**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY  
 QUESTIONS FOR WRITTEN REPLY**

**DATE OF PUBLICATION: 17 AUGUST 2018 DUE ODG: 24 AUGUST 2018**

**DUE PARLIAMENT: 31 AUGUST 2018**

**2256. Mr K J Mileham (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**

Whether any of the 15 municipalities that invested with the VBS Mutual Bank received (a) presentations and/or (b) instructions from any official of a certain political organisation (name furnished) at national or provincial level to do so; if not, what is the position in this regard; if so, (i) what is the name of the person who made the presentation and/or issued the instruction, (ii) on which statutory grounds was the presentation and/or instruction made and (iii) on what date did each presentation and/or instruction take place?NW2430E

**REPLY**  
  
(a) The Municipal Financial Management Act (MFMA) and its Regulations prescribes legal framework in which municipalities and municipal entities should manage their financial affairs. Municipal Investment Regulation 10 state that Investment by a municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the care set out in regulation 5 of Municipal Investment Regulation, to ensure that that it places its investments with creditworthy institutions.

The Municipal Investment Regulation 12 state that the responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.

All the municipalities invested with VBS Mutual Bank confirmed that they did not receive any presentation from an official of political organisation at Provincial and/ National level to invest the funds.  
  
(b) All the municipalities invested with VBS Mutual Bank confirmed that they did not receive any instruction from an official of political organisation at Provincial and/ National level to invest the funds.

Municipalities reflected that they used quotations from financial institutions to invest the funds in accordance with their municipal investment policies.

Given the response that no presentations made and/ instruction issued, the questions relating to (i), (ii) and (iii) are not applicable.

Section 13(1) of the Municipal Financial Management Act (MFMA) states that the Minister of Finance, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must (a) Conduct their cash management and investments and

(b) Invest monies not immediately required, (2) a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).

Regulation 6 of the Municipal Investment Regulations state that a municipality or municipal entity may invest funds only in any of the following investment types:  
  
a) Securities issued by the national government

(b) Listed corporate bonds with an investment grade rating from a nationally or intentionally recognized credit rating agency

(c) Deposits with banks registered in terms of the Banks Act 1990 (Act No 94 of 1990)

(d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act 1984(Act No.45 of 1984)

(e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act 1984(Act No. 46 of 1984)

(f) Banker’s acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act 1990

(g) Guaranteed endowment policies with the intention of establishing a sinking fund

(h) Repurchase agreements with banks registered in terms of the Banks Act 1990, Municipal bonds issued by a municipality and

(j) Any other investment type as the minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Service Board.

The investment with Mutual Bank is not permitted in terms of the Municipal Investment Regulations. The 15 municipalities invested funds contrary to the Municipal Financial Management Act and Municipal Investment Regulations.  
  
Municipalities are prohibited to take instructions from external parties and/ official from a political organization to influence government processes, as it is deemed interference with the administration processes. Municipalities use government legislations, regulations and municipal policies to procure goods and services.

Ends.