



# ANNUAL REPORT

**2022**



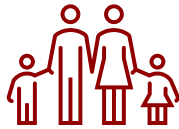
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The signed audited financial statements of Witbank Coalfields Medical Aid Scheme have not been submitted to the CMS and might be subject to change as may be directed by the CMS.



## Snapshot



**24 451**

total beneficiaries

**9 354**

principal members

**29.7**

average beneficiary age

**5.3%**

pensioner ratio

**2.6**

average family size



**5 374**

hospital cases authorised

**575 802 100**

claims paid



**R622 565 872**

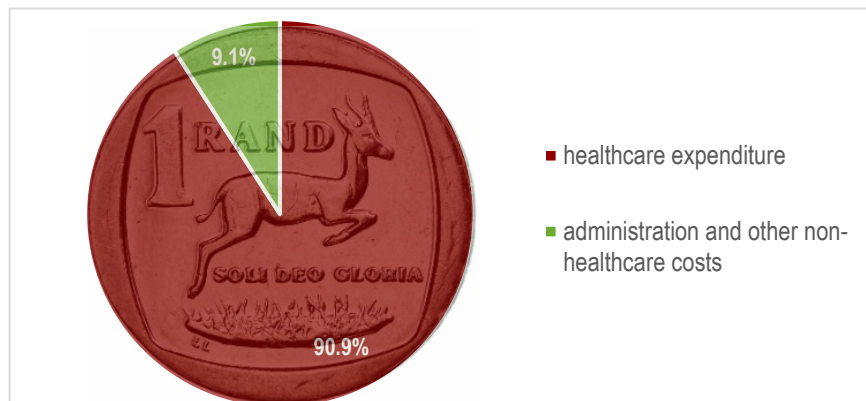
in reserves

**90.7%**

solvency ratio



how each Rand you contributed was spent



## Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2022.

### 1. ABOUT THE WITBANK COALFIELDS MEDICAL AID SCHEME ('WCMAS')

The Witbank Coalfields Medical Aid Scheme (WCMAS) is a non-profit, restricted membership, self-administered medical aid scheme governed by the Medical Schemes Act of South Africa, as amended, (the Act) and is regulated by the Council for Medical Schemes. It has been serving its members, associated employer groups and the coal mining industry, for over 80 years.

WCMAS originated from the amalgamation of a number of "medical clubs" operated by some of the Coal Mines in the Witbank area. These "medical clubs" date back to the early 1920's and mainly offered their members hospital benefits for a monthly membership fee. In 1935, these "medical clubs" amalgamated and formed the Witbank Coalfields Benefit Society (WCBS), a non-profit organisation offering its members medical cover mainly through a panel doctor system. With the development in the coal mining industry the Scheme flourished and in 1976 it changed from a benefit society to a medical aid scheme, offering members a wide range of benefits at service providers of their choice.

Serving a niche market and being managed by a Board of Trustees representing major stakeholders and members, the Scheme has designed cover to meet both the healthcare and affordability needs of a broad spectrum of coal mining employees to provide value that significantly surpasses that which can be offered by most open schemes. This superior product set is underpinned by personalized service from a regional operations team who understand the coal mining industry and the region. The Scheme has robust reserves, making WCMAS a solid and trusted medical scheme for the coal mining industry.

### 2. BENEFIT OPTIONS

The Scheme's benefit options remained largely unchanged during the 2022 year, except for the deregistration of the Yebomed option due to the migration of all the members thereon to Ntsika.

The Scheme's Comprehensive option provides complete peace of mind benefits at competitive rates. Contributions are linked to the income levels of members which allows for better cross subsidization of continuation members who retire on the option. The day-to-day component of cover is funded largely by a Medical Savings Account (MSA) accumulating at 25% of contributions. Savings not used are carried forward to the next benefit year. Comprehensive is by far the option of choice for WCMAS members and contributes 70% of the Scheme's total membership.

The Ntsika option is designed to provide lower earning employees an affordable primary care focused insurance option. Members make use of private healthcare facilities of their choice within the Ntsika network, which is managed by Universal Health. Day to day expenditure focuses largely on primary care and is funded from insured benefits. Contributions are based on income, with the lowest premium being R990 per member per month. Members would be hard pressed to find a similar option at such low premiums. The option is the Scheme's second largest benefit option with 26% of the Scheme's membership.

The Midmas option allows for middle-range in hospital benefits and a discretionary MSA for day to expenditure at 20% of contributions. Membership on this option remains relatively low with only 452 members but has grown by 28.6% compared to prior year.

### 3. MEDICAL SAVINGS ACCOUNTS

Witbank Coalfields Medical Aid Scheme provides personal medical savings account options through the Comprehensive and Midmas options. The savings plan was established to meet day-to-day healthcare costs not fully covered by the risk pool.

Personal medical savings are managed on the members' behalf in terms of the Scheme rules and the Medical Schemes Act, as amended. Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is accumulated on the effective interest method. The liability to the members in respect of the savings plan is reflected as a current liability in the financial statements, in terms of Regulation 10. In terms of the rules of the Scheme, the Scheme carries some risk relating to forward allowance of savings account utilisation.

Savings contributions are refundable when a member enrolls in another benefit option or another medical scheme without a personal medical savings account, or does not enrol in another medical scheme, and the accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the Scheme's rules.

4 SCHEME MANAGEMENT AND THIRD-PARTY SERVICE PROVIDERS

Trustees in office during the year under review:

**Member elected**

JC de Carvalho

KL Leripa

RV Mnguni

MBL Modise

R Prinsloo

M Wenum

Re-elected on 29 June 2022

Re-elected on 29 June 2022

**Employer appointed**

OA Maritz (Chairperson)

Thungela

Re-appointed on 29 June 2022

Resigned on 1 April 2023

TM Masike (Vice-chairperson)

Seriti

Elected Chairperson on 18 April

2023

M Dugmore

Thungela

Resigned on 21 February 2023

N Pitjeng

Seriti

HG Schoeman

Glencore

S Viljoen

Glencore

AR Bates (Alternate to HG Schoeman and S Viljoen)

Glencore

JT Musie (Alternate to M Dugmore)

Thungela

Resigned on 21 February 2023

S Seakamela (Alternate to OA Maritz)

Thungela

Resigned on 1 April 2023

**Non-voting stakeholder representatives invited to observe Board of Trustee meetings during the year under review:**

S Matthews

SACMA

**Principal Officer**

MA Anthony

Acting

**Statutory Manager**

JM Damons

Appointed 18 July 2022

**Actuaries**

*3One Consulting Actuaries*

52 Grosvenor Road

Bryanston

Sandton

**Administration**

WCMAS was self-administered for this financial year ending 31 December 2022. Select administration functions and network management for the Ntsika option:

*Universal Healthcare Administrators (Pty) Ltd*

Universal House

15 Tambach Road

Sunninghill Park

Sandton

**Principal Bankers**

*Nedbank Limited*



### Managed Healthcare

*Universal Care (Pty) Ltd*  
Universal House  
15 Tambach Road  
Sunninghill Park  
Sandton

*Performance Health (Pty) Ltd*  
10 Kikuyu Road  
Sunninghill  
Sandton

*ER24*  
371 Rivonia Boulevard  
Sandton

Non-accredited managed healthcare services were provided by Medikredit:  
Medikredit Integrated Healthcare Solutions (Pty) Ltd  
10 Kikuyu Road  
Sunninghill  
Sandton

### Asset Managers

*Aluwani Capital Partners*  
Aluwani House  
24 Georgian Crescent East  
Bryanston East  
Johannesburg

*Coronation Fund Managers*  
7th Floor  
MontClare Place  
Cnr Campground & Main Road  
Claremont  
Cape Town

*NinetyOne Investment Managers*  
100 Grayston Drive  
Sandown  
Sandton

*M&G Investments*  
*Formerly Prudential Investment Managers*  
Loft Offices East  
31 Tyrwhitt Avenue  
Rosebank  
Johannesburg

### Investment Manager

*Willis Towers Watson*  
Illovo Edge  
1 Harries Road  
Illovo  
Sandton

### External Auditor

*PricewaterhouseCoopers Inc*  
WCMAS Building  
Cnr Susanna and OR Tambo  
Emalahleni  
Mpumalanga

### Internal Auditor

*Nexia SAB&T Inc*  
119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion

### WCMAS Registered Office and

WCMAS Building  
Cnr Susanna and OR Tambo  
eMalahleni

### WCMAS Postal Address

PO Box 26  
eMalahleni  
1035

## 5 CORPORATE GOVERNANCE

The WCMAS Board of Trustees is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. The Board of Trustees is also fully committed to, and has applied, the Principles and the Code of Corporate Practices and Conduct as set out in the King Report on Governance where applicable to Medical Schemes.

### 5.1 Board of Trustees

The Board of Trustees comprises at least 10 members, fifty percent of whom are appointed by participating employer groups and fifty percent who are nominated and elected by the members of the Scheme. All trustees serve a two-year period of office with a maximum of three successive terms. This is in accordance with the provisions of the Medical Schemes Act of South Africa, as amended, and the Rules of the Scheme. All changes to the Board of Trustees are noted in section 4 of this report.



The Board of Trustees met regularly and critically monitored the performance of the management of the Scheme. The Board of Trustees addressed a range of key issues and ensured that discussion on items of policy, strategy, risk management and service delivery were informed and constructive.

To assist in the performance of their duties, the Board of Trustees received actuarial and legal advice from experienced and well-qualified consultants. All Trustees have access to the advice and services of the Principal Officer and when required may seek independent professional advice at the expense of the Scheme.

The Principal Officer and Fund Manager attend all meetings of the Board of Trustees.

## 5.2 Committees of the Board of Trustees

The Board of Trustees has established sub-committees to assist it in its duties. All committees meet regularly and consist of both Trustees and non-trustee members who have been appointed for their skills relating to the responsibilities of each committee. Each committee is mandated by the Board of Trustees by means of a written charter as to its membership, authority and duties. The Principal Officer and Fund Manager attend all committee meetings.

## 5.3 Audit and Governance Committee

The Scheme has an established Audit Committee, which was set up in accordance with Section 36 of the Act. The Committee consisted of six members during the year, two of whom are members of the Board of Trustees. The chairperson of the Committee may not be a trustee.

Representatives of Scheme management, the internal auditors and the external auditors attend meetings, by invitation. The Principal Officer, external auditors, internal auditors, and the Fund Manager have unrestricted access to the Chairperson of the Committee.

In accordance with the provisions of the Act, the primary functions and responsibilities of the Committee are to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices.

The external and internal auditors formally report to the Committee on significant findings regarding accounting matters and any significant internal control deficiencies arising from the auditing activities.

The Committee Chairperson provides a verbal report on the Committee's work to the Board of Trustees after each Audit and Governance Committee meeting. The minutes of the Audit and Governance Committee Meetings are also circulated to the Board of Trustees.

The report of the Audit and Governance Committee is presented on page 20 of the Annual Report.

The audit and governance committee comprised of the following members during the year under review:

AJ de Klerk	Chairperson	Non-trustee member
RC Joseph		Non-trustee member
OA Maritz	Resigned 1 April 2023	Trustee member
A Nienaber		Non-trustee member
MH Pearson		Non-trustee member
R Prinsloo		Trustee member

## 5.4 Investment Committee

The Investment Committee is mandated to manage the Scheme's investments in line with its stated investment objectives and strategy, as approved by the Board of Trustees. The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a three year period,
- capital preservation over a 12 month period;
- investments are only made in highly rated institutions with moderate risk; and
- investments are made in compliance with the regulations of the Act.

The Committee consisted of five members, two of whom were members of the Board of Trustees. Representatives of Scheme management and the asset managers attend meetings, by invitation.

The investment committee comprised of the following members during the year under review:

OA Maritz	Chairperson. Resigned 1 April 2023	Trustee member
RC Joseph		Non-trustee member
A Nienaber		Non-trustee member
MH Pearson		Non-trustee member
WL Skosana	Appointed 27 September 2022	Non-trustee member

The Committee Chairperson provides a verbal report on the Committee's work to the Board of Trustees after each Investment Committee meeting. The minutes of the Investment Committee meetings are also circulated to the Board of Trustees.

### 5.5 Remuneration Committee

The committee's primary objective is to develop, manage and monitor all remuneration and remuneration related matters by recommending appropriate remuneration values and strategies to the Board of Trustees for approval, and by so doing, to ensure the objectivity and credibility of the remuneration and bonus system (staff only), for the Board of Trustees, sub-committees, Principal Officer and other members of management and staff.

The committee consisted of four members, three of whom do not receive remuneration for attending meetings. The remuneration committee comprised of the following members during the year under review:

J Perkes	Chairperson Appointed on 29 April 2022	Non-trustee member
M Dugmore	Resigned 23 February 2023	Trustee member
TM Masike		Trustee member
S Viljoen		Trustee member

### 5.6 Disputes Committee

The committee consisted of three members. The members are not members of the Board of Trustees and only meet when a dispute arises that necessitates their meeting. The disputes committee comprised of the following members during the year under review:

M Botha	Non-trustee member
F Kruger	Non-trustee member
E Wiese	Non-trustee member

### 5.7 Review Committee

The committee is comprised of the Chairpersons of each subcommittee as well as an Investment Committee representative. The Committee's primary objective is to review the skill and functioning of the Board, its sub-committees and the Principal Officer, including fit and proper assessments, office duration, succession planning, meeting attendance and overall performance evaluation.

The review committee comprised the following members during the year under review:

OA Maritz	Chairperson. Resigned 1 April 2023	Chairperson of the Board of Trustees
J De Klerk		Chairman of the Audit and Governance Committee
M Dugmore	Resigned 23 February 2023	Chairperson of the Remuneration Committee
RC Joseph		Investment Committee representative



## 5.8 Attendance of Board and Committee Meetings

	Board of Trustees	Audit and Governance Committee	Investment Committee	Remuneration Committee	Review Committee	Total
<b>Number of meetings</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>19</b>
OA Maritz <sup>1</sup>	11	4	2	-	1	18
TM Masike <sup>2</sup>	9	-	-	1	-	10
JC de Carvalho	10	-	-	-	-	10
M Dugmore <sup>3</sup>	10	-	-	-	1	11
KL Leripa	0	-	-	-	-	0
RV Mnguni	5	-	-	-	-	5
MBL Modise	7	-	-	-	-	7
R Prinsloo	9	3	-	-	-	12
N Pitjeng	7	-	-	-	-	7
HG Schoeman	10	-	-	-	-	10
S Viljoen	8	-	-	1	-	9
M Wenum	7	-	-	-	-	7
AR Bates <sup>4</sup>	2	-	-	-	-	2
JT Musie <sup>5</sup>	1	-	-	-	-	1
S Seakamela <sup>6</sup>	0	-	-	-	-	0
S Matthews <sup>7</sup>	8	-	-	-	-	8
J Perkes <sup>8</sup>	-	-	-	1	-	1
J de Klerk <sup>9</sup>	-	3	-	-	1	4
RC Josephs	-	4	2	-	0	6
A Nienaber	-	2	1	-	-	3
MH Pearson	-	4	1	-	-	5
W Skosana <sup>10</sup>	-	-	-	-	-	0

<sup>1</sup> Chairperson of the Board of Trustees, Chairperson of the Investment Committee; and Chairperson of the Review Committee. Resigned 1 April 2023.

