

"AMAR 6"

From: Romeo Mohaudi <rmohaudi@gmail.com>
Date: 15 August 2017 at 18:40:39 SAST
To: amramavhunga@gmail.com
Subject: Re: Mai from NT MFMA

Dear Municipal Manager and Chief Financial Officer

It has come to our attention that the municipality may have invested funds with VBS Mutual Bank and or other institutions. We would like to draw your attention to section 7(3)(b) of the MFMA which states that a municipality may not open a bank account with an institution not registered as a bank in terms of the Banks Act 94 of 1990. We also refer you to the MFMA Investment Regulations, which specifically provides the instruments within which municipalities can invest municipal funds. Municipalities are allowed to, amongst others, make deposits with banks registered in terms of the Banks Act, 1990. Please refer specifically to regulation 6 of the Municipal Investment Regulations, 2005.

Moreover, in this instance, it is our understanding that the VBS Mutual Bank is a mutual bank which is registered in accordance with the Mutual Banks Act of 1993 and not the Banks Act of 1990 as referred to above. Therefore, investments with Mutual Banks are not permitted in terms of regulation of the Municipal Investment Regulations. The municipality must review its investments to ensure compliance with the Banks Act, the MFMA and its regulations. Kindly also refer to the definition of "irregular expenditure" in the MFMA and address this matter urgently.

Please note that the MFMA, Regulations, MFMA Circulars and guides are available and can be downloaded from our website <http://mfma.treasury.gov.za/Pages/Default.aspx>

Kind Regards

MFMA Implementation

Handwritten signature and initials in the bottom right corner of the page.