

ANNUAL GENERAL MEETING 2023

Notice is hereby given of the Annual General Meeting of the Fund, which is to be held on Tuesday 27 June 2023 from 10:00 to 11:30

Please note:

The Meeting will be held via video conferencing and members will be able to join the Meeting by attending at one of the following venues:

- **Western Cape:** Conference Room, Ground Floor, Engen Court, Thibault Square, Cape Town
- **KwaZulu-Natal:** ERO Westville VC: 2100 Video Conference Room, Second Floor, 171 Rodger Sishi Road. ENGEN House, Westville North, Durban
- **Free State:** Office Video Conferencing: 1st floor: Engen House, 169 A Nelson Mandela Drive, Westdene, Bloemfontein
- **Gauteng:** Gauteng Regional Office Video Conferencing, 4 De La Rey Road, Edenburg, Rivonia, Sandton 2191
- **Gqeberha:** Greenacres Convenience Centre, Corner Newmarket & Ring Road, Greenacres 6057

We have published these details on the Fund website at www.engenmed.co.za

AGENDA

1. Welcome and verification that the required number of members are present in the meeting.
2. Noting and approval of the minutes of the Annual General Meeting held on 27 June 2022.
3. Introduction and adoption of the Chairperson's report for the year ended 31 December 2022.
4. Consider and accept the Annual Financial Statements and auditor's report for the year ended 31 December 2022.
5. Confirm the re-appointment of Harris Dowden and Fontaine as the Fund's external auditors for 2023.
6. Composition of the Board: to appoint Trustees to fill interim vacancies on the Board of Trustees.
7. To appoint members of the Disputes Committee
8. To consider motions received and refer to the Board of Trustees for finalisation.
9. Close

Please note: Notice of any motion to be placed before the AGM must reach the Principal Officer not later than seven days prior to the date of the meeting, on 20 June 2023.

By order of the Board



REAGAN MARCHANT
PRINCIPAL OFFICER
CAPE TOWN, MAY 2023

DRAFT MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS HELD ON 27 JUNE 2022 AT 10:00

The following persons were in attendance, either in person at Engen Court, Conference Room, Thibault Square, Cape Town, or virtually via the LUMI Technologies platform:

Trustees

S Moroka-Mosia	Employer appointed Trustee and Chairperson
D Mokotjo	Employer-Nominated Trustee
A Bennetts	Member-elected Trustee
M Tshabalala	Member-elected Trustee
A Nkomo	Member-elected Alternate Trustee
R Marchant	Principal Officer

Members

P Micklewood	E Carelse
R Magnin	T Senti
D Wright	M Sokotshe
S Bruckner	L Buthelezi
C Don	T Sabela
B Khumalo	J Kammies
R Windsor	J Schuller
P Emery	N Segals
C Bognar	G Makhatini
M Knicklebein	B Bergh
P Sutherland	C Jacobs
A Gani	N Munilall
E Seket	F Dien
J Maurice Green	J Knopp
M Palmer	F Bawa

By Invitation

D du Toit	Discovery Health – Fund Manager
D Spangenberg	Discovery Health – Finance Manager
S Ashraff	Discovery Health – Corporate Health Manager
N Kolia	Discovery Health – Corporate Health Manager
A Pietersen	Discovery Health – Fund Coordinator
M Fortuin	Alexander Forbes Health – Senior Health Actuary
V Pullen	Council for Medical Funds – Compliance

Apologies

L Shaw	Employer Nominated Trustee
S Abrahams	Employer Nominated Trustee

1. Welcome and Quorum

At 10:35, it was noted that a quorum was present since there were 36 members in attendance.

The Chairperson, Ms S Moroka-Mosia, welcomed all attendees present and opened the meeting.

No additional matters were raised for discussion.

2. Notice convening the meeting

The Chairperson confirmed the Notice of the Annual General Meeting was distributed to all members within the required timeframe. The notice was taken as read.

It was noted that copies of the Notice of the Annual General Meeting were available to all attendees.

3. Approval of the Minutes of the previous Annual General Meeting held on 30 June 2021

There were no comments or corrections to the draft minutes of the Annual General Meeting held on 30 June 2021, and it was duly confirmed as a true recording of the Meeting.