<sup>2</sup> Chairperson of the Board of Trustees from 18 April 2023.

<sup>3</sup> Vice-Chairperson of the Board of Trustees until 21 February 2023; and Chairperson of the Remuneration Committee until 29 April 2022.

<sup>4</sup> Alternate to HG Schoeman and S Viljoen.

<sup>5</sup> Alternate to M Dugmore.

<sup>6</sup> Alternate to OA Maritz.

<sup>7</sup> SACMA observer.

<sup>8</sup> Appointed 29 April 2022. Remuneration Committee Chairperson from 29 April 2022.

<sup>9</sup> Audit and Governance Committee Chairperson.

<sup>10</sup> Appointed 27 September 2022.

## 5.9 Trustees' and Committee Members' Remuneration

The members of the Board of Trustees and Committee have been remunerated for services rendered to the Scheme based on expertise, skills and time needed to serve as a Trustee or Committee member. The Scheme's Remuneration committee was tasked with implementing a remuneration philosophy and policy for the Trustees and officers of the Scheme, which is approved by the members at the Annual General Meeting. Not all Trustee and Committee members exercise their right to remuneration due to alternative arrangements with their employers. Trustee and Committee member remuneration is disclosed in note 16 to the Annual Financial Statements.

## 6 STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

We engage with stakeholders to create an effective network that benefits all. The network ultimately supports members as our priority. We aim to resolve a member query at the first point of contact.

Our network relies on the Scheme's human resources, outsourced partners such as our managed care organisation and the sub-contractor for administration on the Ntsika option. Each is tasked with supporting and engaging with various stakeholders as and when a query arises. These are captured as operating procedures and are governed by Service Level Agreements (SLAs) with partners and service providers. Escalating a matter to the Scheme is defined in SLAs. Service providers send the Scheme monthly reports to highlight engagement interactions and matters of concern.

Internal stakeholder escalation processes allow for matters to be communicated to the relevant executives. They ensure that monthly reports to the Board highlight material stakeholder concerns.

### 6.1 Engagement Topics

Key stakeholder	Typical frequency of interaction	Methods of engagement	Summary of concerns and needs arising from interactions	Scheme response
Members	Daily/ Weekly/ Monthly	<ul style="list-style-type: none"> <li>- Onsite consultants</li> <li>- Walk-in center</li> <li>- Telephone</li> <li>- Email</li> <li>- SMS</li> <li>- Website</li> </ul>	<ul style="list-style-type: none"> <li>- Understanding of benefits</li> <li>- Claims not paid</li> </ul>	<ul style="list-style-type: none"> <li>- Onsite consultant to assist members to understand benefits their home language and at their place of work.</li> <li>- Continuous training of officials who engage with members such as HR and union representatives onsite.</li> <li>- Communication on reasons for short or non-payment of claim.</li> </ul>
Universal Care	Weekly/ monthly/ quarterly	<ul style="list-style-type: none"> <li>- Management meetings</li> <li>- Written reports.</li> <li>- Feedback presentations</li> <li>- Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Healthcare expenditure</li> <li>- Fraud, waste, and abuse exposure</li> <li>- Health risk management activities</li> <li>- Managed healthcare savings achieved.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular reviews against the budget and market trends (benchmarks)</li> <li>- Reviews to ensure members on managed care programs are compliant with their care plans</li> </ul>
Performance Healthcare	Weekly/ monthly/ quarterly	<ul style="list-style-type: none"> <li>- Management meetings</li> <li>- Board meetings</li> <li>- Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Healthcare expenditure</li> <li>- Health risk management activities</li> <li>- Fraud, waste and abuse exposure</li> <li>- Managed healthcare savings achieved.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular reviews against the budget and market trends (benchmarks)</li> </ul>
MIP	Weekly/ monthly/ quarterly	<ul style="list-style-type: none"> <li>- Management meetings</li> <li>- Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Administration system software support</li> <li>- System enhancements</li> <li>- Benefit roll over</li> <li>- Business intelligence reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Monthly review of service request against agreed SLA</li> <li>- Weekly feedback meeting on system defects and enhancements</li> </ul>
Universal Health Administrators	Weekly/ monthly/ quarterly	<ul style="list-style-type: none"> <li>- Management meetings</li> <li>- Written reports</li> <li>- Board meetings</li> <li>- Ad hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Member interactions via call centre</li> <li>- Member dissatisfaction with network and/or benefits</li> </ul>	<ul style="list-style-type: none"> <li>- The scheme appointed onsite consultants for its large employer group sites to provide additional client service to members in person.</li> <li>- Monthly review of performance against agreed service levels.</li> </ul>
Council for Medical Schemes (CMS)	Monthly Quarterly Annually Ad hoc	<ul style="list-style-type: none"> <li>- Regulatory returns</li> <li>- Formal correspondence</li> <li>- Circulars</li> <li>- See item 6.2</li> </ul>	<ul style="list-style-type: none"> <li>- See item 6.2</li> </ul>	<ul style="list-style-type: none"> <li>- Collaboration and engagement with the Statutory Manager</li> <li>- Attendance by the Statutory Manager at all Board of Trustees and Audit and Governance Committee meetings.</li> </ul>



## 6.2 CMS Inspection Update

In 2020 the CMS commissioned an investigation into the Scheme's governance in terms of section 44(4)(a) of the Medical Schemes Act. The Regulator made various recommendations and recommended the appointment of a Statutory Manager in terms of section 5A of the Financial Institutions (Protection of Funds) Act, 28 of 2001 to oversee their implementation. The appointment of Mr Juanito Damons as the Statutory Manager was jointly concluded by the Scheme and the CMS on 18 July 2022. The Statutory Manager attends all Board of Trustee and Audit and Governance meetings of the Scheme. He also has ad hoc meetings with Scheme officials as required. The Statutory Manager has made recommendations to improve the Scheme's governance functions and capability which the Scheme is currently finalising implementation of. The Statutory Manager meets with the CMS to provide feedback on the Scheme's progress against the Statutory Manager's recommendations and provides verbal feedback thereon at each Board of Trustees meeting.

## 6.3 Industry Trends Impacting the Scheme

According to the Health Market Inquiry in 2019, the South African private healthcare market is characterised by the rising cost of healthcare and medical scheme cover, with significant overuse, without stakeholders having been able to demonstrate associated improvements in health outcomes.

South Africa has additional challenges such as low economic growth, rising unemployment, a looming debt crisis and pervasive corruption. Bleak economic forecasts mean that the vast gap between rich and poor will remain particularly evident in our industry: many urbanised cities are faced with an oversupply of healthcare services while remote, rural areas have only limited access to healthcare facilities.

With the ongoing challenges within the public healthcare system, the uncertainties around National Health Insurance, and the demarcation between insurance and medical aid products, it is important for the Scheme to define its future role in a dynamic environment.

The coalmine landscape is changing which could lead to changes in mine ownership and operations. Coal industry developments are carefully monitored through employer group and industry representation bodies participation in Board and Strategic Planning meetings.

The Scheme responds to external trends and their related risks and opportunities through the following strategic business objectives:

- To provide a variety of diverse and cost-effective benefit options to members of the Scheme at affordable contributions.
- To carefully manage the funds and reserves to keep required contribution increases as low as possible so that the Scheme remains affordable but sustainable.
- To carefully monitor industry movements and competitors to ensure the Scheme remains relevant and a Scheme of choice.
- To carefully manage the Scheme's benefits and pricing to ensure enough members with a healthy risk to improve cross subsidization within the risk pool.

## 7 RISK MANAGEMENT

The Board of Trustees understand the importance of sound risk management and are committed to the principles of ethical leadership and good corporate governance to protect the Scheme and to ensure the sustainability of its operations. The Board of Trustees review the risks facing the Scheme on a regular basis to manage the risks insofar as it is within their control.

In developing the strategies of the Scheme, the major inherent risks identified are:

- Member retention.
- Regulatory change.
- Fees charged for Prescribed Minimum Benefits.
- Each benefit option not being financially sound to the extent that it would jeopardize the Scheme.
- Performance of service providers; and
- Significant changes to the membership's health profile.

The Board of Trustees believe that adequate controls are in place to manage the above risks.



## 7.1 Management of Insurance Risk

The primary insurance activity carried out by the Scheme is that of assuming the risk of certain claims costs from members and their dependants as these directly relate to their health. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme managed its medical insurance risk through benefit limits and sub-limits, approval procedures for transactions that involved pricing guidelines, pre-authorisation and case management, negotiations with all major service providers, centralised management of risk transfer arrangements as well as the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor medical insurance risk both for individual types of risks and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The Scheme's affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as acute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme's disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

## 8 REVIEW OF THE YEAR'S ACTIVITIES

### 8.1 Operational and Financial Overview

The result for the 2022 financial year was a net deficit of R 12.3 million following two years of large surpluses induced by COVID-19's effect on healthcare system capacity and member avoidance of healthcare services. 2022 saw the utilisation of non-COVID healthcare services increase. As a not-for-profit entity with large reserves, the Scheme budgeted to break even with a marginal surplus of R1 million after investment income. The drivers for the variance in the results are multi-pronged and are covered in the sub-sections below.

#### 8.1.1 Membership

The membership of the Scheme remained stable compared to prior year, with only a 0.5% decline in beneficiaries. The average age of beneficiaries and pensioner ratio has remained consistent with prior year as well and is still significantly better than industry and competitor averages.

#### 8.1.2 Healthcare expenditure

During the COVID-19 pandemic, healthcare system capacity had been constrained while members also avoided non-essential visits to healthcare facilities to prevent possible infection. Following the large-scale vaccination programme in South Africa by the National Department of Health, the spread and severity of COVID in South Africa began to subside in 2021. The Scheme therefore budgeted for an increase toward pre-COVID health utilisation levels in 2022. Actual claims were 1.4% higher than estimated.

#### 8.1.3 Non-healthcare expenditure

The Scheme is self-administered with some components of its administration and risk management functions outsourced to third party experts. To ensure maximum value to members within this category of spend, the Board actively monitor non-healthcare expenditure through a monthly review of actual itemized costs versus budget. Administration costs make up the bulk of non-healthcare expenditure. The Scheme's non-healthcare expenditure per beneficiary per month for 2022 was R151.20 (2021: R136.75). This is in line with the industry average reported for 2021/2 of R165.56 (PY: R160.40) per beneficiary per month (*source: CMS Annual Report 2021/22*).

### 8.1.4 Investment income

The Scheme's high levels of solvency generate investment income which partially offsets operational expenses, so that more of the members' contribution may be utilised for healthcare expenditure. Investment income generated during the 2022 financial year totalled R32.8 million (2021 R32.9 million) but fell short of targeted investment returns yielding 5.7% gross of fees (target: 10.2%). The Investment Committee undertook a review of its asset managers and investment strategy and are satisfied that the current asset managers and CPI+3% target remain appropriate.

### 8.2 Operational statistics per benefit option

#### 2022

		Comprehensive	Midmas	Ntsika	Scheme
Average number of members during the accounting period		6,558	397	2,364	9,319
Number of members at 31 December		6,496	452	2,405	9,353
Average number of beneficiaries during the accounting period		17,350	1,043	5,986	24,379
Number of beneficiaries at 31 December		17,152	1,234	6,065	24,451
Average Family Size at 31 December		2.6	2.7	2.5	2.6
Average beneficiary age as at 31 December		31.1	26.2	26.5	29.7
Pensioner ratio at 31 December	%	7.3	0.3	0.4	5.3
Average net contributions per member per month	R	5,023	3,392	2,577	4,333
Average net contributions per beneficiary per month	R	1,899	1,290	1,018	1,656
Average relevant healthcare expenditure per beneficiary per month	R	1,973	906	881	1,659
Relevant healthcare expenditure as a percentage of net contributions	%	103.9	70.3	86.6	100.2
Non-healthcare expenses as a percentage of net contributions	%	7.9	11.8	15.1	9.1
Average accumulated funds per member as at 31 December*	R		66,563		
Return on investments as a percentage of investments*	%		5.7		

#### 2021

		Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Average number of members during the accounting period		6 607	309	2 456	25	9 397
Number of members at 31 December		6 529	332	2 412	-	9 273
Average number of beneficiaries during the accounting period		17 433	735	6 257	74	24 500
Number of beneficiaries at 31 December		17 304	796	6 162	-	24 262
Average Family Size at 31 December		2.7	2.4	2.6	-	2.6
Average beneficiary age as at 31 December		30.5	26.5	26.0	-	29.2
Average net contributions per member per month	R	4 839	3 218	2 393	1 989	4 139
Average net contributions per beneficiary per month	R	1 834	1 352	939	678	1 588
Average relevant healthcare expenditure per beneficiary per month	R	1 775	1 009	804	637	1 500
Relevant healthcare expenditure as a percentage of net contributions	%	96.8	74.6	85.6	94.0	94.5
Non-healthcare expenses as a percentage of net contributions	%	9.4	3.8	5.0	6.1	8.6
Pensioner ratio at 31 December	%	6.8	0.6	0.3	-	4.9
Average accumulated funds per member as at 31 December*	R			68 920		
Return on investments as a percentage of investments*	%			10.9		

\*Average accumulated funds per member and return on investments are only calculated for the total Scheme and not per option.



### 8.3 Actuarial information

An actuarial review of the Scheme is not required in terms of the Act; however, the Scheme had the budgeted contributions and assumptions used in the benefit design process prepared by 3One Consulting Actuaries to confirm the appropriateness of the contribution increases for 2022 and 2023. The actuaries have also provided the Scheme with estimates on the potential impact of the COVID-19 pandemic on the Scheme throughout the year as well as the valuation of the post-retirement employment benefit liability.

### 8.4 Outstanding claims

Movement on the outstanding claims provision and the basis of the calculation of the outstanding claims provision is set out in Note 10 to the Annual Financial Statements. The basis of calculation is consistent with the prior year. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

### 8.5 Fidelity insurance

The Scheme maintains fidelity insurance at a level which the Board of Trustees considers to be appropriate.

### 8.6 Related party transactions

Refer to related party disclosure in note 19 to the Annual Financial Statements. Trustee remuneration is disclosed in note 16 to the Annual Financial Statements.

### 8.7 Significant events

In 2019 the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The Scheme is currently engaged in legal proceedings relating to the matter.

In terms of section 5(2) of the Financial Institutions Act, the Registrar, CMS, and the Board of Trustees of WCMAS agreed that a statutory manager be appointed with effect from 18 July 2022. The Statutory Manager has made recommendations to improve the Scheme's governance functions and capability which the Scheme is currently finalising implementation of.

