



ANNUAL
REPORT
2020



No matter how hard it gets.
No matter how dark it may be;
South Africans always rise
above all challenges.





CONTENTS	PAGE
A nation of survivors	3
Signed and approved minutes of previous Annual General Meeting (AGM)	4-18
Collective list of resolutions taken at the Annual General Meeting (AGM)	20 - 21
Board of Trustees' Report	24 - 38
Report of the Audit and Risk Committee	42 - 45
Financial Highlights	48 -51
• Statement of Financial Position	48
• Statement of Comprehensive Income	49
• Statement of changes in members' funds and reserves	50
• Statement of Cash Flows	51





A NATION OF SURVIVORS

Stepping into the battlefield confidently comes from knowing who you are. It comes from knowing your enemy's strengths and weaknesses. It comes from knowing that you have trained hard and are prepared. It comes from knowing that you are ready to draw your weapons and fight your way to victory.

But what if the enemy is invisible? How do you prepare? What weapons do you use?

Early in our battle with COVID, South Africa's confidence was bruised. However, we pulled together to share resources and help flatten the curve. We lit the torch of hope and stand united to defeat COVID, because we are a nation of survivors.

Months ago, we would not have believed that we would see a time when everything would stand still. A time when players and fans would not go to sports grounds. A time when music lovers and partygoers would not be allowed to gather to dance away the troubles of yesterday and embrace today. A time when going on a dream vacation remained a dream even if finances allowed.

If we were told that hugs and kisses, handshakes, and family visits would become a thing of the past, and that all of this would be in the name of saving humanity, we would not have believed it.

Yet we stand here today with the entire world locking down to fight this invisible enemy, in order to return us all to our normal lives. We too have borne our share of lockdowns. Lockdowns which have been vital to saving lives yet so detrimental to livelihood.

We have witnessed business owners closed their doors for the first time after the announcement of nationwide

lockdown by President Cyril Ramaphosa on 23 March 2020 never open them again. We have borne our share and we have seen the harsh reality of the disparity between the haves and the have-nots.

We have seen how cunning COVID-19 is. We have seen how it riles the winds of racism, tribalism, and sexism. How it gathers the clouds over gender-based violence, rape, and xenophobia. We have even seen how this invisible enemy has crashed our economy and claimed the jobs of millions.

Not only has COVID-19 claimed jobs, but it has also claimed the lives of so many South Africans. Yet, in what will perhaps become known as the most difficult period of our lives, we will see our people share hope in many untold ways because we are a nation of survivors.

Our front-line workers have never given in, never given up, and never missed a day's work. They have risked their lives and the lives of those close to them for this our lives, our livelihoods, and our way of life. Our healthcare system has been challenged by this faceless monster, as have you and all our valued Sizwe members.

To our police, soldiers, nurses, doctors, teachers, cashiers, and every citizen and member who stayed at home, wore their masks, and kept to the social distancing rules, you are the true heroes and heroines of our time.

Our country has been hit with many storms yet look at us now. See how we stand behind our flag with our fists over our hearts to pray, and to sing "Nkosi sikelel 'iAfrika" because we are a resilient nation. Because we will continue to rise. Because we are a nation of survivors.

*To all who succumbed to Covid-19...
Rest Well.*



MINUTES OF THE ANNUAL GENERAL MEETING (“AGM”) OF MEMBERS

HELD ON SATURDAY, 20 JULY 2019 AT 10H00 AT THE
RIDGE ENTERTAINMENT CASINO, CNR MANDELA STREET
AND N4 HIGHWAY, EMALAHLENI





PRESENT:

MR L MAKWABE
CHAIRMAN

MR B SALTERS
DEPUTY CHAIRMAN

MR S DAWETI
TRUSTEE

MR P JACOBS
TRUSTEE

DR Z LIMBA
TRUSTEE

MS Z MATIKINCA
TRUSTEE

MR M MOYENI
TRUSTEE

MS C RENSBURG
TRUSTEE

MR T KGOKOLO
TRUSTEE

MR M SHAMASE
TRUSTEE

IN ATTENDANCE

292 MEMBERS OF THE FUND IN GOOD STANDING

MANAGEMENT:

