Budget Transfers.

10.4 All virements require the recommendation of the CFO and approval of the Municipal Manager. (Section 79 MFMA)

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10.5 All virements must include changes to the SDBIP, especially on the capital works plan of projects.

10.6 All documentation must be in order and approved before any expenditure (including the order) can be committed or incurred. (Section 79 MFMA)

11 DELEGATIONS ON CAPITAL BUDGETS

A Capital Budget is approved per line items or per project. This in effect means that council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to council for them to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project. If however, a transfer is needed between two projects within the same priority and the transfer is less than 10% of the votes, this can be done with the approval of the Municipal Manager.

12 DELEGATIONS ON TRANSFERS

A vote in terms of the National guidelines is determined as one of the main segments into which a budget of a municipality is divided into for the appropriation of funds. In WDM, a vote is either a Priority on the IDP or a Department in the operating budget. Council therefore decides on the total amount that is allocated to that specific priority of department and classifies it as a vote. Because Council approved the “vote” only the shifting of funds within this “vote” can be delegated to the Municipal Manager. As far as the reallocation of funds between votes is concerned, it cannot be delegated and Council has to decide on each of these items in the Adjustment Budget annually.

13 LEGISLATIVE REQUIREMENTS

In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act (MFMA) and related circulars and guideline that are prescribed by National Treasury.

Unlike the Public Finance Management Act, Act 1 of 1999 (PFMA) and Treasury Regulation on PFMA,

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the MFMA is not specific with regards to virements.

14 IMPLEMENTATION

This policy must be implemented by all employees of WDM, but managers and supervisors should ensure that this policy is implemented effectively.

Any employee who breaches this policy shall be liable for disciplinary measures.

15 PROJECT SEGMENT GUIDANCE

The flow chart below incorporates the virement principles explained above and provide guidance on how a virement should be applied in the *MSCOA* environment. Virement decisions should start with the project segment. As illustrated below, if a virement needs to be done for a project, the municipality should consider whether it is a new or existing capital, operational or default project and based on the type of project, the diagram below will provide guidance on whether a virement is allowed or whether and adjustments budget is required. To be done on a project segment, the municipality should consider whether it is a new or existing capital, operational or default project and based on the type of project.

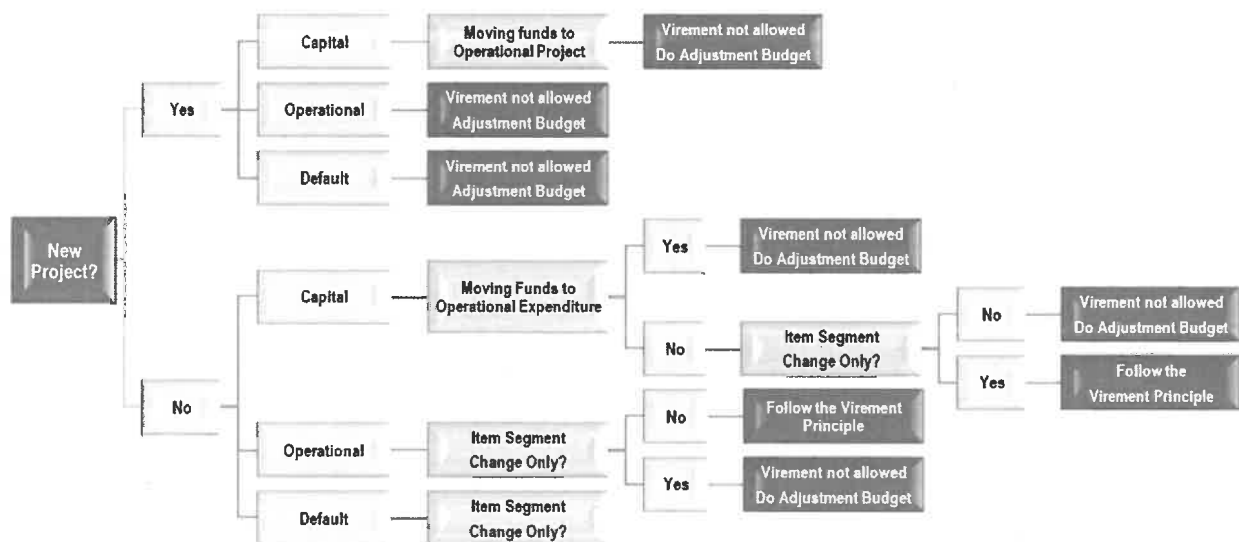
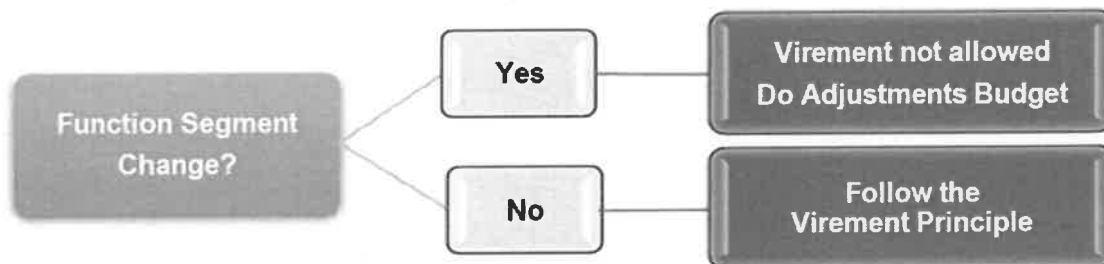


Figure 1: Guidance on whether virement is allowed or not.