Matters arising from the minutes of the Annual General Meeting held on 30 June 2021

Minute item.	Feedback
10.1	In response to a claim made by one of the members present that he did not receive the AGM Notice, Mr Marchant confirmed that the documents were sent to all members and made available on the Fund website. The matter was dealt with after the Annual General Meeting and resolved with the member concerned. Matter closed
10.2	One of the members present requested a copy of the Minutes of the Meeting and Attendance Register. It was noted that the draft Minutes, which includes the detail of members in attendance is made available via the Fund website and included in the Notice for the next Annual General Meeting, which is distributed annually to all members. Matter closed
10.3	<p>One of the members present indicated his dissatisfaction with the virtual format of the meeting as he felt it did not facilitate members' participation appropriately. The Chairperson confirmed the LUMI platform was selected as it provided all the necessary governance and attendance management requirements. Ms Moroka-Mosia indicated the format of the Meeting was determined by the extraordinary restrictions necessitated by the COVID-19 pandemic, and that the Fund would, insofar as it may in future again be possible, consider the request that the meeting should be held in the normal manner.</p> <p>The hybrid format of the 2022 Annual General Meeting, where members could attend in person or virtually via the LUMI platform, was indicative of the Board's efforts to enhance access to the Meeting. Matter closed</p>
10.4	<p>One of the members present requested an annual survey should be performed to determine members' satisfaction with the services rendered by Discovery Health and suggested that the fees paid to the Administrator should be linked to the findings of such survey. Mr Marchant elaborated on the regular feedback received by the Board of Trustees on monthly, auditable member satisfaction surveys, conducted amongst members who had interactions with the Administrator. He also indicated actions taken by the Administrator to contact members where the scoring was not acceptable (below 7 on a scale of 1 to 10), to resolve unresolved servicing issues that led to the low score.</p> <p>Mr Marchant also referred to a similar Motion, received from one of the members, to be considered by the Annual General Meeting under Item 10.2 of the Agenda. Matter closed</p>
10.5	<p>It was noted that members in Namibia struggle to have claims settled. It was explained that claims from outside of South Africa must be submitted manually for refunds due to prevailing National Treasury currency regulations and the requirements under the Medical Funds Act relating to ICD-10 coding. The Administrator assisted the member with the specific claims, and the process for the submission and payment of claims incurred outside of South Africa was subsequently explained to members via the Fund Newsletter.</p> <p>It should be noted that the Administrator has recently embarked on a process to, where they meet specific requirements, contract with healthcare providers in the SADC countries to ensure that once such contracts are in place, claims would be submitted by and paid directly to provider, as if they were incurred in South Africa, subject to the applicable benefit Rules. Members of the Fund in Lesotho were benefitting from this process, and Discovery was negotiating with providers in Namibia to institute the same processes.</p> <p>The Meeting indicated satisfaction with the progress in this regard. Matter closed</p>

4. To consider and adopt Chairperson's report for year ended 31 December 2021

The Chairperson thanked members for their loyal support and highlighted key points from her report, previously circulated to all members via the Notice of the 2022 Annual General Meeting.

No questions were raised, and the members present adopted the Chairperson's Report, by show of hands.

5. Adoption of the Annual Financial Statements for 2021

The Principal Officer confirmed Highlights from the Annual Financial Statements for 2021 were included in the Notice of the Annual General Meeting. He further indicated that copies of these Annual Financial Statements were made available to members on request and were also available on the Fund's website prior to the Meeting.

The Chairperson confirmed the 2021 Annual Financial Statements were prepared by the Administrator and that the Fund's auditors, PricewaterhouseCoopers, issued an unqualified opinion.

No questions were raised, and the Annual Financial Statements and the Auditor's Report were adopted by the members present, by show of hands.

6. To appoint the auditors for the ensuing year

The Chairperson indicated that the Audit Committee recommended the appointment of Harris Dowden and Fontaine as external auditors for the ensuing year, which the Board of Trustees approved.

The members present resolved to ratify the appointment of *Harris Dowden and Fontaine* as the Fund's auditors for the 2022 financial year and requested the Board of Trustees to seek approval of the appointment from the Council for Medical Funds, as per the requirements.