The Scheme completed its administration system migration from its legacy system to a third party licensed and supported system on 1 September 2022. This entailed moving all the claims, membership, financial, biographical and authorization data of members into the new system environment. Project governance and data migration assurance was provided by the Scheme's internal auditors prior to the final decision to go live on 1 September 2022. The new system has been in full operation since go live and there has been no major down time or defects noted. The Scheme has contracted service levels and priority definitions in place with the third party system provider to ensure that any issues are flagged, prioritised and resolved within agreed timeframes. The move away from an internally developed and supported system benefits the scheme by reducing its business continuity risk, reliance on key personnel and IT system costs.

### 8.8 Non-compliance matters

All non-compliance matters identified have been listed in this report irrespective of whether they have a material impact or not.

Section 26(7) of the Act requires that "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due." Non-compliance could result in possible cash flow constraints and have an impact on interest income. During 2022, not all contributions billed were received within three days of the due date. The debtors' days' ratio for the year was 0.83 days. The Scheme continuously follows up on outstanding contributions and applies a credit control policy to overdue contributions.

Section 59(2) of the Act states that "a medical scheme shall pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme." The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.

Section 33(2)(b) of the Act states that "The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option – (b) shall be self-supporting in terms of membership and financial performance...". The non-compliance could result in benefit options with a surplus cross-subsidising benefit

options with a deficit. Two out of three benefit options of the Scheme have recorded net healthcare deficits for the 2022 financial year.

Section 35(8) (a, c & d) of the Act prohibits a medical scheme from holding any investments in the business of any administrator of a Medical Scheme or any holding company of an administrator or any employer group. The Scheme has underlying investments in administrators of medical schemes amounting to 0.01% (Momentum Metropolitan Holdings) and employer groups of 0.78% (Glencore) of total net asset value. The Scheme has obtained an exemption from the Council for Medical Schemes until 30 April 2024.

### 8.9 Solvency Ratio (in terms of the Act)

In accordance with Regulation 29(2) in the Medical Schemes Act 131 of 1998, as amended, the Scheme must maintain accumulated funds excluding unrealised investment reserves at a minimum of 25%. The solvency ratio calculations for 2021 and 2020 are set out in the table below:

	2022	2021
	R	R
Total members' funds per the Statement of Financial Position	622,565,872	634,846,027
Less: Cumulative net unrealized non-distributable reserve movements recognized in the statement of income	(60,485,185)	(55,601,235)
Accumulated funds per regulation 29	562,080,687	579,244,792
Gross contributions (including savings contributions)	619,840,902	597,193,916
Solvency ratio	90.7%	97.0%

Movements in the members funds' and reserve accounts are set out in the Statement of Changes in Funds and Reserves on page 29 of the Annual Financial Statements. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

## 9 EVENTS AFTER THE REPORTING PERIOD

No adjusting or non-adjusting events occurred after the reporting period.

## Statement of Responsibility by the Board of Trustees

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Witbank Coalfields Medical Aid Scheme ("the Scheme"), comprising the statement of financial position at 31 December 2022 and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes required in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Medical Schemes Act of South Africa No. 131 of 1998, as amended ("the Act").

The Trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly present the results of operations for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The Trustees are responsible for ensuring that accounting records are maintained. The accounting records disclose, with reasonable accuracy, the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

Witbank Coalfields Medical Aid Scheme operates in a well-established control environment which is well documented. This incorporates risk management and internal control procedures which are designed to provide reasonable but not absolute assurance that assets are safeguarded and the risks facing the business are adequately mitigated.

The Trustees, with the support of the independent actuarial advisors, have assessed the ability of the Scheme to continue as a going concern and have no reason to believe, given its solvency position, that the Scheme will not be a going concern in the year ahead.

The Audit and Governance committee functioned effectively throughout the year.

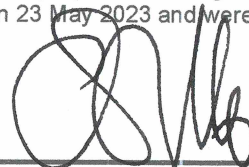
The Scheme's external auditor is responsible for auditing the fair presentation of the financial statements in terms of International Reporting Standards on Auditing in accordance with the applicable financial reporting framework of the Scheme.

### Approval of financial statements

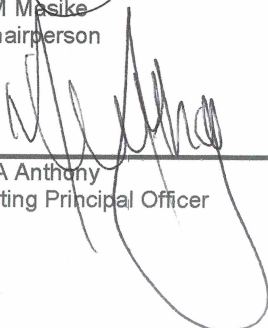
The financial statements set out on pages 27 to 58, which have been prepared on the going concern basis, were approved and authorised for issue by the Board of Trustees and on 23 May 2023 and were signed on their behalf by:



TM Masike  
Chairperson



CIA Masilo  
Vice-chairperson



MA Anthony  
Acting Principal Officer



## Statement of Corporate Governance by the Board of Trustees

Witbank Coalfields Medical Aid Scheme is committed to the principles and practice of fairness, responsibility, transparency, and accountability in all dealings with its stakeholders. Where practical, the Scheme strives to comply with the King IV Code of Corporate Governance. Reporting in terms of King IV is guided by the Council for Medical Schemes.

In meeting Corporate Governance requirements, the Scheme's management, Board of Trustees and sub-committees have access to governance experts as and when the need arises. This is deemed to be adequate for appropriately governing the affairs of the Scheme.

### 1. ETHICS

The industry experiences high levels of waste and abuse of members' benefits by certain healthcare professionals. There is also a high incidence of fraudulent claims due to collusion between healthcare professionals and, in some instances, members. This behaviour undermines the financial sustainability of the Medical Schemes Industry, and, as such, has a negative impact on all members. The Scheme therefore has stringent fraud policies in place and processes to prevent, detect and discipline any fraudulent activities.

The Scheme minimises the impact of this risk by adopting a zero-tolerance approach to fraud, waste and abuse. The Scheme has applied deterrent measures to curb unethical behaviour and reinforce the principles of ethical billing and claims behaviour during the provision of services to medical aid members.

The deterrent measures include:

- raising awareness about fraud, waste and abuse;
- applying abuse prevention tactics; and
- using analytical software to identify outlier behaviour.

The Scheme has stringent fraud policies and processes in place to prevent, detect and discipline any fraudulent activities. All investigations or interviews/interrogations related to suspected fraudulent acts are confidential and the identity of whistle blowers remain anonymous.

### 2. CORPORATE CITIZENSHIP

In terms of the King IV code on corporate governance, corporate citizenship is defined as the recognition that the Scheme is an integral part of the broader society in which it operates, affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations. It is also the recognition that the broader society is the licensor of the Scheme.

The Scheme acknowledges its responsibility for being a responsible and ethical corporate citizen and management and the Trustees make decisions with this in mind.

#### Stakeholder engagement

Stakeholder relationships are governed by contracts with the relevant parties and also by policies put in place to ensure that the Scheme staff, management and Board of Trustees are on par with the highest priority set to good stakeholder relationships. The Scheme enforces:

- regular communication with all stakeholder groups;
- adequate representation by major groups on the Scheme's Board of Trustees;
- queries are routed to the correct person with fast turnaround times and prompt resolution; and
- complaints received, from any stakeholder, is followed up on and escalated to management where necessary.

#### Responsible business practices

The Scheme is committed to responsible business practices to ensure the future success and sustainability of the Scheme by:

- employing competent, adequately trained staff to run and manage its day-to-day operations;
- maintaining the highest standards of ethics, honesty and integrity; and
- assessing the impact of its decisions on all relevant third parties.

Due to the Scheme placing great value on its stakeholders and its corporate citizenship, extensive quality control procedures are in place along with staff and Trustee performance reviews and monitoring of complaints and queries from key stakeholders.

### 3. PRINCIPAL OFFICER

The Principal Officer's duties and responsibilities are governed by her Service Level Agreement in addition to the Act and the Scheme's Rules. She is contractually required to give the Scheme 30 days' notice in the event of resigning, but sufficient succession planning is in place to ensure that the position will not be vacant for extended periods of time.

The Principal Officer is employed in an executive capacity and is employed on a full-time basis by the Scheme. She does not hold other positions or memberships of other governing bodies outside the Scheme.

### 4. BOARD OF TRUSTEES

The primary governing body of the Scheme is the Board of Trustees. Even though they delegate some of their functions to other committees in an appropriate delegation of authority framework, they remain the primary decision maker and the party where the ultimate responsibility rests for the proper functioning of the Scheme.

The Board of Trustees has the appropriate balance of knowledge, skills, experience, diversity and independence to adequately manage the affairs of the medical scheme and its members. The Trustees are proposed and elected by members of the Scheme and participating employers and are governed by an agreed Terms of Reference. The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. All the Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees believes that the delegation of authority framework contributes to the role clarity and the effective exercise of authority and responsibilities of the Board's duties. To assist the Trustees in the execution of their fiduciary duties, the following Board committees were in place:

- Audit and Governance committee;
- Disputes committee;
- Investment committee;
- Remuneration committee; and
- Review committee.

#### Performance evaluations

The Board of Trustees and Principal Officer are evaluated through an annual review process whereby they are required to complete a set of questions pertaining to their functioning and performance. These are reviewed by a review committee who consists of the chairman of each of the Scheme's committees (Board of Trustees, Audit and Governance, Remuneration and Investment committees) whereafter feedback and remedial actions, if any, are provided to the Board of Trustees.

Overall, the Board of Trustees and sub-committees were found to be fit and proper and functioning within their mandate. There were no remedial actions necessary as all members were found to be acting satisfactorily.

The governing body believes this process to be sufficient and efficient in evaluating its performance and motivating it to improve output.

#### Remuneration

As from 1 June 2012, Board of Trustees and sub-committee members are compensated for their time, input and the responsibilities that they bear. To qualify for these fees, committee members must complete all the required training and orientation courses defined by the Council for Medical Schemes and the Scheme's rules. The King IV report on Corporate Governance was considered in drafting the policy for remuneration of committee members.

Board of Trustees (voting members only) and sub-committee members may be paid R 2 075 (2021: R 1 960) per meeting fully attended. However, no fees will be paid for consulting services performed by trustees. Not all Trustee and committee members exercise their right to remuneration due to alternative arrangements with their employers. Chairpersons of committees may be paid R 3 112 (2021: R 2 939) per meeting fully attended. This is also applicable to the acting chairperson at any meeting. Committee members are paid travel costs at the standard AA rate for members who do not qualify for travel allowances through other institutions.

All remuneration paid to Trustee and committee members are detailed in note 16 of the Annual Financial Statements.

## 5. RISK MANAGEMENT

The Scheme faces inherent and business risks that must be identified, mitigated and/or managed to ensure that the Scheme is sustainable. The Scheme's risk management processes include:

- management identifies risks on a continual basis;
- the Scheme has formal strategic planning processes;
- management is charged with putting appropriate controls in place to mitigate risks;
- the Audit and Governance committee performs quarterly reviews of risk assessments;
- an annual review is performed of internal policies and procedures; and
- a review of committee terms of reference is performed at least every three years.

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Scheme monitors the effectiveness of controls and resultant deficiencies (if any) by:

- maintaining monthly, quarterly, bi-annual and annual quality control processes; and
- conducting monthly Board of Trustees meetings, where queries and complaints from members are addressed.

No event or item has come to the attention of the Board of Trustees to indicate that there has been any material breakdown in the functioning of the key internal controls and systems during the year under review.

## 6. INVESTMENT STRATEGY

The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a rolling three year period, but with low risk of losing capital over a 12 month period;
- savings account trust funds should be ring-fenced and invested separately in liquid funds and net returns on these funds are allocated to savings account balances of members;
- maintain liquidity levels as required by the Scheme;
- invest only in highly rated institutions with low to moderate risk;
- make investments in compliance with the regulations of the Act; and
- perform risk assessments with feedback to the Board of Trustees with recommendations on the risks identified.

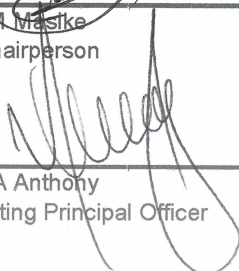
## 7. INFORMATION TECHNOLOGY

The Scheme's information technology functionality is administered internally, under the guidance of scheme management. The Scheme licenses a reputable administration system from a provider who has sufficient skill and expertise in the Medical Schemes industry to ensure regulatory compliance and achieving of the required service levels. Scheme management have enforced stringent change management and cost control measures including structured incident logging with defined severity levels and agreed response resolution times.

This statement was approved by the Board of Trustees and is signed on their behalf by:

  
\_\_\_\_\_  
TM Masike  
Chairperson

  
\_\_\_\_\_  
CIA Maslo  
Vice-chairperson

  
\_\_\_\_\_  
MA Anthony  
Acting Principal Officer

## Report from the Audit and Governance Committee

This report is provided by the Audit and Governance committee appointed in respect of the 2022 financial year of Witbank Coalfields Medical Aid Scheme. The committee oversees the Scheme's financial reporting process on behalf of the Board of Trustees in terms of a delegation of authority framework. In fulfilling its oversight responsibilities, the Audit and Governance committee reviewed and discussed the audited financial statements and related schedules in the Annual Report with the Scheme's management, including:

- a discussion of the quality, not just the acceptability, of the accounting principles;
- the reasonableness of significant judgments;
- the clarity of disclosures in the financial statements; and
- the overall scope and plans for their audit with the independent external auditor.

### 1. INDEPENDENT EXTERNAL AUDITOR

The Audit and Governance committee meets with the independent external auditor, with and without management present, to discuss the results of their examinations; their evaluations of the Scheme's internal control, including internal control over financial reporting, and the overall quality of the Scheme's financial reporting.

The Audit and Governance committee recognises the importance of maintaining the independence of the Scheme's independent external auditor, both in fact and appearance. The committee remains vigilant of any facts or circumstance that may arise that may cloud the auditor's independence and judgment and takes that into account in recommending re-engagement of the external auditor to the Board of Trustees. The committee has recommended to the Board of Trustees that PricewaterhouseCoopers Inc. be retained as the auditor of Witbank Coalfields Medical Scheme for the 2022 financial year. The firm has been the Scheme's external auditor since the 2013 financial year. The audit partner has been rotated according to the rotation policy provided by The Independent Regulatory Board for Auditors (IRBA) in respect of widely held entities. The members of the Audit and Governance committee and the Board of Trustees believe that, due to external auditor's knowledge of the Scheme and of the medical schemes industry, it is in the best interests of the Scheme to continue retention of the firm to serve as the Scheme's independent external auditor. This decision has also been ratified by the Annual General Meeting of the Scheme held on 26 June 2022.

Any non-audit services that the Scheme may require are recommended for approval to the Board of Trustees by the Audit and Governance committee as and when the need arises.

