



22 January 2021

## **The CSOS is engaging legal counsel for recovery of investments made in “VBS” Bank**

In its audited financial statements for the reporting period 2017/18, the CSOS recognised an impairment loss of R80 million, as a result of unlawful investments into VBS Mutual Bank (“VBS”).

The “investments” were made without the CSOS having received an exemption from the National Treasury and without the required approval of the then Board. They were made unlawfully, in contravention of Treasury Regulation 31.3.3. which states that, “Unless exempted by the National Treasury, public entities that are listed in Schedule 3A or 3C of the [PFMA], must invest surplus funds with the Corporation for Public Deposits [(the “CPD”).”

The CSOS is cooperating with law enforcement agencies and has undertaken the following actions:

- Conducted an internal investigation into wrongdoing, led by Knowles Husain Lindsay Inc. Attorneys (“KHL”), whereafter an application was made to FNB to freeze all accounts into which the unlawful “investment” was made – ongoing.
- Lodged a criminal Case with SAPS, case number 196/3/2019 - the case is currently being investigated by the Directorate for Priority Crimes Investigation (HAWKS).
- Submitted a formal complaint against identified, suspected wrongdoers with the Financial Sector Conduct Authority (FSCA).

Ndivhuo Rabuli, the CSOS’s Acting Chief Ombud says:

“The independent, internal forensic investigation conducted by, Knowles Husain Lindsay Inc. Attorneys, has not implicated any of the current CSOS employees.”

“So far and since 2018, we have cooperated extensively with various law enforcement agencies. It is in our best interest to recover the funds where possible.

“It is materially and gravely unfortunate that this has occurred. We have dedicated CSOS staff – attorneys, adjudicators, and other specialists in their own fields - who hold their careers and reputations in high regard, they too have been affected.”

The CSOS is a national public entity listed in terms of the Public Finance Management Act, 1 of 1999 (“PFMA”), in whom executive authority is vested with the Minister of Human Settlements, Water & Sanitation (“Minister”).

Enquiries can be addressed to:

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### **About the CSOS**

The CSOS was established in terms of the Community Schemes Service Act, 2011 (Act 9 of 2011) to regulate the conduct of parties within community schemes and to ensure their good governance. Community Schemes are defined in the CSOS Act as “living arrangements where there is shared use of and responsibility for land/buildings such as sectional title, homeowners’ associations, retirement housing schemes, share block companies and housing cooperatives.”

The CSOS came into operation with a mandate to:

- Provide a dispute resolution service.
- Provide training for conciliators, adjudicators and other employees of the CSOS.
- Regulate, monitor and quality assure scheme governance documentation; and
- To take custody of, preserve and provide public access electronically or by other means to scheme governance documentation.

In terms of the CSOS Act, all community schemes must be registered with the CSOS. To find out more [www.csos.org.za](http://www.csos.org.za)