7. Changes to the composition of the Board of Trustees

The Meeting noted that the Terms of Office of the following three member-elected Trustees expired immediately prior to the Annual General Meeting and noted that Dr Gray was not available for re-election:

- Mr Sharief Abrahams,
- Dr A Gray
- Ms A Bennetts.

The Principal Officer indicated that a Trustee election process was initiated, and nominations were received for four candidates:

- Ms A Bennetts (re-elected),
- Mr M Tshabalala,
- Mr P Emery
- Mr D Cassidy.

Prior to the commencement of the voting process, Mr Emery withdrew his nomination. Due to the remaining number of candidates being equal to the number of vacancies on the Board, it was not necessary to initiate a voting process.

The following three Trustees were considered duly elected to serve a term from 1 July 2022 to 30 June 2025:

- Ms A Bennetts,
- Mr M Tshabalala and
- Mr D Cassidy.

The Meeting confirmed the election of these Trustees, subject to a vetting process, and ratified the resulting changes to the composition of the Board of Trustees.

The Chairperson thanked the outgoing Trustees for their service to the Fund and welcomed the elected Trustees to the Board.

8. Appointment of the Disputes Committee

The composition and appointment of the members of the Disputes Committee were noted by the members present.

The following persons will serve as members of the Disputes Committee from 8 March 2021 to 8 March 2024:

- Mr E Hermanus
- Mr M Kroqwana
- Mr I Solomons

The Meeting noted that Dr G Kew was appointed by the Board to assist the Disputes Committee in providing clinical expertise, as and when it may be necessary. Dr Kew's appointment is valid for a 3-year period from April 2021.

9. Other business of which due notice has been given

The Principal Officer confirmed that he did not receive any motions to be considered by the Meeting.

10. Other business of which due notice has been given

10.1. Engen Medical Benefit Fund: support for its members (member R Windsor)

The Principal Officer noted that the Fund received a request from member Windsor to address the meeting. Mr Windsor expressed concern around the lack of understanding of benefits and processes and outlined his frustration with certain claims that were not processed correctly.

He suggested that pensioners may, via the Pensioner Association, receive training about the Fund's benefits and Rules. It was also suggested that communication regarding the various management care programmes should be reiterated to members to ensure they were aware of the processes. It was noted that the focus will be on Oncology and Spinal care.

The member further noted that he was not aware of the process to escalate service requests when not satisfied with initial feedback from the Discovery service agents. It was noted that the escalation process is outlined in the Member Guide and on the Fund website. The Administrator undertook to highlight the details of the process via a next edition of the Fund newsletter.

10.2 Motion – Annual member survey

The proposer of a motion, requesting an annual member satisfaction survey to be conducted, which was received within the required timelines, was not present at the Meeting.

The Principal Officer indicated this Motion was similar to the matter raised at the previous year's Annual General Meeting (Item 10.4 of the Matters Arising) and proceeded to provide detailed feedback on the outcomes of several member satisfaction surveys, conducted in various business areas of the Fund's administration. He also indicated several other ways in which the Board of Trustees monitored the performance of the Administrator on a regular basis.

Discussion ensued with members present indicating that little to no reliance could be placed on the results of a satisfaction survey conducted randomly, irrespective of whether the member being surveyed received services from the Fund. Since there was no support for the Motion, it did not carry.

11. General

One of the members present referred to access to medical care having been denied when a continuation membership had been withdrawn and raised concern about the process that is followed when a principal member passes away. Ms du Toit apologised to the members, on behalf of the Fund, and noted that a formal apology would also be issued to the Pension Fund.

The Principal Officer indicated that steps were taken to improve the membership continuation process and ensure a smooth transition for a remaining dependant to assume the role of a principal member.

12. Closure

The Chairperson expressed thanks and appreciation to:

- Members of the Board of Trustees for their support and invaluable insights.
- The Sub-Committees: Audit, Clinical, Ex-Gratia, Benefits and Contributions, Investment and Operations, for their dedication to members, the Fund and Trustees.
- The Principal Officer and his team for their dedication and commitment to service excellence.
- Discovery Health for the diligent way in which they attended to all matters relating to the administration of the Fund.
- The Employer for his active support of the Engen Medical Benefit Fund.
- Healthcare consultants, Alexander Forbes Financial Services (Pty) Ltd, for their diligent monitoring of the Fund performance, and consulting advice.
- Momentum Consultants for their investment expertise and guidance.
- Medical advisor, Dr Anthony Davidson for his valuable contribution.
- External auditors, PricewaterhouseCoopers, for efficiently conducting the 2021 audit.
- Members of the Fund for their ongoing support.

