ANNUAL FINANCIAL STATEMENTS 2022

gems

Government Employees Medical Scheme

Working towards a healthier you

ANNUAL FINANCIAL STATEMENTS 2022

INDEX

Revision:
Rev. 2 [23/6/2023]

Disclaimer: This revision, replaces all previous versions. The signed audited financial statements of GEMS have not been submitted to the CMS and might be subject to change as may be directed by the CMS

STATEMENT OF RESPONSIBILITY AND ANNUAL FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the GEMS integrated annual report and financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act and include amounts based on judgments and estimates by management.

Accounting policies applied by the Scheme are informed and updated, when required, based on CMS circulars, the Annual Medical Schemes Accounting Guide issued by SAICA and updates on the latest IFRS developments. The trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied these policies and supported the application of these policies with reasonable and prudent judgments and estimates.

The Board adopted King Report on Corporate Governance 2016 (King IV) practices where appropriate to the business of a medical scheme and its trustees.

The trustees are satisfied that the information contained in the annual integrated report fairly presents 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 consistency with the annual financial statements.

The trustees ensure that adequate accounting records are maintained and that they disclose with reasonable accuracy the financial position of the Scheme, which enables them to ensure that the annual financial statements comply with legislation.

The trustees are also responsible for internal controls that enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

GEMS operates in a well-established control environment, which is well documented and regularly reviewed. This environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled.

The going-concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future. These annual financial statements support the viability of the Scheme.

The Scheme's external auditor, Deloitte, is responsible for auditing the statements in terms of International Auditing Standards and its unqualified report is presented with the Scheme's annual financial statements.

The annual financial statements for 2022 were approved by the Board of Trustees on 30 May 2023 and are signed on its behalf by:

Dr SM Hlatshwayo
Chairperson
30 May 2023

ME Phophi
Deputy Chairperson
30 May 2023

Dr BOS Moloabi
Principal Officer
30 May 2023

BOARD OF TRUSTEES REPORT

An independent Board of Trustees forms the core of the Scheme's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Scheme.

The GEMS Board Charter defines the governance parameters within which the Board operates, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board and Trustees collectively, as well as certain roles and responsibilities incumbent upon Trustees. As such, the GEMS Board Charter is aligned to the provisions of the Medical Schemes Act, 1998 (the Act), as amended; the Regulations promulgated under the Act, the registered Rules of GEMS and the King IV Report on Corporate Governance in Southern Africa. The full Board Charter and King IV Application Register is available from www.gems.gov.za.

The Board of Trustees has a process in place to perform reviews of the effectiveness, the role of the Board and its Chairperson, as well as the effectiveness of the respective Board Committees. This takes place every second year, however, the most recent review commenced in 2020 and was completed in 2021. The overall conclusion of the most recent review was that the Board and Standing Committees were functioning effectively.

The Board is responsible for providing strategic guidance and oversight to the Scheme. Performance and outcomes monitoring by the Board in respect of strategic objectives:

Members elect six trustees directly from their ranks

Minister for Public Service and Administration appoints six trustees

Standing committee structure for compliance to regulatory requirements and aligned to strategy and operating model to oversee performance, monitor outcomes and risk reporting according to escalation protocol:

Quarterly reporting to the Board

The Medical Schemes Act and GEMS Rules stipulate the powers and duties of the Board

The GEMS Board of Trustees is accountable and responsible for the performance and affairs of GEMS

The GEMS Board Charter stipulates performance requirements for the Board of Trustees collectively and individual Trustees

The Board appoints the Principal Officer of GEMS and the Scheme Executive and delegates authority under a set policy

The Board sets the GEMS strategic direction, strategic objectives, performance metrics and annual targets

The Board monitors all strategic risks exceeding risk tolerance

The Board appoints standing committees to support business and performance monitoring using formal written terms of reference

The Board sets policies and frameworks to govern the management of finances, risk, assurance, ethics, compliance, supply chain management, stakeholder management, remuneration, performance management, ICT and data management, clinical governance and member affairs and communication (e.g. complaints management)

AUDIT COMMITTEE

KPI: 28

Risk reporting and escalation: According to combined assurance model

CLINICAL GOVERNANCE AND ADMINISTRATION COMMITTEE

KPI: 1, 2, 3, 4, 11, 20, 25

Risk: 2, 3, 4, 5, 6

FINANCE AND INVESTMENT COMMITTEE

KPI: 5, 6, 7, 8, 21, 24, 26

Risk: 1, 4

HUMAN RESOURCES AND REMUNERATION COMMITTEE

KPI: 9

RISK SOCIAL AND ETHICS COMMITTEE

KPI: 27, 29

Risk: 7

Risk reporting and escalation: According to combined assurance model

OVERSIGHT COMMITTEE FOR SPECIAL PROGRAMMES AND PROJECTS

KPI: 10

Risk: 6

The GEMS Standing Committee Responsibility Matrix specifies how committee responsibilities complement each other

The Board's performance is measured by means of an independent board effectiveness assessment. The most recent review 2020/21 concluded that the Board and its committees are functioning effectively. The Board encourages high performance of GEMS employees through target setting and appropriate performance management policies.

KPI Risk

An annual strategic plan gives effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees, providing an effective oversight through which performance can be monitored and ensure that the business of the Scheme operates efficiently and effectively. The Scheme's Five-year Strategic Plan for 2022 to 2026 was approved by the Board. The Board monitored the implementation of the approved Strategic Plan by means of quarterly reports from Scheme Management on performance against defined key performance areas. Throughout 2022, the Board was kept appraised of the status of the business by means of standardised presentations covering key business indicators, including membership growth, financial performance, and stakeholder engagement.

The performance targets in the five-year strategic plan are reviewed annually by the Board and are adjusted based on changing realities and interrelated plans such as the business plans approved for the Scheme by the Registrar of Medical Schemes from time to time.

The Board of Trustees is responsible to govern the management of risk and a formal risk management process is in place in accordance with the Scheme's approved Risk Management Policy. The approach to risk management and the governance of risk is discussed in detail in the Annual Integrated report.

The Board monitored the implementation of the approved strategic and operational risk mitigation measures as well as the Scheme's changing risk environment during 2022 by means of quarterly and ad hoc reports from Scheme Management. The Board is comfortable that the residual risks facing the Scheme were managed throughout 2022 and that risk assessments and mitigation measures, aimed at safeguarding Scheme and member interests, were effective.

The Board's approach to the governance of ethics, compliance and information technology and data shows that value created for members are protected.

King IV Report on Corporate Governance for South Africa, 2016:

The Board of Trustees formally adopted the King IV Report on Corporate Governance for South Africa, 2016 (King IV Report) with effect from 1 January 2018 by means of a Board Resolution. The Scheme uses the Governance and Compliance Instrument (GCI), an online tool developed by The Global Platform for Intellectual Property, as recommended by the Council for Medical Schemes, to assess whether the recommended King IV Report practices are followed.

The Scheme has satisfactorily applied the seventeen (17) principles of the King IV Report, however, there is room for improvement in respect of Principle 14 which relates to Remuneration Governance. The aspects of this principle that require improvement pertain to remuneration, termination and restraints of trade. Our explanation of the GEMS business practices is available on the GEMS website www.gems.gov.za.

Structures and Officers

The Board consists of 12 Trustees made up as follows:
50%, i.e., 6 Trustees elected by the Members of the Scheme; and
50%, i.e., 6 Trustees appointed by the Minister for the Public Service and Administration.

Board of Trustees:

Our Trustees in **2022** were:

Table 12:

Name	Elected or Appointed	Qualifications	GEMS Board Committees in 2022[1]	Other Significant Positions held during 2022
Mr Marthinus Brand (18 August 1947)	Elected, tenure commenced on 25 September 2019 and ends on 24 September 2025	BA Stellenbosch Univ. 1968, Hons BA: History, Stellenbosch Univ. 1980, B Ed, Stellenbosch Univ.1986	Finance and Investment Human Resources and Remuneration Risk, Social and Ethics	Role during 2022: Retired
Dr S Millicent Hlatshwayo Board Chairperson (9 January 1964)	Appointed, tenure commenced 20 February 2018 and ends 19 February 2024	BSc (Medunsa); MBChB (Medunsa) Travel Medicine 2021 (Wits)	Clinical Governance and Administration Human Resources and Remuneration	Casualty Doctor: Arwyp Private and OR Tambo Travel Clinic Consultant: GPAA Advisory panel member: Gauteng Pharmaceutical company Director: Meneli Medicals
Mr Rakgama Andries Billy Manoko (6 June 1966)	Appointed, tenure commenced 20 February 2018 and ends 19 February 2024	B.Proc (1989) (Univ of the North; LLB (Univ of the North)	Audit Clinical Governance and Administration Oversight on Special Projects and Programmes	Founder and Managing Director: Manoko & Associates Inc. Attorney
Dr Esthras Tlou Confidence Moloko (16 May 1959)	Appointed 28 October 2016 tenure ended 27 October 2022	M.B.Ch.B., (MEDUNSA) B.Sc. (Med), Medical University of Southern Africa (MEDUNSA)	Clinical Governance and Administration Finance and Investment Oversight on Special Projects and Programmes	Chairperson: Health and Welfare Sector Education and Training Authority (HWSETA)

1 *The Board periodically revises the membership of the standing committees*

Name	Elected or Appointed	Qualifications	GEMS Board Committees in 2022[1]	Other Significant Positions held during 2022
Ms Nkobane Constence Ntshane (17 May 1974)	Elected, tenure commenced on 25 September 2019 and ends on 24 September 2025	BA Hon.: Social Work – UNISA – 2001, Certificates: Gender Excellence – UP, Employee Assistance Programme (EAP) – UP, Employee Wellness Programme – UP	Finance and Investment Oversight on Special Projects and Programmes	DoH Mpumalanga – Wellness Manager
Mr E Mpfariseni Erasmus Phophi (6 October 1952)	Appointed, tenure commenced 26 Sept 2017 and ends 25 Sept 2023	BA (Human Resource Management); International Labour Organization (ILO) Course on Labour Relations and performance management in the Public Service; International Labour Organization (ILO) Course on Advanced Negotiations Skills.	Clinical Governance and Administration Human Resources Risk, Social and Ethics Oversight on Special Projects and Programmes	N/A
Dr Izak Jacobus van Zyl (31 January 1951)	Elected, tenure commenced 30 July 2020, and ended on 28 July 2021. Re-elected from 29 July 2021 to 28 July 2026	B Mil, Hons B Com (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	Finance and Investment Human Resources and Remuneration Risk, Social and Ethics Oversight on Special Projects and Programmes	Role during 2022: Retired
Mr Nkosinathi L Theledi (30 June 1963)	Appointed 09 September 2013, tenure ended 08 September 2019. Appointed for a final term of 3 years from 3 December 2020, tenure ended 2 December 2022	B Tech (TUT); ND. Human Resource (UJ); Public Mgt. & Dev. (Wits Graduate School of Public and Management); MTech (TUT)	Clinical Governance and Administration Human Resources and Remuneration Oversight on Special Projects and Programmes	Secretary General: POPCRU

Name	Elected or Appointed	Qualifications	GEMS Board Committees in 2022[1]	Other Significant Positions held during 2022
Dr Nomzamo Tutu (12 December 1965)	Appointed, 30 July 2020, tenure ends 29 July 2026	MBChB; BSc; Post Graduate Diploma in Occupational Health; Post Graduate Diploma in HIV/AIDS Management in the World of Work.	Audit Finance and Investment	Member of the Board of Engineering Council of South Africa (ECSA 2012-2020) Chairperson of the Transformation Committee-Engineering Council of South Africa (ECSA)(2012-2016) Chairperson of Finance and Staff Committee (HR Committee)-Engineering Council of South Africa (ECSA) (2016-2020) Member of the KwaZulu Natal Provincial Planning Commission (KZNPPC) (2020-2026) Directorships in various private companies
Dr Johan Frederik Smit (22 July 1951)	Elected, tenure commenced 30 July 2021, and ends 28 July 2027	BCHD (Dentistry) UP, DTVG (Dental Public Health) UP and DGA (Public Health Administration) UP.	Clinical Governance and Administration Risk, Social and Ethics	Role during 2022: Retired
Mr Pierre de Villiers (25 June 1960)	Elected, tenure commenced 30 August 2021, and ends 29 August 2027	NND (Engineering Studies) from Ekurhuleni West TVET College, Teachers Diploma from the University of Pretoria and a B.Ed. and M.Ed.	Finance and Investment Risk, Social and Ethics Oversight on Special Projects and Programmes	Role during 2022: Retired Overseer Board - Ekurhuleni West TVET College
Ms Lebohang Precious Khumalo (25 March 1980)	Elected, tenure commenced 30 August 2021, and ends 24 September 2025	Diploma in Clinical Nursing Science and a Diploma In General Nursing. An Advanced Certificate in Project Management from the University of Kwa-Zulu Natal and Advance Certificate in Healthcare Management from the Foundation for Professional Development.	Clinical Governance and Administration Human Resources and Remuneration	Role during 2021: Nursing Professional

Note: Trustees' qualifications are verified by means of the Scheme's annual vetting procedure
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Board Meetings in 2022

The GEMS Board of Trustees (BOT) held 48 meetings during 2022 (20: 2021); one (1) Strategic Planning Meeting (2: 2021); one (1) Annual General Meeting (AGM) (1: 2021), and one (1) workshop (1: 2021). All meetings were held hybrid and most attendees attended in person:

1. 24 January 2022 (Urgent Meeting);
2. 27 January 2022 (Special Meeting);
3. 28 January 2022 (Special Meeting);
4. 24 February 2022 (Quarterly Meeting);
5. 28 February 2022 (Quarterly Meeting Continuation);
6. 23 March 2022 (Special Meeting)
7. 24 March 2022 (Special Meeting)
8. 25 April 2022 (Quarterly Meeting);
9. 18 May 2022 (Special Meeting);
10. 21 May 2022 (Special Meeting – Multivitamin Matter);
11. 20 June 2022 (Special Meeting – Multivitamin Matter);
12. 30 June 2022 (Interim Meeting - AGM Matters);
13. 28 July 2022 (Quarterly Meeting - AGM Prep. Meeting);
14. 30 August 2022 (Special Meeting);
15. 22 September 2022 (Interim BOT Meeting to consider Benefit Design Recommendations);
16. 20 - 23 September 2022 (BOT and ICM Strategic Planning Meeting);
17. 27 October 2022 (Quarterly BOT Meeting);
18. 30 November 2022 and 06 December 2022 (Special Meetings with PO);
19. 1 December 2022 (Interim BOT Meeting focused on key approvals required for 2023);
20. 29 July 2022 (Hybrid AGM); and
21. 19 September 2022 (Annual Risk Identification and Assessment Workshop).

The Board of Trustees, established Task Teams to deal with difference matters like COO and CAE Appointment; Mediation, Hybrid / New Way of Work Model; Interviews for COO and CAE Positions and other Business-Related Matters:

1. 17-18 March 2022 (COO Interviews);
2. 13 April 2022 (PO Performance Review);
3. 15 June 2022 (1-on-1 Meetings with Newly Appointed Trustees);
4. 4 July 2022 (Mediation Task Team);
5. 7 July 2022 (Mediation Task Team;
6. 11 July 2022 (Mediation Task Team);
7. 14 July 2022 (Hybrid Task Team);
8. 31 August 2022 (CAE Interviews);
9. 11 November (RBO Task Team);
10. 5 December 2022 (RBO Task Team); and
11. 2 December 2022 (Meeting with ICMs).

The Board of Trustees also held two (2) Presentations to the Portfolio Committee and

Parliamentary Study Group; four (4) briefings with either the Minister for the Public Service and Administration (MPSA) and Minister for the Department of Health (4: 2021); one (1) PSCBC Summit; the Annual BHF Conference as follows:

1. 18 January 2022 (Presentation to Portfolio Committee and NHI Presentation);
2. 28 March 2022 (Introductory Meeting with MDOH);
3. 28 - 31 March 2022 (PSCBC Summit)
4. 16 May 2022 (MPSA meeting);
5. 18 - 21 May 2022 (21st BHF Conference);
6. 23 – 24 May and 29 June 2022 (SPN Site Visits);
7. 24 May 2022 (Parliamentary Study Group);
8. 16 September 2022 (PSCBC Working Committee);
9. 22 September 2022 (Meeting Dr Acquina Thulare and Mr Moremi Nkosi);
10. 13 October 2022 (Meeting with DPSA Minister); and
11. 24 October 2022 (Meeting with DPSA Deputy Minister).

Emanating from the Tokiso Report and the outcomes therefrom, the Scheme embarked on Relationship by Objective (RBO) meetings scheme-wide including at Board of Trustees level. The Board held the following RBO meetings on their own including joint sessions with EXCO and separate meetings with the PO:

1. 23 – 24 September 2022 (RBO Meeting);
2. 30 September 2022 (RBO Meeting);
3. 18-20 October 2022 (RBO Meeting with EXCO);
4. 14-16 November 2022 (RBO Meeting with EXCO); and
5. 30 November 2022 and 6 December 2022 (Meeting with the PO).

Standing Committee Structure and Responsibilities

The Board of Trustees (BOT) has established its own governance practices and Standing Committee Structure that comply with the applicable governance and regulatory requirements. These Committees fulfil key roles in ensuring good corporate governance.

The Standing Committee Structure is based on:

- Statutory requirements.
- The King IV Report on Corporate Governance.
- The GEMS Strategic Plan Accountability and Strategic Oversight Framework.
- The GEMS operating model.
- Cost effectiveness and value for money considerations.

The Committees are mandated by the Board of Trustees by means of written Terms of Reference (TOR) as to their membership, authority, and duties. A Standing Committee Responsibility Matrix (RACI matrix) is used to clarify and demarcate the Standing Committees' responsibility areas.

The Standing Committees meet at least quarterly and as indicated in the year planner approved for each year. Committee meetings are attended by Scheme Management in keeping with the Board's requirements.

The Committees in operation in 2022 were:

Audit Committee (AC)

The Audit Committee (AC) is mandated by the Board of Trustees by means of a written Audit Committee Charter as to its membership, authority, and duties. The Committee's Charter was reviewed and approved by the Board of Trustees in December 2022 for 2023.

The primary responsibilities of the Audit Committee include assisting the Board of Trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, financial reporting processes, financial and other reporting risks, information systems, oversight of assurance provided over external reports other than financial statements; and oversight of combined assurance processes applied by the Scheme and its service providers' network. With regard to the external auditors, the Audit Committee considers and recommends the appointment of the external auditors and monitors and reports on their independence. The Committee is also responsible for the appointment, performance assessment and / or dismissal of the Chief Audit Executive, approval of the internal audit plan as well as the annual review and approval of the Internal Audit Charter.

Committee composition, including members' qualifications and experience

The Committee consisted of five members of which two were members of the Board of Trustees. Most of the members, including the Chairperson, are not Trustees, Officers of the Scheme or of any of its service providers. For the year ended 31 December 2022, the committee members were:

Table 13

Name	Designation	Qualifications	Recent work experience
Mr Motshoanedi Johannes Lesejane (29 February 1956)	Independent Member -Chairperson, appointed with effect from 1 January 2018	Chartered Director South Africa (CD SA) CA (SA), Fellow Chartered Management Accountant (Global Management Accountant), B.Com Hons Accounting Science, B.Com Accountancy.	Role in 2022: Independent Non-Executive Director, Consultant, Lecturer at Wits Business School (WBS)
Ms Carolynn Chalmers (12 September 1968)	Independent Committee Member, appointed with effect from 01 April 2019 – resigned 30 November 2022	Postgrad Dip: Marketing, Management; Bachelor Sc. Honors; Comp Sc. Masters; Bachelor Comp Sc.	Role during 2022: Consultant
Ms Malande Sibongile Tonjeni (15 August 1978)	Independent Committee Member appointed for a final term with effect from 1 April 2019 up to 31 March 2022	CA (SA), BCom Acct, BCom Hons Acct, Post graduate diplomas in Mining Engineering, Mining Tax, Banking Law, INSEAD Programme.	Role during 2022: Independent non-executive director and trustee; and Consultant

Name	Designation	Qualifications	Recent work experience
Ms Aziza Galiel (10 August 1969)	Independent Committee Member appointed for 1st term with effect from 1 April 2022 up to 31 March 2025	CA (SA), BComm – Degree of Bachelor of Commerce PGDA - Postgraduate diploma: Accounting	Role during 2022: Independent Non-Executive Director (NED) and Entrepreneur
Mr Rakgama Andries Manoko (6 June 1966)	Trustee, appointed term commenced on 06 March 2018, appointed as AC member from 28 June 2018	Gradum Baccalaurei Procurations, Gradum Baccalaurei Legum, Admitted Attorney, Corporate Governance, Commercial Law	Role during 2022: Founder and MD: Manoko & Associates Inc.
Dr Nomzamo Tutu (12 December 1965)	Trustee, appointed term commenced on 30 July 2020, appointed as AC member from 30 July 2020	MBChB; BSc; Post Graduate Diploma in Occupational Health; Post Graduate Diploma in HIV/ AIDS Management in the World of Work.	Role during 2022: Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic Advisor to Busane Development Trust

The Audit Committee (AC) carried out its responsibilities in terms of the Board approved Audit Committee Charter. The external auditors and internal auditors reported formally to the Committee on critical findings arising from audit activities.

