**MEDIA STATEMENT**

**COGTA COMMITTEE HOLDS WEST RAND DISTRICT MUNICIPALITY ACCOUNTABLE OVER VBS FUNDS**

**Parliament, Tuesday, 27 October 2020** – The Portfolio Committee on Cooperative Governance and Traditional Affairs (CoGTA)**,**today interacted on the State of West Rand District Municipality by: West Rand District Municipality; Office of the Auditor-General (AG) of South Africa (AGSA); Salga; Provincial Treasury; Provincial Department of Cooperative Governance and Traditional Affairs; and the Department of Cooperative Governance (DCoG).

The meeting with the West Rand District Municipality concludes the CoGTA Committee’s preliminary oversight into the state of all those municipalities that had illegally invested municipal funds into the defunct VBS Mutual Bank. The financial situation of the West Rand District Municipality worsened after it had invested R76 million in VBS, which was written off as a financial loss.

The provincial CoGTA is silent about this in its entire report while the national CoGTA’s report makes the astonishing claim that the VBS investment had no impact on the finances of the West Rand District Municipality. The Chairperson of the committee, Ms Faith Muthambi, in her opening remarks said: “This is astonishing because even the presentation by the District’s Chief Financial Officer is explicit that investments held with VBS were impaired and that the impairment loss amounting to R76 million was not budgeted for.”

The financial loss to VBS included a neighbourhood development partnership conditional grant to the value of R43 million, which meant that projects funded by this grant could not be completed by year-end. The National Treasury also reduced unconditional grant funding to recover the lost grant money. This worsened the district’s financial position such that it had difficulties meeting its obligations, including the payment of salaries and suppliers. This meant that the district used a conditional grant of R20 million for operational expenditure, thus incurring unauthorised expenditure.

On the basis of the municipality’s poor state of financial health, the committee noted that the Gauteng Provincial Executive invoked a constitutional intervention in terms of section 139(5) (a), which prescribes the imposition of a financial recovery plan to ensure the municipality’s ability to meet its financial commitments. The concern is that it is almost two years since the imposition of the financial recovery plan in November 2018, and the district is still experiencing severe financial challenges, and is unable to pay suppliers within 30 days. This was found by the AG in its 2018/19 MFMA report.

The AG has also identified the district as one of those municipalities in the province whose reported performance information deteriorated, as it did not ensure adequate monitoring of all the controls necessary for performance reporting.

The AG’s report appeals for a reconsideration of the financial model for the two districts in the province because it is unsustainable, as the operational expenses (mainly salaries) of the districts were very high due to a large staff structure relative to the functions they perform. The presentation by the provincial CoGTA addressed this matter to some extent.

However, there is no decisive proposal on the resolution of the financial crisis engulfing the district municipality, especially the dispute with the local municipalities on the powers and functions for health and fire services. There were only merely vague references to CoGTA “looking at various options” and for a need for unspecified provincial and national policy decisions.

The committee noted that it cannot be correct that the district is liable for the costs associated with Health and Fire Services and yet the grant to fund these functions goes to the local municipalities. There is no point in the development of a financial recovery plan if the bulk of the district’s financial problems remain.

The committee is concerned that all actions on irregular, fruitless and wasteful expenditure are either awaiting the establishment of a Municipal Disciplinary Board or awaiting MPAC’s recommendations despite the fact that the municipality has a fully-fledged municipal public accounts committee. This gives the impression that there is little appetite to address irregular, fruitless and wasteful expenditure. The onus is on the district to take appropriate action to prove that this impression is wrong.

**ISSUED BY THE PARLIAMENTARY COMMUNICATION SERVICES.**