### 2. INTERNAL AUDIT

The committee approved the appointment of Nexia SAB&T as the internal auditors for the Scheme during the year. The committee assessed Nexia SAB&T to be adequately resourced and independent from the Scheme. The committee considered how the internal audit function will be executed and recommended a three-year audit plan to the Board of Trustees. The work of internal audit is reviewed quarterly against the work plan. Internal audit reports on the effectiveness of systems for internal financial control, financial reporting, and risk management as well as any special work requests raised by the Audit and Governance committee are reviewed. The response of the principal officer/trustees (as appropriate) to any internal audit findings and recommendations is also reviewed.

### 3. SENIOR MANAGEMENT

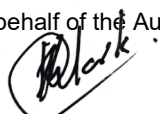
The Scheme continued to be managed by the Acting Principal Officer. All business-critical positions are filled. Specialised information technology, professional actuarial, human resources and legal skills have been sourced from competent external contractors where necessary.

### 4. ANNUAL FINANCIAL STATEMENTS

The committee have reviewed and discussed, together with management and the independent auditor, the Scheme's audited financial statements for the year ended 31 December 2022, and the independent auditor's observations of the internal control over financial reporting of the Scheme.

Relying on the reviews and discussions above, the committee recommends to the Board of Trustees, and the Board of Trustees approves, that the audited financial statements and related schedules be included in the Annual Report for the year ended 31 December 2022.

On behalf of the Audit and Governance committee:

  
\_\_\_\_\_  
J de Klerk  
Chairperson of the Audit and Governance Committee



## **Independent Auditor's Report**

*To the Members of Witbank Coalfields Medical Aid Scheme*

### **Report on the financial statements**

#### *Opinion*

We have audited the financial statements of Witbank Coalfields Medical Aid (the Scheme), set out on pages 32 to 68, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

PricewaterhouseCoopers Inc., WCMAS Building, Cnr Susanna & OR Tambo, Emalahleni, 1042, Mpumalanga  
P O Box 500, River Crescent, 1042  
T: (0) 13 813 0600, F: (0) 13 813 0700, [www.pwc.co.za](http://www.pwc.co.za)



*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Outstanding claims provision</i></b></p> <p><i>The outstanding claims provision of R 51,129,468 at year-end as described in Note 10 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</i></p> <p><i>The outstanding claims provision is calculated by the Scheme’s actuaries which is reviewed by management and the Audit and Governance Committee and recommended to the Board of Trustees for approval.</i></p> <p><i>The Scheme’s actuaries use an actuarial model, based on the Scheme’s actual claim development patterns throughout the year, to project the year-end provision. This model applies the Chain Ladder Method (“CLM”).</i></p> <p><i>The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</i></p> <p><i>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern could cause a material change to the amount of the provision.</i></p>	<p>We obtained an understanding from the Scheme’s actuaries regarding the process followed in calculating the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial method applied by the Scheme is one that is generally applied within the medical schemes industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2022. The actual claims data reflects the most recent claims patterns, including the impact of the increase in elective procedures, and is taken into account in calculating the outstanding claims provision.</p> <p>We assessed the completeness of the claims data on the member administration system by understanding management’s controls and selecting claim transactions from the claim source and agreeing these to the member administration system. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims received by the Scheme in the 31 December 2022 financial year, selected from the member administration system, and confirmed the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted.</p> <p>We assessed the completeness of the claims data in the Scheme’s actuarial model by understanding management’s controls and testing the reconciliation between the claims data per the member administration system and</p>



	<p>the claims data per the actuarial model. No material inconsistencies were noted.</p> <p>To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. We noted no matters for further consideration with respect to the estimation process.</p> <p>We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the outstanding claims provision report from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing above. Based on the results of our assessment we accepted the inputs, assumptions, methodology and findings as reasonable.</p>
<p><i>Risk contribution income and net claims incurred</i></p> <p><i>Refer to note 28 to the financial statements disclosures as it relates to this key audit matter.</i></p> <p><i>On 1 September 2022, the Scheme completed the migration of all its claims, membership, financial, biographical and authorization data of its members from its previous internally developed and supported administration system to a third party licenced and supported medical scheme system.</i></p> <p><i>The migration process involved transferring claims and membership data between the systems. Claims and membership data is used in the recognition of the Scheme's risk contribution income and net claims incurred for the year ended 31 December 2022.</i></p> <p><i>We considered the transfer of claims and membership data between the systems to be a matter of most significance to the current year audit due to the impact that the system migration had on the recognition of risk contribution income and net claims incurred for the year.</i></p>	<p>Our audit addressed this key audit matter as follows:</p> <ul style="list-style-type: none"> <li>● With the assistance of our IT specialists, we performed the following procedures: <ul style="list-style-type: none"> <li>○ obtained an understanding of the process followed by the Scheme's internal auditors in testing the design and implementation of the data migration between the administration systems.</li> <li>○ Inspecting the internal auditor's report and supporting documentation to identify any exceptions in the data migration process.</li> <li>○ Assessing whether the internal auditors data migration plan aligns with the scope and approach applied and found them to be aligned.</li> <li>○ Testing the entire population of data migrated between the systems, focusing on key areas such as employer groups, bank details, member and beneficiary</li> </ul> </li> </ul>



	<p>records (master data), as well as claims, contributions, and savings (transactions and balances). For master data, record counts were tested and control totals for transactions and balances were recalculated. No material exceptions were identified.</p> <ul style="list-style-type: none"><li>● We assessed the competence and objectivity of the internal auditors and noted no aspects requiring further consideration.</li><li>● As it relates to the data used in recognising risk contribution income, we performed the following procedures:<ul style="list-style-type: none"><li>○ On a sample basis, we agreed member details as per the member's application form to the details on the new administration system. No material differences were noted.</li><li>○ We recalculated the contribution for each member using the membership data from the new administration system and the rates approved by the Board of Trustees. No material exceptions noted.</li></ul></li><li>● As it relates to the data used in recognising net claims incurred, we performed the following procedures:<ul style="list-style-type: none"><li>○ On a sample basis, we agreed the claims recognised in the new administration system to supporting documents. No material exceptions were noted.</li><li>○ On a sample basis, we selected supporting documents and traced these back to the new administration system. No material inconsistencies were identified.</li><li>○ We agreed the claim codes used in the new administration system to the approved published PMB codes. No material exceptions were noted.</li></ul></li></ul>
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### *Other Information*

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "Witbank Coalfields Medical Aid Scheme Annual Report 2022." The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Scheme's Trustees for the Financial Statements*

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit



procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

#### *Non-compliance with the Medical Schemes Act of South Africa*

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

#### *Audit Tenure*

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Witbank Coalfields Medical Aid Scheme for 9 years.

The engagement partner, Stephan Eicker, has been responsible for Witbank Coalfield Medical Aid Scheme's audit for *one* year.

#### *PricewaterhouseCoopers Inc*

PricewaterhouseCoopers Inc.  
Director: Stephan Eicker  
Registered Auditor  
Emalahleni  
31 May 2023

## Statement of Financial Position

		2022	2021
	<i>Notes</i>	R	R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment and other assets	3	1,592,850	2,688,763
Investment properties	4	13,710,745	14,210,598
Investments at fair value through profit or loss	5	634,795,849	572,473,589
		<b>650,099,443</b>	<b>589,372,950</b>
<b>Current assets</b>			
Trade and other receivables	6	3,371,645	21,484,245
Investments at fair value through profit or loss	5	239,701,718	287,114,039
Cash and cash equivalents	7	61,266,459	48,505,083
		<b>304,339,821</b>	<b>357,103,367</b>
<b>TOTAL ASSETS</b>		<b>954,439,264</b>	<b>946,476,317</b>
<b>FUNDS AND LIABILITIES</b>			
<b>MEMBERS' FUNDS</b>			
Accumulated funds		<b>622,565,872</b>	<b>634,846,027</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	8	1,499,000	1,608,000
<b>Current liabilities</b>			
Personal medical savings account liabilities	9	252,853,635	242,436,287
Outstanding claims provision	10	51,129,468	34,382,544
Trade and other payables	11	26,082,290	33,182,458
Retirement benefit obligation	8	309,000	21,000
		<b>330,374,392</b>	<b>310,022,290</b>
<b>Total liabilities</b>		<b>331,873,392</b>	<b>311,630,290</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>954,439,264</b>	<b>946,476,317</b>

## Statement of Comprehensive Income

	Notes	2022 R	2021 R
<b>RISK CONTRIBUTION INCOME</b>	12	<b>484,523,450</b>	<b>466,742,027</b>
<b>RELEVANT HEALTHCARE EXPENDITURE</b>			
Risk claims incurred		(477,937,668)	(432,936,507)
Third party claim recoveries		1,446,685	1,074,912
<b>Net claims incurred</b>		<b>(476,490,983)</b>	<b>(431,861,595)</b>
<b>Accredited managed care: management services</b>		<b>(8,885,130)</b>	<b>(8,466,817)</b>
Risk transfer arrangement fees	13	-	(568,533)
Recoveries from risk transfer arrangement	13	-	-
<b>Net expense on risk transfer arrangement</b>	13	<b>-</b>	<b>(568,533)</b>
<b>GROSS HEALTHCARE RESULT</b>		<b>(852,663)</b>	<b>25,845,083</b>
Administration and other operating expenses	15	(44,534,125)	(39,586,132)
Net impairment losses on trade and other receivables		300,881	(618,128)
<b>NET HEALTHCARE RESULT</b>		<b>(45,085,907)</b>	<b>(14,359,178)</b>
<b>OTHER INCOME</b>			
Investment income on investments held at fair value through profit or loss:		49,020,370	90,557,116
<i>Interest income</i>		32,377,753	27,130,503
<i>Dividend income</i>		11,758,667	9,417,321
<i>Fair value gains/(losses)</i>		4,883,950	54,009,291
Investment income on investments held at amortised cost		556,986	1,129,102
<i>Interest income</i>		556,986	1,129,102
Investment income from rentals received		3,784,830	3,718,170
		<b>53,362,187</b>	<b>95,404,388</b>
<b>OTHER EXPENDITURE</b>			
Asset management fees		(3,880,290)	(3,895,892)
Investment manager fees		(483,000)	(322,000)
Interest paid on members' savings account liabilities	9	(12,253,045)	(9,704,822)
Cost incurred in provision of own facilities to external parties		(3,940,099)	(3,379,119)
		<b>(20,556,435)</b>	<b>(17,301,833)</b>
<b>NET (LOSS)/SURPLUS FOR THE YEAR</b>		<b>(12,280,155)</b>	<b>63,743,377</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(12,280,155)</b>	<b>63,743,377</b>



## Statement of Changes in Funds and Reserves

	<b>Accumulated funds</b>	<b>Total members' funds</b>
	R	R
Balance as at 1 January 2021	571,102,650	571,102,650
Total comprehensive income for the year	63,743,377	63,743,377
<b>Balance as at 31 December 2021</b>	<b>634,846,027</b>	<b>634,846,027</b>
Total comprehensive loss for the year	(12,280,155)	(12,280,155)
<b>Balance as at 31 December 2022</b>	<b>622,565,872</b>	<b>622,565,872</b>

## Statement of Cash Flows

		2022	2021
	Note	R	R
	s		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from members and providers		641,132,567	604,809,689
Cash receipts from members - contributions		639,220,526	600,906,451
Cash receipts from members and providers - other		1,912,041	3,903,238
<b>Cash paid to providers, employees and members</b>			
Cash paid to members and providers - claims		(594,655,828)	(541,714,239)
Cash paid to providers and employees - non-healthcare expenditure		(43,620,218)	(37,431,558)
Cash paid to members - savings plan refunds	9	(20,337,874)	(24,728,819)
<b>Cash (used in)/generated from operations</b>		<b>(17,481,354)</b>	<b>935,074</b>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>		<b>(17,481,354)</b>	<b>935,074</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to equipment and other assets	3	(140,688)	(180,123)
Disposals of equipment and other assets	3	1,589	5,648
Additions to investments at fair value through profit or loss	5	(97,000,000)	(35,000,000)
Proceeds on disposals of investments at fair value through profit or loss	5	127,000,000	-
Investment income received on investments at amortised cost		556,986	1,129,102
Investment manager fees paid		(483,000)	(322,000)
Rental income received		3,748,089	3,722,904
Cost incurred in provision of own facilities to external parties		(3,940,099)	(3,379,119)
Adjustment to remove non-cash flow item: depreciation on investment property	4	499,854	569,119
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>30,242,730</b>	<b>(33,454,469)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>12,761,376</b>	<b>(32,519,395)</b>
Cash and cash equivalents at the beginning of the year	7	48,505,083	81,024,478
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	7	<b>61,266,459</b>	<b>48,505,083</b>

## Notes to the Annual Financial Statements

### 1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Scheme:

#### 1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis in accordance with, and compliance with, International Financial Reporting Standards ("IFRS"), and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), and in the manner required by the Medical Schemes Act of South Africa No. 131 of 1998, as amended. The financial statements have been prepared on the historic cost convention, except for investments which are reflected at fair value. They are presented in Rands (R), which is the Scheme's functional currency. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.20.

#### 1.2 EQUIPMENT AND OTHER ASSETS

An item of equipment and other assets is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably. Equipment and other assets are reflected at historic cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Maintenance and repairs, which neither materially add to the value of assets, nor appreciably prolong their useful lives, are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of items of equipment and other assets after taking into account the assets' residual values. The following are the estimated useful lives of equipment and other assets:

Item	Depreciation method	Estimated useful life
Motor vehicles	Straight line	5 years
Office equipment	Straight line	4 years
Computer equipment	Straight line	3 years
Mailroom equipment	Straight line	5 years
Generator	Straight line	10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Surpluses and deficits on disposal of equipment and other assets are determined by comparing the proceeds with the carrying amount and are recognised within other operating income/sundry expenses in the statement of comprehensive income.

#### 1.3 INVESTMENT PROPERTIES

Investment properties are recognised as assets when, and only when, it is probable that the future economic benefits that are associated with the investment properties will flow to the enterprise, and the cost of the investment properties can be measured reliably.

Investment properties are held to earn rental income and for capital appreciation and are initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

If a replacement part is recognised in the carrying amount of the investment properties, the carrying amount of the replaced part is derecognised.

### Cost model

Investment properties are carried at historical cost less accumulated depreciation less any accumulated impairment losses. Depreciation is charged on the straight-line basis over the estimated useful life of the property after taking into consideration the asset's residual value as follows:

Item	Depreciation method	Estimated useful life
Air conditioners	Straight line	6 years
Lifts	Straight line	15 years
Partitioning and electrical	Straight line	10 years

Land is not depreciated. Management assesses the fair value of buildings constituting investment properties on an annual basis and as the fair value exceeds carrying value buildings are not depreciated.

The residual values and useful lives of the assets are reviewed on an annual basis.

### Register of investment properties

A register of all investment properties is available for inspection at the registered office of the Scheme.

## 1.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Scheme assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit.