The Chairperson reiterated that the Board of Trustees remained committed to the future and sustainability of the Engen Medical Benefit Fund and to ensure competitive benefits were offered to the members.

There being no further matters for discussion, the Chairperson thanked all present for their attendance and closed the Meeting at 11:48.

CERTIFIED TO BE A TRUE RECORD OF THE PROCEEDINGS

Chairperson Signature

Date

CHAIRPERSON'S REPORT

The Board of Trustees is proud to present the 2022 financial results to you.

Throughout the COVID-19 pandemic, in 2020 and 2021, the Fund maintained a strong financial position and was able to cover healthcare costs incurred by our members.

During the COVID-19 pandemic and continuing into 2022, members unfortunately also missed some planned medical procedures, and many did not undergo regular preventative screening tests. Although these trends have caused the in-hospital claims expenditure for 2022 to be lower than anticipated, the future burden of disease may also worsen and negatively impact members' health. Basic healthcare screenings remain important to detect the most serious conditions and put members in a position to prevent underlying conditions from becoming severe and negatively impacting their health and lives.

Although the Fund's financial position continued to improve, membership decreased by 3.4% from 2021, the remaining members are older, and more than 26% of the members are pensioners. The burden of disease is also increasing, best illustrated by more than 42% of the beneficiaries registering for the use of chronic medicine, up from 37.1% in 2019.

Whilst the Fund was fortunate to maintain a sound financial position throughout the pandemic, the Trustees are now focusing on ensuring the sustainability of the Fund into the future and that it will continue to provide value for money for our members.

Trustees

The following persons serve as Trustees of the Fund:

Employer nominated trustees Member elected trustees

Ms S Moroka-Mosia - Chairperson	Ms A Bennetts
Ms D Mokotjo	Mr D Cassidy
Ms N Ngema	Ms G King
Ms L Shaw	Ms N Rabochene
Mr O Villo	Mr M Tshabalala

Alternate trustees

Ms B Ndlovu	Ms A Nkomo
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Appointment of the Auditor

In terms of the Fund Rules, the Annual General Meeting, held on 27 June 2022, appointed Harris Dowden & Fontaine as the Fund's external auditor, to perform the 2022 audit. This appointment was subsequently approved by the Council for Medical Funds.

Risk management

Risk is defined as the possibility of an event materialising, which could have a negative impact on the achievement of the Fund's strategic objectives. The Board of Trustees manages key risks identified on an ongoing basis, with oversight being provided by the Audit and Risk Sub-Committee.

During the first quarter of 2023, the Fund received feedback from separate reviews performed by independent consultants appointed by the Employer and the Fund administrator, which considered the sustainability of the Fund from a benefits and contributions perspective, taking into consideration recent membership losses, a worsening demographic member profile and an increased disease burden.

It was found that although the Fund sustainability is not in immediate threat due to the strong reserve position at the end of 2022, certain steps will have to be taken over the medium term (3 to 5 years) to ensure the Fund's future sustainability. These may include:

- A review of the current benefit offering and contributions with a view on streamlining and alignment with market standards
- Increasing measures to manage the impacts of the ageing risk and claims profile of the Fund through increased registrations on managed healthcare programmes offered and the further introduction of healthcare provider networks and / or Designated Service Providers.

