

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 20187/928**

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**Question**

**Ms D Carter (Cope) to ask the Minister of Cooperative Governance and Traditional Affairs:**

(a) Which municipalities invested funds in the Venda Building Society Mutual Bank and (b) what was the quantum of the specified investments

Whether the funds have been recovered; if not (a) why not and (b) what actions are being or will be taken against those officials and political office bearers responsible for the placement of the funds with the specified bank? NW1008E

**REPLY:**

**(a) and (b) Municipalities invested funds with VBS Mutual Bank**

In terms of the MFMA a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed by the Minister, acting with the concurrence of the cabinet member responsible for local government.

Section 6 of the Municipal Investment Regulation, state that a municipality or municipal entity may invest funds only in any of the following investment types: (c) deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

Municipalities are allowed to, amongst others, to deposit with banks registered in terms of the Banks Act and the investment with mutual banks is not permitted in terms of the Municipal Investment Regulation.

The table below depict the list of Municipalities that invested with VBS mutual bank.



Elias Motsoaledi Local Municipality confirmed that the capital investment of R20 million plus interest was withdrawn from the VBS in February 2018. However, through internal reconciliation, the municipality identified that there is interest of R48 246.51 that is due and it is not yet paid.

(2)(a) Polokwane, Elias Motsoaledi, Makhuduthamaga and Dr JS Moroka Local Municipalities managed to withdraw their investments (capital plus interest) of R81million, R20million, R31 million and R10 million respectively.

The investments of the 14 municipalities and the interest portion of Elias Motsoaledi Municipality reflected in the table above were not recovered/withdrawn before VBS was placed under curatorship. The preliminary report back from the South African Reserve Bank (SARB) on the curatorship process revealed that the available equity cannot cover the deposits. The stakeholders (National Treasury and Cogta) were advised to work with the assumption that it is highly unlikely that the municipal deposits will be recovered. Where possible they could receive about 10% of their deposits once the process is concluded in about 5 to 7 years’ time.

(2)(b) The municipalities as well as the three affected provinces have instituted investigations which will inform the disciplinary actions as well as criminal charges to be instituted against responsible official and/or political office bearer responsible for placement of funds with VBS Mutual Bank. Furthermore, the SARB has also instituted a forensic investigation in to the VBS Mutual Bank matter, a preliminary investigation was conducted and the report will be handed over to the hawks and made public once it has been concluded.

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**PROGRESS ON CURATORSHIP**

* SARB instituted a forensic investigation in to the VBS Mutual Bank matter;
* Preliminary investigation was conducted will be handed over to the hawks or made public;
* The investigation revealed that +/- R20 million was paid in commission for soliciting deposit to VBS Mutual Bank and that false deposits were made by related parties to VBS Mutual Bank, however, deposits by municipality appear to be real.
* The availability equity cannot cover the deposits;
* The exercise revealed that the situation at VBS Mutual Bank is worse than when the curatorship commenced;
* Currently withdrawal limits of the amount deposited have been implemented; the limit for individuals is R1000 and Burial Societies’ limit is R7000;
* The stakeholders (National Treasury and Cogta) were advised to work with the assumption that it is highly unlikely that the municipal deposits will be recovered. Where possible they could receive 10% of their deposits;
* The curator withdrew the Statements of Account / Financial Statements because they are not a true reflection of the financial status of VBS Mutual Bank;
* The curator will redo the Statements of Account/Financial Statement and the statements are expected to be finalized within three months;
* The Internal Auditor for VBS Mutual Bank was PWC;
* The external Auditors were KPMG;