The Committee met on 9 occasions during 2022 (9: 2021). All meetings were held hybrid and most attendees attended in person:

1. 3 February 2022 (Quarterly Meeting);
2. 22 February 2022 (In-Committee Continuation Meeting)
3. 10 March 2022 (Special Meeting);
4. 12 April 2022 (Quarterly Meeting);
5. 21 April 2022 (Continuation of 12 April 2022 In-Committee Meeting);
6. 20 June 2022 (ICT Meeting – Joint with FIC);
7. 14 July 2022 (Quarterly Meeting);
8. 21 July 2022 (Continuation of 15 July 2021 In-Committee Meeting); and
9. 24 October 2022 (Quarterly Meeting);

The Principal Officer, the Chief Financial Officer of the Scheme, the Chief Audit Executive, the Scheme's internal auditors and the external auditors attended Committee meetings upon invitation and had unrestricted access to the Chairperson of the Audit Committee.

Benefit Design Committee (BDC) – Committee additional to the Standing Committees

Recommendations pertaining to the GEMS Benefits and Contributions for 2023 were developed by the GEMS Benefit Design Committee for the Board's consideration.

The Committee met on 2 occasions in 2022 (2: 2021). All meetings were held hybrid and most attendees attended in person:
- 17 August 2022; and
- 14 September 2022.

For the year ended 31 December 2022, attendance of Benefit Design Committee meetings was open to all Trustees and most Trustees attended these meetings in 2022.

Clinical Governance and Administration Committee (CGAC)

The primary responsibility of the Committee is to assist the Board of Trustees in ensuring the efficient operations of the Scheme by providing oversight, assessment, and review of all administration aspects of the business of the Scheme. To this end, the Committee assists the Board of Trustees in ensuring that seamless interaction takes place between the various service providers to meet the operational objectives of the Scheme. The Committee also assists the Board in ensuring growth in scheme membership and excellent member affairs by overseeing communication and marketing activities, Stakeholder Relations and the Complaints Management Function as well as to:
- Assess, decide, and report on the approval of ex gratia applications and payments to members of the Scheme. The Committee is mandated to approve ex gratia payments more than R50 000.00 and where the condition and the withholding of therapy is life threatening, the treatment will result in the improved quality of life of the applicant, the treatment is clinically appropriate and based on internationally accepted evidence-based treatment guidelines and protocols or the applicant has proven a financial inability to afford the treatment by any other means.
- Assist the Board in ensuring the implementation of the Healthcare Management Strategic Objective namely: To improve the Scheme's clinical risk profile and contain claims experience; and
- Oversee the Scheme's product development and benefit design work.

The Committee met over 2 days, every quarter, for a total of 7 meetings in 2022 (7: 2021). All meetings were held hybrid and most attendees attended in person:

10. 15-16 February 2022 (Quarterly Meeting);
11. 24 May 2022 (Healthcare Innovation / Value Based Care Strategy Meeting)
12. 25-26 May 2022 (Quarterly Meeting);
13. 29 June 2022 (Continuation of 24 May 2022 Meeting)
14. 16 August 2022 (Special Joint Meeting with FIC focused on Strategic Planning and Scheme's 2023 benefit design);
15. 23-24 August 2022 (Quarterly Meeting); and
16. 9-10 November 2022 (Quarterly Meeting); and

For the year ended 31 December 2022, the committee members were:

- Dr MS Hlatshwayo (Trustee, appointed - Chairperson, tenure commenced 06 March 2018)
- Ms LP Khumalo (Trustee, elected, tenure commenced 30 August 2021);
- Mr RA Manoko (Trustee, appointed, tenure commenced 06 March 2018);
- Dr ETC Moloko (Trustee, appointed - Chairperson, tenure commenced on 28 October 2016);
- Mr ME Phophi (Trustee, appointed, tenure commenced 19 September 2016);
- Dr JF Smit (Trustee, elected, tenure commenced 29 July 2021); and
- Mr NL Theledi (Trustee, appointed, tenure ended on 26 September 2019)

Finance and Investment Committee (FIC)

The Finance and Investment Committee was set up by the Board in December 2013 and commenced its work in March 2014. The primary responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities of the Scheme's investment activities and consider issues arising from investment decisions and activities. Monitoring the Scheme's organisational and financial performance are key responsibilities of the Committee. Oversight by this Committee is necessitated by the Scheme's business model which requires ongoing review of the contracting of service providers to render scheme services. As such, the Committee monitors the Scheme's cash flow position, investment performance and compliance to the regulatory framework applicable to medical scheme investments. The Committee oversees the Scheme's Information Communication and Technology function and is also responsible to oversee the performance of the Scheme's contracted asset consultants and managers.

The Committee met on 9 occasions in 2022 (7:2021). All meetings were held hybrid and most attendees attended in person:

17. 20 January 2022 (Combined FIC and RSEC Meeting and Training)
18. 17 February 2022 (Quarterly Meeting);
19. 16 May 2022 (Quarterly Meeting);
20. 21 May 2022 (Special Meeting)
21. 20 June 2022 (ICT Meeting – Joint with AC)
22. 16 August 2022 (Special Joint Meeting with CGAC focused on Strategic Planning and Scheme's 2023 benefit design);
23. 16 August 2022 (Special Meeting);
24. 15 September 2022 (Quarterly Meeting); and
25. 24 November 2022 (Quarterly Meeting).

For the year ended 31 December 2021, the committee members in 2022 were:

- Dr ETC Moloko (Trustee, appointed - Chairperson, tenure commenced on 28 October 2016);
- Mr M Brand (Trustee, elected, tenure commenced 23 September 2019);
- Mr P de Villiers (Trustee, elected, tenure commenced 30 August 2021);
- Ms C Ntshane (Trustee, elected, tenure commenced 23 September 2019);
- Dr N Tutu (Trustee, appointed tenue commenced on 30 July 2020);
- Dr IJ van Zyl (Trustee, elected, tenure commenced on 30 July 2014, ended 28 July 2021, and re-elected from 29 July 2021)
- Ms A Galiel (ICM Co-opted from the AC, tenure commenced 01 April 2022 and ended on 2 December 2022); and
- Ms M Tonjeni (ICM Co-opted from the AC, tenure commenced 01 April 2019 and ended on 31 March 2022).

Human Resources and Remuneration Committee (HRRC)

The primary responsibility of the Committee is to ensure sound people management of Scheme employees by providing oversight, assessment, and review of the maintenance of relevant Human Resources and Remuneration policies of the Scheme. In addition, the Committee's responsibilities include advising the Board on the annual cost of living adjustment for Scheme employees; the criteria to be used in benchmark exercises pertaining to annual remuneration surveys, the remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results; the implementation of performance reward measures for employees and overseeing the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.

The Human Resources and Remuneration Committee met on 6 occasions in 2022 (6:2021). All meetings were held hybrid and most attendees attended in person:

26. 2 February 2022 (Quarterly Meeting);
27. 19 April 2022 (Quarterly Meeting);
28. 9 June 2022 (Quarterly Meeting)
29. 25 August 2022 (Special Meeting);
30. 17 October 2022 (Quarterly Meeting); and
31. 23 November 2022 (Special Meeting).

For the year ended 31 December 2022, the committee members were:

- Mr NL Theledi (Trustee, appointed - Chairperson, tenure ended on 26 September 2019)
- Mr M Brand (Trustee, elected, tenure commenced 23 September 2019);
- Dr SM Hlatshwayo (Trustee, appointed, tenure commenced 06 March 2018);
- Ms LP Khumalo (Trustee, elected, tenure commenced 30 August 2021);
- Mr ME Phophi (Trustee, appointed, tenure commenced 19 September 2016); and
- Dr IJ van Zyl (Trustee, official term ended on 30 July 2020 but given Covid-19 and Lockdown, Trustee term was extended until 29 July 2021. Trustee, re-elected term commenced on 29 July 2021).

Oversight Committee on Special Projects and Programmes

The Board of Trustees, on the recommendation of the Risk Social and Ethics Committee established the Ad-Hoc Oversight Committee on Special Projects and Programmes. The Committee held its Inaugural Meeting and commenced its duties from 10 August 2021 and was later changed to Oversight Committee on Special Projects and Programmes.
The primary role of the Committee is to support the Board of Trustees of the Government Employees Medical Scheme (GEMS) in ensuring effective oversight of GEMS projects, programmes and other such change activities (Initiatives), as defined in the scope of this Terms of Reference (ToR), and reporting to the Board on the initiatives.

- Governance, risk and compliance management.
- Assurance.
- Application of Board directives and defined parameters.
- Strategic analysis, alignment and prioritisation;
- Planning and lifecycle management.

- Considerations of GEMS' clinical, operational, financial, ICT, human resource, legal, compliance and change management requirements.
- Liaison with Interim NHI Advisory Structures; and
- Insourcing of Capabilities.

The Committee is responsible to ensure effective communication with and between associated Board Committees on matters relating to this Committee's responsibilities.

The Committee met for a total of 7 meetings in 2022 (2: 2021). All meetings were held hybrid and most attendees attended in person:

32. 26 January 2022 (Quarterly Meeting);
33. 18 February 2022 (continuation meeting)
34. 7 April 2022 (Quarterly Meeting);
35. 12 July 2022 (Quarterly Meeting);
36. 19 August 2022 (Special Meeting);
37. 24 August 2022 (Quarterly Meeting); and
38. 12 October 2022 (Quarterly Meeting).

For the year ended 31 December 2022, the committee members were:

- Ms Constence Ntshane (Trustee, elected - Chairperson, tenure commenced 23 September 2019);
- Mr P de Villiers (Trustee, elected, tenure commenced 30 August 2021);
- Mr RA Manoko (Trustee, appointed, tenure commenced 06 March 2018);
- Dr ETC Moloko (Trustee, appointed, tenure commenced on 28 October 2016);
- Mr NL Theledi (Trustee, appointed, tenure ended on 26 September 2019);
- Mr ME Phophi (Trustee, appointed, tenure commenced 19 September 2016); and
- Ms Carolynn Chalmers (AC ICM, tenure commenced 01 April 2019).

Risk Social and Ethics Committee (RSEC)

The Committee has been mandated by the Board of Trustees to ensure sound corporate governance by providing oversight, assessment and review of the risk management, ethics management and compliance management aspects of the Scheme. The Committee's responsibilities include ensuring compliance with the Medical Schemes Act and its Regulations; patent and trademark legislation; and any other legislative framework relevant to the business of the Scheme.

The Committee met on 5 occasions in 2022 (6: 2021). All meetings were held hybrid and most attendees attended in person:

39. 20 January 2022 (Combined FIC and RSEC Meeting)
40. 10 February 2022 (Quarterly Meeting);
41. 10 May 2022 (Quarterly Meeting);
42. 18 August 2022 (Quarterly Meeting); and
43. 17 November 2022 (Quarterly Meeting).

For the year ended 31 December 2022, the committee members were:

- Mr ME Phophi (Trustee, appointed - Chairperson tenure commenced 19 September 2016)
- Mr M Brand (Trustee, elected, tenure commenced 23 September 2019)
- Mr P de Villiers (Trustee, elected, tenure commenced 30 August 2021)
- Dr ETC Moloko (Trustee, appointed, tenure commenced on 28 October 2016)
- Dr JF Smit (Trustee, elected, tenure commenced 29 July 2021)
- Dr IJ van Zyl (Trustee, official term ended on 30 July 2020 but given Covid-19 and Lockdown, Trustee term was extended until 29 July 2021. Trustee, re-elected term commenced on 29 July 2021); and
- Ms Carolynn Chalmers (ICM Co-opted from the AC, tenure commenced 01 April 2019)

Table 14: Trustee and Principal Officer meeting attendance in 2022:
A – Meetings attended, B – Meetings that could be attended

	AGM	BOT		AC		BDC		CGAC		FIC		HRRC		OCSPP		RSEC		TRAINING	STKH	Task Teams &RBO		W/S
TRUSTEE	AGM	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B			A	B	
Brand, M	1	21	21			2	2					6	6			5	5	7	4	11	10	1
De Villiers P	1	21	20			2	2			9	9			7	6	5	5	9	3	11	11	1
Hlatshwayo, SM	1	21	21			2	2	7	7	1	1	6	6	1	1	1	1	10	8	16	16	1
Khumalo LP	1	21	21			2	2	7	7			6	6					4	5	15	15	1
Manoko, RA	1	21	21	9	8	2	2	7	7					7	7			6	8	15	15	1
Moloko, ETC	1	21	20			2	2			8	8			7	7			2	8	8	8	1
Ntshane, NC	1	21	21			2	2			9	9			7	7	5	4	6	5	11	11	1
Phophi, ME	1	21	21			2	2					6	6			5	5	5	11	16	16	1
Smit JF	1	21	21			2	2	7	7							5	5	5	5	11	11	1
Theledi, N	1	21	21			2	2	7	7			6	6	7	7			2	8	10	10	1
Tutu, N	1	21	21	9	9	2	2			9	9	3	3					10	5	11	11	1
Van Zyl, IJ	1	21	19			2	2			9	7	6	6			5	4	2	3	12	12	1
Moloabi, BOS (PO	1	21	21	9	9	2	2	7	5	9	8	6	6	7	6	5	4	2	5	8	8	1

Table 15: GEMS INDEPENDENT COMMITTEE MEMBERS' ATTENDANCE OF BOARD AND COMMITTEE MEETINGS
A – Meetings attended
B – Meetings that could be attended

	AGM	BOT		AC		BDC		CGAC		FIC		HRRC		OCSPP		RSEC		TRAINING	STKH	Task Teams &RBO		W/S
Lesejane, MJ	1	10	10	9	9													4	2	8	1	
Chalmers, C				9	9									7	7	5	4	1			1	1
Tonjeni, MS				9	2					1	1											1
A Galiel				9	6					8	7							4			1	1

Governance of Information and Technology

King IV Principle 12: The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives. (NOTE: A hyperlink to the King IV Application Register on the GEMS website will be inserted)

The GEMS Information and Communication and Technology Division reports to the Finance and Investment Committee and the Board of Trustees. The division is headed by the Chief Information Officer and the structure of the division is based on 5 key areas of Applications, Infrastructure & Operations, Data Analytics & BI, Business Continuity and Security Management. Other areas of focus within the ICT division are Administration, Strategy & Governance and Service Planning & Enterprise Architecture.

Strategic plan alignment: The division's work supports the achievement of Strategic **Objective #4: Be an agile data-driven scheme that leverages research, information, technology and platforms.**

The division achieved and exceeded important performance indicators under the key result area of **"DATA MANAGEMENT, ANALYTICS, BI, AND DIGITAL FIRST"** in 2022.

Key strategic projects within the Scheme such as Intelligems and Insourcing of Capabilities are driven through the division with the support of PMO and other divisions within the Scheme. The division provides the Scheme with an intranet platform called Gemzito, where users are able to access the different documents of their divisions and the Scheme, managed through the necessary restrictions and workflow based on the users' role within the Scheme; utility tools such as email, office suite of solutions; the Enterprise-Wide Resource System for managing the Scheme's finances; a Customer Relationship Management solution to enable services that the Client Liaison Officers provide to members; the GEMS Website and Member App and Portal to facilitate member's access to real time information about their benefits and information they may need to access the Scheme services.

The adequacy and effectiveness of technology and information management are monitored through risk management control effectiveness reviews by management supported by the GEMS risk management function. Periodic independent reviews are performed by GEMS's internal audit and external assurance providers. The successful achievement of the third phase of the strategic plan themed, 'innovate for member value proposition' and the strategic objective of becoming the blueprint for NHI, is premised on advanced ICT systems for enhanced member experience and decision making, data-driven healthcare management operational improvement and risk management.

Significant policy review work was concluded by ICT in 2022 which mostly included the development of new policies and updates to policies that already existed. The policies that were reviewed and developed are detailed below.

Table 16:

Policy	Purpose of policy
Data and Information Classification Policy	To ensure that Data and information is identified, classified, labelled, and properly handled and protected in accordance with its importance and potential impact to the Scheme
Data and Information Retention Policy	The purpose of this Policy is to ensure that Data and Information of the Scheme is adequately retained and maintained based on legal and business requirements. It is further to establish minimum standards for data retention that will be used across GEMS and the SPN with regards to identification, creation, maintenance, archiving and disposal of data and information records.
Electronic and Digital Signature Policy (new)	To provide Policy measures and guidelines on the use of electronic & digital signatures in GEMS.

Table 17:

2022 key focus areas	Future focus areas
• Implementation of digital strategy initiatives. • Development of business intelligence data management and digital first initiatives. • Further enhancement of provider and member digital services. • Complete analysis and development of the core information management programme. • Development and Implementation of Cyber Security Strategy • Development and implementation of information security management capability. • Adoption of fourth industrial revolution technologies such as cloud solutions, digitising on the inside and outside and positioning for NHI. • Completion and Implementation of the ICT Governance Framework and Structures • Implementation of Multi-cloud (Azure, AWS, Google Analytics7 iCloud) ; Office 365 • Access to fast mobile broadband network • Significant policy reviews finalized.	• Develop Core Information Management capability. • Building a data driven backbone which enables one data platform comprising of an enterprise big data (lake) powering the Enterprise Data Architecture and Modern Data Architecture. • Deployment of fourth industrial revolution (4IR) and fifth industrial revolution (5IR) technologies through digitisation and automation • Adopt agile infrastructure architectures; including cloud and next generation networks (5G) and cloud strategy. • Optimisation of Cybersecurity and security systems • Innovation, DevOps, ICT Governance and ICT Research and Development

Report from the Risk Social and Ethics Committee on protecting and preserving value through ethical leadership and governance of compliance

Governance of ethics

Principle 1: The governing body should lead ethically and effectively.
Principle 2: The governing body should govern the ethics of an organisation in a way that supports the establishment of an ethical culture.

The Board exercises ethical leadership and assumes responsibility for the governance of ethics by **setting the direction** for how ethics should be approached and addressed by the Scheme in all its dealings.

The Risk Social and Ethics Committee is mandated by the Board to play an oversight role in the implementation of the Ethics Management Strategy, which is translated into the Ethics Management Plan. The approval of these documents is also done by the Risk Social and Ethics Committee annually. The progress made against the deliverables on the Ethics Management Plan is reported to and monitored by the Risk Social and Ethics Committee on a quarterly basis.

The ethics culture risk index is tracked by the Risk Management and Compliance Division and reported to the management committees, Risk Social and Ethics Committee and the Board. The committees also make recommendations that are implemented at an operational level within the Scheme.

The Board monitors the tone at the top, the ethics culture of the Scheme and considers reports on ethics transgressions and how the Scheme responds to these. The Board does this by:	
What:	**How:**
Setting requirements for itself, GEMS employees, contracted providers, members and healthcare providers in their dealings with GEMS: • Fit-and-proper requirements • Skills and qualifications • Conflict of interest • Zero tolerance to corruption and fraud • Preventing corruption, fraud, waste and abuse • Protecting human rights	1. The Rules of GEMS (registered in terms of the Medical Schemes Act) 2. Terms of reference for Risk Social and Ethics Committee 3. The GEMS Code of Ethics and Business Conduct 4. The GEMS Supply Chain Management Code of Conduct 5. Code of Conduct for Trustees and Independent Committee Members 6. GEMS ethics policies that include conflict of interest, vetting, supply chain management, fraud waste and abuse, whistleblowing and stakeholder engagement 7. Ethics Management Strategy and Plan
Monitoring ethics culture risk as a strategic risk	Quarterly risk monitoring report
Reviewing the effectiveness of controls	The Audit Committee oversees the effectiveness of the Scheme's ethics controls
Setting the ethics strategy and monitoring ethics programme implementation	The Risk Social and Ethics Committee monitors the completion of the annual ethics management plan
Raising awareness	Ethics awareness training for trustees, employees and contracted providers

The Board of Trustees reviews the Scheme's vision, mission and value statements annually to ensure that they reflect its commitment to building and sustaining an ethical organisation.