The Trustees are committed to managing and improving the position gradually, in a controlled manner

Financial performance overview

In 2022 the Fund delivered well on most of its key metrics:

Metric	2022 vs 2021 Actuals	Current Status
Membership	5.0%	Membership decreased from 3,297 principal members at the end of 2021, to 3,132 in 2022
Average age of beneficiaries	0.82 years	The average age of the Fund, which is higher than the industry average of 33.71 years (CMS:2021), increased to 41.97 years from 41.15 years in December 2021.
Proportion of lives over the age of 65	5.71%	The pensioner ratio of 20.15% is higher than the 19.06% in 2021, and significantly higher than the industry average of 9.06% (CMS:2021)
Reserve ratio	6.52%	The Fund's reserve ratio increased from 122.59%: R284.24 million in 2021 to 129.11%: R293.76 million in 2022. This is well above the legal requirement of 25%
Accumulated funds per member	R5,872 increase pm	The accumulated funds were R99,113 per member at the end of 2021 compared to R104,985 at the end of 2022
Operating deficit/ Surplus (Before investment income)	-R11.40m	The Fund achieved an operating deficit of R5.93 million at the end of 2022, compared to a surplus of R5.46m at year end 2021. Although the 2022 deficit is in line with the budget expectations, the Fund had to rely on investment income to end the year with a surplus of R8.94 million.
Claims ratio	5.76%	The claims ratio increased from 91.60% in 2021 to 96.88% in 2022. The Fund experience is worse than the industry average of 90.94% (CMS:2021).
Non-healthcare costs	4.07%	Non-healthcare costs were at 6.01% at the end of 2022, which is higher than the 5.78% of 2021. These average costs are still lower than the industry average of 8.66% (CMS:2021)

Disputes Committee

The Disputes Committee met once and decided in favour of the complaining member, determining that further information received during the hearing confirmed that the diagnosis and treatment received qualified as an emergency, and consequently a Prescribed Minimum Benefit condition. As such, the Fund was instructed to fund outstanding claims payments.

The Committee further ruled that the burden of obtaining additional information for the administrator to assess claims in relation to Prescribed Minimum Benefit conditions, or whether it meets the provisions of Regulation 8 (3) of the Medical Funds Act 131 of 1998, remains the primary responsibility of a member to obtain directly from the relevant service provider. However, where a member can show that they are unable to obtain additional information, the Administrator must assist members appropriately.

Industry issues

The Fund is/may be affected by the following industry issues:

National Health Insurance: On 8 August 2019, the draft National Health Insurance Bill was introduced in Parliament. After lengthy public hearings, conducted from May 2021 to 23 February 2022, and further deliberations in the National Assembly during 2022, the Parliamentary Legal Services and the State Law Advisors provided their opinions to Parliament in March 2023. The work continues towards the finalisation of the draft Bill in preparation for it being moved to the Provincial structures for their review and input. Progress is however hampered by the opposition seeking a postponement to the current work that is underway, to seek legal input, and no clarity on whether the Treasury will be given an opportunity to comment on the Bill.

The Trustees are monitoring the progress made towards the implementation of National Health Insurance, but do not believe that it will impact the Fund during 2023.

Section 59 Inquiry: Since publishing the interim findings to their investigation into allegations of racial bias and discrimination in the management of fraud, waste, and billing abuse (FWA) by medical Funds and their administrators in January 2021, the Panel appointed by the Council for Medical Funds to conduct the investigation has not published a final report.

Discovery Health (Pty) Ltd, the Fund's administrator, has in the interim reviewed their processes to manage Fraud Waste and Abuse (FWA) and has, in collaboration with the relevant stakeholders, made some changes to ensure transparent and inclusive processes.

South African Society of Physiotherapy: In 2022, the SA Society of Physiotherapists (SASP) lodged a court case against all medical Funds, administrators, the Minister of Health, and the Council for Medical Funds, alleging that Section 59(3) of the Medical Funds Act is unfair and unconstitutional. The remedy they seek is that this section of the Act should be declared unconstitutional and invalid.

LA Health, through Discovery Health (Pty) Ltd, is contesting this action.

Competition Commission complaint lodged by the Health Funder's Association

On March 6, 2023, the Health Funder's Association (HFA) made a complaint to the Competition Commissioner on behalf of 35 medical schemes, which represent over 5.6 million beneficiaries. The Fund has joined this action.

The complaint is about the pricing of COVID-19 PCR tests by South African pathology labs during the COVID-19 pandemic (from March 2020 to December 2021). The HFA initiated this complaint under a certain section of the Competition Act, No. 89 of 1998 against three pathology groups: Ampath, Pathcare, and Lancet Laboratories.

The costs of this complaint are divided proportionally among the schemes who joined this action, based on their membership

In closing

The balancing act between having affordable contribution increases and being able to provide funding for the healthcare services required by members, remain a challenge for the industry and underlines the need for the Fund to continue looking for ways to be more effective and efficient.

