

# **STATUTORY MANAGER REPORT**

To : Mr Andy Raphahlela  
Manager: Insurers & Retirement Fund Benefit Administrators Supervision  
FSCA

From : Krishen Sukdev  
Statutory Manager  
N-e-FG Administrators (Pty) Ltd

Date : 10 April 2023

Re : Update on N-e-FG Matters

Dear Mr Raphahlela

Please find below an update of matters at N-e-FG.

## **1. Recap of Previous Statutory Manager Reports :**

- a) About R344,74m was invested in various N-e-FG Funds and the value with interest as at 31 July 2022 was R470,00m (the values are provided in Annexure One);
- b) It has emerged that Assets were invested outside their mandates and that members were continuously misled on the value and whereabouts of their investments;
- c) A moratorium was placed on all benefit payouts. and
- d) There are delays in giving effect to the FSCA Directives of February 2023.

## **2. Current Actions**

Current actions focus on the following main areas:

- a) Compliance with FSCA Directives;
- b) Fast tracking the Recovery Process; and
- c) Holding those responsible to account for their actions.

The FSCA issued various directives on 6 February 2023. There have been substantial delays in giving effect to the directives in respect of the changing of the Bank Account signatures. I have requested the assistance of the authorities. A request was made for the Retirement Fund and Administration Entity passwords to access these accounts on a temporary basis whilst the signatures were changed. This request was denied.

Mr Deon McDonald is no longer in the employ of Phahamisa Administrators (Pty) Ltd; hence the matters relating to him in the Directives have largely been met and testing on the Bank Accounts will be carried out once access to these accounts is obtained.

We have identified various potential avenues of recoveries considering the various Policies of Insurance and the responsibilities that key Service Providers had to the Administrator and Retirement Funds. The Section 26 Trustees are applying their minds on how best to approach the recoveries and a decision will be made jointly with them on how to take the process forward.

We await the results of the Analysis of the Cash Flows to give direction on the way forward in terms of holding those responsible for the losses to account.

## **3. Stakeholder Communication**

A Stakeholder Communication was issued effective 31 March 2023. In addition there have been meetings as well as various correspondence by both email and telephone responding to concerns and queries. I intend to provide updates every second month, jointly with the Section 26 Trustees.

## **4. Future of EB Administration Entity and Retirement Funds**

The Administration Entity has liquidity constraints and faces a potential loss of business. The entity is also owed about R3m in fees by clients. The Administration entity has little prospects of being financially viable going forward.

## **5. Complaints**

There has been a continuous inflow of complaints. They mostly relate to the recovery plan and what action is being action against the alleged wrong-doers. Many of our members have suffered financially and have experienced adverse health conditions arising from the stress of dealing with these matters.

## **6. Next Steps**

The next steps will be focussed on:

- a) Comply with the FSCA Directives;
- b) Finalise the terms and conditions of the Recovery Process;
- c) Keep members updated; and
- d) Holding those responsible for the losses to account.

Kind Regards

Krishen Sukdev

Cc     Mr John Mackay  
       Mr MakgOMPI Raphasha

## ANNEXURE ONE – UPDATE ON COMPLIANCE WITH FSCA DIRECTIVES

### 2.1. Directorship

**Mr McDonald has resigned as a director of Phahamisa Administrators (Pty) Ltd as well as a staff member. Mr McDonald is thus no longer involved Phahamisa Administrators (Pty) Ltd.**

2.2. All managerial and administration functions in Phahamisa Administration in relation to the business being carried out by the company under its approval as benefit administrator under Section 13B of the Pension Funds Act No 24 of 1956 (PF Act) (i.e. administering the collection of contributions and the disposition of benefits on behalf of various retirement Funds)

**Mr McDonald is no longer a staff member of Phahamisa Administrators (Pty) Ltd.**

2.3. any function that allows Mr McDonald access to the Bank Accounts used to receive / pay/ administer contributions of retirement funds

**The Bank Accounts are only accessed by Internet Banking. No devices are utilised. I had requested the passwords to access the Accounts on a temporary basis whilst the signatories were being transferred – this was not provided. Mr McDonald has provided assurance in writing that he is not utilising the banks accounts. This will be tested once I am a signatory on the accounts.**

2.4. any function that allows Mr McDonald access to the administration system used by Phahamisa Administrators to administer the collection of contributions and the disposition of benefits on behalf of retirement Funds.

**Mr McDonald has no access to the Administration system.**

### 3. Phahamisa Administrators is further directed to:

3.1. Take such steps as are necessary to cause that the control (Power to access and transact) of all bank accounts of Phahamisa Administrators and retirement funds being administered by Phahamisa Administrators are vested with the Statutory Manager (Mr Krishen Sukdev) and Business Rescue Practitioner (Mr Adriaan Prakke) of Phahamisa Administrators;

**This is in process as the necessary requests have been made to ABSA and Nedbank. There have been continuous delays in transferring the signing powers. I am liaising with the authorities to explore other options to give effect to the FSB Directive.**

3.2. Ensure that payments of Phahamisa Administrators and retirement funds being administered by Phahamisa Administrators require approve from both the Statutory Manager and Business Rescue Practitioners

**This is in process as the necessary requests have been made to ABSA and Nedbank. Please see 3.1 above.**

3.3. Conduct a full reconciliation of all contributions received and the disposition of benefits of various retirement funds from at least the date of appointment of the Business Rescue Practitioner. This must be provided to the FSCA by 1 March 2023.

**The records are not available to carry out a reconciliation. We have liased with Everest who have opened their system at no charge till 30 April 2023. The IT Consultants had requested settlement of arrear fees in order to assist. The Business Rescue Practitioner has advised that a settlement has been reached with the Consultants. Once access to the systems has been obtained, the reconciliation will be carried out.**

4. Mr McDonald is directed to:

4.1. immediately, upon receipt of this Notice and Directives, cease to make payments from all bank accounts of Phahamisa Administrators and retirement funds being administered by Phahamisa Administrators;

**Mr McDonald has confirmed in writing that he has not made any payments since 7 February 2023. We shall test this once I have access to the Bank Records.**

4.2. return all property belonging to Phahamisa Administrators and means of access (eg Bank Tokens and Certificates issued by Banks), to all bank accounts of Phahamisa Administrators and Pension Funds being administered by Phahamisa Administrators. This must be handed to the Statutory Manager of Phahamisa immediately upon receipt on this Notice and Directive.

**Mr McDonald has advised in writing that he is not utilising the current bank accounts. The access to Bank Accounts is purely web based and does not require any tokens or certificates. There have been substantial delays in giving effect to the Directives.**

4.3. take such steps that are necessary to cause that the control (power to access and transact) of all controls of Phahamisa Administrators and retirement funds being administered by Phahamisa Administrators are transferred to the Statutory Manager and Business Rescue Practitioner of Phahamisa Administrators

**There have been delays in giving effect to the FSCA directives in so far as changing bank signatures. See 3.1 above.**

4.4. allow the Statutory Manager full access to the Accounting records, financial statements and other information including reports by the Business Rescue Practitioner, relating to the affairs of the Financial Institution

**We have negotiated with Everest access to the systems at no cost till 30 April 2023. The IT Consultants have requested settlement of arrear fees in order to assist. The Business Rescue Practitioner has advised that a settlement has been reached to access the records.**

4.5. refrain from accessing all records of Phahamisa Administrators and return all means to do so to the Statutory Manager immediately upon receipt of this Notice and Directive.

**Mr McDonald cannot access any records and is no longer a staff member.**