

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2850 [NW3155E]
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2850. Mr K J Mileham (DA) to ask the Minister of Finance:

- (1) Whether the section 71 reports from any municipalities indicated that they had invested funds with VBS Mutual Bank, or any other mutual bank, prior to October 2016; if so, what are the relevant details;
- (2) in each case where such indications were found, was any action was taken by the National Treasury; if not, why not; if so, what are the relevant details in each case?

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REPLY:

- (1) Yes - As part of the quarterly Section 71 publications municipalities are required to submit the status of their investment register together with the detail of each investment made. These investment lists are published per municipality as part of the quarterly Section 71 results and can be accessed at:

http://mfma.treasury.gov.za/Media_Releases/s71/Pages/default.aspx

- (2) The Section 71 publication consists of the financial and conditional grant information of 257 municipalities. The publication also covers 21 different conditional grants and additional information in different dimensions to cater for a wide variety of stakeholders such as Parliament, Municipal councils, lenders, rating agencies and the general public. With respect to investments, municipalities reported on 2 563 investment instruments with various banks.

While the National Treasury collects, consolidates and publishes quarterly summaries in various financial dimensions for all municipalities, in terms of Section 151(3) of the Constitution, the municipal council remains the final accountable institution. This is to ensure that the information reported is used for management purposes and account to the respective municipal councils.

Considering the amount of data lines reported, the investments associated with the VBS Mutual Bank got absorbed in the national aggregation process. Section 13 of the MFMA empowers the Minister of Finance to prescribe a framework within which municipalities may, amongst others, invest money not immediately required. Such a framework was provided in the Municipal Investment Regulations which sets out a list of permitted investments municipalities may invest municipal funds. In terms of Regulation 6, municipalities may invest funds only in banks registered in terms of the Banks Act. The Venda Building Society Mutual Bank (VBS) is not registered under the Banks Act of 1990, it was never envisaged that municipalities (Municipal managers and CFOs) would deliberately break the law in their choices of where they invest. To address this issue, the National Treasury has now, as part of the *m*SCOA reform improved the reporting on investment information to only be linked to registered banks aligned to Regulation 6.