## 1.5 FINANCIAL INSTRUMENTS

### 1.5.1. Classification, recognition, and measurement

The Scheme has the following financial instrument categories:

- Fair value through profit or loss;
- Loans and receivables; and
- Financial liabilities.

The Scheme has classified its financial instruments into the following classes:

- Financial assets held at fair value through profit or loss;
- Insurance, trade and other receivables;
- Cash and cash equivalents;
- Insurance, trade and other payables; and
- Personal member savings accounts liability.

The classification and measurement of the financial instruments depend on the objective of the Fund's business model whether it is to hold assets only to collect cash flows, or to collect cash flows and to sell and whether the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. Management applies this assessment on financial instruments at initial recognition and re-evaluates this for Financial assets when the objective of the Fund's business model changes.

Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

Regular-way purchases and sales of financial assets and liabilities are recognised on trade date, being the date that the Scheme becomes a party to the contractual rights or obligations of the instrument.

#### i. Financial assets held at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.



These financial assets are initially recorded at fair value excluding transaction costs, which are immediately expensed. These financial assets are subsequently measured at fair value. The fair value adjustments are recognised in profit or loss during the financial period.

## ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Scheme intends to sell in the short term. Insurance receivables are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise of 'Insurance, trade and other receivables' and 'Cash and cash equivalents'.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses.

### a) *Insurance, trade and other receivables*

Insurance, trade and other receivables with members (insurance receivables) and these balances are reviewed for impairment as part of the impairment review conducted on loans and receivables.

### b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value and have an original maturity of 90 days or less.

### c) *Financial liabilities*

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities comprise of 'Insurance, trade and other payables' and 'personal member savings accounts liability'. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method.

## 1.5.2. Impairment of financial assets

### i. Loans and receivables

The Scheme's loans and receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as expected credit losses that result from all possible default events over the expected life of a financial instrument (ECL) in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events: the Scheme is unable to collect all amounts due according to the original terms of the receivables; significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in payments by the debtor; the disappearance of an active market for that financial asset because of financial difficulties; or national or local economic conditions that correlate with defaults on the assets in the Scheme.

The provision matrix considers contributions receivable, member and service provider debit balances and advances on savings plan accounts to members. The Scheme utilises readily available economic information such as consumer price index, healthcare inflation, national credit rating and unemployment indicators as a basis for determining the future expectations of the observable data.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

### 1.5.3. Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, the right to receive cash flows has been retained but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Scheme has retained substantially all the risks and rewards of ownership of the transferred asset, the Scheme continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Scheme recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Scheme neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Scheme determines whether it has retained control of the financial asset. If the Scheme has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and if the Scheme has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Scheme derecognises a financial liability when the contractual obligations are discharged, cancelled, or expire.

### 1.5.4. Offset

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.6 STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has certain investments in other funds (investee funds), which are investments in unconsolidated structured entities. The Scheme invests in investee funds whose objectives range from achieving medium- to long-term capital growth. The investee funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

## 1.7 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

## 1.8 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

The personal medical savings account, which is managed by the scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon in terms of the rules of the Scheme, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules.

The deposit component of the insurance contracts has been unbundled since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IFRS 9: Financial Instruments and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4: Insurance Contracts.



Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are funded from the Scheme's funds and the scheme will assess the advances for impairment in terms of its accounting policy on impairment in note 1.5.2. The personal medical savings accounts are invested (on behalf of members) in money market instruments with asset managers in terms of the rules of the Scheme.

The personal medical savings liability, i.e., deposit component, is recognised in accordance with IFRS 9 and is initially measured at fair value (i.e., the amount payable on demand) because it has a demand feature and subsequently measured at amortised cost.

## 1.9 OUTSTANDING CLAIMS PROVISION

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. Outstanding claims are determined as accurately as possible based on several factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding risk claims provision. The Scheme does not discount its provision for outstanding claims since the effect of the time value of money is not considered material.

## 1.10 LIABILITIES AND RELATED ASSETS UNDER THE LIABILITY ADEQUACY TEST

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made, and the Scheme recognises the deficiency in profit/loss for the year.

## 1.11 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 1.12 PROVISIONS

Provisions are recognised when:

- the Scheme has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money, where material, and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the Scheme has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

## 1.13 EMPLOYEE BENEFITS

### 1.13.1. Short-term employee benefits

The cost of short-term employee benefits, salaries, and bonuses are recognised in the period in which the related service was delivered. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses if the Scheme has a present legal or constructive obligation to pay amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

### 1.13.2. Defined contribution plans

Employees all belong to a defined contribution pension fund. Contributions to the fund are recognised in the statement of comprehensive income in the period in which they are incurred.



### 1.13.3. Post-retirement medical benefits

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their contribution for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. Payments in terms of this liability has been effective from 1 January 2012.

The post-retirement medical aid contribution benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible at retirement age of 60.

An actuarial valuation is performed every second year to determine the value of the liability and the liability is unfunded. For the year ended 31 December 2022 the Projected Unit Credit discounted cash flow method was used.

## 1.14 MEDICAL INSURANCE CONTRACTS

These are contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary for costs incurred if a specified uncertain future event (the insured event) adversely affects the member or another beneficiary. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

## 1.15 RISK CONTRIBUTION INCOME

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent the gross contributions per the registered rules after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker service fees and other acquisition costs.

## 1.16 RELEVANT HEALTHCARE EXPENDITURE

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

### 1.16.1 Risk claims incurred

Risk claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the scheme is responsible in terms of its registered rules, whether or not reported by the end of the year.

### 1.16.2 Net claims incurred

Net claims incurred comprise:

- claims submitted and/or accrued for services rendered during the year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims settled in terms of risk transfer arrangements; and
- managed healthcare services accredited by the Regulator.

### 1.16.3 Road Accident Fund recoveries

The Scheme grants advances to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the Road Accident Fund by the member, administered in terms of the Road Accident Fund Act, 1996. If the member is reimbursed by the Road Accident Fund, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the Road Accident Fund is a contingent asset that arises from claims submitted to the Road Accident Fund and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Scheme. If an inflow of economic benefits becomes possible, the Scheme discloses a contingent asset.

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure.

## 1.17 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Risk contributions;
- Risk claims incurred;
- Net income/(expense) on risk transfer arrangements;
- Accredited managed healthcare services;
- Administration fees;
- Broker fees; and
- Interest paid in terms of the rules of the Scheme on personal medical savings account monies.

The remaining items are apportioned based on the number of members on each option:

- Other administration expenditure;
- Investment income;
- Other income; and
- Other expenditure.

## 1.18 INVESTMENT INCOME

Interest income is recognised using the effective interest method, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme. Dividend income is recognised when the right to receive payment is established. Rental income from investment properties is recognised in the statement of comprehensive income on a contractual basis over the lease term. All leases with tenants are linked to the Consumer Price Index (CPI) and therefore straight-line recognition of rental income cannot be calculated.

## 1.19 UNALLOCATED FUNDS

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme. Unallocated funds that have legally prescribed, that is, funds older than three years, are written back and are included under other income in profit or loss.

## 1.20 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management are required to make critical assumptions regarding the future and accounting judgements. In the current and prior year, the most significant estimates were considered in the determination of the outstanding claims provision. In the prior year, a significant estimate was made to determine the recoveries from the Scheme's risk transfer arrangements.

### 1.20.1 Outstanding claims provision

The provision for outstanding risk claims has been calculated using an actuarial valuation. The method used by the actuary, including information about significant areas of estimation, uncertainty and critical judgements applied, is discussed in note 10, Outstanding risk claims provision.

## 2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following IFRS Standards, amendments and interpretations are not yet effective but relevant to the Scheme's operations:

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2023	IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 will be implemented retrospectively on the effective date and will impact the measurement of the contracts with members in the scheme's financial statements as follows:-</p> <p>The Scheme will aggregate its insurance contracts with members at a scheme level.</p> <p>The boundary of contracts with members will be one year or less therefore the Scheme will apply the premium allocation approach.</p> <p>A liability for remaining coverage will be recognised at the end of each reporting period (with reference to the premiums received). At initial recognition, this will be measured as premiums received at initial recognition. The Scheme requires advanced payment of contributions from direct paying members only, which is a small cohort of members within the scheme. Employer groups are not required to make payment in advance. Some employer groups may deposit payment a few days prior to it falling due, however the scheme cannot reliably determine if this will occur and to which employer groups this would apply.</p> <p>At the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage will be the carrying amount at the start of the reporting period plus the premiums received in the period minus the amount recognised as insurance revenue for services provided in that period.</p> <p>If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, an entity shall calculate the difference between the carrying amount of the liability for remaining coverage and the fulfilment cash flows that relate to remaining coverage of the group. To the extent that the fulfilment cash flows exceed the carrying amount, the Scheme will recognise a loss in profit or loss and increase the liability for remaining coverage. The Scheme has budgeted for a net underwriting deficit for the 2023 financial year when 2023 pricing was finalised for submission to the Regulator in September 2022 based on actual claims incurred up to July 2022. In February 2023 the Scheme's actuaries performed a forecast for 2023 taking into account actual claims incurred until December 2022. The result of the forecast differs materially from budget due to a lower claim experienced. Historical claims patterns have been disrupted due to the COVID-19 pandemic and the consequent shut down and so the future claims patterns of normalisation cannot be reasonably estimated.</p> <p>A liability for incurred claims for the group of insurance contract will be recognised at the fulfilment cash flows relating to incurred claims. The Scheme will not adjust these future cash flows for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.</p> <p>The Scheme will expense any insurance acquisition cash flows when incurred.</p> <p>The Scheme is exempt from income tax and therefore there will be no normal or deferred tax implication arising from implementation.</p>
Annual periods beginning on or after 1 January 2023	IFRS 17 <i>Insurance Contracts Amendments</i>	<p>In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.</p>

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2023	IAS 1 <i>Presentation of Financial Statements</i>	<p><b>Classification of Liabilities as Current or Non-current:</b> Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.</p> <p><b>Disclosure of Accounting Policies:</b> The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.</p>
Annual periods beginning on or after 1 January 2023	<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

### 3. EQUIPMENT AND OTHER ASSETS

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Motor vehicles	564,317	(374,121)	190,196	564,317	(288,972)	275,345
Office equipment	4,661,589	(3,914,109)	747,480	4,665,579	(3,152,543)	1,513,036
Computer equipment	4,782,873	(4,583,277)	199,596	4,939,573	(4,547,459)	392,114
Generator	1,267,594	(812,016)	455,578	1,267,594	(759,327)	508,268
<b>Total</b>	<b>11,276,373</b>	<b>(9,683,523)</b>	<b>1,592,850</b>	<b>11,437,063</b>	<b>(8,748,300)</b>	<b>2,688,763</b>

#### RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2022

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Motor vehicles	275,345	-	-	(85,149)	190,196
Office equipment	1,513,036	5,998	(933)	(770,621)	747,480
Computer equipment	392,114	134,690	(980)	(326,228)	199,596
Generator	508,268	-	-	(52,689)	455,578
<b>Total</b>	<b>2,688,763</b>	<b>140,688</b>	<b>(1,913)</b>	<b>(1,234,688)</b>	<b>1,592,850</b>

## RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2021

	Opening balance	Additions	Disposals	Depreciation	Total
	R	R	R	R	R
Motor vehicles	360,495	-	-	(85,150)	275,345
Office equipment	2,433,109	1,688	(275)	(921,487)	1,513,035
Computer equipment	770,787	178,434	-	(557,107)	392,114
Generator	560,957	-	-	(52,690)	508,268
<b>Total</b>	<b>4,125,348</b>	<b>180,123</b>	<b>(275)</b>	<b>(1,616,434)</b>	<b>2,688,763</b>

## 4. INVESTMENT PROPERTIES

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land and buildings	13,139,815	(1,647,475)	11,492,340	13,139,815	(1,647,475)	11,492,340
Partitioning, electrical and fittings	1,520,378	(683,956)	836,422	1,520,378	(578,231)	942,147
Lift	1,486,448	(755,650)	730,798	1,486,448	(656,559)	829,889
Air conditioners	4,113,549	(3,462,364)	651,185	4,113,549	(3,167,327)	946,222
<b>Total</b>	<b>20,260,190</b>	<b>(6,549,445)</b>	<b>13,710,745</b>	<b>20,260,190</b>	<b>(6,049,592)</b>	<b>14,210,598</b>

## RECONCILIATION OF INVESTMENT PROPERTIES – 2022

	Opening balance	Additions	Depreciation	Total
	R	R	R	R
Land and buildings	11,492,340	-	-	11,492,340
Partitioning, electrical and fittings	942,147	-	(105,725)	836,422
Lift	829,889	-	(99,091)	730,798
Air conditioners	946,222	-	(295,038)	651,185
<b>Total</b>	<b>14,210,598</b>	<b>-</b>	<b>(499,854)</b>	<b>13,710,745</b>

## RECONCILIATION OF INVESTMENT PROPERTIES – 2021

	Opening balance	Additions	Disposals - cost	Disposals - accumulated depreciation	Depreciation	Total
	R	R	R	R	R	R
Land and buildings	11,492,340	-	-	-	-	11,492,340
Partitioning, electrical and fittings	1,051,669	-	(1,766,561)	1,766,432	(109,394)	942,147
Lift	928,980	-	-	-	(99,091)	829,889
Air conditioners	1,306,856	-	(906,146)	906,146	(360,634)	946,222
<b>Total</b>	<b>14,779,845</b>	<b>-</b>	<b>(2,672,706)</b>	<b>2,672,578</b>	<b>(569,119)</b>	<b>14,210,598</b>

Investment properties comprise the land and buildings on the corner of OR Tambo Road and Susanna Street, erf 5091 and erf 286, Emalaheni (Witbank) and the vacant land in Susanna Street, erf 5090. The fair value of the properties as valued by a Professional Associated Valuer is R 56,4 million (2021: R50 million). Management has assessed the residual value of the building to be R16.5 million. This is greater than the current carrying value of the building and therefore no depreciation has been processed. Direct operating expenses arising from the property that generated rental income amount to R3 874 253 (2021: R3 319 346) and which did not generate rental income amount to R65 847 (2021: R 59 773).



## 5. INVESTMENTS

Investments are held at fair value through profit and loss and comprise:

	2022	2021
	R	R
Segregated multiclass portfolio	185,056,165	195,503,834
Linked fund policies	449,739,684	376,969,755
Money market instruments	239,701,718	287,114,039
	<b>874,497,567</b>	<b>859,587,628</b>

The underlying asset allocation, on a look-through basis, is as follows:

Cash	353,493,663	394,718,802
Investments in property	15,699,094	16,313,210
Interest-bearing investments, including bonds	259,075,548	216,423,958
Listed equities	246,229,261	232,131,658
	<b>874,497,567</b>	<b>859,587,628</b>

The split between the non-current and current portions of investments is as follows:

Non-current assets	634,795,849	572,473,589
Current assets	239,701,718	287,114,039
	<b>874,497,567</b>	<b>859,587,628</b>

Refer to note 1.5 financial instruments, for details of valuation policies and processes.