The responsibility to implement the annual ethics management plan is delegated to Scheme management

The Ethics Function (located in the Risk Management and Compliance division) supports the achievement of strategic objective #6: **Be a good corporate citizen, prevent or reduce negative impacts on the environment and function as an ethical, caring, innovative leader in the South African healthcare sector.**

In 2022, the Ethics Function exceeded KPI #26Ethical risk residual level.

Scheme management discusses ethics and values and designs and implements policies and processes to achieve sound ethics management. Scheme management submits policies to the Board for approval and accounts to the Board on implementation of policies to achieve effective ethics management. Management pursues collaboration and shared accountability for the achievement of desired outcomes.

Scheme employees annually sign the Code of Ethics and Business Conduct and the Supply Chain Management Code of Conduct. The Risk Social and Ethics Committee monitors compliance with GEMS Code of Ethics and Business Conduct, other social, ethical and legal requirements, and best practice.

Highlights in 2022

- Implementation of the ethics strategy and management plan that was developed in 2021 through collaboration and based on the outcome of an external ethics risk assessment conducted in 2020. The ethics strategy and plan are implementable until the end of 2024.
- Strengthened controls through the full implementation of lifestyle audits for chief officers. No red flags were identified by the external forensic investigation firm that conducted lifestyle audits on behalf of GEMS in 2022.
- Heightened employee ethics awarenes levels through extensive training.
- Achievement of the required ethics culture risk level for 2022.
- Comprehensive review and restructuring of the Ethics Policy into the following policies:
- Ethics Policy;
- Conflict of Interest Policy;
- Gift and Hospitality Policy and;
- Other Work Outside GEMS Policy.
- Commencement of the automation of ethics documentation submission process for improved performance by the Ethics Function and adherence by employees.

Key focus areas in 2023

- Further building a mature ethics culture by executing the 2023 Ethics Management Strategy and Plan.
- More initiatives relating and encouraging "setting the tone at the top" for GEMS management.
- Ethical Leadership training to ensure that a mature ethics culture is created.
- Implementation of the new policy on other work outside GEMS by employees.
- Conducting an internal ethics survey to gauge the effectiveness of the ethics management strategy.

Compliance

Structures and processes for compliance management and non-compliance matters

Compliance with regulatory requirements contributes to and forms part of business efforts to create an ethical and sustainable medical scheme and a scheme which behaves as a good corporate citizen. As such, the Scheme is committed to identifying regulatory requirements, continuously monitoring the effectiveness of compliance to regulatory requirements, and appropriately responding where change is required.

Effective management of compliance risk means meeting the GEMS compliance obligations and protecting GEMS from loss or damage, noting that it is not only an obligation but a source of rights and protection. It requires a holistic view on how applicable laws and non-binding rules, codes and standards relate to one another and their ability to affect GEMS's ability to create value over time.

The Risk, Social and Ethics Committee is delegated by the Board of Trustees to oversee the overall monitoring of compliance risks and progress against the approved compliance coverage plan. In managing the mitigation and monitoring of compliance risks, a Compliance Coverage Plan which details the compliance plan of action is submitted to the Risk Social and Ethics Committee in Q4 of each preceding year for approval and implementation in the following year. Compliance Reports are submitted to the Risk and Social Ethics Committee on a quarterly basis and to the management committees and forums of the Scheme, where progress against the plan is also indicated. Issues of compliance risks affecting the Scheme are also reported and discussed at the meetings. Compliance risks are captured and tracked in the divisional risk registers and the Scheme's progress against the Compliance Index is submitted as part of the Compliance Report to the Risk Social and Ethics Committee and the Audit Committee.

Principle 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good citizen.

The GEMS Board Charter requires the Board to govern the Scheme's compliance by setting and steering the Scheme's compliance approach and management.

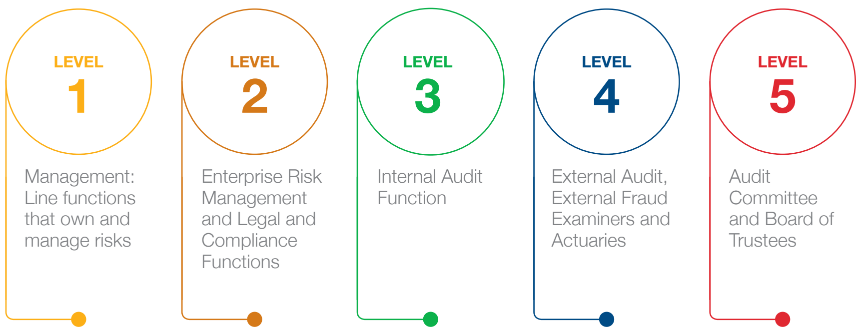
The GEMS compliance function reports to the Audit Committee on the system for monitoring compliance with applicable laws and regulation and the Risk Social and Ethics Committee on the outcomes of compliance risk management. More information on the composition of the Audit Committee and the Risk Social and Ethics Committee and a summary of the committees' responsibilities can be found from page 106 and 113 respectively in the Annual Integrated Report.

The Compliance Function (located in the Risk and Compliance Management division) supports the achievement of strategic objective #6: **Be a good corporate citizen, prevent or reduce negative impacts on the environment and function as an ethical, caring, innovative leader in the South African healthcare sector.**

The Scheme applies a compliance index to monitor performance with a target of 90% included in the strategic plan. Performance relating to the compliance index for 2022 was closed at 98% (target 90%) for 2022.

The adequacy and effectiveness of the Scheme's compliance management function is assessed periodically by the Scheme's internal audit function with the most recent review conducted in Quarter 4 of 2021. In 2022 the Compliance function attended to and cleared the audit findings of the 2021 Compliance Review by strengthening its governance documents in line with audit undertakings.

The compliance function forms part of the second line of defense in the Scheme's combined assurance framework:



The Compliance Function is located in the Risk Management and Compliance Division and is represented on the Scheme's Combined Assurance Forum convened by the Chief Audit Executive.

The Scheme has established a Risk, Compliance and Ethics Forum, comprising risk, compliance and ethics champions from all Scheme divisions and the Scheme's service provider network. The Forum monitors compliance with its compliance universe, including the Rules of GEMS and applicable legislation.

The GEMS compliance function aligns to the Generally Accepted Compliance Practice Framework (Compliance Institute South Africa). Our compliance governance documents are streamlined into a Compliance Framework and Compliance Coverage Plan supported by a Compliance Policy and a Compliance Monitoring and Reporting Standard Operating Procedure.

The process of compliance management encompasses:
- Identifying and prioritising all Acts and regulations at all levels applicable to the Scheme;
- Incorporating regulatory requirements into control measures such as standard operating procedures, processes, manuals and policies;
- Recommending corrective measures or steps to ensure compliance; and
- Monitoring compliance through the adequacy and effectiveness of control measures.

The risk of non-compliance is managed through:
- Annual review and update of the Scheme's regulatory universe;
- Compilation of compliance risk management plans for high-risk legislation; and
- Continuous monitoring of the regulatory environment.

Table 18

Highlights for 2022:	Focus areas 2023:
• Embedding POPIA compliance and supporting the business. • 2022 Compliance Coverage Plan execution. • Achieving a GEMS Compliance Index rating of 98% • Publishing the GEMS King IV Report disclosure register on the Scheme's website . • Successful management of policy development and maintenance. • Providing guidance to the Scheme's service provider network to ensure the correct application of the Rules of GEMS. • Submitting the application for the registration of GEMS as a Financial Services Provider under the Financial Advisory and Intermediary Services Act - Initiating compliance by doing compliance groundwork and research.	• Embedding enhanced compliance processes in accordance with the 2023 GEMS Compliance Universe • Compliance Risk Management Plan for the Scheme Rules. • Continuous compliance awareness training. • Topical legislation training, including Board training. • Implementation and monitoring of the 2023 Compliance Coverage Plan • Adequately capacitating the Compliance Function to ensure that proper compliance and ethics support is provided to the business in terms of the GEMS strategy. • On approval of the Scheme's application as a Financial Services Provider (FSP), support the efforts of the Scheme in ensuring compliance with the requirements of being a registered FSP, including training.

Regulatory Matters:

GEMS did not attract regulatory penalties in 2022.

Disclosure on ongoing Regulatory Matters/ Section 43 Enquiries:

Trustee Vetting information

The CMS requested the Scheme to provide them with the vetting reports regarding certain scheme officers (Trustees). Based on a legal opinion from the Scheme attorneys, the Scheme declined to do so and lodged an appeal against the request from the CMS. The Scheme is still awaiting a response from CMS regarding this matter.

Section 43 Enquiry – Medscheme Managed Care Accreditation

The Scheme consolidated its managed care offering and put same out to tender. Medscheme were awarded the tender based on the procurement policies and procedures of the Scheme and was appointed.

In 2022 the CMS launched a Section 43 Enquiry into the appointment of Medscheme, stating that they were not accredited to provide some of the services contracted for. The Scheme provided a response to the Section 43 Enquiry. In March 2023 the Scheme received a preliminary report regarding the Section 43 Enquiry, to which it responded. The Scheme is still awaiting the final report from the CMS.

Section 59 Investigation

GEMS responded formally to the Section 59 Investigation Interim Report in April 2021 and will respond to the final report when issued.

CMS Inspection 2017/18

GEMS responded formally to the final inspection report.

REGULATORY NON – COMPLIANCE

To the best of the Scheme's knowledge, the compliance matters listed below cover all the non-compliance matters for the 2022 financial year.

Late paying Employer groups

Nature

In terms of Rule 13.2 of GEMS' Scheme Rules and Section 26 (7) of the Medical Schemes Act members' contributions are due monthly in arrears and payable by no later than the third day of each month.

Cause

During the period under review, certain employer groups paid over contributions on behalf of their members after the third day of the month. Late payment may result in a loss of interest earned for the Scheme; however, this is not significant due to the short duration of the contributions being outstanding.

Corrective Action

Scheme management engaged with the employer groups concerned to ascertain the reasons for the late payment of contributions and to highlight the impact of this practice on members of the Scheme. The Council for Medical Scheme's is informed quarterly of any late payers. At year end there were two late paying employer groups. Subsequently these amounts have been received.

Benefit Options

Nature

In terms of Section 33 (2) of the Medical Scheme's Act, medical scheme options shall be self-sufficient in terms of membership and financial performance.

Cause

The Scheme's Beryl, Emerald and Onyx options did not meet the self-sufficiency requirement in terms of Section 33(2) of the Medical Schemes Act. Loss making options adversely affect the financial performance of the Scheme and the reserve ratio.

The deficit on the Onyx option was mainly driven by the older demographic profile which resulted in higher healthcare costs related to chronic conditions.

The deficits on the Beryl and Emerald options were intentionally budgeted for to give back some of the reserves to members through lower contribution increase which was 2.02% for the 2022 financial year. This increase was below healthcare inflation of 7.6% and CMS recommended increase of 4.2%. During 2020 and 2021 financial years the Scheme experienced a reduction in utilisation of healthcare benefits which significantly increased the reserves. Although these options incurred operating deficits, they still performed better than anticipated.

Corrective Action

The Scheme's current reserves can comfortably absorb these deficits in the short term to medium term. Long-term forecasts, scenario planning and sensitivity analysis are constantly applied to the Scheme solvency to manage the risk of the reserve ratio falling to below the statutory level. The Registrar was notified of the Scheme's performance throughout the 2022 financial year with the submission of quarterly performance reports and meetings with the Council for Medical Schemes.

Prescribed minimum benefits applied incorrectly

Nature

In order for a procedure to be considered for payment as a PMB and funded at cost as per the Regulations, the following criteria must be met:

- The diagnosis must be a PMB condition, as defined in the Regulations of the Medical Schemes Act.
- The diagnosis must thus be a condition which is included in one of the "Diagnostic and Treatment Pairs" (DTP's) or be on the list of 26 chronic diseases (with their associated ICD-10 codes), described in Annexure A of the Regulations or an emergency medical condition".

According to the GEMS PMB manual and PMB legislation in the event of involuntary use of a non-DSP no co-payment or deductible may be imposed.

Cause

The PMB hospital emergency authorisation's processed from the period 01 July 2021 to 28 February 2022, eleven (11) instances were identified where a co-payment was applied incorrectly despite the cases being authorised and classified as hospital emergencies.

Corrective Action

The error was subsequently corrected by management. The following mitigations plans were agreed with management:

1. Retrain on waiving of co-payment for emergency cases as per PMB manual and Network hospital SOP for cases where a network co-payment was applied.
2. Review the current templates used to respond with funding instruction to ensure it clearly indicates when co-payment is not waived because of available network facility within the member's residential area.
3. Review the exception report for gaps in identifying the emergency cases and correcting the gaps to ensure efficiency.

Scheme rules non - compliance

PMB claim was processed while the beneficiary was on the waiting period.

Nature

The beneficiary claim was settled while the beneficiary was on a General and PMB waiting period.

In terms of the GEMS Scheme Rules section 8.3, the Scheme may impose upon a person in respect of whom an application is made for membership of the Scheme or admission as a Dependant and who was not a beneficiary of a medical scheme for a period of at least ninety (90) days preceding the date of application:

1. a General Waiting Period of up to three (3) months;
2. a Condition-Specific Waiting Period of up to twelve (12) months, where applicable; and
3. may also exclude Prescribed Minimum Benefits during any such waiting periods

Cause

The system failed to identify and reject claims while the beneficiary was on a waiting period. The Cardholder file and the Waiting Period file were not aligned. The Card Holder file showed an Active (00) status instead of General Waiting Period status (07). This caused the Waiting Period file to be ignored upon processing due to misinterpretation of the waiting period.

Corrective Action

Management has committed to revising underwriting processes such that when claims are submitted while beneficiaries are subject to underwriting, these will be processed correctly in line with the GEMS Scheme Rules. The following processes will be further refined:

1. An exception management process will put in place.
2. SOP will be updated with the agreed process.

Failure to update the beneficiary type of students above 28 years on the system

Nature

In terms of Scheme Rules: 4. Definition: 4.9 “Child Dependant” states that a child of a member who is under the age of twenty-one (21) years and who, for the purposes of these Rules shall include: any dependant below twenty-eight (28) years of age, for the duration of any course for which that dependant is registered as a bona-fide student at any educational institution recognised as such by the Board within the Republic of South Africa, or any other educational institution abroad (whether or not specifically recognised as such by the Board). Dependants above 28 years must be classified as adults.

There were instances where individuals above the age of 28 years were classified as Students (U) on the system instead of as adults.

Cause

The current systems in place are not configured to update dependant details once the dependant reaches the age of 28 years.

Corrective Action

Scheme Administrators have already identified the gaps in the student review process, and a project was logged with IT to mitigate errors and implement system validations.

Individuals found to be no longer eligible for GEMS Membership

Nature

In terms of Scheme rule 6.2, it states that the membership of the Scheme is limited to those Members and their Dependants who are ordinarily resident within the Republic of South Africa, or who are stationed abroad on or by virtue of instructions, requirements, or obligations of the Member's Employer, or who are studying abroad.

Cause

It was found that some members have retired from the employer's service and have either emigrated or are living abroad for extended periods. It appears that no checks were done to confirm whether these members still satisfy the conditions for membership.

Corrective Action

An SOP was developed to manage the process, and letters were sent out to the affected members as of 01 April 2021.

The Scheme's Administrator reviewed the responses and met with the relevant Scheme officials on 5 August 2021 to provide an update on this process. An updated report was submitted to the Scheme on 7 March 2022. To date, all the identified affected memberships have been addressed, with some memberships being terminated and others returning to the country.

Guarantees

Nature

Section 35(6) (a) of the Medical Scheme Act states that a medical scheme shall not encumber its assets.

Cause

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998 to the value of R2,5 million. The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.The guarantee of R5 million in favour of the South African Post Office allows the Scheme to transact directly with the service provider for the provision of postal services, rather than procuring these services on an agency basis.

Corrective Action

Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of two years effective from 05 December 2019. The Scheme applied for another exemption which was granted by CMS for a period of three years effective from 09 March 2022.

Investment in Medical Scheme Administrator

Nature

Section 35 (8) (a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme. The Scheme has investments in certain administrators.

Cause

The Scheme has investments in certain companies associated with the administrators of the scheme within its diversified investment portfolio.

Corrective action

CMS has granted GEMS an exemption for a period of three years effective from 05 December 2019. Additionally, we obtained an exemption for three years from 15 December 2022.

Claims settled after 30 days

Nature

In terms of Section 59 (2) of the Medical Schemes Act, the Scheme shall, in the case where an account has been rendered, 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 Scheme.

Cause

During the financial year, there were instances that were identified where the above regulation had not been complied with.

Corrective Action

Additional controls have been put in place at the Administrator to mitigate the risk of non-compliance and the Scheme will ensure that these are tested as part of the Internal Audit process of the Scheme during the coming year.

Credit Facility

Nature

Section 35(6) (C) of the Medical Scheme Act states that a medical scheme shall not directly or indirectly borrow money.

Cause

The Scheme has credit facilities with RMB/FNB for the corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The autocards are used for the fuel and maintenance of the Scheme's fleet.The balances on the cards are settled within 30 days.

Corrective Action

The Scheme has been granted and exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022. There was a gap in the exemption from 05 December 2021 to 08 March 2022.

Committee assurance

The Risk Social and Ethics Committee is satisfied that it complied with its legal, regulatory and other responsibilities during 2022.

Dr SM Hlatshwayo	ME Phophi	Dr BOS Moloabi
Chairperson	Deputy Chairperson	Principal Officer
30 May 2023	30 May 2023	30 May 2023

STATEMENT OF CORPORATE GOVERNANCE

The Government Employees Medical Scheme is committed to the principles and practice of fairness, openness, integrity, and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework made up of the Rules of GEMS, the GEMS Board Charter and Scheme policies. A formal integrated framework is under development.

The Scheme acknowledges its role within the medical schemes industry as well as its responsibilities to each individual beneficiary and the wider community. The Scheme recognises that sustainability can only be achieved through strong relationships with all stakeholders and responsible management of risk.

Transparency and Ethics

The Scheme has adopted a stakeholder-inclusive approach to corporate governance and is bound by mandates and principles of treating members fairly. The close stakeholder relationship and the election and appointment of the Board of Trustees by the members and the Employer allow the Scheme to recognise the concerns and objectives of stakeholders in its decision- making process.

The Board of Trustees acknowledges that the perception of stakeholders affects the reputation of the Scheme.

Therefore, clear, and open communication with stakeholders enhances the reputation of the Scheme. The Trustees have produced a holistic and reliable integrated report to illustrate both the financial and non-financial performance of the Scheme.

Board of Trustees

The Board of Trustees is responsible for the stewardship and governance of the Scheme. The Trustees are elected and appointed by the members of the Scheme and the Employer respectively (i.e. the Minister for Public Service and Administration), according to the provisions of the Medical Schemes Act, No 131 of 1998, as amended, and the Rules of the Scheme. The Trustees are representatives of the Scheme's members and are legally responsible for the management and strategic direction of the Scheme on behalf of the members.

The Board meets regularly and monitors the performance of the Scheme's employees, administrators, and other contracted service providers. The Board addresses a range of issues and ensures that discussion of strategy, policy, risk management, fraud management and operational performance are critical, informed, and constructive. The affairs of the Scheme are managed according to the Rules of the Scheme and adhere to all aspects of governance as required by the Medical Schemes Act 131 of 1998, as amended. The Board is committed to the principles as set out in the King IV Report on Corporate Governance for South Africa.

A collective board-effectiveness evaluation and peer review is required every second year. The Chairperson meets with individual Trustees on a one-to-one basis, during induction training of new Trustees and should the need arise.

All Trustees have access to the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

Internal controls

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

The Scheme's Internal Audit service also performs an independent analysis of the controls of the Scheme as well as those of the service providers of the Scheme as part of its annual audit plan.

The Board-appointed Risk Social and Ethics Committee consisting of Board of Trustee members, a co-opted audit committee independent member and attended by senior management of the Scheme has the duty to assess the risk register and plans to mitigate the risks. This Committee reports to the Board of Trustees independently.

On an annual basis the Board assesses the risks facing the Scheme and determines the impact and likelihood of such risks through the development of a risk register. Once the risk register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly to ensure that all risks are effectively managed. No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal control and systems during the year under review.