16 Function segment guidance

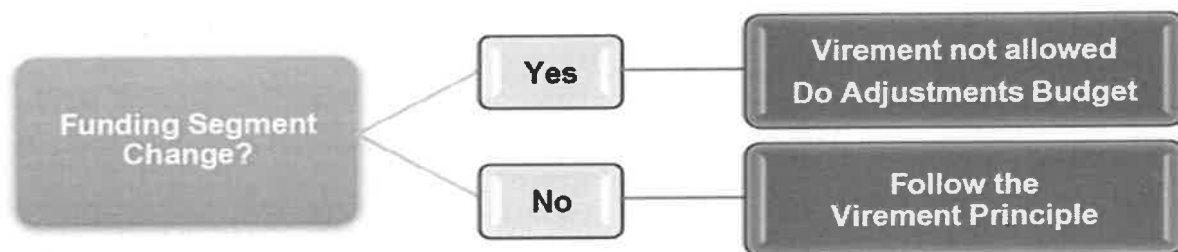
The next segment that should be considered in terms of the impact of the virement process is the function segment. In terms of the flow chart below, if there is no change to the function segment, a virement may be done subject to the virement principles above.

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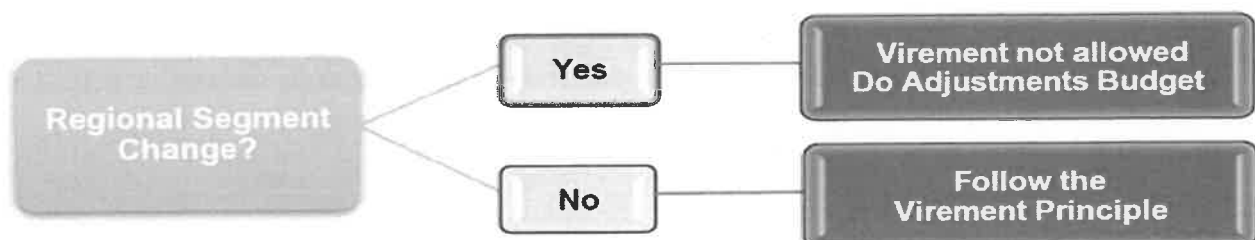
17 Funding segment guidance

If there is no change to the funding segment, a virement may be done subject to the virement principles above.



18 Regional Segment guidance

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. A virement may be done if it will not result in changes to the regional segment subject to the application of the virement principles below.



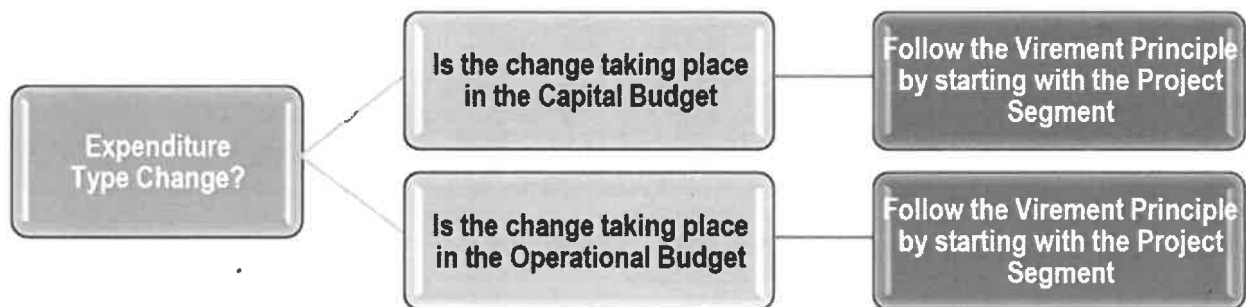
19 Costing Segment guidance

Changes to the costing segment should not affect the application of a virement.

20 Item Segment: Expenditure guidance

If changes in expenditure are incurred in the capital or operational budget, the virement decision should start with the project segment. If a virement is allowed, it will be subject to the application of the virement principles above.

An example of a change taking place in the capital budget is when the nature of the project may change from “outsourced” to an “own account” project which will result in a different selection of accounts from expense accounts within the item classification for Construction Work-in-progress.