### Reconciliation of fair value of investments

Balance at the beginning of the year	859,587,628	737,593,268
Additions	97,000,000	35,000,000
Proceeds on disposal	(127,000,000)	-
Investment income capitalised net of fees	44,909,939	86,994,360
Interest	32,377,753	27,130,503
Dividends	11,758,667	9,417,321
Management fees	(4,110,431)	(3,562,755)
Fair value adjustments	4,883,950	54,009,291
Balance at the end of the year	<b>874,497,567</b>	<b>859,587,628</b>

## 6. TRADE AND OTHER RECEIVABLES

### Insurance receivables

Contributions receivable	1,474,901	19,354,054
Recoveries from members and suppliers	1,461,847	2,321,864
Provision or impairment losses	(191,730)	(627,935)
Total receivables arising from insurance contracts	<b>2,745,018</b>	<b>21,047,982</b>

### Financial assets

Prepayments	151,142	26,683
Sundry debtors	249,872	249,872
Deposits paid	99,666	97,617
Rental income receivable	1,148,730	1,111,989
Provision for impairment loss on rental income receivable	(1,022,783)	(1,049,898)
	<b>626,627</b>	<b>436,263</b>

Total trade and other receivables

**3,371,645**      **21,484,245**



	2022	2021
	R	R
<b>Insurance receivables</b>		
Balance at the beginning of the year	(627,935)	(71,809)
Contributions that are not recoverable	124	-
Members' portions that are not recoverable	63,892	68,969
Service providers' portions that are not recoverable	72,800	-
Recovery of Members' portions previously written off	(1,492)	(6,967)
Net impairment gain/(loss) on insurance receivables	300,881	(618,128)
Balance at the end of the year	(191,730)	(627,935)
<b>Financial assets</b>		
Balance at the beginning of the year	(1,049,898)	(1,022,723)
Amounts owing by tenants for rental not recoverable	25,184	-
Net impairment gain/(loss) on financial assets	1,931	(27,174)
Balance at the end of the year	(1,022,783)	(1,049,897)
<b>Total provision for impairment losses</b>	<b>(1,214,513)</b>	<b>(1,677,833)</b>

The fair value of trade and other receivables approximates their carrying amounts due to the short-term maturities of these assets. Further detail on the Scheme's credit risk related to a customer or other counter party to a financial instrument failing to meet their current obligations to the Scheme is disclosed in note 19.2 of the Annual Financial Statements.

## 7. CASH AND CASH EQUIVALENTS

	2022	2021
	R	R
Current accounts	61,176,349	34,516,172
Call accounts	90,110	13,988,911
	<b>61,266,459</b>	<b>48,505,083</b>

The effective interest rates on current accounts was 0.6% (2021: 0.1%) and call accounts was 4.6% (2021: 3.9%). The carrying amount of the cash and cash equivalents approximates the fair values due to the short-term maturities of these balances.

## 8. RETIREMENT BENEFIT OBLIGATION

### POST-RETIREMENT MEDICAL AID BENEFIT

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their medical aid contribution per month for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. The actuarial valuation to determine the liability is performed every year and the liability is unfunded. The post-retirement medical aid benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible for the medical aid subsidy on normal retirement at any age after 60.

Movements in the post-retirement medical aid benefit for the year are as follows:

	2022	2021
	R	R
Balance at the beginning of the year	1,629,000	1,478,000
<i>Expenses in respect of the current year</i>		
Service cost	90,000	85,000
Interest cost	200,000	191,000
Benefits paid	(21,000)	(32,000)
Remeasurements	(90,000)	(93,000)
	<b>1,808,000</b>	<b>1,629,000</b>
Employee costs	<b>21,000</b>	<b>32,000</b>
Non-current liabilities	1,499,000	1,608,000
Current liabilities	309,000	21,000
	<b>1,808,000</b>	<b>1,629,000</b>

If the assumed future rate of medical inflation was 1% higher, the liability would have been R334 480 (2021: R319 284) higher. The five year summary of the post-retirement medical aid benefit liability as at 31 December 2022 is as follows:

	2022	2021	2020	2019	2018
	R	R	R	R	R
Present value of liability	1,808,000	1,629,000	1,478,000	2,810,000	2,970,000
Actuarial gain/(loss)	90,000	93,000	189,000	633,000	964,323

#### Key assumptions used

An actuarial valuation was performed by independent valuers, 3One Actuaries (Pty) Ltd, on 31 December 2022, using the Projected Unit Credit discounted cashflow method. The projections contained in the valuation was consistent with those used in the prior year. The key assumptions used were:

	2022	2021
Discount rate	13.00%	12.32%
Real discount rate	4.58%	2.52%
Health care cost inflation	9.55%	9.56%
Long-term price inflation	8.05%	8.06%
Expected increase in salaries	9.55%	9.56%
Retirement age	63 years old	63 years old
Mortality rates	Pre-retirement: SA 85-90 (light) with a 3 year age reduction for females Post-retirement: PA(90)	

## 9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITIES

	2022	2021
	R	R
Balance of savings account balances at the beginning of the year	242,436,287	233,183,678
<i>Net movement for the year:</i>		
Savings account contributions received	135,317,452	130,451,888
Transfers from other schemes in terms of Regulation 10(4)	1,052,024	3,003,669
Interest and other income earned on monies invested in terms of the rules of the Scheme	12,253,045	9,704,822
Claims paid out of savings	(117,867,299)	(109,178,951)
Refunds on death or resignation in terms of regulation 10(5)	(20,337,874)	(24,728,819)
Balances due to members on personal medical savings account balances held at the end of the year	<b>252,853,635</b>	<b>242,436,287</b>

The personal medical savings account liability contains a demand feature in terms of Regulation 10 of the Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option and then enrolls in another benefit option or medical scheme without a personal medical savings account or does not enroll in another medical scheme.

Interest is accrued to the member in terms of the rules of the scheme on the personal medical savings accounts on a monthly basis, based on the effective interest method.

It is estimated that claims to be paid out of members' personal medical savings accounts in respect of claims incurred in 2022 but not recorded amount to R13,938,918 (2021: R3 980 188).

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables. The scheme does not charge interest on advances on personal medical savings accounts.

Unclaimed monies are written back to scheme funds to the extent that it has prescribed in terms of the Prescription Act 69 of 1969.

Investment of personal medical savings account monies managed by the scheme on behalf its members:

	2022	2021
	R	R
Bank account	13,151,917	3,121,015
Investments	239,701,718	239,315,272
<b>Total personal medical savings account trust monies invested</b>	<b>252,853,635</b>	<b>242,436,287</b>

## 10. OUTSTANDING RISK CLAIMS PROVISION

	2022	2021
	R	R
<b>Not covered by risk transfer arrangements</b>		
Provision for outstanding risk claims – incurred but not yet reported	51,129,468	34,382,544
Provision arising from liability adequacy test	-	-
	<b>51,129,468</b>	<b>34,382,544</b>

### Analysis of movements in outstanding risk claims:

Balance at the beginning of year	34,382,544	25,620,392
Payments in respect of prior year	(36,191,802)	(25,820,503)
Under provision in prior year	(1,809,258)	(200,111)
Adjustment of current year	52,938,726	34,582,655
<b>Balance at end of year</b>	<b>51,129,468</b>	<b>34,382,544</b>

### Analysis of outstanding risk claims provision:

Estimated gross claims per registered rules	65,068,386	38,362,732
Less: Estimated savings plan claims	(13,938,918)	(3,980,188)
<b>Balance at year end</b>	<b>51,129,468</b>	<b>34,382,544</b>

## PROCESS USED TO DETERMINE THE ASSUMPTIONS

The process used to determine the assumptions is intended to result in a neutral estimate of the most likely or expected outcome or to provide a given level of assurance. The sources of data used as inputs for the assumptions are internally obtained. In determining the estimate there is more emphasis on current trends taking past experience into account. However, the ultimate liabilities may vary as a result of subsequent developments.

The sources of data used as inputs for the assumptions incorporated claims payment information with service dates during 2021 and 2022, with payment dates to 28 February 2023. The claims payment information during 2021 enhances the reliability of results by allowing for incorporation of historic claims payment run-off trends.

The sources of information used as inputs for the assumptions was provided by the Scheme's IT system and Ntsika claims data was provided by the sub-contracted administrator. The data has not been audited. However, reasonability checks were performed that provide comfort that the data is sufficiently accurate for the purposes of this exercise.

The following are examples of the data checks were performed:

- detection of unrealistic/impossible values (e.g. service dates in the future);
- reasonability of total claims amounts relative to historic values;
- claims amounts relative to independent sources (e.g. management accounts); and
- ensuring completeness of the data.

## ASSUMPTIONS

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims ratios for the most recent benefit years for each of the scheme's benefit options. These are used for assessing the outstanding risk claims provisions for the 2022 and 2021 benefit years. The primary assumption is that previous run-off patterns are representative of current run-off expectations.

All IBNR calculations are performed per high level benefit category (in-hospital, out of hospital and medication) and per benefit option.

Expected claim ratios are calculated by the Scheme's actuaries using the Chain Ladder Method ("CLM"). The CLM uses run-off triangles to calculate the expected outstanding claims amount. The primary assumption is that patterns in claims activities and the rate of claims payment in the past will continue to be seen in the future. The expected claims ratio assumed for the benefit years 2022 and 2021 is 11.4% and 8.2% respectively for Comprehensive, 20.7% and 17.8% respectively for Midmas and 6.3% and 4.4% respectively for Ntsika.

The Scheme's actuaries did not only produce a point-estimate of IBNR, but also produced a distribution of results based on a stochastic statistical process named bootstrapping. 200 simulated estimates were produced. This allows for an enhanced understanding of the probable range of IBNR results in addition to the calculation of a reasonable estimate. The Scheme's actuaries recommended the IBNR provision at the 50th percentile of the simulated IBNR estimates.

## CHANGES IN ASSUMPTIONS AND SENSITIVITIES TO CHANGES IN KEY VARIABLES

The table below outlines the sensitivity of insured liability estimates for reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions, which could differ when claims arise.

### Impact on members' funds reported caused by reasonable possible changes in key variables:

The actuaries have considered the possible sensitivity of the IBNR estimate to change by considering the distribution of the 200 estimates produced through the bootstrapping process employed.

The table below compares the IBNR provision to the 1st and 99th percentile of simulated IBNR estimates:

	IBNR Estimate	Difference to recommended provision	Difference
	R	R	%
5th percentile (bottom end)	50,796,468	(333,000)	-0.7%
IBNR provision (50th)	1,129,468	-	0.0%
95th percentile (top end)	51,523,990	394,522	0.8%

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in income / (expense) for the period. It should be noted that

increases in liabilities will result in decreases in members' funds and vice versa. These reasonable possible changes in key variables do not result in any changes directly in reserves.

If volatility is in line with that observed since the beginning of 2021, there is a 95% probability that the ultimate claims experience for 2022 will prove, at worst, R394,522 (2021: R457 032 at a 99% probability) worse than that incorporated in the recommended IBNR provision. This represents 0.8% of the total claims estimate for 2022.

## 11. TRADE AND OTHER PAYABLES

	2022	2021
	R	R
<b>Insurance payables</b>		
Reported claims not yet paid	16,328,379	26,296,977
Contributions received in advance	4,591,656	3,091,186
Unallocated deposits	-	-
<b>Total receivables arising from insurance contracts</b>	<b>20,920,035</b>	<b>29,388,163</b>
<b>Financial liabilities</b>		
Provision for audit fees	609,546	693,105
Provision for employee costs	1,675,050	699,581
Accruals	2,815,567	2,380,404
Deposits received from tenants	36,204	-
VAT liability	25,889	21,205
	<b>5,162,256</b>	<b>3,794,294</b>
<b>Total trade and other payables</b>	<b>26,082,291</b>	<b>33,182,457</b>

The fair value of trade and other payables approximate their carrying amounts due to the short-term nature of these liabilities.

## 12. RISK CONTRIBUTION INCOME

Gross contributions per registered rules	619,840,902	597,193,916
Less: Personal medical savings account contributions received*	(135,317,453)	(130,451,888)
<b>Risk contribution income per statement of comprehensive income</b>	<b>484,523,450</b>	<b>466,742,027</b>

\*The Savings contributions are received by the scheme in terms of Regulation 10(1) and the scheme's registered rules. Refer to note 9 to the financial statements for more detail on how these monies were utilised.

## 13. RELEVANT HEALTHCARE EXPENDITURE

<b>Claims incurred excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims per registered rules	577,248,785	533,353,306
Third party claims recoveries	(1,446,685)	(1,074,912)
<i>Movement in outstanding risk claims provision:</i>		
Under provision in prior year	1,809,258	200,111
Adjustment for current year	16,746,924	8,562,041
Claims paid from personal medical savings accounts*	(117,867,299)	(109,178,951)
Accredited managed healthcare services (note 14)	8,885,130	8,466,817
<b>Net claims incurred</b>	<b>485,376,113</b>	<b>440,328,411</b>

\*Claims are paid on behalf of the members from their personal savings accounts in the terms of Regulation 10(3) and the scheme's registered benefits. Refer to note 9 to of the financial statements for a breakdown of the movement in these balances.

Risk transfer arrangement fees	-	568,533
Recoveries from risk transfer arrangement	-	-
<b>Net expense on risk transfer arrangement</b>	<b>-</b>	<b>568,533</b>

A risk transfer arrangement is defined by IFRS 4 as an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. The cost the Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Scheme from its responsibility towards its members. This "cost" is disclosed as claims incurred.

The Scheme would have incurred this cost (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the service provider. This recovery in kind, of cost incurred, is disclosed as recoveries from risk transfer arrangements.