Integrated reporting

The GEMS Board of Trustees acknowledges its responsibility for assuring the integrity of the GEMS annual integrated report.

It has applied its collective mind to the report's preparation and presentation.

The development of this report was guided by the guiding principles and content elements of the International Integrated Reporting Framework, published in January 2021.

Dr SM Hlatshwayo
Chairperson
30 May 2023

ME Phophi
Deputy Chairperson
30 May 2023

Dr BOS Moloabi
Principal Officer
30 May 2023

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2022.

The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and control systems, and to maintain a high degree of integrity in both the external and internal audit processes. For the 2022 financial year, Audit Committee meetings were held via a hybrid model to ensure continuity of execution of the Audit Committee mandate while remote working arrangements were in force for parts of the year.

The committee reviewed the annual integrated report and considered all factors that may impact on its integrity. The Scheme's internal and external auditors reviewed selected key performance measures included in this report to confirm that they were reliable and did not conflict with the financial information contained in the report.

Significant matters considered in relation to the annual financial statements

The going concern basis was adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the Audit Committee has no reason to believe that the Scheme will not be a going concern in the foreseeable future. These annual financial statements support the viability of the Scheme.

We have reviewed and discussed with the external auditor and management the audited 2022 annual financial statements and we are of the view that they comply, in all material respects, with the Medical Schemes Act, No 131 of 1998, and International Financial Reporting Standards. The committee received assurance that sound financial controls are in place and that fraud and ICT risks as they relate to financial reporting have been adequately addressed.

External auditor independence and quality

The committee was involved in the appointment of the external auditor and following its assessment of the auditors, was satisfied that the appointment of the auditor complies with Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended.

Furthermore, the committee approved the external auditor's engagement letter, audit plan and budgeted fees for the year ended 31 December 2022. The Scheme maintains the Non-audit Services and Consulting Services Policy, which describes prohibited services by the external auditor and those services requiring prior approval of the Audit Committee.

We are satisfied that the Audit Committee approved limited assurance of selected key performance indicators included in this integrated report and that the Scheme's external auditor performed no prohibited work during the 2022 financial year. The designated audit partner from the Deloitte and OMA consortium, who was with the Scheme since 2016, has been rotated out based on the auditor's rotation policy and the new designated audit partner from Deloitte began her tenure in 2021. Requisite assurance was sought and provided by the auditors that internal governance processes within the audit firms support and demonstrate their claim to independence.

Effectiveness of the chief audit executive and arrangements for internal audit

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. The internal audit function has an appropriate and formal charter, which was approved by the Audit Committee in 2022. We are satisfied that the internal audit function of the Scheme is independent and has the skills and resources to perform its duties.

In addition to the use of in-house resources to deliver on the internal audit mandate, the Scheme's Internal Audit Division is supplemented by specialists from the panel of internal audit service providers where required. Internal audit provided quarterly reports to the Audit Committee on assurance results and progress against its strategic objectives.

Design and implementation of internal financial controls

The Scheme's internal audit function reviewed the design and operating effectiveness of internal financial controls with the overall objectives of the controls tested being achieved. Controls tested by internal audit did not identify any failures that led to material financial errors or losses, fraud or corruption. Based on this assurance by internal audit, we are satisfied that the finances and systems of internal control are appropriately managed.

Furthermore, the external auditors have issued an unqualified opinion that the 2022 annual financial statements are a fair reflection that the Scheme's activities and accounting practices have been applied appropriately. In respect of the International Standard on Assurance Engagements 3402, assurance reports issued by service auditors at the Scheme's administrators were received and their findings, which did not present material exposure to the Scheme, were considered.

Key focus areas during the reporting period

Cybersecurity controls and their oversight together with key focus on the supply chain activities continued to be a key focus area for the committee during 2022.

The committee receives reports from internal audit on the implementation progress of forensic investigation (stemming from the 2017 tender investigation) recommendations by management.

Effectiveness of the Chief Financial Officer and the finance function

The committee reviewed the expertise, resources and experience of the Scheme's finance function and believes that the Chief Financial Officer and other finance staff have the required competence and skills. Financial reporting was of a high standard throughout the financial year as evidenced by an unqualified external audit opinion.

Combined assurance

The Scheme's Chief Audit Executive is responsible for leading the Scheme's combined assurance model. GEMS' combined assurance providers during the review period included external providers such as the respective internal audit functions of the Scheme's service provider network. Plans and reports received by the Audit Committee for the financial year provided a view of combined assurance coverage from various assurance providers and results stemming from such assurance were presented to the Audit Committee, with any areas recommended for remediation noted and monitored for closure. Based on internal audit submissions, the Audit Committee is satisfied with the effectiveness of combined assurance arrangements.

Conclusion

The committee recommended the annual financial statements to the Board of Trustees for approval. We are satisfied that the committee fulfilled the responsibilities in its charter for the reporting period. The committee thanks the Board of Trustees for its continued support.

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Audit Committee Chairperson
30 May 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of the Government Employees Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Government Employees Medical Scheme (the Scheme), set out on pages 46 to 124, which comprise the Statement of Financial Position as at 31 December 2022, and the Statement Comprehensive Income, the Statement of Changes in Members' 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 Government Employees Medical 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 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). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the matter was addressed in the audit
Outstanding claim provision (IBNR)	
The outstanding risk claims provision ("IBNR") comprises provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. The determination of the IBNR requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. The Trustees make use of an independent actuarial specialists for the estimation of the IBNR. The IBNR calculation is based on the following of factors: • Historical claims settlement patterns; • Claims settlement patterns detailed in the claims paid run off schedule over the period January 2023 – March 2023; • 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 per claim. Certain of the above-mentioned factors require judgement and assumptions to be made by the Scheme's Trustees and therefore we identified the valuation and completeness of the IBNR as a key audit matter. The IBNR is disclosed in note 11 and note 24.	In evaluating the valuation of the IBNR, we performed various procedures including the following: • Tested the design and implementation of relevant controls within the IBNR process in order to assess audit risks associated with the provision; • Tested the integrity of the data used in the calculation of the IBNR by performing substantive procedures; • With the assistance of our internal actuarial specialists, we performed an independent calculation of the estimate of the IBNR using historical claims data and trends. We used this estimate as a basis of assessing the completeness and valuation of the IBNR; • Performed a retrospective review of the IBNR raised in the 2021 financial year based on actual claims paid in 2022 related to 2021 to assess the ability of GEMS to estimate the IBNR reliably; • Performed tests of detail on the current year IBNR including testing actual claims related to 2022, paid subsequent to year end and as close as possible to audit completion date; • Reviewed the disclosure in the financial statements in conformity with International Financial Reporting Standards. The assumptions applied in the IBNR appear reasonable and we are satisfied that the balance of the IBNR as at year-end, the related disclosure of the IBNR and assumptions are appropriate.

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the Statement of Responsibility of the Board of Trustees, the Board of Trustees Report and the Statement of Corporate Governance as required by Medical Schemes Act of South Africa and the Audit Committee Report which we obtained prior to the date of this report. 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 on the other information obtained prior to the date of this auditor's report, 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 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 based on 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 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.

We also provide the Scheme's Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 our audit.

Audit tenure

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of the Government Employees Medical Scheme for 7 years.

The engagement partner, Kumeshnee Singh, has been responsible for the Government Employees Medical Scheme's audit for 2 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditors
Per: Kumeshnee Singh
Partner
05 June 2023

Disclaimer:
The signed audited financial statements of GEMS have not been submitted to the CMS and might be subject to change as may be directed by the CMS.

STATEMENT OF FINANCIAL POSITION

as at December 31, 2022

	Note(s)	2022 R'000	2021 R'000
ASSETS			
Non-Current Assets			
Property and equipment	3	265 821	283 061
Right-of-use assets	4	4 609	4 081
Intangible assets	5	1 672	3 343
Financial assets at fair value through profit or loss	6	13 494 385	9 771 100
		13 766 487	**10 061 585**
Current Assets			
Financial assets at fair value through profit or loss	6	10 379 691	13 481 885
Trade and other receivables	7	501 468	470 258
Cash and cash equivalents	8	4 183 411	3 170 701
		15 064 570	**17 122 844**
Total Assets		**28 831 057**	**27 184 429**
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Funds		24 070 651	22 897 867
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	4	1 416	415
Current Liabilities			
Personal medical savings account liability	9	1 562 964	1 444 682
Lease liabilities	4	3 076	3 907
Trade and other payables	10	1 313 608	1 117 678
Outstanding risk claims provision	11	1 879 342	1 719 880
		4 758 990	**4 286 147**
Total Liabilities		**4 760 406**	**4 286 562**
Member Funds and Liabilities		**28 831 057**	**27 184 429**

STATEMENT OF COMPREHENSIVE INCOME

as at December 31, 2022

	Note(s)	2022 R'000	2021 R'000
Risk contribution income	13	47 723 182	46 528 842
Relevant healthcare expenditure		(46 072 496)	(41 847 238)
Risk claims incurred	14	(45 013 772)	(40 835 461)
Accredited managed healthcare services	15	(1 058 724)	(1 011 777)
Gross healthcare result		**1 650 686**	**4 681 604**
Administration expenditure	16	(2 359 338)	(2 060 171)
Marketing services		(77 017)	(109 734)
Impairment losses on healthcare receivables	19	(54 209)	(66 904)
Net healthcare result		**(839 878)**	**2 444 795**
Investment income	20	1 606 998	1 864 661
Dividends received		162 996	92 905
Interest received on financial assets at fair value through profit or loss		1 359 708	1 016 147
Net realised gain on financial assets at fair value through profit or loss		111 093	128 863
Net unrealised (losses) / gains on financial assets at fair value through profit or loss		(78 810)	590 192
Interest received on cash and cash equivalents		52 010	36 554
Other income		474 266	22 874
Sundry income	21	474 266	22 874
Other expenses		(68 602)	(55 116)
Investment management fees		(68 196)	(54 414)
Interest expense		(406)	(702)
Net income for the year		**1 172 784**	**4 277 214**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**1 172 784**	**4 277 214**

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

as at December 31, 2022

	Accumulated Funds R '000	Member Funds R '000
Balance at January 1, 2021	18 620 653	18 620 653
Total comprehensive income for the year	4 277 214	4 277 214
Balance at January 1, 2022	22 897 867	22 897 867
Total comprehensive income for the year	1 172 784	1 172 784
Balance at December 31, 2022	24 070 651	24 070 651

STATEMENT OF CASH FLOWS

as at December 31, 2022

	Note(s)	2022 R '000	2021 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members		47 753 395	47 908 493
Cash paid to suppliers, members and employees		(47 646 126)	(46 669 232)
Cash generated from operations	23	107 269	1 239 261
Interest expense		(406)	(702)
Net cash inflow from operating activities		**106 863**	**1 238 559**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	3	(1 890)	(6 039)
Proceeds from sale of property, plant and equipment	3	107	28
Purchase of financial assets		(27 206 829)	(23 081 664)
Disposal of financial assets		26 504 922	21 030 000
Investment income		1 614 977	1 230 915
Interest received on Scheme cash invested		52 010	36 554
Interest earned on financial assets at fair value through profit or loss		1 288 878	972 592
Dividends		162 996	92 906
Realised gains		111 093	128 863
Net cash from (used in) investing activities		**911 287**	**(826 760)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment on lease liabilities		(5 440)	(6 706)
Total cash movement for the year		**1 012 710**	**405 093**
Cash at the beginning of the year		3 170 701	2 765 607
Total cash at end of the year	8	**4 183 411**	**3 170 701**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies are consistent with those of the prior year. Refer to note 2 for the new standards and interpretations.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act no. 131 of 1998, as amended (the Act). In addition the Statement of Comprehensive Income is prepared in accordance with Circulars 41 of 2012 and 56 of 2015 of the Council for Medical Schemes that sets out their interpretation of IFRS as it relates to the Statement of Comprehensive Income for Medical Schemes in South Africa.

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

These financial statements comply with the requirements of the 2022 SAICA Medical Scheme Accounting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Scheme's functional currency.

These accounting policies are consistent with the prior year.

1.3 Property and equipment

Property and Equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on the straight line basis over the estimated useful lives of assets after taking into consideration an asset's residual value. Land is carried at cost and not depreciated.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinite Useful Life
Buildings	Straight line	20 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Kitchen Equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the unexpired period of the applicable lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value, depreciation method and the estimated useful life of each asset is reviewed at the end of each reporting period and adjusted where appropriate. The effects of any changes in estimates are accounted for on a prospective basis.

The Scheme capitalises leasehold improvements, as specified in the lease contracts, and these improvements are depreciated.

Repairs and maintenance, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised as an expense in the statement of comprehensive income. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Scheme and the cost of the item can be measured reliably.

An item of asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at December 31, 2022

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Scheme; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intangible assets	3 years

1.5 Financial instruments

Classification

The Scheme classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables measured at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were acquired and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial instruments are recognised initially when the Scheme becomes a party to the contractual provisions of the instruments.

The Scheme classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Dividend income is recognised in profit or loss as part of other income when the Scheme's right to receive payment is established.

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all risks and rewards of ownership.

The Scheme derecognises a financial liability when the obligation under the liability is discharged, canceled or expires.

At each reporting date the Scheme assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Scheme, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are recognised in sundry income.

Financial instruments designated as at fair value through profit or loss

The Scheme classifies a financial asset at fair value through profit or loss when any of the following conditions are met:

- The asset is acquired principally for the purpose of selling in the near term.
- It is part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent pattern of short-term profit.
- Upon initial recognition the Scheme designated the asset as at fair value through profit or loss.

A group of financial assets is designated as at fair value through profit or loss, if it is managed and its performance is evaluated on a fair value basis in accordance with the Scheme's documented risk management strategy and business model.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Gains or losses arising from subsequent changes in fair value, including any interest or dividend income, are recognised under Investment Income in the Statement of Comprehensive Income within the period in which they arise.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised under sundry income in the Statement of Comprehensive Income.

Interest income is recognised by applying the effective interest method, except for short term receivables when the recognition of interest would be considered immaterial. In line with the Scheme Rules, no interest is charged on overdue receivable balances.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible, to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Scheme will disclose the net asset or liability in the Statement of Financial Position or accompanying notes if the above conditions are met.

1.6 Leases

The Scheme leases various properties and has implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the IFRS 16 standard. The Scheme elected to apply exemptions for short term leases in relation to properties and for leases where the underlying asset is of low value.

The Scheme recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located,
- the amount of the initial measurement of the lease liability.

Subsequently the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

- Right of use assets - over the remaining lease agreement period.

1.7 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member or other beneficiaries) by agreeing to compensate the member or other beneficiaries if a specified uncertain future event (the insured event, i.e. occurrence of a medical expense) adversely affects the member or their dependents are classified as insurance contracts. In terms of these contracts the Scheme is obligated to compensate its members for the healthcare expenses they have incurred.

1.8 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.

Net risk claims incurred comprise of the following:

- Claims submitted and accrued for services rendered during the year, net of discounts received, recoveries from members for co-payments and personal medical savings accounts;
- Movements in the outstanding risk claims provision.

1.9 Impairment of 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.

Irrespective of whether there is any indication of impairment, the Scheme also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Liabilities and related assets under liability adequacy test

The liability for insurance contracts is tested for adequacy by aggregating 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 deficit in profit or loss for the year. The cash flows are not discounted since the effect of the time value of money is not material.

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1.11 Outstanding risk 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 risk claims are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the 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 outstanding risk claims provision, since the effect of the time value of money is not considered material.

A standard operating procedure governing the calculation of the provision as agreed with the Scheme is followed by the Scheme's actuaries to ensure consistency in the application and interpretation of results.

1.12 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 presented before the deduction of other acquisition costs.

1.13 Employee benefits

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the relevant service is provided.

Post employment benefits

Obligations for contributions to post employment benefits to defined contribution plans are measured on an undiscounted basis and are expensed as the relevant service is provided.

1.14 Provisions and contingencies

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.

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The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating gains.

The expected future cash flows are discounted and reflect current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties surrounding the obligation.

1.15 Accredited managed healthcare services

These expenses represent expenditure and amounts paid or payable to accredited managed care organisations contracted by the Scheme for management of the utilisation costs and quality of healthcare services supplied to the Scheme and its members. These fees are expensed as incurred. The services provided by these organisations include hospital pre-authorisation, disease management programmes, optical and dental managed care services, pharmaceutical benefit and network management.

1.16 Investment Income

The Scheme's investment income includes:

- Dividends on investments;
- The realised gains or losses on financial assets at fair value through profit or loss;
- The unrealised gains or losses on financial assets at fair value through profit or loss; and
- The interest on investments and cash and cash equivalents.

Interest income is recognised using the effective interest method, taking into 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.

The Scheme classifies dividends and interest received including interest on cash and cash equivalent as investing cash flows.

1.17 Unclaimed benefits

Unclaimed benefits are written back to income after a period of three years. Unclaimed benefits consist of member credits and unidentified deposits in line with the Scheme's debt management policy.

1.18 Impairment losses

Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) that can be estimated reliably had an impact on the estimated future cash flows of that asset.

Financial assets measured at amortised cost: Loans and receivables

The Scheme considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific and collective asset level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Scheme uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Scheme's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as an expense.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

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When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.19 Allocation of revenue and expenditure to benefit options

Revenue and expenditure is allocated to benefit options on a direct basis where this is determinable. Where revenue and expenditure is not directly attributable to a specific benefit option, the revenue or expense is allocated on the basis of the benefit option's membership proportionate to the Scheme's overall membership base.

The following items are directly allocated to benefit options:

- Risk contributions;
- Risk claims incurred;

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

- Administration expenditure;
- Marketing services;
- Impairment losses;
- Managed care services;
- Administration fees;
- Finance cost;
- Other income;
- Investment management fees;
- Investment income.

1.20 Road Accident Fund (RAF) Recoveries

Amounts received from the RAF are not recognised in profit or loss and recognised as accounts payable. These amounts are refunded to members.

1.21 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and Accredited Managed Healthcare Services.

1.22 Personal Medical Savings Account

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), 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 IAS 39 and is measured at fair value through profit or loss and subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. 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 risk of impairment is carried by the Scheme.

1.23 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
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches)

The Scheme has determined that some of its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the statement of comprehensive income in 'Net gains/(losses)' on financial instruments held at fair value through profit or loss.

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2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The following new standards and interpretations have been published and not yet effective for the current financial year. The Scheme has not opted for an early adoption of the new standards will be implemented in later periods as indicated below: The aggregate impact of the initial application of the statements and interpretations on the Scheme's financial statements is expected to be as follows:

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the Scheme's's annual financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the Schemes's annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

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 International Accounting Standards Board (IASB) 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 judgment. If this right to defer settlement of a liability is subject to conditions imposed on the entity, in that case the right only exists, if the entity has complied with those conditions at the end of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The Scheme expects to adopt the amendment for the first time in the 2023 annual financial statements.

It is unlikely that the amendment will have a material impact on the Scheme's annual financial statements.

IFRS 17 Insurance Contracts

1. Background

IFRS 17: Insurance Contracts creates a single model for all insurance and reinsurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued by the Scheme. IFRS 17 has been published by the International Accounting Standards Board ("IASB") to replace IFRS 4, dealing with insurance contracts. This standard is effective for annual reporting periods beginning on or after 1 January 2023. IFRS 17 introduces the General Measurement Model that measures insurance contracts based on estimates of the present value of future cash flows, an explicit risk adjustment for non-financial risk and contractual service margin (CSM). The Standard introduces an optional simplified measurement model referred to as the Premium Allocation Approach (PAA) for measuring the Scheme's insurance and reinsurance contracts where the applicable eligibility criteria are met.

2. Insurance contracts

Insurance contracts are contracts under which the Scheme accepts significant insurance risk from a member by agreeing to compensate the member if a specified uncertain future event adversely affects the member. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered contract-by-contract.

The Scheme uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Scheme has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Scheme has assessed its member contracts with reference to the definition of an insurance contract and IFRS 17 and has concluded that these contracts are in the scope of IFRS 17. The Scheme has not entered into any Risk Transfer Arrangements at the date of this report.

3. Use of Significant judgements and estimates

3.1 Significant Judgements

The Scheme has undertaken a comprehensive evaluation of the various areas that entail significant judgements and will be pivotal in its application of IFRS 17. These areas are expected to have a significant impact on the amounts recognized

in the financial statements. It should be noted that additional significant accounting judgement may emerge during the ongoing process of implementing and adopting IFRS 17.