Whilst we are keeping a close eye on the Fund's financial performance, the Trustees are comfortable that the Fund continues to be sustainable, offering excellent value. Our focus is on ensuring peace of mind for all our members for all appropriate major medical expenses, at affordable contribution rates.

We thank you for your support to the Fund and the Trustees in 2022 and now.



Shirley Moroka-Mosia
Chairperson

INDEPENDENT AUDITOR'S REPORT



HARRIS DOWDEN & FONTAINE CHARTERED ACCOUNTANTS (SA)

IRBA Registration No: 943703

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R.T. Harris, B.J. Dowden, C.L.I. Fontaine

Independent Auditor's Report

To the Members of Engen Medical Benefit Fund

Report on the audit of the Financial Statements For the year ended 31 December 2022

Opinion

We have audited the financial statements of Engen Medical Benefit Fund (the Fund), set out on pages 14 to 46, which comprise the statement of financial position as at 31 December 2022 and the statement of 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 Engen Medical Benefit Fund 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 (ISA's). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund 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 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 for the current year. 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.

1. Outstanding claims provision:

International Financial Reporting Standards (IFRS) requires the Fund to make provision for all future cash outflows for which a past event has occurred.

As disclosed in Note 8 to the annual financial statements, the carrying amount of the Outstanding Claims Provision ("IBNR") at year end was R4,863,000 (2021: R6,554,700). The determination of the IBNR requires the Fund's Trustees to make assumptions and significant judgement 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.

How the matter was addressed in the audit:

In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:

- Testing the Fund's controls relating to the preparation of the IBNR calculation;
- Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the IBNR;
- Performance of an independent estimate of the IBNR using substantive analytical procedures that involved historical claims data and trends and comparing the estimate to the Fund's IBNR;
- Performance of tests of details on the current year IBNR including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date; and
- Performance of a retrospective review of the IBNR raised in the 2021 financial year based on actual claims paid in 2022 to verify the assumptions applied to determine the IBNR are reasonable.

The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income and the related disclosure of the IBNR balance, in the Statement of Financial Position and assumptions are appropriate.

We engage with management around the rationale for any adjustments or decisions over and above the numeric calculation.

2. Claims and contributions:

Claims and contributions are significant classes of transactions in the annual financial statements of the Fund. These are also subject to significant risk of fraud or material misstatement. The Fund places significant reliance on the system of internal controls and various analytical and system based checks to ensure that all claims and contributions are valid and accurate.

How the matter was addressed in the audit:

During the audit the claims system is subjected to various tests of controls and exception reports are reviewed.

3. *Risk Transfer Arrangement:*

The Fund entered into two risk transfer arrangements for the duration of the year, which obliged the Capitor to compensate providers for costs incurred by members of the Fund, in the case that an insured event occurred.

How the matter was addressed in the audit:

We tested the accuracy of the risk transfer arrangement fees expense, by agreeing the number of members and rates applied in the calculations, to member records and the service level agreement with the Capitors. No inconsistencies were noted.

Other Information

The Fund's trustees are responsible for the other information. The other information comprises the Statement of Responsibility by the Board of Trustees, and the Report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Fund's Trustees for the Financial Statements

The Fund'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 Fund'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 Fund's trustees are responsible for assessing the Fund'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 Fund's trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 ISA's will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's trustees.
- Conclude on the appropriateness of the Fund's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 Fund 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 Fund'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 Fund'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 Fund's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit Tenure

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that this is the first year of our appointment as the auditor of Engen Medical Benefit Fund.

The engagement partner is Charles Fontaine.