#### 14. ACCREDITED MANAGED HEALTHCARE SERVICES

	2022	2021
	R	R
Active risk management services	3,210,726	3,586,849
Hospital benefit management services	3,289,060	3,164,801
Pharmacy benefit management services	1,000,339	955,360
Disease risk management support services	749,399	609,005
Managed care network management services and risk management	635,605	150,802
	<b>8,885,130</b>	<b>8,466,817</b>

#### 15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES

	2022	2021
	R	R
Actuarial fees	601,680	573,528
Administration expenditure: benefit management services (not accredited managed care)	3,448,939	3,393,400
AGM and committee meeting expenses	59,684	10,031
Audit fees	1,110,694	990,150
Bank charges	257,626	258,918
Board of Trustees and Subcommittee remuneration	181,227	54,216
Consulting fees	881,874	760,534
Council for Medical Schemes expenses	412,143	418,254
Depreciation, amortisation and impairments	1,234,688	1,616,432
Fidelity guarantee insurance	30,253	28,888
Insurance	137,380	196,817
Internal audit fees	640,195	-
IT Infrastructure support	184,000	1,003,674
IT Administration system licensing and support	3,720,231	4,163,149
IT Business analytics	947,327	1,175,738
IT Networking and hosting	1,386,087	1,170,449
IT Project management fees	2,944,665	767,560
Legal fees	1,711,974	2,028,911
Marketing	712,387	2,053,063
Motor vehicle expenses	72,260	62,278
Office expenses, repairs and maintenance	175,441	237,560
Operating leases - office equipment	72,249	148,860
Other levies	5,175	15,446
Principal officers' conference and travel costs	31,988	28,431
Principal officers' remuneration	3,616,058	4,623,418
Printing and stationery	101,159	170,124
Professional indemnity insurance	53,829	48,936
Staff remuneration and employment costs	17,596,578	13,169,782
Statutory manager's fees	1,530,605	-
Telephone and fax	298,508	234,932
Third party claims recovery administration fees	114,325	92,679
Travel, accommodation and conferences	13,426	-
Training	249,471	89,972
	<b>44,534,125</b>	<b>39,586,132</b>

## 16. TRUSTEES' REMUNERATION AND CONSIDERATIONS

	Fees for meeting attendance R	Travelling and other expenses for meetings and conferences R	Total R
<b>2022</b>			
<b>BOARD OF TRUSTEES</b>			
A Bates (alternate trustee)	-	2,855	2,855
JC de Carvalho	45,540	14,793	60,333
M Dugmore	-	3,142	3,142
OA Maritz	-	3,142	3,142
TM Masike	-	12,343	12,343
S Matthews	-	3,142	3,142
R Mnguni	-	13,143	13,143
BM Modise	-	15,895	15,895
T Musie (alternate trustee)	-	15,144	15,144
N Pitjeng	-	2,855	2,855
MN Prinsloo	-	3,142	3,142
HG Schoeman	-	2,855	2,855
S Seakamela (alternate trustee)	-	5,655	5,655
S Viljoen	-	2,855	2,855
M Wenum	-	2,855	2,855
	<b>45,540</b>	<b>103,813</b>	<b>149,353</b>
<b>AUDIT AND GOVERNANCE COMMITTEE</b>			
AJ de Klerk (non-trustee)	13,445	5,827	19,272
R Joseph (non-trustee)	-	9,489	9,489
	<b>13,445</b>	<b>15,316</b>	<b>28,761</b>
<b>REMUNERATION COMMITTEE</b>			
J Perkes (non-trustee)	3,112	-	3,112
	<b>62,097</b>	<b>119,130</b>	<b>181,227</b>
<b>2021</b>			
<b>BOARD OF TRUSTEES</b>			
JC de Carvalho	34,568	-	34,568
<b>AUDIT AND GOVERNANCE COMMITTEE</b>			
AJ de Klerk (non-trustee)	17,367	2,281	19,648
	<b>51,935</b>	<b>2,281</b>	<b>54,216</b>

## 17. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

	Comprehensive	Midmas	Ntsika	Scheme
	R	R	R	R
Gross contribution income	526,568,971	20,179,044	73,092,887	619,840,902
Savings contributions	(131,290,232)	(4,027,221)	-	(135,317,453)
<b>Risk contribution income</b>	<b>395,278,740</b>	<b>16,151,823</b>	<b>73,092,887</b>	<b>484,523,450</b>
Risk claims incurred	(389,282,070)	(10,600,052)	(59,499,363)	(459,381,486)
Accredited managed healthcare services	(6,214,670)	(279,263)	(2,391,196)	(8,885,130)
Provision for outstanding claims	(16,714,501)	(467,389)	(1,374,292)	(18,556,182)
Third party claim recoveries	1,446,685	-	-	1,446,685
<b>Relevant healthcare expenditure</b>	<b>(410,764,557)</b>	<b>(11,346,704)</b>	<b>(63,264,851)</b>	<b>(485,376,113)</b>
<b>GROSS HEALTHCARE RESULT</b>	<b>(15,485,817)</b>	<b>4,805,119</b>	<b>9,828,036</b>	<b>(852,663)</b>
Administration expenditure	(31,584,096)	(1,873,277)	(11,076,752)	(44,534,125)
Net impairment on healthcare receivables	322,637	(31,699)	9,943	300,881
<b>Non-healthcare expenditure</b>	<b>(31,261,459)</b>	<b>(1,904,976)</b>	<b>(11,066,808)</b>	<b>(44,233,244)</b>
<b>NET HEALTHCARE RESULT</b>	<b>(46,747,277)</b>	<b>2,900,143</b>	<b>(1,238,773)</b>	<b>(45,085,907)</b>



2021

	Comprehensive	Midmas	Ntsika	Yebomed	Scheme
	R	R	R	R	R
Gross contribution income	511 531 469	14 542 623	70 515 169	604 654	597 193 916
Savings contributions	(127 834 898)	(2 616 990)	-	-	(130 451 888)
<b>Risk contribution income</b>	<b>383 696 571</b>	<b>11 925 633</b>	<b>70 515 169</b>	<b>604 654</b>	<b>466 742 027</b>
Risk claims incurred	(357 924 445)	(7 849 504)	(58 600 247)	-	(424 374 196)
Accredited managed healthcare services	(5 882 173)	(207 725)	(2 376 918)	-	(8 466 817)
Provision for outstanding claims	(7 941 971)	(844 787)	24 605	-	(8 762 152)
Net loss on risk transfer arrangements	-	-	-	(568 533)	(568 533)
Third party claim recoveries	455 908	-	619 004	-	1 074 912
<b>Relevant healthcare expenditure</b>	<b>(371 292 681)</b>	<b>(8 902 016)</b>	<b>(60 333 557)</b>	<b>(568 533)</b>	<b>(441 096 786)</b>
<b>GROSS HEALTHCARE RESULT</b>	<b>12 403 890</b>	<b>3 023 617</b>	<b>10 181 612</b>	<b>36 121</b>	<b>25 645 242</b>
Administration expenditure	(35 449 630)	(406 285)	(3 493 367)	(37 008)	(39 386 291)
Net impairment on healthcare receivables	(559 010)	(49 175)	(9 943)	-	(618 128)
<b>Non-healthcare expenditure</b>	<b>(36 008 641)</b>	<b>(455 460)</b>	<b>(3 503 310)</b>	<b>(37 008)</b>	<b>(40 004 419)</b>
<b>NET HEALTHCARE RESULT</b>	<b>(23 604 750)</b>	<b>2 568 158</b>	<b>6 678 302</b>	<b>(887)</b>	<b>(14 359 178)</b>

## 18. RELATED PARTIES

### Relationships

Key management personnel

Trustees and their close family members  
Principal Officer and her close family members  
Acting Principal Officer and her close family members  
Statutory Manager and his close family members

### Related party balances and transactions

	2022	2021
	R	R
Trustee Remuneration (note 16)	149,353	34,568
Payments to related parties of trustees	734,942	172,399
Contributions received in terms of the Scheme's Rules	1,626,657	1,036,834
Claims paid in terms of the Scheme's Rules	1,368,762	837,772
Principal officers' remuneration (note 15)	3,616,058	4,623,418
Principal officers' travel, accommodation and conferences (note 15)	31,988	28,431
Statutory Manager's fees	1,530,605	-
Savings account balances	577,459	542,396
Loan receivable (note 6)	249,872	249,872

All costs were charged at market related prices in accordance with the provisions of the Act. Related party transactions with key management personnel, other than transactions related to their membership of the medical scheme, are reviewed and preauthorised by the Board of Trustees, and Remuneration Committee where applicable.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 19.1 FAIR VALUES AND FINANCIAL INSTRUMENTS

For financial assets held at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. Fair value disclosures are based on the level within which an instrument falls in the fair value hierarchy. The inputs are categorised into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs.

The three fair value hierarchy levels are:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are either directly or indirectly (that is, derived from prices) observable for the asset or liability;
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Scheme's assets held at fair value on a look-through basis:

	Level 1	Level 2	Level 3	Total
	R	R	R	R
<b>2022</b>				
<b>Assets</b>				
Financial assets held at fair value through profit or loss (note 5)				
Listed equities	246,229,261			246,229,261
Bonds	259,075,548			259,075,548
Listed property holding	15,699,094			15,699,094
Money market instruments		353,493,663		353,493,663
<b>Total assets</b>	<b>521,003,904</b>	<b>353,493,663</b>	-	<b>874,497,567</b>
<b>2021</b>				
<b>Assets</b>				
Financial assets held at fair value through profit or loss (note 5)				
Listed equities	232,131,658			232,131,658
Bonds	216,423,958			216,423,958
Listed property holding	16,313,210			16,313,210
Money market instruments		394,718,802		394,718,802
<b>Total assets</b>	<b>464,868,826</b>	<b>394,718,802</b>	-	<b>859,587,628</b>

Financial assets held at fair value through profit or loss held by the Scheme categorised as level 2:

- unlisted money market instruments and valued using discounted cash flows based on applicable interest rates.

## 19.2 FINANCIAL RISK MANAGEMENT

The Scheme's activities expose it to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk from equity market prices (price risk) and interest rate risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments which the Scheme holds to meet its obligations to its members.

Financial risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees together with the Scheme's Executive Management who establish and oversee the Scheme's financial and non-financial risk management framework.

The Investment Committee is responsible for assisting the Board to manage the investment portfolio in accordance with the agreed policies of the Scheme and to ensure compliance with the regulations of the Act. Refer to page 7 of the annual report for further details on the Scheme's investment strategy.

### 19.2.1 Credit risk

Credit risk refers to the risk that the Scheme will suffer a financial loss if a customer (insurance or trade receivable) or other counter party to a financial instrument fails to meet their current obligations to the Scheme. Credit risk arises principally from the Scheme's investment securities (excluding the equity instruments), cash and cash equivalents and insurance receivables.

### Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022			2021		
	Fair value/ Amortised cost	Impairment	Carrying amount	Fair value/ Amortised cost	Impairment	Carrying amount
	R	R	R	R	R	R
Investments (note 5)	874,497,567	-	874,497,567	837,160,120	-	837,160,120
Insurance receivables (note 6)	2,936,748	(191,730)	2,745,018	21,675,917	(627,935)	21,047,982
Non-insurance receivables (note 6)	1,649,410	(1,022,783)	626,627	1,486,161	(1,049,898)	436,263
Cash and cash equivalents (note 7)	61,266,459	-	61,266,459	48,505,083	-	48,505,083
	<b>940,350,183</b>	<b>(1,214,513)</b>	<b>939,135,671</b>	<b>908,827,281</b>	<b>(1,677,833)</b>	<b>907,149,448</b>

### Investments

Risk is managed by limiting exposure as well as the quality of instruments that the Scheme's assets can be invested in, limiting the impact of a default on the overall portfolio. The following guidelines provide the current limits on each instrument:

#### Domestic equity investments

- Domestic Equity Investments shall be restricted to securities that are actively traded on the Johannesburg Stock Exchange (JSE) and readily marketable;
- Not more than 5% of the total share portfolio may be invested in the share of any one company at the time of purchase;
- For investee companies that have a market capitalisation of below R5 billion no more than 2.5% of the total Scheme investment portfolio may be invested in the share instrument of any one investee company; and
- In cases of investments into a pooled fund, the Scheme may invest in accordance with Regulation 30 requirements, in which case the Scheme may waive strict adherence to the guidelines above.

#### Domestic fixed-income and cash investments

- At the time of purchase, debt instruments should have a minimum quality rating of Ba or equivalent as rated by Moody's in accordance with their long-term rating definition. Split-rated issues will be governed by the lower quality designation. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Obligations rated Ba and Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
- Debt instruments which are downgraded for which the asset manager believes it should continue to hold the instrument, a report providing reasons should be provided within one month;
- Instruments that are rated Aa and above are limited to no more than 20% per issuer. Instruments below A but not lower than Ba are limited to not more than 10% and no instruments rated below B may be held; and
- Except for those situations involving reorganisation of Scheme assets, debt securities should be made only in issuers with an outstanding value of at least R50 million, valued at par, at the time of purchase.

The Scheme defines default in accordance the Moody's risk management product definition, for which default includes these three types of credit events:

- A missed or delayed disbursement of interest and/or principal, including delayed payments made within a grace period;
- Bankruptcy, administration, legal receivership, or other legal blocks (perhaps by regulators) to the timely payment of interest and/or principal; or
- A distressed exchange occurs where:
  - (i) the issuer offers debt holders a new security or package of securities that amount to a diminished financial obligation (such as preferred or common stock, or debt with a lower coupon or par amount, lower seniority, or longer maturity); or
  - (ii) the exchange had the apparent purpose of helping the borrower avoid default.

The quality rating of the domestic fixed income and cash investments held at the reporting date was:

Top 5 holdings at 31 December	Rating (long term)	Credit risk exposure	Percentage of portfolio	
			2022	2021
<b>Current accounts</b>				
Nedbank Ltd	Ba2	Substantial	100.0%	100.0%
<b>Money market accounts</b>				
Standard Bank Group Ltd	Baa3	Moderate	24.9%	18.0%
ABSA Bank Ltd	Ba3	Substantial	24.6%	18.9%
Nedbank Ltd	Ba2	Substantial	24.5%	31.8%
FirstRand Bank Ltd	Ba2	Substantial	14.6%	20.2%
Investec Bank Ltd	Ba2	Substantial	9.5%	9.9%
Citibank	A2	Low	1.3%	0.0%
HSBC Bank Plc	A1	Low	0.6%	1.2%
			100.0%	100.0%

### Insurance, trade and other receivables

The Scheme's exposure to credit risk is influenced by the individual characteristics of each member. The demographics of the Scheme's membership base, including the default risk of the industry in which the member operates, has less of an influence on credit risk. The Scheme's revenue streams are evenly spread thereby reducing credit risk exposure.

The majority of the Scheme's members have been loyal to the Scheme for many years, resulting in infrequent losses occurring. Credit risk is actively managed by suspending members accounts on non-receipt of contributions.

### Age analysis of insurance, trade and other receivables

	2022			2021		
	Gross carrying amount	Impairment	Carrying amount	Gross carrying amount	Impairment	Carrying amount
	R	R	R	R	R	R
<b>Insurance receivables</b>						
Not past due	1,170,338	-	1,170,338	19,119,785	-	19,119,785
Past due 1 - 30 days	121,564	-	121,564	166,028	-	166,028
Past due 31 - 60 days	218,077	-	218,077	168,074	(76,549)	91,526
Past due 61 - 90 days	211,064	-	211,064	100,231	(88,464)	11,766
Past due more than 90 days	1,215,705	(191,730)	1,023,975	2,121,799	(462,922)	1,658,877
	2,936,748	(191,730)	2,745,018	21,675,917	(627,935)	21,047,982
<b>Financial assets</b>						
Not past due	472,845	-	472,845	186,391	-	186,391
Past due 1 - 30 days	2,317	-	2,317	-	-	-
Past due 31 - 60 days	383	(60)	323	1,541	(1,541)	-
Past due 61 - 90 days	-	-	-	25,633	(25,633)	-
Past due more than 90 days	1,022,723	(1,022,723)	-	1,272,595	(1,022,723)	249,872
	1,498,268	(1,022,783)	475,485	1,486,161	(1,049,898)	436,263
<b>Trade and other receivables (excluding prepayments)</b>	<b>4,435,016</b>	<b>(1,214,513)</b>	<b>3,220,503</b>	<b>23,162,078</b>	<b>(1,677,833)</b>	<b>21,484,245</b>

With respect to the insurance assets that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations based on, the nature of the counterparty, the historical information about the counterparty default rates and other information used to assess credit quality.