3.1.1 Level of aggregation of insurance contracts

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts i.e. (by year of issue), and each annual cohort into three groups:

- Contracts that are onerous on initial recognition;
- Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and;
- Any remaining contracts.

Contracts within a portfolio that would fall into different groups only because law or regulation explicitly constrains the Scheme's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

The contracts issued by the Scheme are subject to similar risks and managed together and fall into the same portfolio. Management has assessed the portfolio at the Scheme level due to the insurance contracts pricing methodologies and risk management strategy that manages the risk on a scheme level. The following support the approach and decision of the Scheme:

The Scheme's policyholders can move into other options without restrictions and incur no cancellation fees (one risk pool).

The loss-making individuals are subsidised by members who pay more and claim less.

Members in one option have different risks profiles, therefore aggregating at the Scheme level is appropriate since risks are similar at the Scheme level, not at the benefit option level, and

Options are not managed in isolation, and pricing decisions impact other options concerning benefits, growth and contribution increments.

The Scheme applied the exemption not to perform profitability groupings as allowed by IFRS 17.20 and included all contracts in the same group.

3.1.2 Risk adjustment – liability for incurred claims (LIC)

The risk adjustment reflects the compensation required by the Scheme to cover the uncertainty in the amount and timing of cash flows brought on by non-financial risks as the Scheme fulfils insurance contracts. Risk diversification across individual options has not been permitted because doing so would imply that each option operates independently and would result in a significant reduction in the risk margin. Therefore, the risk adjustment is the undiversified risk margin. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment for non-financial risk is expected to be computed at an option level and aggregated to the scheme level. A confidence level is applied to the run-off triangles used to calculate the LIC in the confidence level method in order to determine the risk adjustment. The Scheme is considering a confidence level of 75% but will be refined during the implementation process.

3.2 Significant estimates

The Scheme has undertaken a comprehensive evaluation of the various areas that entail significant estimates and will be pivotal in its application of IFRS 17. These areas are expected to have a significant impact on the amounts recognized in the financial statements. It should be noted that additional significant accounting estimates may emerge during the ongoing process of implementing and adopting IFRS 17.

3.2.1 Methods used to measure the insurance contracts

The Scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred.

The estimated insurance liabilities are derived by considering the results of the actuarial model, chain ladder and Bornhuetter-Ferguson actuarial methodologies. This is based on the current actuarial methodologies adopted, which are subject to a periodic review.

The actuarial model is a stochastic risk management model that was designed and developed to assist medical schemes to model and monitor, on an ongoing basis, the multitude of risks (financial and others) facing these schemes. The actuarial model is utilised to predict the expected claims incurred in the Scheme on a monthly basis based on the Scheme’s actual demographic profile, benefit structure, claims seasonality etc. The model makes use of the frequency and severity distributions for a wide range of claim types derived from the actuarial model universe. These distributions are periodically updated as more data becomes available.

Traditional chain ladder techniques involve an analysis of historical claims development patterns derived from 12 months prior to the calculation date. It is therefore assumed claims are fully run off after 12 months. Using the chain ladder method makes the implicit assumption that historical development patterns will apply in the future. The basic chain ladder method is used with no allowance for inflation. This is deemed appropriate given the time period considered.

The Bornhuetter-Ferguson method can be considered a hybrid method that incorporates the outstanding proportion of claims predicted by the chain ladder method with the total claims for a month to be paid as estimated using the actuarial model to arrive at an estimate for total outstanding claims to be paid.

In general terms, chain ladder methods tend to be reliable when claims administration processes are stable, whether or not this is the case for beneficiaries' claims propensities. Conversely, using the methodology based on actuarial model's projections (which bear some similarity to traditional Loss Ratio methods) tends to be more reliable when beneficiaries' claims propensities are stable, whether or not this is the case for administrative processes. The actuarial model also adjusts for demographic and benefit changes, whereas traditional chain ladder methods do not automatically reflect these. The BF method incorporates the past history of claims processing with the estimate provided by the actuarial model's projection.

4. Separating components from insurance contracts

The Scheme offers five main insurance contracts (benefit options) and one efficiency discounted option based on the Emerald option. One of the options, the Ruby option includes a Personal Medical Savings Account (PMSA) comprising 20% of members' contributions to a savings account held in their name. This account will pay for members' out-of-hospital or day- to-day medical expenses. Once PMSA is depleted, the out-of-hospital claims will be paid from the limited block benefit.

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

The Scheme assesses its insurance products to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non-insurance components). After separating any distinct components, the Scheme applies IFRS 17 to all remaining components of the (host) insurance contract.

IFRS 17 defines investment components as the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs.

IFRS 17 requires the Scheme to separate a distinct investment component from the host insurance contract. An investment component is distinct if, and only if, both the following conditions are met:

a) the investment component and the insurance component are not highly interrelated.
b) a contract with equivalent terms is sold, or could be sold, separately in the same market or the same jurisdiction, either by entities that issue insurance contracts or by other parties.

The investment and insurance components are inextricably linked, and it is impossible to quantify one component without considering the other. For instance, the Ruby option offering PMSA allows for the separate measurement of the PMSA. However, under the Ruby benefit option, a risk component becomes available once the PMSA has been exhausted and certain conditions have been met. This implies that the value of risk benefits cannot be ascertained without taking into account the PMSA, thereby establishing a high degree of interrelation between the two components.

Moreover, the second indication of the high interdependence between the two components is that a Ruby member can only benefit from one component if the other component is also present. For example, the PMSA components cannot be sold independently unless the member opts for the entire Ruby benefit plan. If a member intends to cancel a component of the contract, the entire contract (both components) must be cancelled. Therefore, it can be inferred that the PMSA investment component is inextricably intertwined with the insurance component and cannot be separated.

On adoption of IFRS 17, the personal medical savings accounts are not distinct, are highly interrelated and cannot be purchased separately from the risk component. They are non-distinct investment components with the balances included in either the insurance contract assets or liabilities in the Statement of Financial Position.

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

5. Contract boundary and coverage period

Coverage period refers to the period during which the Scheme provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

The Scheme includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme can compel the member to pay the contributions or in which the Scheme has a substantive obligation to provide the member with insurance contract services. A substantive obligation to provide insurance contract services ends when both of the following criteria are satisfied:

The Scheme has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflect the risk of that portfolio; and

The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The Scheme reassesses the risk of the portfolio of member contracts and sets its pricing for the member contributions annually. The obligation ends when the Scheme is able to reprice the portfolio of contracts. The contract boundary for the Scheme is 12 months, as the pricing contributions are valid for 12 months and do not extend beyond this period. The coverage period for the Scheme insurance contracts is 12 months.

6. Time of Recognition

The group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

If the modification does not comply with all the requirements of IFRS 17.72 the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows (FCF).

7. Initial and subsequent measurement

The Scheme applies the premium allocation approach (“PAA”) to simplify the measurement of contracts for all its products. The coverage period of each contract in the group is less than one year. This approach is used for all healthcare insurance contracts, as each contract has a one-year or less coverage period.

On initial recognition of the group of contracts, the carrying amount of the liability for the remaining coverage (LFRC) is measured as:

- the contributions received on initial recognition, if any; and
- Adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

Subsequently, at the end of each reporting period, the Scheme measures the carrying amount of the liability for remaining coverage as the increase in the carrying amount at the start of the period:

- plus any premiums received at initial recognition;
- minus the amount recognised as insurance revenue for services provided.

On initial recognition of each group of contracts, the Scheme expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Scheme has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk and has chosen to expense insurance acquisition costs when incurred.

The Liability For Incurred Claims (LIC) is defined as the Scheme's obligation to:

a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and
b) pay amounts that are not included in (a) and that relate to:
   i.) insurance contract services that have already been provided; or
   ii.) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

The Scheme will be using the GMM model to measure the liability for incurred claims (calculated as future expenses and claims incurred but not yet reported, which represents amounts due to members for claims incurred and would be based on future cash flows and a risk adjustment). The LIC will comprise the fulfilment cash flows related to past service allocated to the group of insurance contracts and the measurement principles provided in IFRS 17.33-37 and B36-92.

For insurance contracts issued at each of the subsequent reporting dates, the LIC is:

a) best estimate of fulfilment cash and
b) risk adjustment.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

a) the LFRC; and
b) the LIC, comprising the future cash flow (FCF) related to past service allocated to the group at the reporting date.

8. Insurance revenue

The scheme recognises insurance revenue for the coverage period as the amount of expected contribution income allocated to the period that arises from a group of insurance contracts. It represents the income that the scheme expects to earn based on the services it will provide in the period. The liability for remaining coverage will therefore be reduced by insurance revenue.

The expected pattern of claims during the coverage period does not differ significantly from the passage of time, insurance revenue is allocated on the basis of the passage of time.

9. Insurance services expenses

Insurance services expenses include the following:

- incurred claims and benefits; and
- other incurred directly attributable insurance service expenses.

The Scheme recognises the expenses in profit or loss when incurred.

10. Insurance interest income and expenses

The non-distinct investment component (PMSA) does not accrue interest; therefore, no finance expense is disclosed.

11. Transition approach

The retrospective approach refers to where an entity applies new IFRS 17 accounting policies as though it has always applied. An entity will need to derecognise any existing balances that would not exist had IFRS 17 always applied and recognise any resulting net differences in equity. Unless impracticable to do so, the Standard requires full retrospective application prior to the transition date of 1 January 2023. The Scheme has selected to apply a retrospective approach for the implementation of IFRS 17.

Below are items that are still under management review:

a) Expense allocation considerations – Attributable expenses.
b) Expense allocation considerations – insurance acquisition cash flows.
c) Onerous contract Methodology.
d) The transitional quantitative impact of adopting IFRS 17.

The Scheme expects to fully adopt and implement IFRS 17 in time for application on the Annual Financial Statements as at 31 December 2023.

IFRS 17 Insurance contracts Amendments

In response to some of the concerns and challenges raised, the IASB 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.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The implementation of the standard will have a material impact on the Scheme's annual financial statements.

IFRS16 Leases Annual improvements cycle 2018 - 2020

IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

The effective date of the amendment is for years beginning on or after January 1, 2022.

The Scheme did not have lease incentives with new lease agreements that were signed in 2022, therefore the amendment had no impact on the Scheme's annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Scheme will not be adopting the standard for the first annual period after mandatory effective date, as the Scheme have opted to defer implementation as per the option in terms of 39B of IFRS 4 which provides a temporary exemption that permits insurers to apply IAS 39 Financial Instruments: Recognition and Measurement instead of IFRS9 Financial Instruments for annual periods beginning before 1 January 2023.

Management assessed that the Scheme meets the criteria as stated in IFRS 4 and therefore opted to utilise temporary exemption to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The temporary exemption from IFRS 9 is applicable if, and only if:

a) the Scheme has not previously applied IFRS 9; and
b) the activities of the Scheme are predominantly connected with insurance, which is assessed on the basis of the following two criteria:
    i.) the Scheme has a significant amount of liabilities arising from contracts within the scope of IFRS 4 due to claims payable to members; and
    ii.) the percentage of the Scheme's liabilities connected with in terms of short term medical insurance business relative to all its liabilities meets a specified threshold. The percentage of the Scheme's liabilities connected with insurance relative to its total amount of liabilities are greater than 90% of the total liabilities of the Scheme.

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3. PROPERTY AND EQUIPMENT

	2022 R'000			2021 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	102 743	-	102 743	102 743	-	102 743
Buildings	188 040	(38 664)	149 376	188 040	(29 254)	158 786
Furniture and fixtures	6 935	(5 436)	1 499	6 936	(4 462)	2 474
Motor vehicles	8 808	(8 114)	694	8 808	(7 985)	823
Office equipment	21 414	(16 559)	4 855	21 040	(12 844)	8 196
IT equipment	31 358	(25 335)	6 023	33 828	(24 551)	9 277
Leasehold improvements	152	(67)	85	1 231	(1 222)	9
Kitchen Equipment	1 303	(757)	546	1 303	(550)	753
Total	**360 753**	**(94 932)**	**265 821**	**363 929**	**(80 868)**	**283 061**

Reconciliation of property and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	102 743	-	-	-	102 743
Buildings	158 786	-	-	(9 410)	149 376
Furniture and fixtures	2 474	149	(7)	(1 116)	1 499
Motor vehicles	823	-	-	(129)	694
Office equipment	8 196	468	(11)	(3 799)	4 855
IT equipment	9 277	1 184	(272)	(4 166)	6 023
Leasehold improvements	9	89	-	(13)	85
Kitchen Equipment	753	-	-	(206)	546
	283 061	**1 890**	**(290)**	**(18 839)**	**265 821**

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Reconciliation of property and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	102 743	-	-	-	102 743
Buildings	168 195	-	-	(9 409)	158 786
Furniture and fixtures	3 683	-	(1)	(1 208)	2 474
Motor vehicles	1 515	-	-	(692)	823
Office equipment	12 085	9	(30)	(3 868)	8 196
IT equipment	9 926	6 030	(112)	(6 567)	9 277
Leasehold improvements	24	-	-	(15)	9
Kitchen Equipment	959	-	-	(206)	753
	299 130	**6 039**	**(143)**	**(21 965)**	**283 061**

Details of properties

	2022 R'000	2021 R'000
Property 1: Vutomi House ERF 885 Waterkloof Glen Ext,2		
- Land purchase price: March 2017	22 819	22 819
- Carrying amount (building)	149 376	158 786
	172 195	**181 605**
Property 2		
Land purchased by the Scheme for construction of owner occupied property to be used for administration purposes		
- Purchase price: 8 June 2020	79 924	79 924

An assessment of impairment indicators for Land and Buildings was performed to ascertain whether there were any material differences between the carrying amount of Land and Buildings and their replacement value as owner-occupied assets. An external valuation report was examined, and there was no indication that the replacement value for ERF 885 Waterkloof Glen Ext, 2 was lower than the reported carrying amount as at 31 December 2022.

There is no evidence that the 3,983 square meters of land the Scheme purchased on 8 June 2020 for R79.9 million is impaired, nor is there any evidence that the market value of other properties located in the same precinct materially differs from the reported carrying amount as at 31 December 2022.

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4. RIGHT OF USE OF ASSETS

The Scheme leases several assets, including buildings in various provinces with an average lease term of 2 years.

Nature of leasing activities

The Scheme leases buildings for its office spaces. The leased buildings are situated in regional Scheme offices across the country.

It is not reasonably certain that the renewal option will be exercised as a result of the Scheme strategy relating to the Client Liaison regional offices. The lease renewals are assessed prior to the ending date.

The leases includes non-lease components and provides for the payment by the Scheme of operational costs incurred by the lessor and rates and taxes levied on the lessor. These amounts are determined annually and are recognised as an expense in the period incurred.

Details pertaining to leasing arrangements, where the Scheme is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:	2022 R'000	2021 R'000
Buildings	4 609	4 081

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.

Buildings	5 085	6 390
Other disclosures		
Interest expense on lease liabilities	402	696
Expenses on short term leases included in operating expenses	1 472	1 338
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Year 1	3 076	3 907
Year 2	1 416	415
	4 492	4 322
Less : finance charges component	(349)	(215)
	4 143	**4 107**
Non-current liabilities	1 416	415
Current liabilities	3 076	3 907
	4 492	**4 322**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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5. INTANGIBLE ASSETS

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	81 087	(79 415)	1 672	81 087	(77 744)	3 343

	Opening balance	Amortisation	Total
Reconciliation of intangible assets - 2022			
Computer software, other	3 343	(1 671)	1 672
Reconciliation of intangible assets - 2021			
Computer software, other	6 687	(3 344)	3 343

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 R'000	2021 R'000
Opening balance	23 252 985	19 417 621
Net movements to investments*	(366 137)	2 051 664
Reinvested realised gains, dividends and interest	1 562 966	1 194 360
Unrealised gains/ (losses)	(78 810)	590 192
Investment transaction fees**	(2 006)	(852)
Reclassification of cash and cash equivalents	(494 922)	-
Closing balance at year end	**23 874 076**	**23 252 985**

*Contributions made amounted to R23.2 bn (2021: R22.2bn), while withdrawals were R25.9bn (2021: R20.1bn),

The Scheme currently holds investments at fair value through profit or loss under IAS 39 and will continue to recognise investments at fair value through profit or loss when the Scheme adopts IFRS 9.

The Scheme holds no debt instruments that will need to be measured at amortised cost.

The adoption of IFRS 9 will not have a financial impact on the values of the Scheme investments presented. Refer to note 28 for more details.

Split between non-current and current portions

	2022 R'000	2021 R'000
Non-current assets	13 494 385	9 771 100
Current assets	10 379 691	13 481 885
	23 874 076	**23 252 985**

** Investment transaction fees are deducted directly from investment portfolio balances and are included as part of investment management fees.

Financial assets at fair value through profit or loss consist of money market instruments, bonds and equities. Financial assets at fair value through profit or loss are categorised as Levels 1 and 2. Also refer to note 28. Details of collective investment schemes (the Funds) are outlined in Note 30.

7. TRADE AND OTHER RECEIVABLES

	2022 R'000	2021 R'000
Insurance receivables		
Contributions outstanding	223 496	251 301
Receivables from members and providers	50 039	38 147
Personal medical savings account advances (note 9)	599	564
Receivables balance before impairment	274 134	290 012
Less: Balance of allowance for impairment at 31 December	**(29 867)**	**(31 399)**
Balance as at 1 January	31 399	24 651
Amount recognised in the Statement of Comprehensive Income	54 209	66 904
Amounts utilised during the period	(55 741)	(60 156)
Total insurance receivables	**244 267**	**258 613**
Financial receivables		
Accrued interest	252 840	182 009
Sundry accounts receivable	4 361	29 636
Total financial receivables	**257 201**	**211 645**
Total trade and other receivables	**501 468**	**470 258**

Trade and other receivables' comprise insurance receivables, arising from the Scheme's insurance contracts with its members and other receivables. The carrying amounts of receivables approximate their fair value due to the short term maturities of these assets. No interest is charged on overdue balances in line with Scheme Rules.

The Scheme has recognised an allowance for impairment of 100% against all receivables from deceased members, and categories of receivables outstanding for longer than 120 days based on historical experience and members owing less than R620 for contribution debt and less than R1,000 for claims debt.

For an analysis of the ageing of receivables refer to note 28.

8. CASH AND CASH EQUIVALENTS

	2022 R'000	2021 R'000
Cash and cash equivalents consist of:		
Call accounts	2 750 688	2 989 462
Cash and call accounts with asset managers	494 922	-
Current accounts	937 801	181 239
	4 183 411	**3 170 701**

The carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets. Fair value is determined to be equal to the carrying value of the balance.

For an analysis of the average interest rates and maturity refer to note 28.

9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

	2022 R'000	2021 R'000
Gross balance of personal medical savings account at beginning of the year	1 444 682	1 263 247
Less: Advances on personal medical savings account at beginning of year	(564)	(1 206)
Balance of personal medical savings account at the beginning of the year	1 444 118	1 262 041
Savings account contributions received (note 13)	1 559 864	1 460 845
Transfers (to) / from other schemes in terms of Regulation 10(4)	(70)	(16)
Refunds on death or resignation in terms of Regulation 10(5)	(132 761)	(141 126)
Claw backs from members	6 373	6 890
Claims paid on behalf of members (note 14)	(1 315 159)	(1 144 516)
Personal medical savings account advances (note 7)	599	564
Balances due to members on personal medical savings account end of the year	**1 562 964**	**1 444 682**

In accordance with the Rules of the Scheme, the savings plan is underwritten by the Scheme.

The personal medical savings account liability contains a demand feature that any credit balance on the savings account will be transferred to the member in terms of the Medical Scheme's Act and the Scheme Rules when a member registers on another benefit option or medical Scheme which does not have a savings account or when a member resigns from the Scheme.

As at year end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value, which is the amount payable on demand. The amounts were not discounted due to the demand feature.

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables (refer note 7). The Scheme does not charge interest on advances on personal medical savings accounts.

