



PRESS RELEASE
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PRESS RELEASE 16 OF 2010: INVESTIGATING THE COMMUNITY MEDICAL AID SCHEME

During 2009, disgruntled former trustees of the Community Medical Aid Scheme (COMMED) asked the former acting Registrar of Medical Schemes and Chief Executive of the Council for Medical Schemes (CMS), Mr Patrick Matshidze, to investigate COMMED because of alleged corporate governance irregularities at the scheme.

Inspectors from the CMS, the regulator of medical schemes, carried out an inspection into COMMED between June and September 2009 and found that there were no corporate governance issues worthy of further investigation.

But suspicions were raised regarding the award of a contract worth R14.5 million to a company by the name of Brandnue in 2006. The transactional amount was not unusual; what was unusual was that the full amount of the contract was paid out in December 2006, before the contract had commenced and in the absence of any deliverables.

The current trustees of COMMED appointed a private forensic investigator to investigate the award of the R14.5 million, as per the recommendation in the inspection report by the CMS.

Former senior COMMED officials appear to be involved in the award of the R14.5 million; they are Mr Langa Mconi, the then Principal Officer of COMMED, and Mr Jimson Motshoane, the then Vice Chairperson of the COMMED Board of Trustees.

The investigator subsequently also established that the then acting Registrar of the CMS, Mr Patrick Matshidze, was a co-director and/or business partner with the two named COMMED officials. Mr Matshidze and Mr Mconi were members or directors of Mixo Investment Holdings, Meondo Trading 411 CC and Hluma Holdings. Mr Motshoane participated in Mixo and Hluma.

Mr Matshidze never disclosed his relationship with the senior COMMED officials to the CMS during his tenure as acting Registrar and specifically when he instituted the inspection into COMMED based on allegations by his business partners against an entity under his regulatory supervision.

The investigator found that the awarding of the contract to Brandnue for marketing activities was irregular. No proper tender process was followed and the contract demonstrated little benefit for COMMED. The money, along with other funds from the medical scheme, was utilised for an unregistered entity called COMMED Mozambique. COMMED Mozambique purported to be an equivalent of COMMED in South Africa. Mr Mconi, Mr Motshoane and Mr Matshidze appear to have been involved, directly or indirectly, in what would have been the establishment of COMMED Mozambique.

The owner of Brandnue, Mr Quentin Cloete, was approached by an intermediary, Dr Francois Olivier, regarding a marketing campaign. Brandnue paid 40% of the R14.5 million as consultation fees into three different bank accounts supplied by Dr Olivier: one account in his own name, a second account in the name of his wife, and a third account in the name of Zenzele River Lodge which lists the directors as Dr Olivier and his wife.

Mr Mconi instructed Brandnue to make payments from the R14.5 million to IFG Africa Public Sector (Pty) Ltd and various other third parties for items ranging from consultancy fees through accommodation to flight expenses and the reimbursement for medical expenses for members of COMMED Mozambique. Most of the contract amount was paid irregularly, with very little being spent for the actual benefit of COMMED as specified in the contract with Brandnue.

Other irregular amounts were also identified over and above the R14.5 million. R1.3 million was paid purportedly for expenses incurred by certain members of COMMED Mozambique; it was paid out through the intervention of Mr Mconi and Mr Motshoane. The scheme did not receive the contributions from the members who were paid, a matter of obvious prejudice to properly paid-up COMMED members.

Matters in relation to the activities of COMMED and purportedly an entity called COMMED Mozambique through the auspices of or at the direction of Mr Mconi and Mr Motshoane are of concern. The participation of the then acting Registrar Mr Matshidze is of concern as well, more so that his business interests with Mr Mconi and Mr Motshoane were not disclosed; the possible conflicts of interest in relation to the activities of the CMS were not disclosed either. The CMS believes that the participation of the then acting Registrar in the activities of the relevant trustees of COMMED could have resulted in prejudice to the CMS and the regulatory role and function of the CMS. Given the senior position held by Mr Matshidze at the time, this matter is of escalated concern.

Mr Mconi was dismissed from COMMED in 2009. Mr Motshoane was not re-elected to the COMMED Board of Trustees after the 2008 elections. Mr Matshidze resigned suddenly as acting Registrar in November 2009. None of these three individuals are involved in COMMED or the medical schemes industry any longer.

From the investigations undertaken by the forensic investigator, there is evidence of misconduct and possible criminal misconduct. The investigation continues to ascertain matters relating to the flow of monies from the accounts into which irregular payments were made. The process involving the subpoena of bank records is unfortunately time-consuming but one to which the CMS is committed. The CMS will continue its investigations to uncover wrongdoing. The matter has also been reported to the Prosecuting Authorities for further criminal investigation to bring the culprits to justice. The CMS will also

be working closely with the current Board of Trustees of COMMED to ensure the recovery of the irregular payments.

Please speak with one of our consultants should you require more information; their details are provided above. Media enquiries should be directed to our Communications Manager & Spokesperson Aleksandra Serwa on 012 431 0512 or a.serwa@medicalschemes.com.