The Scheme establishes an allowance for impairment that represents its estimate of expected credit losses (IFRS 9) in respect of insurance receivables. The collective loss allowance is determined based on a set policy, while bearing in mind historical data of payment statistics for similar financial assets.

The provision for impairment at 31 December 2022 was determined in accordance with the guidelines of the simplified approach (life time expected losses) of the expected credit loss model as required by IFRS 9. It is in respect of contributions receivable, member and service provider debit balances and advances from savings plan accounts recoverable by management.

In order for the Scheme to determine lifetime expected losses, a provision matrix was used. The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. The provision matrix is split for the following categories:

- Active member contributions and savings debtors
- Resigned member contributions and savings debtors
- Provider debtors
- Tenant debtors
- Sundry debtors

The expected credit loss estimates were updated to account for future economic conditions relative to historic conditions. Payment defaults were managed according to the Credit Policy.

The Scheme's management will write off debt on the recommendation of the debt collector following their attempt to recover outstanding amounts.

### 19.2.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Trustees, which has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities; the availability of funding through liquid cash positions with various financial institutions ensures that the Scheme can fund the day-to-day operations. The Scheme manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The financial liabilities posing a liquidity risk are outstanding claims provision and trade and other payables.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	0 - 1 Month	2 - 3 Months	4 - 12 Months	Contractual cash flows	Carrying amount
	R	R	R	R	R
<b>2022</b>					
<b>Current liabilities</b>					
Outstanding risk claims provision (note 10)	33,182,406	15,516,815	2,430,247	51,129,468	51,129,468
Non-insurance payables (note 11)	5,162,256	-	-	5,162,256	5,162,256
	<b>5,162,256</b>	<b>-</b>	<b>-</b>	<b>5,162,256</b>	<b>55,456,906</b>
<b>2021</b>					
<b>Current liabilities</b>					
Outstanding risk claims provision (note 10)	22,313,855	10,434,444	1,634,245	34,382,544	34,382,544
Non-insurance payables (note 11)	3,794,294	-	-	3,794,294	
	<b>26,108,149</b>	<b>10,434,444</b>	<b>1,634,245</b>	<b>38,176,838</b>	<b>34,382,544</b>

### 19.2.3 Interest rate risk

The Scheme's investment policy during the year under review was to hold most of investments in interest bearing instruments when assessed on a look-through basis in accordance with Annexure B of Regulation 30 to the Medical Schemes Act. The Scheme's investments were therefore exposed to changes in the market interest rates. Except for the Scheme's investments in interest-bearing instruments, cash and cash equivalents also expose the Scheme to interest rate risk. The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

	Carrying amount	
	R	
	2022	2021
Investments in property (note 5)	15,699,094	16,313,210
Interest-bearing investments, including bonds (note 5)	259,075,548	216,423,958
Cash and cash equivalents (notes 5 and 7)	414,760,122	443,223,885
	<b>689,534,765</b>	<b>675,961,053</b>

The money market and cash and cash equivalents are managed on a net returns basis by the Scheme's asset managers. The balance of fixed and variable instruments being held in these portfolios is adjusted in response to movements in market interest rates to maintain an acceptable level of risk as well as returns. The net returns are benchmarked against the SteFi Composite index.

The carrying amounts of fixed-rate instruments in these portfolios approximate their fair values due to the short period to maturity, and no fair value adjustments are processed to the statement of profit or loss in respect of these instruments. Variable-rate instruments are not linked to one specific market interest rate. The reported returns on these investments will vary in response to movements in market rates.

The Scheme does not discount insurance, trade or other receivables or payables as they are all settled or fall due within one year.

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

#### Change in interest rates by 100 basis points:

	2022		2021	
	Increase	Decrease	Increase	Decrease
	R	R	R	R
Impact on surplus of deficit	<b>6,895,348</b>	<b>(6,895,348)</b>	<b>6,759,611</b>	<b>(6,759,611)</b>

### 19.2.4 Market price risk

Market price risk arises from fair value through profit or loss in equity securities held for partially meeting the Scheme's financial obligations. The Scheme is exposed to market price risk because of investments held by the Scheme which are classified as at fair value through profit or loss. The Scheme was not exposed to commodity risk.

To manage its market price risk arising from investments, the Scheme diversifies its portfolio. The Scheme's assets are managed by various asset managers on behalf of the Scheme. Diversification of the portfolio is done by the asset manager. All buy and sell decisions are measured in terms of the investment mandate of the Scheme.

The Scheme strives to minimise market risk as follows:

- The Scheme has established an investment strategy and in line with this strategy, the Scheme diversifies its investment portfolio by investing in domestic equities, domestic bonds, derivative instruments and domestic cash to achieve a balance investment portfolio.
- Diversifying the management of the Schemes investment portfolio to specific specialized mandates thus mitigating the risk through diversification.
- Structuring the investment portfolio so that sufficient cash and cash like securities are available to meet cash requirements for ongoing cash flow needs, thereby avoiding the need to sell securities on the open market during periods of market volatility.

The market price risk sensitivity analysis has been determined based on the exposure to price risks at the reporting date on investments. The analysis assumes that all other variables remain constant. The method remained consistent with the prior period.

The Scheme uses a sensitivity analysis technique for financial market risks that measures the estimated change to profit or loss and accumulated funds. If the equity indexes had been 3% lower, the Scheme's surplus and accumulated funds for the year would reduce by R 7 million (2021: R 5 million) as a result of the change in the market value of instruments.

### 19.3 CAPITAL RISK MANAGEMENT

The Scheme manages its capital in order to maintain the capital requirements of the Act. Regulation 29 of the Act requires a minimum ratio of accumulated funds expressed as a percentage of gross annual contribution income to be 25%. The calculation of the regulatory requirement is set out in section 2.5 of the Report of the Board of Trustees.

## 20. STRUCTURED ENTITIES

The Scheme's investments in investee funds are subject to the terms and conditions of the respective investee fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investee funds. The asset manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All investee funds in the investment portfolio are managed by portfolio managers who are compensated by the respective investee funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the fund's investment in each of the investee funds. These investments are included in investments at fair value through other comprehensive income as in the statement of financial position. The exposure of the investments in investee funds at fair value is disclosed in the following table:

	2022	2021
	R	R
<b>Investee funds</b>		
Coronation Medical Absolute	222,958,996	184,534,084
M&G Medical Aid Inflation Plus 5%	226,780,688	192,435,671
NinetyOne Stable Money Fund	114,300,258	73,427,979

The strategy of the investee funds is to protect the capital of investors in an absolute sense, whilst providing income in excess of short-term bank deposit rates. The Scheme is not exposed to any further risks of financial loss beyond the fair value of its share in the investee funds as outlined in the preceding table.

## 21. LIABILITY AND ADEQUACY TESTS

The liability adequacy test was considered and concluded not to be material. This is due to the fact that current estimates of future cash flows relating to the recognised liability equals the recognised liability as a result of the settlement of the recognised liability taking place within four months of report date.

## 22. COMMITMENTS AND CONTINGENCIES

### OPERATING LEASE COMMITMENTS

	2022	2021
	R	R
Minimum lease payments due:		
- within one year	71,077	68,936
- in the second to the fifth year inclusive	29,620	97,660
	<b>100,697</b>	<b>166,596</b>

The Scheme entered into an operating lease agreement for printers. The lease is for a period of three years ending 1 May 2024. Low value and short-term leases were recognised in surplus or deficit in accordance with IFRS 16. No contingent rent is payable.

### CONTINGENT ASSETS

Claims against the Road Accident Fund for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain. At the reporting date Road Accident Fund claims of R8 681 333 (2021: R6 893 063) had been submitted but not yet concluded.



## 23. INSURANCE RISK MANAGEMENT

### 23.1 RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly exposed to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management, service provider profiling and monitoring of emerging issues.

The Board of Trustees oversees the operational duties and management of insurance risk to which the Scheme is exposed. The Board of Trustees reviews the insurance risks to which the Scheme is exposed to at each meeting and ensures that the benefit options provided to members are structured to fall within the acceptable insurance risk levels specified.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

The Scheme's affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as acute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme's disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

Insurance events are, by nature, random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

### 23.2 NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS

The Scheme issues contracts that transfer insurance risk. This section summarises these risks and the way the Scheme manages them.

### 23.3 CONCENTRATION OF INSURANCE RISK

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the volatility of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

In-hospital benefits cover all cost incurred by members, whilst they are in hospital to receive pre-authorised treatment for certain medical conditions. Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma. Day-to-day benefits cover the cost (up to 100% of the Scheme tariff) of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines. Savings account claims are excluded. All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information, including contribution income, claims ratios and demographic split, is reviewed monthly.



The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, excluding capitation fees, by age group in relation to the type of risk covered / benefits provided.

Age group	Unique beneficiaries	In-hospital		Chronic		Day to day		Total
		PMB	Non-PMB	PMB	Non-PMB	PMB	Non-PMB	
		R	R	R	R	R	R	
<b>2022</b>								
< 25	8,117	42,335,667	14,950,186	5,241,290	1,520,690	7,348,655	6,066,142	77,462,629
25 - 34	2,665	22,849,181	5,829,498	812,291	549,122	3,281,196	2,948,066	36,269,354
35 - 49	6,466	65,428,645	16,504,373	5,994,534	3,348,659	9,351,619	7,088,493	107,716,324
50 - 64	3,153	58,374,248	16,038,315	8,388,271	3,329,384	7,322,787	5,262,688	98,715,691
> 65	1,420	64,638,616	13,933,428	6,845,660	2,720,651	7,875,602	5,007,406	101,021,362
	<b>21,821</b>	<b>253,626,356</b>	<b>67,255,799</b>	<b>27,282,045</b>	<b>11,468,506</b>	<b>35,179,859</b>	<b>26,372,795</b>	<b>421,185,360</b>
<b>2021</b>								
< 25	178	21,077,930	6,711,299	5,357,203	1,681,485	10,175,620	10,277,389	55,280,926
25 - 34	2,301	13,471,238	4,608,811	479,410	1,292,483	9,556,783	9,534,582	38,943,307
35 - 49	5,116	48,045,417	13,964,250	5,086,829	4,174,682	25,175,239	27,299,830	123,746,248
50 - 64	2,386	36,879,330	10,581,456	8,321,785	4,247,523	23,637,368	20,864,114	104,531,575
> 65	997	43,303,558	7,360,499	6,839,291	3,229,183	25,239,205	18,749,754	104,721,489
	<b>10,978</b>	<b>162,777,473</b>	<b>43,226,315</b>	<b>26,084,517</b>	<b>14,625,355</b>	<b>93,784,215</b>	<b>86,725,668</b>	<b>427,223,545</b>

#### 23.4 CLAIMS DEVELOPMENT

Claims development tables are not presented. The uncertainty regarding the amount and timing of claim payments are resolved within a year.

#### 24. FIDELITY COVER

In accordance with the Rules of the Scheme, the fidelity cover at 31 December 2022 amounts to R 800,000 (2021: R 800,000). The cover is provided under a group Fidelity Policy covering the scheme.

#### 25. MATTERS OF NON-COMPLIANCE WITH THE ACT

The Scheme places high priority to meeting requirements set by the Act. In this regard, the Scheme subjects itself to an independent external audit to ensure compliance. Due to this approach, the Scheme does not focus on one area of compliance only, but on all areas that affect the Scheme and ensures compliance in this way.

The following are non-compliance with the that arose during the year under review. The Scheme has not incurred any regulatory penalties, sanctions or fines for any contraventions. The details of each matter of non-compliance is disclosed below:

- Section 26(7) of the Act requires that “All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.” Non-compliance could result in possible cash flow constraints and have an impact on interest income. During 2022, not all contributions billed were received within three days of the due date. The debtors’ days’ ratio for the year was 0.83 days. The Scheme continuously follows up on outstanding contributions and applies a credit control policy to overdue contributions.
- Section 59(2) of the Act states that “a medical scheme shall pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.” The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.

- Section 33(2)(b) of the Act states that “The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option – (b) shall be self-supporting in terms of membership and financial performance...”. The non-compliance could result in benefit options with a surplus cross-subsidising benefit options with a deficit. Two out of three benefit options of the Scheme have recorded net healthcare deficits for the 2022 financial year.
- Section 35(8) (a, c & d) of the Act prohibits a medical scheme from holding any investments in the business of any administrator of a Medical Scheme or any holding company of an administrator or any employer group. The Scheme has underlying investments in administrators of medical schemes amounting to 0.01% (Momentum Metropolitan Holdings) and employer groups of 0.78% (Glencore) of total net asset value. The Scheme has obtained an exemption from the Council for Medical Schemes until 30 April 2024.

## 26. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

The Board has reviewed the budgets and cash flow projections for the next twelve months from date of approval and has concluded that the going concern assumption is appropriate and will continue to be for the foreseeable future. The Board has an annual strategic meeting at which the business plan together with key performance indicators and strategic targets for the forthcoming year are formulated to ensure that all material risk areas are comprehensively addressed and that contingency plans are implemented. The Audit and Governance Committee regularly reviews the Scheme's risk register and management accounts and reports to the Board of trustees with recommendations regarding the necessary steps taken to mitigate such risks.

## 27. SIGNIFICANT EVENTS

In 2019 the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The Scheme is currently engaged in legal proceedings relating to the matter.

In terms of section 5(2) of the Financial Institutions Act, the Registrar, CMS, and the Board of Trustees of WCMAS agreed that a statutory manager be appointed with effect from 18 July 2022.

The Scheme completed its administration system migration from its legacy system to a third party licensed and supported system on 1 September 2022. This entailed moving all the claims, membership, financial, biographical and authorization data of members into the new system environment. Project governance and data migration assurance was provided by the Scheme's internal auditors prior to the final decision to go live on 1 September 2022. The new system has been in full operation since go live and there has been no major down time or defects noted. The Scheme has contracted service levels and priority definitions in place with the third-party system provider to ensure that any issues are flagged, prioritised and resolved within agreed timeframes. The move away from an internally developed and supported system benefits the scheme by reducing its business continuity risk, reliance on key personnel and IT system costs.

## 28. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.