10. TRADE AND OTHER PAYABLES

	2022 R'000	2021 R'000
Insurance liabilities		
Claims reported not yet paid	624 570	530 238
Accredited managed healthcare fees due	90 242	84 933
Total liabilities arising from insurance contracts	**714 812**	**615 171**
Financial liabilities		
Trade payables	447 800	280 493
Administration fees payable	26 101	108 020
Consulting fees payable	7 839	1 012
Marketing services	11 053	4 803
Sundry payables and accrued expenses	100 917	103 092
Refunds due to members	832	832
Unallocated deposits	4 254	4 255
Total arising from financial liabilities	**598 796**	**502 507**
Total trade and other payables	**1 313 608**	**1 117 678**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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11. OUTSTANDING RISK CLAIMS PROVISION

	2022 R'000	2021 R'000
Out standing risk claims provision		
Not covered by risk transfer arrangements	1 879 342	1 719 880

	Opening balance	Current year increase in provision	Payments in respect of prior year	Total
Reconciliation of outstanding risk claims provision-2022				
Outstanding risk claims provision	1 719 880	1 771 813	(1 612 351)	1 879 342
Reconciliation of outstanding risk claims provision-2021				
Outstanding risk claims provision	2 014 389	1 642 339	(1 936 848)	1 719 880

	Estimated grossclaims	Balance at the end of the year
Analysis of outstanding risk claims provision 2022		
Not covered by risk transfer arrangements	1 879 342	1 879 342
Analysis of outstanding risk claims provision 2021		
Not covered by risk transfer arrangements	1 719 880	1 719 880

This provision, known as the outstanding risk claims provision, is determined by way of statistically sound analyses of a number of factors, which include previous experience in claim patterns, claim settlement patterns, changes in the number of members according to gender and age, trends in claim frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The provision is net of estimated recoveries from members for co-payments.

The actuaries followed a standard operating procedure governing the calculation of the provision as agreed with the Scheme to ensure consistency in application and interpretation of results. The Scheme does not discount its outstanding risk claims provision since the effect of the time value of money is not considered material. The adequacy of the provision is assessed on a monthly basis, through reviews of past experience and consideration of changes in fundamentals such as claims processing and composition. Furthermore, the Scheme has standardised the provision calculation methodology and any deviation to this is adequately supported. An actuarial peer review of the provision calculation is in place and the Scheme considers the outstanding risk claims provision of R1.879 billion (2021: R1.720 billion) to be adequate.The estimation of the provision gives an indication of whether the Scheme would have adequate assets to cover the potential liability from the Scheme's insurance contracts, as required by accounting policy. The Scheme has sufficient assets to cover any potential liability from insurance contracts as the cash and cash equivalents including invested funds at year end cover the outstanding risk claims provision.The SAICA guide for medical schemes requires disclosure of estimated recoveries from co-payments and personal medical savings account. However, this has not been calculated by the Actuarial specialists in the current year and deemed immaterial.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care organisations and historical evidence of the quantum of similar claims. The outstanding risk claims provision are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation also accommodates the processing and adjudication of different categories of claims (i.e. in hospital, chronic and above threshold benefits). This is caused by differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, the determination of the occurrence date of a claim, and reporting lags.

Members must submit all claims for payment within four months of seeking medical treatment (i.e. the date of service). The cost of outstanding claims at the reporting date is estimated with reference to the actual claims submitted within the first three months after the reporting date that relates to the period before the reporting date. The claims to be submitted in the fourth month, relating to the reporting period, are then extrapolated using the bootstrapping, chain ladder, expected minus actual and the Bornheutter Ferguson method.

A combination of the Chain ladder method and the Bornhuetter - Ferguson method were used for estimating the provision for the year under review and the prior year. These methods of calculating the outstanding risk claims provision are in line with the standard operating procedure (SOP) for the Scheme. Refer to note 24 for actuarial assumptions made.

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12. FINANCIAL ASSETS AND LIABILITY BY CATEGORY R'000

	Fair value through profit or loss - Held for trading	Cash and receivables	Financial liabilities at amortised cost	Total
2022				
Trade and other payables	-	-	(1 313 608)	(1 313 608)
Financial assets at fair value through profit or loss	23 874 074	-	-	23 874 074
Personal Medical aid savings account liability	-	-	(1 562 964)	(1 562 964)
Trade and other receivables	-	501 468	-	501 468
Cash and cash equivalents	-	4 183 411	-	4 183 411
	23 874 074	**4 684 879**	**(2 876 572)**	**25 682 381**
2021				
Trade and other payables	-	-	(1 117 678)	(1 117 678)
Financial assets at fair value through profit or loss	23 252 985	-	-	23 252 985
Personal Medical aid savings account liability	-	-	(1 444 682)	(1 444 682)
Trade and other receivables	-	470 258	-	470 258
Cash and Cash equivalents	-	3 170 701	-	3 170 701
	23 252 985	**3 640 959**	**(2 562 360)**	**24 331 584**

13. RISK CONTRIBUTION INCOME

	2022 R'000	2021 R'000
Revenue from contracts with customers		
Gross contributions per registered Rules	49 283 046	47 989 687
Less: Personal medical savings account contributions received*	(1 559 864)	(1 460 845)
	47 723 182	**46 528 842**

* The savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered Rules and held on behalf of its members. Refer to note 9 on how the monies were utilised.

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14. RISK CLAIMS INCURRED

	2022 R'000	2021 R'000
Claims incurred		
Current year claims per registered rules	44 562 825	40 342 692
Outstanding risk claims provision as at 31 December	1 879 342	1 719 880
Over provision in prior year	(107 529)	(77 541)
Less:		
Claims paid from personal medical savings accounts**	(1 315 159)	(1 144 516)
Third party recoveries	(5 707)	(5 054)
Total net claims incurred	**45 013 772**	**40 835 461**

The claims ratio is calculated as relevant healthcare costs expressed as a percentage of risk contributions received. The Scheme recorded a claims ratio for the current financial year of 97% (2021: 90%).

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

15. ACCREDITED MANAGED HEALTHCARE SERVICES

	2022 R'000	2021 R'000
Pharmaceutical network management *	183 332	194 554
Dental managed care	81 879	76 163
HIV management **	-	7 226
Managed care services	702 861	649 967
Pharmaceutical benefit management	90 652	83 867
	1 058 724	**1 011 777**

* In 2021 Pharmaceutical network management was described as Chronic medicine management services which included both the medicine compliance and pharmacy network management. In 2022 the medicine management services were moved to Medscheme Holdings as part of Managed care services.
** HIV Disease management forms part of the Managed care services performed by Medscheme Holdings. Fees are contractually determined per member per month.

Refer to note 26 for more information on managed care agreements.

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16. ADMINISTRATION EXPENDITURE

	2022 R'000	2021 R'000
Actuarial fees	47 644	44 803
Accredited Administration services (Note 17)	1 347 130	1 247 712
Advertising and marketing	37 081	23 340
Auditors remuneration - statutory fees	4 237	3 766
Bank charges	3 885	3 599
Benefit management services	123 722	120 038
Board and Independent Committee fees (Inc S & T allowance)	15 064	11 308
Conferences and workshops *	5 543	924
Consulting fees **	215 378	168 161
Depreciation and amortisation	25 596	31 700
Employee costs	353 334	303 534
Legal expenses ***	73 630	13 992
Loss on disposal of assets	183	115
Motor vehicle expenses	1 100	644
Office supplies	12 342	6 295
Other expenses	530	4 347
Practice Code Numbering System (PCNS) fees and CMS levies	40 922	39 377
Principal Officer's fees	5 307	5 069
Rentals paid	1 472	1 338
Telephone and fax	1 452	1 187
Travel and accommodation	37 968	25 294
Trustees' and Independent Committee members' training	355	716
Trustees' and Independent Committee members' travel and accommodation	2 200	469
Water and electricity	3 263	2 443
	2 359 338	**2 060 171**

The COVID-19 regulations were relaxed as compared to 2021 resulting in increased face to face engagements.

** The increase is mainly attributable to technology integration consultancy costs relating to the enhancement of systems and organizational process enhancements.

*** The increase is mainly attributable to the settlement of long standing tariff dispute with the National Blood Services.

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17. ACCREDITED ADMINISTRATION SERVICES

	2022 R'000	2021 R'000
Member record management	91 878	85 596
Claims management	381 192	354 875
Financial management	12 467	12 078
Information management and data control	153 768	143 253
Customer services	500 249	459 569
Internal audit services	5 487	2 826
Forensic investigations and recoveries	26 224	24 385
Governance and compliance	73 028	58 341
Provider relation management	16 791	15 679
Contribution management	86 046	91 110
	1 347 130	**1 247 712**

Circular 77 of 2019 states that Medical Schemes are required to disclose administration fees paid per individual component per entity and is effective for financial years commencing on 1 January 2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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18. TRUSTEES' AND INDEPENDENT COMMITTEE MEMBERS' REMUNERATION

Board of Trustees' remuneration

	Term End	Attendance Fees R'000	Travel And Accommodation R'000	Reimbursments And Allowances R'000	Training R'000	Total R'000
2022						
Mr NL Theledi	04-Dec-22	1 253	133	11	26	1 423
Dr IJ Van Zyl	29-Aug-27	855	80	21	9	965
Dr C Moloko	27-Oct-22	964	72	12	26	1 074
Mr M Phophi (Deputy Chairperson)	23-Sep-23	1 212	95	149	21	1 477
Dr SM Hlatshwayo (Chairperson)	19-Feb-24	1 675	274	12	47	2 008
Mr RA Manoko	05-Mar-24	1 201	143	24	25	1 393
Ms C Ntshane	24-Sep-25	1 105	307	24	31	1 467
Mr M Brand	24-Sep-25	1 008	146	12	21	1 187
Dr N Tutu	30-Jul-26	1 079	350	2	42	1 473
Ms. L Khumalo	24-Sep-25	1 075	158	15	25	1 273
Mr. P de Villiers	29-Aug-27	967	76	15	31	1 089
Dr. J Smit	29-Aug-27	970	260	60	25	1 315
		13 364	**2 094**	**357**	**329**	**16 144**

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	Term End	Attendance Fees R'000	Travel And Accommodation R'000	Reimbursments And Allowances R'000	Training R'000	Total R'000
2021						
Mr NL Theledi	04-Dec-22	901	41	3	35	980
Dr IJ Van Zyl (Re - elected)	29-Aug-27	650	22	10	3	685
DrJA Breed (Term extended)	29-Jul-21	410	-	-	15	425
Mr JS Roux (Term extended)	29-Jul-21	327	-	-	13	340
Dr C Moloko	27-Oct-22	894	9	2	-	905
Mr Phophi (Deputy Chairperson)	23-Sep-23	782	31	29	79	921
Dr SM Hlatshwayo (Chairperson)	19-Feb-24	1 250	53	2	90	1 395
Mr RA Manoko	05-Mar-24	937	49	4	89	1 079
Ms C Ntshane	24-Sep-25	889	66	8	44	1 007
Mr L Mankge	31-Mar-21	140	-	-	-	140
Mr M Brand	24-Sep-25	722	-	-	28	750
Dr N Tutu	30-Jul-26	783	52	-	106	941
Ms. L Khumalo	24-Sep-25	418	51	4	49	522
Mr.P de Villiers	29-Aug-27	355	37	2	45	439
Dr. J Smit	29-Aug-27	579	22	11	22	634
		10 037	**433**	**75**	**618**	**11 163**

The Trustee remuneration should be seen in relation to the attendance of meetings as reported in the Board of Trustees report as well as the term of office applicable to each trustee.

The total of the Trustees and Independent Committee fees disclosed in this note is included in the Board and Committee fee line items as disclosed in Administration Expenditure (refer note 16).

Independent Committee members' remuneration

	TermEnd	Attendance Fees R'000	Travel And Accommodation R'000	Reimbursements And Allowances R'000	Training R'000	Total R'000
2022						
Mr J Lesejane (Audit Committee Chairperson)	01-Jan-24	709	11	7	18	745
Ms M Tonjeni*	31-Mar-22	61	-	-	-	61
Ms C Chalmers**	31-Dec-22	403	55	-	-	458
Ms A Galiel***	31-Mar-25	163	40	1	7	211
		1 336	106	8	25	1 475
2021						
Mr J Lesejane (Audit Committee Chairperson)	01-Jan-24	476	12	-	38	526
Ms M Tonjeni*	31-Mar-22	301	12	2	1	316
Ms C Chalmers**	01-Apr-22	417	13	-	59	489
		1 194	37	2	98	1 331

Ms M Tonjeni sits on the Audit committee and Finance investment committee.

** Ms C Chalmers sat on the Risk, Social & Ethics Committee and Audit committee, she resigned effective 31 December 2022
*** Ms A Galiel was appointed on the 1st of April 2022 and sits on the Audit committee and Finance investment committee.

Remuneration paid to independent committee members during 2022 was based on a fixed rate per meeting.

19. IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	2022 R'000	2021 R'000
Movement in the allowance account for impairment losses	(1 532)	6 748
Impairment losses recognised directly in the Statement of Comprehensive Income	55 741	60 156
	54 209	**66 904**

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20. INVESTMENT INCOME

	2022 R'000	2021 R'000
Dividend income **From investments in financial assets measured at fair value through profit or loss:**		
Listed investments - Local	162 996	92 905
Interest income *		
From investments in financial assets:		
Interest received on financial assets at fair value through profit or loss	1 359 708	1 016 147
Interest received on cash and cash equivalents	52 010	36 554
Gains / losses on financial assets at fair value through profit or loss Realised gains on financial assets at fair value through profit or loss	111 093	128 863
Unrealised (losses) / gains on financial assets at fair value through profit or loss	(78 810)	590 192
	1 606 997	**1 864 661**

Interest income is comprised of interest earned from short term fixed deposits, current accounts, bonds and money market instruments. This interest is recognised on a yield to maturity basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

21. SUNDRY INCOME

	2022 R'000	2021 R'000
Sundry Income*	426 960	18 795
Bad debt recovered	5 818	4 251
Sundry Inome - fraud recoveries	41 487	(173)
	474 265	**22 873**

During April 2012, Government took a decision to move the group of pre-1992 pensioners (pensioners who retired before changes in the medical assistance policy in 1992 who also qualify for a 100% employer subsidy for medical scheme membership) from Medihelp to GEMS. The average age of the beneficiaries exceeded 80 years with observable higher health care claims than contributions. On 31st March 2022 the National Treasury granted to the Scheme R400 million towards the financial impact sustained with the transfer of the pre-1992 pensioners. As at 31 December 2022, only 5 790 of the 18 902 pre-1992 pensioner beneficiaries remain on the Scheme.

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22. NET HEALTHCARE RESULT PER BENEFIT OPTION

	TANZANITE ONE R'000	BERYL R'000	RUBY R'000	EMERALD VALUE R'000	EMERALD R'000	ONYX R'000	TOTAL R'000
2022							
Risk contribution income	3 806 567	2 922 829	6 239 388	7 186 245	25 765 395	1 802 759	47 723 183
Relevant healthcare expenditure	(3 390 476)	(3 012 044)	(4 714 384)	(6 984 218)	(25 649 443)	(2 321 930)	(46 072 496)
Risk claims incurred	(3 243 371)	(2 923 569)	(4 555 047)	(6 836 837)	(25 161 812)	(2 293 136)	(45 013 772)
Managed care services	(147 105)	(88 475)	(159 337)	(147 381)	(487 631)	(28 794)	(1 058 724)
Gross healthcare result	**416 091**	**(89 215)**	**1 525 004**	**202 027**	**115 952**	**(519 171)**	**1 650 687**
Administration expenditure	(329 015)	(197 474)	(355 125)	(328 820)	(1 084 916)	(63 990)	(2 359 343)
Marketing services	(10 832)	(6 474)	(11 599)	(10 819)	(35 217)	(2 076)	(77 017)
	76 244	**(293 163)**	**1 158 280**	**(137 612)**	**(1 004 181)**	**(585 237)**	**(785 673)**
Net impairment losses on healthcare receivables	(4 255)	(2 762)	(7 399)	(5 852)	(30 284)	(3 658)	(54 209)
Net healthcare result	**71 989**	**(295 925)**	**1 150 881**	**(143 464)**	**(1 034 465)**	**(588 895)**	**(839 882)**
Investment income	222 788	134 064	241 841	223 045	741 559	43 701	1 606 998
Finance cost	(60)	(35)	(61)	(58)	(181)	(10)	(406)
Other income	70 966	40 891	71 532	67 389	211 333	12 154	474 266
Investment management fees	(10 204)	(5 880)	(10 286)	(9 690)	(30 388)	(1 748)	(68 196)
Total comprehensive income/ (deficit) for the year	**355 479**	**(126 885)**	**1 453 907**	**137 222**	**(112 142)**	**(534 798)**	**1 172 784**
Number of members	**120 537**	**69 453**	**121 498**	**114 461**	**358 951**	**20 644**	**805 544**

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	TANZANITE ONE R'000	BERYL R'000	RUBY R'000	EMERALD VALUE R'000	EMERALD R'000	ONYX R'000	TOTAL R'000
2021							
Risk contribution income	2 878 906	2 508 518	5 845 139	6 127 330	27 178 436	1 990 513	46 528 842
Relevant healthcare expenditure	(2 042 155)	(2 303 939)	(4 085 976)	(5 562 889)	(25 442 415)	(2 409 861)	(41 847 238)
Risk claims incurred	(1 927 642)	(2 227 139)	(3 935 995)	(5 436 344)	(24 929 686)	(2 378 654)	(40 835 461)
Managed care services	(114 513)	(76 800)	(149 981)	(126 545)	(512 729)	(31 207)	(1 011 777)
Gross healthcare result	**836 751**	**204 579**	**1 759 163**	**564 441**	**1 736 021**	**(419 348)**	**4 681 604**
Administration expenditure	(252 696)	(162 162)	(306 261)	(265 955)	(1 012 228)	(60 871)	(2 060 171)
Marketing services	(12 171)	(8 256)	(16 254)	(13 577)	(56 056)	(3 420)	(109 734)
	571 884	**34 161**	**1 436 648**	**284 909**	**667 737**	**(483 639)**	**2 511 699**
Net impairment losses on healthcare receivables	(4 806)	(3 757)	(10 576)	(7 933)	(37 100)	(2 732)	(66 904)
Net healthcare result	**567 078**	**30 404**	**1 426 072**	**276 976**	**630 637**	**(486 371)**	**2 444 795**
Investment income	231 465	147 521	277 291	241 881	911 793	54 709	1 864 661
Finance Costs	(87)	(56)	(104)	(91)	(343)	(21)	(702)
Other income	2 840	1 810	3 401	2 967	11 185	671	22 874
Investment management fees	(6 755)	(4 305)	(8 092)	(7 058)	(26 608)	(1 596)	(54 414)
Total compre-hensive income/(defi-cit) for the year	**794 541**	**175 374**	**1 698 568**	**514 675**	**1 526 664**	**(432 608)**	**4 277 214**
Number of members	**96 018**	**61 196**	**115 028**	**100 339**	**378 237**	**22 695**	**773 513**

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Revenue and expenditure are allocated to benefit options on a direct basis where this is determinable. Where revenue and expenditure are not directly attributable to a specific benefit option, the revenue or expense is allocated on the basis of the benefit option's membership proportionate to the Scheme's membership base.

The Scheme offers its members five different benefit options and an efficiency option: Tanzanite one (previously named Sapphire), Beryl, Ruby, Emerald Value, Emerald and Onyx.

Tanzanite One and Beryl are the entry level options where cover is provided by designated provider networks. Tanzanite was specifically designed to be inexpensive and it achieves this by providing out of hospital care at private facilities and in hospital cover can be at a private or public facility using the Scheme's network of hospitals. Beryl provides in hospital cover at both public and private facilities.

Ruby offers members a savings account for day-to-day medical expenses as well as a hospital benefit. Savings contributions portion is comprised of 20% of contribution income of the Ruby option.

Emerald Value is an option which offers benefits through the use of the Gems networks with specific care co-ordination principles.

Emerald is the traditional option and the majority of the membership population is part of this option.

Onyx is the comprehensive option. Following engagements and approval from the Department of Public Service and Administration (DPSA) and National Treasury (NT) the Scheme migrated the pre-1992 state pensioners from Medihelp to GEMS, effective 1 April 2012. These members were registered on the Onyx option which adversely affected the financial performance of this option during the financial year.

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23. CASH GENERATED FROM OPERATIONS

	2022 R'000	2021 R'000
Income / Deficit reported:	1 172 784	4 277 214
Adjustments for:		
Depreciation, amortisation and impairment	25 595	31 700
Investment transaction fees	2 006	852
Loss on disposals of assets	183	115
Investment income:		
Cash and cash equivalents	(52 010)	(36 554)
Interest earned on financial assets at fair value through profit or loss	(1 359 708)	(972 592)
Dividends	(162 996)	(92 905)
Realised gains	(111 093)	(128 863)
Unrealised (gains) \ losses	78 810	(590 192)
Other:		
Interest expense	406	702
Impairment losses on healthcare receivables	54 209	66 904
Movements in provisions	159 462	(294 509)
Changes in working capital:		
Trade and other receivables	(14 591)	(1 392 953)
Trade and other payables	195 929	188 907
Personal medical savings account liability	118 283	181 435
	107 269	**1 239 261**

24. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management has made no judgements that have a significant effect on the amounts recognised in the financial statements, other than the outstanding risk claims provision and the impairment allowance for trade and other receivables, as explained further in this note.