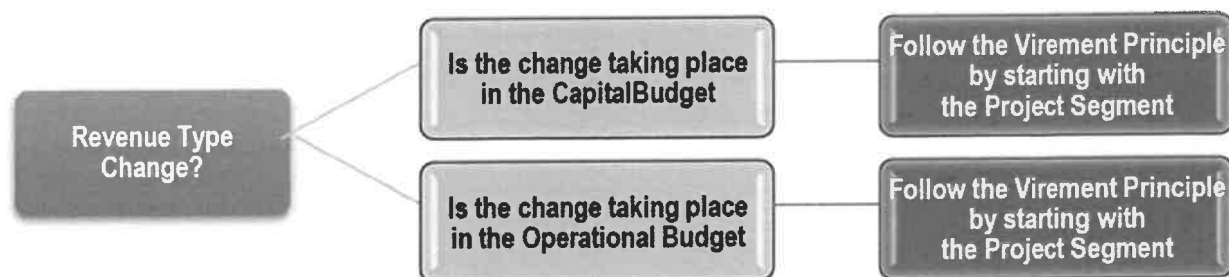


An example of a change taking place in the operational budget is when a District Municipality builds administrative building to be transferred to a local municipality (accounted for by the District Municipality as an operational project) which would have been constructed as an “own account construction” changing to an outsourced development. The impact is on the nature of expenditure, i.e. increase in contracted services.

21 Item segment: Revenue guidance

If changes in revenue type change either in the Capital or Operational Budget. First start with the Project and apply the change to all the segments and should the Virement be allowed refer to The Virement Principals before applying the Virement.

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Previously, revenue stood on its own in the budget. Now revenue is linked to the item and project. So, if the project segment is funded from a specific revenue source and there is a saving (item expenditure) within the function, then the saving (budget) may only be applied to another project within the same function or sub-function only if the revenue source is the same and if it is transferred to the same project in another function. Importantly, the revenue source should be the same which restricts the use of the revenue sources.

22 Types of Adjustments Budget

The table below provides guidance on the types of adjustments budgets that may be approved in terms of the Municipal Budget and Reporting Regulations (MBRR), 2009.

Type of adjustment budgets	Timeframes	Section of MFMA and MBRR
Downwards adjustment due to under-collection of revenue	Anytime	S.28(2)(a)
Main adjustment budget	Once a year – between tabling of the mid-year assessment and 28 February	S.28(2)(B,D,&F) Reg.23(1&2)
Additional funds from national/provincial government	60 days after the approval of relevant national/provincial adjustment budget	S.28(2)(b) Reg. (23(3)
Unforeseen and unavoidable expenditure	Within 60 days of expenditure being incurred	S.28(2)l,29(3) & 32 Reg. 23(4), 71 &72
Roll-over of municipal funds	Before 25 August	S. 28 l, Reg. 23(5)

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Authorisation of unauthorised expenditure	In main adjustment budget After the tabling of the annual report for that year (7 months after the financial year end)	S 28(g), 32 127(2) Reg.2(6)
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23 POLICY REVIEW

This policy will be reviewed annually and revised as necessary.

24 PENALTIES

Non-compliance to any of the stipulation contained in this policy will be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code.

25 ANNEXURES

Budget Transfer Form

Adopted by Council at its meeting held on 28 May 2026 per Council

Resolution Number A279/2026

Signed at WDM on 1 July 2026



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Municipal Manager

Virement Policy



WATERBERG DISTRICT MUNICIPALITY BUDGET TRANSFER FORM

DATE : _____

DEPARTMENT : _____

BUDGET TRANSFER FROM :	VOTE NUMBER	AMOUNT
	_____	R _____
	_____	R _____
	_____	R _____
	_____	R _____

REASON FOR SAVINGS : _____

BUDGET TRANSFER TO :	VOTE NUMBER	AMOUNT
	_____	R _____
	_____	R _____

PURPOSE : _____

DATE REQUESTED: _____ DATE REQUIRED: _____

ADDITIONAL COMMENTS BY DEPARTMENTAL MANAGER:

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MANAGER (DEPARTMENT REQUESTING TRANSFER)		DATE	
FOR BTO USE ONLY			
PRE-APPROVAL		POST-APPROVAL	
BUDGET VOTE NUMBER TRANSFERRED FROM :			
VOTE NUMBER	BUDGET AVAILABLE	CURRENT BUDGET	NEW BUDGET
R _____	R _____	R _____	R _____
R _____	R _____	R _____	R _____
R _____	R _____	R _____	R _____
R _____	R _____	R _____	R _____
BUDGET VOTE NUMBER TRANSFERRED TO :			
VOTE NUMBER	BUDGET AVAILABLE	CURRENT BUDGET	NEW BUDGET
R _____	R _____	R _____	R _____
R _____	R _____	R _____	R _____
COMMENTS BY BTO			
DIVISIONAL MANAGER		SIGNATURE	DATE

Any transfer within a vote should be approved by the Municipal Manager. A vote is either a department on the operating budget or a priority on the IDP:

CHIEF FINANCIAL OFFICER _____ DATE _____

APPROVED / NOT APPROVED

MUNICIPAL MANAGER _____ DATE _____

Note: The form must be signed by S57 manager, BTO and MM before submission of the original signed transfer form to Divisional Manager: Expenditure for budget adjustment. A copy of this document must be attached to the order/request for payment of the service being procured.

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CAPTURED		
_____	_____	_____
DIVISIONAL MANAGER	SIGNATURE	DATE

