

Heads roll amid VBS municipal probe

Cooperative Governance and Traditional Affairs (Cogta) Minister, Dr Zweli Mkhize, says several municipal officials have been suspended and in some instances, charged with fraud in relation to investments made in VBS Mutual Bank.



Zweli Mkhize, minister of cooperative governance and traditional affairs

Mkhize appeared before the Portfolio Committee on Cogta in Parliament on Tuesday to brief them on municipalities that invested in VBS bank.

Mkhize listed about 14 municipalities that invested an estimated R1.5bn with the mutual bank, despite not being allowed to do so by the Municipal Financial Management Act.

Those that invested in the bank include Madibeng Local Municipality in the North West, which invested a total of R31m; West Rand District Municipality in Gauteng (R77m); Dr Ruth Segomotsi Mompati District (R150m) in the North West; Greater Giyani Local Municipality in Limpopo (R153m) and the Mafikeng Local Municipality in the North West (R83m).

“In Madibeng, they have also initiated internal investigations [that commenced on] 27 June 2018.

“Disciplinary processes have been instituted against three affected officials and [one] councillor is facing disciplinary action.

“The office of the Speaker has already initiated the process of convening the rules of order and ethics committee to institute disciplinary processes against the alleged MMC [member of the municipal council] of Finance. A criminal case has been opened with the SA Police Service office... against all implicated individuals for financial misconduct. They were hoping to have completed this matter by the end of August and we await further update from the mayor,” said Mkhize.

He said while a chief financial officer has been suspended in the Greater Giyani Municipality over his involvement in the VBS saga. The Municipal Manager from the Mafikeng Local Municipality has been suspended following a municipal resolution that he be suspended. A case of fraud has been opened against the perpetrators at the municipality.

Forensic investigations underway

Mkhize said in light of the misappropriation of municipal funds by implicated municipalities across Limpopo, Gauteng and the North West, Cogta departments across the three provinces have since instituted forensic investigations in their respective municipalities, in accordance with section 106 of Municipal Systems Act. The investigations are still in progress.

“Limpopo held an introductory meeting with the affected municipalities on 28 August 2018 and the investigation is expected to be finalized within three months.

“North West province commenced with the investigation in July 2018 and the investigation report was finalised on 18 October 2018.

“The department is still waiting for confirmation of investigation timelines from Gauteng,” he said on Tuesday.

He said each province has appointed their own private forensic audit firm to handle the probes.

Recovery plans to make municipalities self-sustainable

Mkhize said, meanwhile, that in order to improve their financial sustainability, municipalities need to implement recovery plans and strategies while at the same time, implement measures to strengthen governance structures.

He said for Merafong, which struggles to pay creditors within 30 days as a result of financial challenges dating back to 2014, a financial recovery plan has not been developed after the municipality invested conditional grants amounting to R50m.

Moretele, which pumped a portion of its funds from its water services infrastructure grants, has since developed a financial recovery plan.

Mkhize also said Madibeng, which is under financial strain and has failed to pay creditors within 30 days due to cash flow challenges and low collection rates, has developed financial recovery plans.

Another municipality that has developed financial recovery plans is the Fetakgomo-Greater Tubatse Local Municipality. The municipality, which invested R240 million into VBS, is currently experiencing financial challenges to meet financial and service delivery obligations.

Mkhize said Vhembe District Municipality, which invested R316m into VBS, needs to implement a recovery plan. He said through the observation of external records, the municipality owes the Department of Water and Sanitation R691m for water services, with the last payment being in December 2017. However, the municipality has yet to table its recovery plan to its council.

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