Impairment of trade and other receivables

Objective evidence of the impairment of trade and other receivables includes the Scheme's past experience of collecting payments, trade and other receivables outstanding for 120 days or more and receivables due from deceased members. Refer to note 1.18 for more detail with regards to the accounting policy for impairment losses.

Property and equipment - estimation of useful lives and residual values

In terms of IAS 16.57, the useful life of an asset is defined in terms of the asset's expected utility to the entity. IAS 16 standards requires the Scheme to exercise judgemental for estimating useful life of the asset based on the experience of the entity with similar assets. The Scheme's estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgement of the period over which economic benefits will be derived from the assets. The expected continued use of the assets in the foreseeable future was therefore used in estimating the number of years that the assets are expected to generate economic benefits to the Scheme. The depreciation rates represent management's current best estimate of the useful lives of the assets

The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 16.51). The Scheme assesses the residual value of every item of property and equipment annually after considering future market conditions, the remaining life of the asset and projected disposal values.

Outstanding risk claims provision

This provision has been calculated on the basis of the standard operating procedure as agreed between the Scheme and its actuaries.

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims development for the most recent benefit months for the day-to-day, in hospital, acute and chronic benefit categories of claims.

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There is some estimation uncertainty that has to be considered in the provision for the estimate of the liability arising from outstanding claims i.e. the cost of healthcare benefits that have occurred before the end of the accounting period but have not been reported to the Scheme by that date.

Sources of unreported claim payments include:
- Unknown and hence unreported claims; and
- closed claims that later become reopened and have additional payments made.

If no or insufficient allowance is made for these claims, the result is that the Scheme is likely to hold insufficient funds aside for paying claims. This in turn impacts the Scheme's cash flow and ability to honour claims.

The Scheme does not discount its outstanding risk claims provision as the effect of the time value of money is not considered material.

The following table illustrates the quantum of uncertainty inherent to the outstanding risk claims provision estimates. As opposed to claims for 2021 that have already been paid, the claims for 2022 estimate to be paid (or reopened) in future payment months are still subject to uncertainty. This quantity forms a useful basis for a sensitivity analysis. The table below illustrates the effect of a 10% increase and decrease in this amount.

	Claims for 2022 services paid from Jan 2023 to March 2023	2022 claims estimated at the time to be paid after March 2023	2022 Outstanding risk claims provision	% change in outstanding risk claims provision
	R '000	R '000	R '000	R '000
Base Scenario	1 734 605	144 737	1 879 342	- %
10% increase	1 734 605	159 210	1 893 815	0.77 %
10% decrease	1 734 605	130 263	1 864 868	(0.77)%

The same analysis appears below for 31 December 2021 financial year outstanding risk claims provision, where claims paid after March 2022 for 2021 forms the basis for the sensitivity analysis. Note that the base scenario figures below are actual's, not estimates.

	Claims for 2021 services paid from Jan 2022 to March 2022	2021 claims estimated at the time to be paid after March 2022	2021 Outstanding risk claims provision	% change in outstanding risk claims provision
	R '000	R '000	R '000	R '000
Base Scenario	1 512 334	207 546	1 719 880	- %
10% increase	1 512 334	228 300	1 740 634	1.21 %
10% decrease	1 512 334	186 790	1 699 124	(1.21)%

The Scheme monitors each month's initial outstanding risk claims provision over a four month period as subsequent claims are received.

The Board of Trustees believe that the liability for claims reported in the Statement of Financial Position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

Additional comments are provided in note 11.

25. PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE

In accordance with the Scheme Rules, the Scheme has Professional Indemnity and Fidelity insurance to cover the events of fidelity, trustees and officers' errors and omissions and medical Scheme reimbursements. On 31 December 2022 the effective cover was R1 billion (2021: R1 billion). The Scheme's insurance contracts are reviewed for adequacy and reinstated annually.

The Scheme renewed its additional cover during the 2022 financial year for Data protection and Cyber liability cover. This covers any electronically stored digital or digitalised information or media, network interruption cost and cyber terrorism. The effective cover is R50 million (2021: R150 million).

AIG underwriters reduced the liability coverage limit from R150 million to R50 million and cited minor concerns relating to security controls in the GEMS IT environment and the general increase in the number of cyber - attack claims worldwide as a key reason for the reduction in the coverage.

26. RELATED AND OTHER SIGNIFICANT PARTIES

Related Parties with significant influence over the Scheme

The Minister for Public Service and Administration is responsible for appointing 50% of the Board of Trustees and for determining the medical subsidy policy in the public service and thus has significant influence over the Scheme, but does not control it.

The Scheme engages with the Department of Public Service and Administration (DPSA) who is responsible for implementing and maintaining the medical subsidy policy. The DPSA therefore has significant influence over the Scheme, but does not control it.

Metropolitan Health Corporate (Pty) Ltd (MHC) provides membership and claims management services, operational information and recommendations, through its administration agreement with the Scheme, on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it.

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Medscheme Holdings (Pty) Ltd provides contribution and debt management Services through its administration agreement with the Scheme on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it. Medscheme Holdings (Pty) Ltd provide managed care information on which benefit design decisions are based and therefore they have significant influence over the Scheme, but does not control it.

Insight Actuaries (Pty) Ltd provides actuarial and consulting services to the Scheme and therefore has significant influence over the Scheme, but do not control it.

The Scheme has multiple other Administration and Managed care providers that it contracts with, but none of these have significant influence over the Scheme or control over the Scheme.

Key management personnel and their close family members

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of the Executive Committee. This disclosure deals with full time personnel that are compensated on a salary basis (Principal Officer and Executive Committee) and part time personnel that are compensated on a fee basis (Board of Trustees). Close family members include family members of the Board of Trustees, Principal Officer and members of the Executive Committee.

Transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

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	2022 R'000	2021 R'000
Key management personnel		
Compensation (includes remuneration and other costs)		
Short term benefits	34 520	30 178
Post employment benefit	2 193	1 883
Bonus	4 935	5 719
	41 648	**37 780**
Principal Officer	6 166	5 840
Chief Financial Officer	4 488	4 410
Chief Admin and Transaction Services	3 120	2 796
Chief Marketing Officer	3 069	2 542
Chief Governance and Compliance Officer (Retired 30 September 2022)	2 060	3 186
Chief Healthcare Management Officer	4 555	3 931
Chief Information, Communication & Technology Officer	2 975	2 796
Chief Corporate Services Officer	4 203	3 931
Chief Audit Executive (Appointed 1 November 2022)	457	1 642
Chief Research Officer	3 144	3 018
Chief Operations Officer (Appointed 1 June 2022)	2 465	-
Company Secretary and Legal Counsel	2 975	2 796
Executive Manager (Appointed 1 June 2022)	1 968	-
Gross contributions received		
Board of Trustees	595	509
Principal Officer	116	113
Executive Committee	938	779
Claims incurred		
Board of Trustees	1 144	1 516
Principal Officer	-	62
Executive Committee	482	338

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Gross contributions and claims incurred include contributions and claims incurred by members and their beneficiaries.

Transaction	Nature of transactions and terms and conditions thereof
Gross contributions received	This constitutes the contributions paid by the related party as a member of the Scheme in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties in their individual capacity as members of the Scheme. All claims were paid out in terms of the Rules of the Scheme as applicable to third parties.
Claims reported not yet paid	These are claims that have been reported, but not yet paid due to the fact that the Scheme does a payment run twice a month. All claims are settled within 30 days of being received
Healthcare provider fees paid/ payable	Fees paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties.

Parties with significant influence over the Scheme, but not control

	2022 R'000	2021 R'000
Statement of Comprehensive Income		
Administration fees	1 347 130	1 247 712
Accredited managed healthcare fees	1 058 724	1 011 776
Actuarial fees	47 643	44 803
Healthcare provider fees paid to BOT Members	15	22
Trade and other payables		
Administration fees due	26 101	105 337
Accredited managed healthcare fees due	90 242	84 933
	116 343	**190 270**

Terms and conditions of the administration agreement

Administration fees are calculated in terms of the underlying contract based on the number of members in good standing for the month. These contracts are renewable annually. The outstanding balance bears no interest and is settled within 7 days. The Scheme has the right to terminate the agreements on 90 days' notice.

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The services covered by these agreements include:

Service	Provider 2022	Provider 2021
Contribution and Debt Services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Correspondence Services	Metropolitan Health (Pty) Ltd	Metropolitan Health (Pty) Ltd
Member and claims administration services	Metropolitan Health Corporate (Pty) Ltd (MHC)	Metropolitan Health Corporate (Pty) Ltd (MHC)

Terms and conditions of the managed care agreements

The Scheme has entered into managed care agreements in order to manage the costs of delivering healthcare services to its members while ensuring the highest quality of care.

All contracts are tendered for a maximum contract period of 3 to 5 years. The Scheme has the right to terminate the agreements on 90 days' notice. Managed care services are calculated on the number of members in good standing for the month. The outstanding balance bears no interest and is settled within 7 days.

The services covered by these agreements include:

Service	Provider 2022	Provider 2021
Chronic medicine management services	Universal Care (Pty) Ltd	Universal Care (Pty) Ltd
Dental managed care	Denis (Pty) Ltd	Denis (Pty) Ltd
HIV disease management services*	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Managed healthcare services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Maternity programme services	Healthi Choices (Pty) Ltd	Healthi Choices (Pty) Ltd
Emergency medical dispatch services	Europ Assist (Pty) Ltd	Europ Assist (Pty) Ltd
Pharmaceutical benefit management services	Medikredit (Pty) Ltd	Medikredit (Pty) Ltd

*The HIV Disease management form part of the Managed healthcare services performed by Medscheme Holdings, effective from 1 January 2021.

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27. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme is that it assumes the risk of loss by members and their dependents that are directly subject to the risk. These risks relate to the health of the Scheme's members. As such the Scheme is exposed to the uncertainty surrounding 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 and service provider profiling.

The Scheme uses several methods to assess and monitor insurance risk exposure both for individual types of risks insured and overall risks. The Scheme analyses the distribution of claims per category of claim, average age of members per member group, average age per benefit option, actual number of members per benefit option and the geographic distribution of members.

The Scheme uses the average age per member and claims per category of benefits to analyse its insurance risk. Income bands and geographical spread are not good indicators as the Scheme's risk is not concentrated in a specific income band or geographical location. Analyses based on the ageing of members indicate specific risks and behaviours that result in increased claims and these can be further analysed in different categories to inform the Scheme's interventions of which managed care is key.

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

The table below summarises the concentration of risk, with reference to the carrying amount of the insurance claims incurred (before and after risk transfer arrangements), by age group and in relation to the type of cover/benefit provided where:

- Hospital benefits cover all costs incurred by members, while they are in hospital to receive pre authorised treatment for certain medical conditions.
- Specialist benefits cover the cost of all visits by members to specialists and of the out of hospital procedures performed by specialists. Specialist benefits also include radiology and pathology benefits provided to members.
- Medicine benefits cover the cost of all medicines prescribed to members.
- General Practitioner and Optometry benefits cover the cost of all visits by members to these practitioners and the procedures performed by them, up to a prescribed annual limit per member.

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The Scheme profiles members' risk exposure by using their age. Of the various other indicators available, age provides a better indication of who is most likely to claim.

Insurance Age Grouping (in years)	Hospitals R'000	Specialists R'000	Medicines R'000	General Practitioners R'000	Optometry R'000	Other R'000	Total R'000
2022							
<25	89 084	55 790	15 264	16 110	2 817	22 061	201 126
26 - 35	2 147 927	1 434 821	515 965	469 963	69 202	661 538	5 299 416
36 - 50	5 438 627	4 030 037	2 272 614	1 331 789	292 049	2 367 810	15 732 926
51 - 65	5 582 086	4 280 060	2 601 402	989 854	279 255	2 265 127	15 997 784
>65	2 809 685	2 077 416	1 153 207	243 957	69 381	906 466	7 260 112
	16 067 409	**11 878 124**	**6 558 452**	**3 051 673**	**712 704**	**6 223 002**	**44 491 364**
2021							
<25	84 961	57 441	14 605	16 370	3 280	21 720	198 377
26 - 35	1 949 306	1 330 485	484 280	413 405	69 463	588 285	4 835 224
36 - 50	5 199 723	3 710 976	2 131 662	1 164 333	283 009	2 110 171	14 599 874
51 - 65	5 554 081	3 809 986	2 342 965	872 893	261 506	2 038 977	14 880 408
>65	2 560 220	1 739 230	1 020 247	210 752	64 235	799 267	6 393 951
	15 348 291	**10 648 118**	**5 993 759**	**2 677 753**	**681 493**	**5 558 420**	**40 907 834**

The information presented in this table is based on claims with a service date during the relevant year.

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 variability of the outcome.

The reporting of claims by age group is impacted by members who join and leave in the same month.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made of those claims outstanding that are not yet reported at that date. Details regarding the subsequent claim development in respect thereof have been disclosed in note 11 & 24.

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28. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Scheme's activities expose it to credit risk, liquidity risk and market risk, including the effects of interest rate changes. 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 that the Scheme holds to meet its obligation to its members.

The Board of Trustees has an overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme manages the financial risks as follows:

- The Finance and Investment Committee, a committee of the Board of Trustees, determines, recommends, implements and maintains investment policies and procedures. The Investment Committee advises the Board of Trustees on the strategic and operating matters in respect of the investment of Scheme funds and meets at least quarterly.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external investment consultant has been appointed by the Scheme to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.
- Investment strategy is guided by or within the risk appetite and risk tolerance set by the Board of Trustees.

Risk management and investment decisions are carried out by the executive management, under the guidance of policies approved by the Board of Trustees. The Board of Trustees approves all these written policies and there has been no change in these policies from previous financial years.

Market risk

Market risk is the risk that changes market variables that will affect the Scheme's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The table summarises the Scheme's financial instrument exposure to market risk as at December 31, 2022.

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	Currency risk	Price risk	Interest rate risk
	R '000	R '000	R '000
As at December 31, 2022			
Cash and cash equivalents	1 746	-	4 183 411
Equities	-	5 018 962	-
Local bonds	-	-	7 173 131
Local money markets	-	-	7 523 130
Foreign bonds	283 208	-	283 208
Collective investment schemes (CIS)	-	3 875 646	-
As at December 31, 2021			
Cash and cash equivalents	-	-	3 170 701
Equities	-	3 028 706	-
Local bonds	-	-	5 481 521
Local money markets	-	-	13 758 959
Foreign money markets	108 779	-	108 779
Foreign bonds	875 020	-	875 020

Interest rate risk

The Scheme is exposed to interest rate risk as it has exposure to fixed income assets including call accounts, money market instruments as well as longer dated nominal and inflation linked bonds. This risk is managed through appropriate diversification, as guided by the investment policy.

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

The table summarises the Scheme's total exposure to interest rate risks as at 31 December 2022. Included in the table are the Scheme's investments at carrying amounts, categorised by maturity dates.

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	Up to 3 months	3 - 12 months	More than 12 months	Total
	R '000	R '000	R '000	R '000
As at December 31, 2022				
Cash and cash equivalents	4 183 411	-	-	4 183 411
Local money markets	1 110 611	1 868 677	4 543 842	7 523 130
Local bonds	40 087	533 751	6 599 293	7 173 131
Foreign bonds	-	130 381	152 827	283 208
	5 334 109	**2 532 809**	**11 295 962**	**19 162 880**
				-
As at December 31, 2021				
Cash and cash equivalents	3 028 706	-	-	3 028 706
Local money markets	5 494 647	3 354 559	4 909 754	13 758 960
Local bonds	1 471 690	133 812	3 876 018	5 481 520
Foreign money markets	108 779	-	-	108 779
Foreign bonds	-	175	874 845	875 020
	10 103 822	**3 488 546**	**9 660 617**	**23 252 985**

The average effective interest rates for the year ended 31 December were as follows:

	2022	2021
Current accounts	3.79 %	2,04%
Call accounts	5.21 %	3,72%
Money market instruments carried at fair value through profit or loss	6.27 %	4,21%
Local Bonds	7.66 %	8,36%
Foreign Bonds	5.03 %	-3,70%
Foreign money markets	4.60 %	0.30 %

Interest rate risk sensitivity analysis

The information below illustrates the impact that a change in interest rates would have on the value of the Scheme's fixed income investments.

The Scheme portfolio considers a long term view for the interest rate cycle. Based on past experience and a reasonable possible change in interest rate within the life of the investment, the change of 0.5% is used to illustrate the sensitivity of the Scheme's investments to changes in interest rates. This sensitivity analysis assumes that all other variables remain constant.

At December 31, 2022, an increase in interest rates of 50 basis points would lead to a decrease in the value of the Scheme's investment portfolio of R109 million (2021: R117 million).

At December 31, 2022, a decrease in interest rates of 50 basis points would lead to an increase in the value of the Scheme's investment portfolio of R109 million (2021: R117 million).

Currency risk

The Scheme operates in South Africa and its cash flows are denominated in South African Rand. However through its investments, the Scheme is exposed to a direct currency risk.

For purpose of seeking investment diversification, the Scheme has invested 1.2% (2021: 4.2%) of its financial assets at fair value through profit or loss in offshore bond and cash portfolios. At December 31, 2022 this equated to R285 million (2021: R983.7 million).

The fair value of these contracts have been included in financial assets. Gains and losses on these arrangements are included in the profit or loss.

Currency risk sensitivity analysis

Based on past experience and a reasonable possible change in currency, 10% and 15% change in currency is considered appropriate in measuring the Scheme's currency risk sensitivity.

A 10% depreciation in the Rand would result in a gain of R28.5 million (2021: R98.6million) and a 15% depreciation in the Rand would result in a gain of R42.7 million (2021:147.9 million).

A 10% appreciation in the Rand would result in a loss of R28.5 million (2021: R98.6 million) and a 15% appreciation in the Rand would result in a loss of R42.7 million (2021: R147.9 million).

The sensitivity is based on the assumption that the Rand has strengthened or weakened against the US Dollar by 10% or 15% considered as the reasonable possible change, with all other variables held constant.

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The following US Dollar exchange rate was applied.

	2022 R'000	2021 R'000
Average rate	16 45	14 79
Year-end closing rate	17 02	15 88

Price risk

The Scheme is exposed to equity securities price risk due to equity investments held by the Scheme that are classified at fair value through profit or loss. The Scheme is directly exposed to equity risk through its investments in listed equities. The value of the equity investments was R5 billion (2021: R3 billion). The Scheme has investments in collective investment schemes which exposes the Scheme to market price risk. The value of collective investment schemes is R3.9 billion.

The Scheme manages the equity price risk arising from investments in equity securities, through the diversification of its investment portfolios.

Diversification of the portfolios is performed by asset managers in accordance with the mandate set by the Scheme.

Price risk sensitivity analysis

In the prior year the CIS of R3.1 billion was disclosed on a look through basis. In the current year, it is shown separately.

A 10% increase in the price of CIS within the portfolio would have resulted in a gain of R310 million. A 10% decrease would have resulted in a loss of R310 million. The levels disclosure would have been level 1 if it was disclosed separately.

Based on past experience and a reasonable possible change in equity and CIS prices, 10% change in equity and CIS prices is considered appropriate in measuring the Scheme's equity and CIS price risk sensitivity. A 10% increase in the price of equities and CIS within the equity portfolios would result in a gain of R889 million (2021: R302.9 million). A 10% decrease in the price would result in a loss of R889 million (2021: R302.9 million). The sensitivity is based on the assumption that equity and collective investment scheme prices had increased or decreased by 10%, with all other variables held constant.

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Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The availability of liquid cash holding positions with various financial institutions ensures that the Scheme has the ability to fund its day to day operations. The Scheme manages liquidity risk by monitoring forecast cash flows and ensuring that adequate reserves are maintained. This approach ensures that the Scheme will have sufficient liquidity to meet its obligations when due, under both normal and stressed market conditions, without incurring losses that would threaten the Scheme's going concern status. The Scheme's available funds were invested in cash products to ensure that the Scheme can meet its short term obligations. The table below reflects the Scheme's liquidity requirements to meet its financial obligations.

