

Council probes Bonitas top official for corruption

■ Investigation targets board, courier company and others

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THE COUNCIL for Medical Schemes is investigating Bonitas principal officer Bafana Nkosi and the board of trustees on eight allegations of corporate governance transgressions. Nkosi has been placed on special leave pending the outcome of the investigation.

Bonitas is the second-largest open scheme in the country and covers nearly 650 000 lives.

Gerhard van Emmenis, the scheme's chief operating officer, said on Friday that the investigation began in July and was initially expected to be completed this month.

The deadline had now been extended to December.

Van Emmenis said the council had in July applied in court under section 51 of the Medical Schemes Act to be granted permission to investigate Bonitas. The matter will return to court on December 15.

According to the motivation submitted in court by the council when it applied for permission to probe Bonitas's affairs, Nkosi's relationship with Pharmacy Direct, a courier pharmacy company that has a contract with Bonitas, will be investigated.

An initial inspection by the council uncovered a trip to Dubai in which officials of Pharmacy Direct took Nkosi and his wife shopping in 2005. Nkosi has supplied a confidential statement explaining this trip and indicated that he wanted to pay for the trip himself but alleges that Pharmacy Direct refused to accept payment from him.

It was discovered that no written agreement between the scheme and Pharmacy Direct existed until May 15, 2007. Prior to this there had only been a verbal agreement in place.

Bonitas first awarded the supplier a contract in 2004. The council has raised serious concerns about the scheme's commitment to proper governance

and control systems.

Also being questioned is the business relationship between Nkosi and one of the executives at Pharmacy Direct and the alleged attempt by the principal officer to obtain shares from this firm.

Former board chairman Tommy Oliphant also had a relationship with Pharmacy Direct. Oliphant was sacked three months ago.

Oliphant and Van Emmenis were also taken on a trip to New York by Pharmacy Direct. Both later paid back the money for the trip to Pharmacy Direct and agreed that they should have declared it to the board.

Oliphant agreed that he had a long-standing relationship with Willem Britz, a director at Pharmacy Direct, and another member of the courier company. This relationship, however, was through a company called Introdeals that originated when Britz practised as an attorney.


Oliphant was never a director at Introdeals but continued to receive monthly commissions from Introdeals and did not initially declare this to the Bonitas board.

Other allegations being investigated against Nkosi relate to overpayment to Virtual Care, a former supplier to Bonitas.

Also being probed is Nkosi's interest in Prescient Investment, Nkosi's relationship with an owner of a brokerage firm which was allocated Bonitas members, the establishment of a new marketing company, and the scheme's investments in Louis Pasteur hospital, Clinix, and Clansthal Development and Pegma 36.

Van Emmenis said the investigation had no immediate impact on members or on the day-to-day running of the scheme. He said he did not believe the scheme would be placed under curatorship.

The council could not be reached for comment by the time of going to press.



AT A GLANCE

Bonitas

- It is the second-largest open medical scheme in South Africa
- Covers close to 650 000 lives
- Last year, it collected R5.5 billion and paid R4.5bn in claims
- Last year, it made a surplus of R70 million
- It has five options
- It was established 27 years ago

Discovery Health

- It is the largest open medical scheme in the country
- Covers more than 2 million lives
- Has a 40 percent market share
- Has 1.4 million Vitality members
- Has 21 medical aid options
- Will collect R25bn in contributions in 2009/10

Source: Bonitas and Discovery

Despite being probed, the scheme's chief operating officer does not believe it will be placed under curatorship.

PHOTO: DUMISANI SIBEKO

Improper conduct alleged against scheme boss

ALLEGATIONS against Bafana Nkosi, the principal officer at Bonitas, and the board of trustees are:

- **Investment into Clansthal Development and Pegma 36.** This is a property development in which the previous board of trustees decided to invest. For this purpose, it established a company called Pegma 36 Investment. The development is in KwaZulu-Natal and the funding for the project was supposed to come from the scheme.

However, the Council for Medical Schemes (CMS) inspection found that Pegma 36 did not have its own bank account

or proper bookkeeping and it is not clear how payments involving millions of rands were effected. Nkosi was the only link to Pegma as he was the sole director for more than a year. The relationship between Nkosi and Chili, the developer, is being looked at. The scheme spent R30 million more on the project than initially planned.

- **Overpayment to Virtual Care.** Nkosi paid the company dispensing fees of R26, or 26 percent on the first R100, instead of R20, or 20 percent, which was agreed upon.

- **Nkosi's interest in Pre-scient Investment,** a new com-

pany which was contracted to look after hundreds of millions of rands of investments for the scheme.

- **Nkosi's relationship with Pharmacy Direct,** a supplier to Bonitas. The company took him and his wife to Dubai for shopping, which cost R25 000. Allegations include that he tried to buy shares from Pharmacy Direct and questions surround his relationship with one of the directors in the company.

- **Nkosi allegedly allocated Bonitas members to a brokerage firms he has links with.**

- **Bonitas Marketing.** This is a separate company which was established to handle

marketing for the scheme instead of doing the service in-house. The remuneration of board members, who were also appointed directors of the marketing company, is in question.

- **Investment in Louis Pasteur Private Hospital.** The CMS says it seems the scheme's investment and policies involved are in serious doubt.

- **Investment into Clinix.** This appears to be another bad investment. The scheme invested R38m in the clinic group and made losses.

Source: Council for Medical Schemes