

# Multiple probes to hold VBS perpetrators accountable

Cooperative Governance and Traditional Affairs (CoGTA) Minister Zweli Mkhize says a number of investigations have been launched with the aim of bringing those responsible for unlawfully investing municipal funds with VBS, to book.



Zweli Mkhize, cooperative governance and traditional affairs (CoGTA) minister

Eighteen municipalities were recorded to have invested funds in the VBS Mutual Bank. The investments were done contrary to the Municipal Finance Management Act and the municipal investment regulations.

Section 113 (1) of the 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 conduct cash management and investment and invest monies not immediately required.

"The idea of municipalities investing public funds against Treasury regulations is totally unacceptable. But even more shocking was the reported sudden disappearance of the funds from VBS mutual bank.

"We are informed that the Reserve Bank and the National Treasury has embarked upon forensic investigations on the matter.

"As CoGTA and government generally, we fully support these investigations, which will lead to charges being preferred against all those that are involved in this debacle," he said.

This comes months after the Reserve Bank announced that the VBS Mutual Bank had been placed under curatorship due to suspected banking irregularities.

Among these, included the investments of municipal funds into the mutual bank, which amounted the R1.65bn, against National Treasury regulations, which saw municipalities also ignoring an instruction from Treasury officials to cease the unlawful investments. The Reserve Bank's curator has since said that the municipalities would not get funds that have been invested.

Mkhize said after the investigations, it is anticipated that those involved would be brought to book.

"The employees, shareholders and the management of the VBS were elected representatives or officials of various municipalities.

"Subsequent to the findings, it is anticipated that the culprits will be charged and taken to court.

"It is also expected that the investigation will reveal the true situation regarding the disappearance of the amounts of public funds as well as the savings of individuals and funerals and burial services who had invested funds with the mutual bank," he said.

## **Affected municipalities**

Addressing members of parliament in the National Assembly, Mkhize said 18 municipalities lost funds that were meant for service delivery, and that municipalities in Limpopo were the most affected.

"Other provinces are Gauteng and North West and the source of the funds includes the savings, equitable share and other funds destined for service delivery.

"I met with all affected municipalities on the 19th of June to discuss the impact of the loss, particularly on service delivery. I have directed that the municipalities should report the potential investment loss to the municipal public accounts committees to play their oversight role," he said.

He also said that he has assigned MECs of CoGTA in the affected provinces to lead investigations into maladministration, corruption and other serious malpractice.

Treasury departments in those provinces would also be roped in to assist.

"Limpopo has already appointed a service provider and this was announced to the affected municipalities a few days ago. Then forensic investigations in Gauteng and the North West have also started with Deloitte and Sekela Xabiso respectively.

"CoGTA met with National Treasury and the auditor-general to discuss a consistent approach to deal with the potential investment loss in the annual financial statements, the adjustment budgets and consequence management.

"The meeting resolved that Treasury would issue guidelines for this and this has already been done [13 August]."

He said that as investigations continue, at this stage, the requested information on the number of officials and councillors facing disciplinary charges cannot be provided as investigations are in progress.

"In terms of the actions taken recently, currently Greater Giyani Local Municipality suspended the CFO who was acting municipal manager at the time," he said.

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