At December 31, 2022	Less than 1month	Between 1 and 3 months	Between 3 months and 1 year	Over 1 year	Total
Category	R '000	R '000	R '000	R '000	R '000
Insurance liabilities:					
Outstanding claims provision providers	1 278 888	455 717	144 737	-	1 879 342
Amounts owing to members and	313 867	-	-	-	313 867
Claims reported not yet paid	624 570	-	-	-	624 570
Accredited managed healthcare fees due	90 242	-	-	-	90 242
Non-derivative financial liabilities:					
Trade and other payables	284 930	-	-	-	284 930
Lease Liabilities	301	617	2 158	1 415	4 491
Personal medical savings accounts liability	1 562 964	-	-	-	1 562 964
Total liabilities	**4 155 762**	**456 334**	**146 895**	**1 415**	**4 760 406**
Cash and Cash Equivalents	4 183 411	-	-	-	4 183 411
Financial Assets at fair value through profit or loss	5 018 961	1 151 715	4 209 013	13 494 385	23 874 074
Trade and other receivables	501 468	-	-	-	501 468
Available cash and investments	**9 703 840**	**1 151 715**	**4 209 013**	**13 494 385**	**28 558 953**
Excess liquidity	**5 548 078**	**695 381**	**4 062 118**	**13 492 970**	**23 798 547**

At December 31, 2021 Category	Less than 1month R '000	Between 1and 3 months R '000	Between 3 months and 1 year R '000	Over 1 year R '000	Total R '000
Outstanding claims provision	985 620	526 714	207 546	-	1 719 880
Amounts owing to members and providers	249 898	-	-	-	249 898
Claims reported not yet paid	530 238	-	-	-	530 238
Accredited managed healthcare fees due	84 933	-	-	-	84 933
Non-derivative financial liabilities:					
Trade and other payables	252 609	-	-	-	252 609
Lease liabilities	575	1 383	1 949	415	4 322
Personal medical savings accounts liability	1 444 682	-	-	-	1 444 682
Total liabilities	**3 548 555**	**528 097**	**209 495**	**415**	**4 286 562**
Cash and Cash Equivalents	3 170 701	-	-	-	3 170 701
Financial Assets at fair value through profit or loss	9 032 287	1 071 709	3 488 371	9 660 618	23 252 985
Trade and other receivables	470 258	-	-	-	470 258
Available cash and investments	**12 673 246**	**1 071 709**	**3 488 371**	**9 660 618**	**26 893 944**
Excess liquidity	**9 124 691**	**543 612**	**3 278 876**	**9 660 203**	**22 607 382**

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterpart to a financial instrument fails to meet its contractual obligations. Key areas where the Scheme is exposed to credit risk are:

- Financial assets at fair value through profit or loss
- Cash and cash equivalents
- Trade and other receivables

The Scheme only deposits cash with registered banks per the South African Reserve Bank's Supervision Unit with high quality credit standing and limits the exposure to any one financial institution.

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Financial assets are valued at fair value through profit or loss comprise money market and bond instruments entered into to fund the obligations arising from its insurance contracts and to invest income funds to maintain the statutory reserve requirement. The Scheme is exposed to the issuer's credit standing on these instruments. Exposure to credit risk is monitored and minimum credit ratings for these investments are set. Reputable asset managers have been appointed to manage these instruments.

	2022 R'000	2021 R'000
Cash and cash equivalents		
First National Bank	945 301	188 739
South African Reserve Bank	2 743 188	2 981 962
Cash and call accounts with asset managers	494 922	-
	4 183 411	**3 170 701**

	2022	2021
Long term ratings of Banks invested with:		
ABSA Bank	AA	AA
First National Bank	AA	AA
Investec Bank	AA	AA
Nedbank	AA	AA
Standard Bank	AA+	AA+
South African Reserve Bank	AAA	AAA
Rand Merchant Bank	AA	AA

The maximum exposure to credit risk for financial assets at year end were as follows:

	2022 R'000	2021 R'000
Financial assets at fair value through profit or loss	23 874 076	20 224 279
Cash and cash equivalents	4 183 411	3 170 701
Trade and other receivables *	501 468	470 258
	28 558 955	**23 865 238**

This includes insurance receivables, refer to note 7 for the split between insurance receivables and receivables classified as financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The ageing of insurance receivables at year end was:

	Not past due, not impaired R'000	Past due, not impaired R'000	Impaired R'000	Total R'000
As at December 31, 2022				
Contribution debtors	214 157	5 565	3 774	223 496
Receivables from members and providers	9 465	14 481	26 093	50 039
Sundry accounts receivable	4 361	-	-	4 361
As at December 31, 2021				
Contribution debtors	239 178	6 177	5 946	251 301
Receivables from members and providers	8 094	4 600	25 454	38 148
Sundry accounts receivable	29 636	-	-	29 636

The table below provides an age analysis of the receivables that are past due.

Amounts outstanding for 30 days are not impaired, as they are within the normal expected recovery period. Debt outstanding between 30 to 90 days is considered past due, but not yet impaired. The credit quality of financial assets that are neither past due nor impaired has been assessed on the basis of historical information. This information indicated that the majority of debt is settled just after year end and within the Rules of the Scheme.

The carrying amount of insurance receivables best represents the maximum exposure to credit risk.

	31 - 60 days R '000	61 - 90 days R '000	91 plus days R '000	Total R '000
As at December 31, 2022				
Contribution debtors	9 459	3 538	5 687	18 684
Receivables from members and providers	6 169	7 321	33 254	46 744
As at December 31, 2021				
Contribution debtors	3 684	2 493	5 946	12 123
Receivables from members and providers	1 518	3 082	25 454	30 054

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Management information reported to the Scheme includes details of allowances for impairments on receivables. The table below provides an analysis of receivables that were impaired.

	2022 R'000	2021 R'000
Receivables impaired:		
Contribution debtors		
120 days, deceased debt and contribution debt less than R620	3 774	5 946
Receivables from members and providers		
120 days, deceased debt and claims debt less than R1000	26 093	25 454
Total	**29 867**	**31 400**

The amounts represented in the Statement of Financial Position are net of impairment receivables, estimated based on outcomes of recovery processes, prior experience and the current economic environment.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Scheme is the current closing price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

The carrying value, less impairment provision of trade receivables, and payables are assumed to approximate their fair values due to their short-term nature.

The members' Personal Medical Savings Accounts contain a demand feature. In terms of Regulation 10 of the Act, 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 plan, and enrolls in another benefit plan or medical Scheme without a savings account or does not enroll in another medical Scheme. Therefore the carrying values of the members' Personal Medical Savings Accounts are deemed to be equal to their fair values, which is the amount payable on demand.

The fair value hierarchy has the following levels:

Level 1 – These are assets measured using quoted prices in an active market
Level 2 – These are assets measured using inputs other than quoted prices included within Level 1, that are either directly or indirectly observable.
Level 3 – These are assets measured using inputs that are not based on observable market data.

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Fair value of financial assets by hierarchy level

	Carrying amount R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000
At December 31, 2022					
Financial assets at fair value through profit or loss	23 874 074	23 874 074	19 350 461	4 523 613	-
Equities	5 018 962	5 018 962	5 018 962	-	-
Local bonds	7 173 131	7 173 131	7 173 357	(226)	-
Local money markets	7 523 129	7 523 129	3 145 995	4 377 134	-
Foreign bonds	283 207	283 207	283 207	-	-
Collective investment schemes	3 875 645	3 875 645	3 728 940	146 705	-
	23 874 074	**23 874 074**	**19 350 461**	**4 523 613**	**-**
At December 31, 2021					
Financial assets at fair value through profit or loss	23,252,985	23,252,985	19,084,157	4,168,828	-
Cash	191 871	191 871	-	191 871	-
Equities	3 028 706	3 028 706	3 028 706	-	-
Local bonds	5 481 521	5 481 521	5 479 660	1 861	-
Local money markets	13 567 088	13 567 088	9 700 771	3 866 317	-
Foreign money markets	108 779	108 779	-	108 779	-
Foreign bonds	875 020	875 020	875 020	-	-
	23 252 985	**23 252 985**	**19 084 157**	**4 168 828**	**-**

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 1 was determined with reference to published price quotations (unadjusted) in an active market.

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 2 was determined through discounted cash flows based on applicable interest rates.

There were no changes in levels noted in the current year.

Capital Management

The Scheme is subject to the capital requirement imposed by Regulation 29 (2) of the Act, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross annual contributions of 25%.

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Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations in actual future benefit liabilities. In terms of Regulation 29(3)A of the Medical Schemes Act, a medical Scheme registered for the first time must maintain reserves of no less than:

First year of operations	10.00 %
Second year of operations	13.50 %
Third year of operations	17.50 %
Fourth year of operations	22.00 %
Fifth year of operations	25.00 %

The Registrar of Medical Schemes, in terms of the business plan submitted by the Scheme in 2017, agreed to revise the required reserve levels which will apply to the Scheme for each related year of operation:

	Actual levels	**CMS approved levels**
31 December 2019	31.53 %	20.80 %
31 December 2020	41.11 %	22.70 %
31 December 2021	46.11 %	24.20 %
31 December 2022	48.34 %	25.00 %

The Scheme monitors and manages the capital adequacy risk through the following means:

The capital adequacy risk is documented on the risk register that is regularly reviewed by the Board of Trustees.

Scheme management reviews the monthly management accounts where the Scheme's financial performance is monitored.

Monthly management accounts and the Scheme's quarterly performance reports are submitted to and discussed with the Council for Medical Schemes.

The annual budgeting process, long term projections and planning allows the Scheme to review its capital adequacy and reserve levels to ensure continuity of operations and sustainability.

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29. GUARANTEES AND COMMITMENTS

The Scheme held guarantees in favour of the following instructions during the year

	2022 R'000	2021 R'000
Council for Medical Scheme	2 500	2 500
South African Post Office	5 000	5 000
	7 500	**7 500**

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998. The Act prescribes that the Registrar may demand from the person who manages the business of a medical Scheme such financial guarantees as will in the opinion of the Council ensure the financial stability of the medical Scheme.

30. INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

The Scheme's investments in collective investment Schemes are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those funds. The investment 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 of the funds in the investment portfolio are managed by portfolio managers who are compensated by the respective fund for their services. Such compensation generally consists of an asset- based fee and is reflected in the valuation of the Scheme's investment in each of the funds.

The Scheme has the right of redemption of its investments in the funds.

The exposure to investments in the funds at fair value, by strategy employed, is disclosed in the following table.

These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

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Name and description	Fair Value of Scheme Funds invested R'000	Fair Value of Investee R'000	% of net assets attributable to the Scheme	Fund
2022				
Collective investment schemes	834	24 324 828	0.34 %	Ninety One Corporate Money Market fund Z
	184	44 613 481	0.04	NGI Core Income fund
	754 269	1 379	54.17 %	M&G Global Fixed Income Fund
	183 083	5 889	3.11 %	M&G Corporate Bond Fund
	1 598 124	10 867	14.71 %	M&G High Interest Fund
	26 214	1 075 423	2.45 %	Prescient Corporate Money market B3
	51 868	5 477 293	0.95 %	Prescient Yield Quantplus Fund B3
	151 559	2 632 783	5.76 %	Prescient Income Fund B3
	673 363	2 523 565	26.68 %	Prescient Income Plus Fund B3
	289 443	722 329	40.07 %	Prescient Specialist Income Fund B3
	146 705	2 902 427	5.05 %	Prescient Clean Energy and Infrastructure Debt Fund Trust
2021				
Collective investment schemes	875 464	30 377 128	2.88 %	Ninety One Corporate Money Market, Z, Inc, Zar
	23 446	18 768 004	0.12 %	Nedgroup Investments Money Market Fund Class C1
	169	60 081 447	- %	Nedgroup Investments Core Income Fund - Class C1
	1 334 091	8 764 866	15.22 %	M&G High Interest Fund B
	172 800	5 708 595	3.03 %	M&G Corporate Bond Fund B
	689 453	1 104 132	62.44 %	M&G Global FI Fund C

The Scheme's maximum exposure to loss is equal to the fair value of its investments in the fund. Once the Scheme has disposed of its interest in a fund it ceases to be exposed to any risk from that fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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31. REGULATORY NON - COMPLIANCE

To the best of the Scheme's knowledge, the compliance matters listed below cover all of the non-compliance matters for the 2022 financial year.

Late paying Employer groups

Nature

In terms of Rule 13.2 of GEMS' Scheme Rules and Section 26 (7) of the Medical Schemes Act members' contributions are due monthly in arrears and payable by no later than the third day of each month.

Cause

During the period under review, certain employer groups paid over contributions on behalf of their members after the third day of the month. Late payment may result in a loss of interest earned for the Scheme; however this is not significant due to the short duration of the contributions being outstanding.

Corrective action

Scheme management engaged with the employer groups concerned to ascertain the reasons for the late payment of contributions and to highlight the impact of this practice on members of the Scheme. The Council for Medical Schemes is informed quarterly of any late payers. At year end there were two late paying employer groups. Subsequently these amounts have been received.

Benefit Options

Nature

In terms of Section 33 (2) of the Medical Schemes Act, medical scheme options shall be self sufficient in terms of membership and financial performance.

Cause

The Scheme's Beryl, Emerald and Onyx options did not meet the self sufficiency requirement in terms of Section 33(2) of the Medical Schemes Act. Loss making options adversely affect the financial performance of the Scheme and the reserve ratio.

The deficit on the Onyx option was mainly driven by the older demographic profile which resulted in higher healthcare costs related to chronic conditions.

The deficits on the Beryl and Emerald options were intentionally budgeted for to give back some of the reserves to members through lower contribution increase which was 2.02% for the 2022 financial year. This increase was below healthcare inflation of 7.6% and CMS recommended increase of 4.2%. During 2020 and 2021 financial years the Scheme experienced a reduction in utilisation of healthcare benefits which significantly increased the reserves. Although these options incurred operating deficits, they still performed better than anticipated.

Corrective Action

The Scheme's current reserves can comfortably absorb these deficits in the short term to medium term. Long-term forecasts, scenario planning and sensitivity analysis are constantly applied to the Scheme solvency to manage the risk of the reserve ratio falling to below the statutory level. The Registrar was notified of the Scheme's performance throughout the 2022 financial year with the submission of quarterly performance reports and meetings with the Council for Medical Schemes.

Prescribed minimum benefits applied incorrectly

Nature

In order for a procedure to be considered for payment as a PMB and funded at cost as per the Regulations, the following criteria must be met:

- The diagnosis must be a PMB condition, as defined in the Regulations of the Medical Schemes Act.
- The diagnosis must thus be a condition which is included in one of the "Diagnostic and Treatment Pairs" (DTP's) or be on the list of 26 chronic diseases (with their associated ICD-10 codes), described in Annexure A of the Regulations or an emergency medical condition".

According to the GEMS PMB manual and PMB legislation in the event of involuntary use of a non-DSP no co-payment or deductible may be imposed.

Cause

The PMB hospital emergency authorisations processed from the period 01 July 2021 to 28 February 2022, eleven (11) instances were identified where a co-payment was applied incorrectly despite the cases being authorised and classified as hospital emergencies.

Corrective Action

The error was subsequently corrected by management. The following mitigations plans were agreed with management:

a) Retrain on waiving of co-payment for emergency cases as per PMB manual and Network hospital SOP for cases where a network co-payment was applied.
b) Review the current templates used to respond with funding instruction to ensure it clearly indicates when co-payment is not waived because of available network facility within the member's residential area.
c) Review the exception report for gaps in identifying the emergency cases and correcting the gaps to ensure efficiency.

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Scheme rules non - compliance

Section 32 of the Act states that the rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.

The following non-compliance to the Scheme rules were identified:

PMB claim was processed while the beneficiary was on the waiting period.

Nature

The beneficiary claim was settled while the beneficiary was on a General and PMB waiting period.

In terms of the GEMS Scheme Rules section 8.3, the Scheme may impose upon a person in respect of whom an application is made for membership of the Scheme or admission as a Dependant and who was not a beneficiary of a medical scheme for a period of at least ninety (90) days preceding the date of application:

a) a General Waiting Period of up to three (3) months;
b) a Condition-Specific Waiting Period of up to twelve (12) months, where applicable; and
c) may also exclude Prescribed Minimum Benefits during any such waiting periods

Cause

The system failed to identify and reject claims while the beneficiary was on a waiting period. The Cardholder file and the Waiting Period file were not aligned. The Cardholder file showed an Active (00) status instead of General Waiting Period status (07). This caused the Waiting Period file to be ignored upon processing due to misinterpretation of the waiting period.

Corrective Action

Management has committed to revising underwriting processes such that when claims are submitted while beneficiaries are subject to underwriting, these will be processed correctly in line with the GEMS Scheme Rules. The following processes will be further refined:

a) An exception management process will put in place.
b) SOP will be updated with the agreed process.

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Failure to update the beneficiary type of students above 28 years on the system

Nature

In terms of Scheme Rules: 4. Definition: 4.9 "Child Dependant" states that a child of a member who is under the age of twenty-one (21) years and who, for the purposes of these Rules shall include: any dependant below twenty-eight (28) years of age, for the duration of any course for which that dependant is registered as a bona-fide student at any educational institution recognised as such by the Board within the Republic of South Africa, or any other educational institution abroad (whether or not specifically recognised as such by the Board). Dependants above 28 years must be classified as adults.

There were instances where individuals above the age of 28 years were classified as Students (U) on the system instead of as adults.

Cause

The current systems in place are not configured to update dependant details once the dependant reaches the age of 28 years.

Corrective Action

Scheme Administrators have already identified the gaps in the student review process, and a project was logged with IT to mitigate errors and implement system validations.

Individuals found to be no longer eligible for GEMS Membership

Nature

In terms of Scheme rule 6.2, it states that the membership of the Scheme is limited to those Members and their Dependants who are ordinarily resident within the Republic of South Africa, or who are stationed abroad on or by virtue of instructions, requirements, or obligations of the Member's Employer, or who are studying abroad.

Cause

It was found that some members have retired from the employer's service and have either emigrated or are living abroad for extended periods. It appears that no checks were done to confirm whether these members still satisfy the conditions for membership.

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Corrective Action

An SOP was developed to manage the process, and letters were sent out to the affected members as of 01 April 2021. The Scheme's Administrator reviewed the responses and met with the relevant Scheme officials on 5 August 2021 to provide an update on this process. An updated report was submitted to the Scheme on 7 March 2022. To date, all the identified affected memberships have been addressed, with some memberships being terminated and others returning to the country.

Guarantees

Nature

Section 35(6) (a) of the Medical Scheme Act states that a medical scheme shall not encumber its assets.

Cause

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998 to the value of R2,5 million. The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.The guarantee of R5 million in favour of the South African Post Office allows the Scheme to transact directly with the service provider for the provision of postal services, rather than procuring these services on an agency basis.

Corrective Action

Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of two years effective from 05 December 2019. The Scheme applied for another exemption which was granted by CMS for a period of three years effective from 09 March 2022. There was a gap in the exemption from 05 December 2021 to 08 March 2022.

Investment in Medical Scheme Administrator

Nature

Section 35 (8) (a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme.

The Scheme has investments in certain administrators.

Cause

The Scheme has investments in certain companies associated with the administrators of the scheme within its diversified investment portfolio.

Corrective action

CMS has granted GEMS an exemption for a period of three years effective from 05 December 2019. Additionally, we obtained an exemption for three years from 15 December 2022. There was a gap in the exemption from 05 December 2022 to 14 December 2022.

Credit Facility

Nature

Section 35(6) (C) of the Medical Scheme Act states that a medical scheme shall not directly or indirectly borrow money.

Cause

The Scheme has credit facilities with RMB/FNB for the corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The autocards are used for the fuel and maintenance of the Scheme's fleet.

The balances on the cards are settled within 30 days

Corrective Action

The Scheme has been granted and exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022. There was a gap in the exemption from 05 December 2021 to 08 March 2022.

Claims settled after 30 days

Nature

In terms of Section 59 (2) of the Medical Schemes Act, the Scheme shall, in the case where an account has been rendered, 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 Scheme.

Cause

During the financial year, there were instances that were identified where the above regulation had not been complied with.

Corrective Action

Additional controls have been put in place at the Administrator to mitigate the risk of non-compliance and the Scheme will ensure that these are tested as part of the Internal Audit process of the Scheme during the coming year.

32. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events after reporting period.

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