Harris Dowden & Fontaine
HARRIS DOWDEN & FONTAINE
Registered Auditors
Per: C.L.I. FONTAINE

Sandton
17 April 2023

STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

ASSETS

Non-current assets

Financial assets at fair value through profit or loss

Current assets

Financial assets at fair value through profit or loss

Trade and other receivables

Cash and cash equivalents

Investment of Medical Savings Account monies

Total assets

FUNDS AND LIABILITIES

Members' funds

Accumulated funds

Current liabilities

Medical savings account liability

Trade and other payables

Outstanding claims provision

Total funds and liabilities

2022	2021
R	R
270 910 968	259 527 458
270 910 968	259 527 458
89 580 054	92 874 442
55 401 366	45 520 946
2 189 789	2 084 603
6 478 945	17 125 380
25 509 054	24 143 513
360 491 022	352 401 900
326 399 301	317 457 939
326 399 301	317 457 939
34 091 721	34 943 961
24 798 161	24 486 155
4 430 560	3 903 106
4 863 000	6 554 700
360 491 022	352 401 900

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	2022	2021
	R	R
Risk contribution income	204 803 653	208 686 614
Relevant healthcare expenditure	(198 422 328)	(191 157 382)
Net claims incurred	(198 756 228)	(190 995 205)
Risk claims incurred	(194 771 858)	(187 077 899)
Managed care management services	(4 309 498)	(4 314 113)
Third party claims recoveries	325 128	396 807
Net income/(expense) on risk transfer arrangements	333 900	(162 177)
Risk transfer arrangement fees paid	(2 005 693)	(1 142 598)
Recoveries from risk transfer arrangements	2 339 593	980 421
Gross healthcare results	6 381 325	17 529 232
Administration expenses	(12 022 221)	(11 850 879)
Net Impairment losses on healthcare receivables	(295 179)	(209 306)
Net healthcare results	(5 936 075)	5 469 047
Other income	17 647 276	40 078 111
Investment income	16 313 106	39 027 608
Interest on medical savings account trust monies invested	1 334 170	1 050 503
Other expenditure	(2 769 839)	(2 228 301)
Asset management fees	(1 435 669)	(1 177 798)
Interest paid on medical savings accounts trust monies	(1 334 170)	(1 050 503)
Net surplus for the year	8 941 362	43 318 857
Total comprehensive income for the year	8 941 362	43 318 857

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended at 31 December 2022

	Accumulated Funds / Total members' funds
	R
Balance at 1 January 2021	274 139 082
Net surplus for the year	43 318 857
Balance at 31 December 2021	317 457 939
Net surplus for the year	8 941 362
Balance as at 31 December 2022	326 399 301

STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	2022	2021
	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members and providers	227 960 220	232 088 328
- Cash receipts from members - contributions	227 830 643	231 851 608
- Cash receipts from members and providers – other	129 577	236 720
Cash paid to service providers and members	(236 158 752)	(228 443 418)
- Cash paid to providers and members – claims	(222 576 393)	(215 129 159)
- Cash paid to providers and employees – non-healthcare expenditure	(12 238 949)	(11 920 742)
- Cash paid to members – Medical Savings Account refunds	(1 343 410)	(1 393 517)
Cash (used in) / generated from operations	(8 198 532)	3 644 910
Interest received	1 918 538	1 361 872
Net cash flows from operating activities	(6 279 994)	5 006 782
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of investments	(174 000 000)	(138 000 000)
Proceeds on disposal of investments	171 000 000	137 000 000
Net cash flows from investing activities	(3 000 000)	(1 000 000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9 279 994)	4 006 782
Cash and cash equivalents at beginning of year	41 268 893	37 262 111
CASH AND CASH EQUIVALENTS AT END OF YEAR	31 988 899	41 268 893
Current accounts	6 478 945	17 125 380
Medical Savings Account funds	25 509 954	24 143 513

MATTERS OF NON COMPLIANCE

Contributions not received within three days of it becoming due

In terms of Section 26(7) of the Act, all contributions shall be paid directly to a medical scheme not later than three days after payment becoming due.

A limited number of exceptions were noted during the year where contributions were received late. Membership changes may cause reconciliation items between the employer and the Fund records. These are typically resolved within one month.

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of member movements, and the communication process between the employer and pension administrators, on the one hand, and the Administrator on the other, this is not always possible.

Claims paid after 30 days

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where complex claims settlements took longer than 30 days from receipt.

These are isolated cases that do not have a material effect on the Fund. The necessary assistance is provided to the affected members and healthcare providers to ensure that the impact of these cases is minimised.

Shareholding in the holding company of the Administrator or any other Administrator

The Fund holds indirect investments in Discovery Holdings Ltd. This is in contravention of section 35(8)(c) of the Act, as the Fund is not allowed to hold shares in the holding company of the Administrator or any other Administrator.

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

The Fund has applied for exemption from the requirements of Section 35(8)(c) of the Act. Exemption was granted until 30 November 2025 by the Council for Medical Schemes.

Sustainability of the Fund

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound.

At 31 December 2022 the Fund incurred a net healthcare deficit of R5.9m (2021: net healthcare surplus of R5.5m). After investment income the Fund recorded a surplus of R8.9m (2021: surplus of R43.3m), due to higher than expected claims.

The Board of Trustees carefully monitors the Fund's performance with the assistance of the Fund's actuaries, are comfortable that the results are within the pricing strategy of the Fund and that the Fund is in a sound financial position as at 31 December 2022.

KEY FINANCIAL AND SERVICE METRICS

	2022	2021
Member's funds	R 326 399 301	R 317 457 939
Solvency Ratio	129,11%	122,59%
Gross contribution income	R 227 532 169	R 231 868 255
Risk contribution income	R 204 803 653	R 208 686 614
Accumulated funds per member	R 104 985	R 99 113
Accumulated funds per beneficiary	R 54 482	R 50 672

OPERATIONAL STATISTICS

	2022	2021
Number of members at the end of the accounting period	3 132	3 297
Average number of beneficiaries for the accounting period	6 088	6 451
Average age per beneficiary (years)	41,97	41,15
Pensioner ratio (beneficiaries 65 years and older)	20,15%	19,06%
New members joining the Fund	129	32
Members leaving the Fund	223	254
Average net contribution per member per month	R 5 449	R 5 275
Net claims as a percentage of net contributions	96,88%	91,60%
Non-healthcare expenses per beneficiary per month	R 169	R 156
Non-healthcare expenditure as a percentage of risk contributions	6,01%	5,78%
Return on investments	4,60%	13,70%

COMPOSITION OF THE BOARD:

to appoint Trustees to fill interim vacancies on the Board of Trustees

Background

The following Trustees have tendered their resignations:

- Ms Glenda King (member representative) with effect from 31 March 2023. Ms King's term ends 30 June 2024, and
- Ms Nompumelela Ngema (employer representative) with effect from 28 February 2023.

In addition, the terms of office of the following Employer nominated Trustees expired prior to the AGM in 2023:

- Ms Dorcas Mokotjo on 31 March 2023
- Ms Lesley Shaw on 11 June 2023

Member-elected Trustees

Rule 18.7 of the Rules of the Fund state the following in terms of the filling of casual vacancies for member-elected Trustees:

The Board shall have the right to fill any casual vacancy amongst the member representatives that may occur during their terms of office. A person so appointed shall retire at the first ensuing annual general meeting and that meeting shall fill the vacancy for the unexpired period of office of the vacating member of the Board.

At their meeting held on 17 April 2023, the Trustees appointed Ms Asanda Nkomo as a Trustee to fill the vacancy created by Ms King's resignation. The appointment will expire immediately prior to the Annual General Meeting.

Recommendation

The Board recommends that Ms Asanda Nkomo be appointed by the Annual General Meeting to serve out the unexpired duration of Ms King's term – to 30 June 2024.

Employer nominated Trustees

In terms of the Rules, the following apply:

18.1 Constitution *of the Board*

5 (trustees) shall be nominated by the Company (referred to as "employer representatives")

18.2 Term *of office*

18.2.1. An employer representative shall serve a term of office of 3 years. An employer representative may be re-appointed by the Company.

The Employer has made the following nominations to fill the vacant Employer nominated Trustees' positions on the Board:

Resignation/ Term ended for	Nominated Trustee	Term
Ms N Ngema	Mr J Gumede	18 April 2023 to 17 April 2026
Ms G King	Ms A Nkomo	18 April 2023 to 30 June 2024
Ms D Mokotjo	Ms D Mokotjo	18 April 2023 to 17 April 2026
Ms L Shaw	Ms L Shaw	12 June 2023 to 11 June 2026

Recommendation

The Trustees recommend the ratification of the Employer Trustee nominations, as indicated in the table above.



Engen Medical Benefit Fund, registration number 1572, is regulated by the Council for Medical Schemes and administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.