DR S MANGCWATYWA
PRINCIPAL EXECUTIVE OFFICER

DR O MAZWAI
CLINICAL AND OPERATIONS EXECUTIVE

MR V MBONANI
CHIEF FINANCIAL OFFICER

MS V XAXA
COMPLIANCE EXECUTIVE

INDEPENDENT COMMITTEE CHAIRPERSONS:

MS N NKOSI
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

MS M NGWENYA
CHAIRPERSON OF THE REMUNERATION COMMITTEE

LEGAL REPRESENTATIVE:

MR T MALATJI
MALATJI ATTORNEYS

COUNCIL FOR MEDICAL SCHEMES:

MR S CELE
COUNCIL FOR MEDICAL SCHEMES (CMS)

EXTERNAL AUDITORS:

MR W NGUBANE
NGUBANE AND CO. CHARTERED ACCOUNTANTS

MS M NDLOVU
NGUBANE AND CO. CHARTERED ACCOUNTANTS

MS S KHUZWAYO
NGUBANE AND CO. CHARTERED ACCOUNTANTS

ADMINISTRATORS:

DR O MAHANJANA and his executives
3 SIXTY HEALTH (PTY) LTD ("3 Sixty Health")



1. WELCOME

The Chairman opened the meeting and welcomed all those present at the Sizwe Medical Fund Annual General Meeting (AGM) hosted by the Mpumalanga Province. He requested Mr M Moyeni to open the meeting with a short prayer, asking guidance on the meeting's proceedings.

The Chairman proceeded to welcome and acknowledge the Deputy Chairman, the Board of Trustees (BOT), members of the Fund's Executive team, 3 Sixty Health led by Dr O Mahanjana and attendees of the AGM.

In his opening remarks, the Chairman noted that:

- The BOT had served two years out of its three-year term, making next year their last year of tenure.
- The Board had strived to limit contribution increases with the average increase being 4.3% in 2018 and 6.1% in 2019. This came after the Fund Members had a previous request that needed to be resolved including but not limited to looking at having lower contribution increases to enhance the Fund benefits.
- The Fund was at 54% solvency at the beginning of 2018, this has been reduced slightly in order to enhance benefits for the Fund members by tapping into the reserves. He also noted that the contribution increases approved by the BOT in 2018 and 2019 had been the lowest in the market.
- Management worked tirelessly to ensure that the Scheme ran well and efficiently, by implementing the Board Strategy and upholding all Service Level Agreements (SLA's) with Service Providers. Furthermore, the Scheme had been working closely with the Administrator in growing membership, and to this end, for the first time in three past years, the Scheme had sustained a net growth.
- The Scheme was unfortunately not immune to the downturn in the economy and had been affected by massive retrenchments in the Mining and Manufacturing sectors and, notable in this regard was the closure of General Motors (GM). This had impacted the Scheme's

growth and the strategic objective of being the third biggest Medical Scheme Fund in the country when the National Health Insurance "NHI" is eventually implemented. The Scheme was fully aware and in support of initiatives towards the NHI, and to this end, was looking into enabling opportunities to play a role within the NHI. It was believed that this initiative would bring a significant number of workers who were not covered by Medical Aid Scheme Funds.

The Chairman thanked his Board of Trustees for their support to him and the Deputy Chairman, as well as, driving the agenda; culture; and transformation within the Fund. He also thanked the Principal Officer (PO); the Executive team and members of staff for ensuring the successful hosting of the AGM, as well as ensuring implementation of strategic decisions approved by the Board.

On behalf of the Board, the Chairman wished all members and participants a successful AGM and hoped that the deliberations and robust discussions which were to take place during the AGM would be of benefit to the entire membership of the Fund.

Procedures of engagement:

Members were discouraged from disrupting the AGM, it was noted that such disruptive behaviour would not be tolerated. Members noted the procedures of engagement during the proceedings of the AGM as follows:

- All motions, questions, and points of order were to be raised through the Chairman of the AGM.
- Members were to raise their hands in order to be recognised for participation in the proceedings of the AGM, and once recognised, members were to state their full names and proceed directly to their questions. It was assumed that all members present were in good standing and the practice of mentioning one's union affiliation on the floor was strictly prohibited.



2. QUORUM

Rule 27.1.3 of the Scheme Rules stipulate that a minimum of 42 members in good standing constitutes a quorum. Ms V Xaxa duly confirmed the quorum.

The quorum was noted, with Mr EM Masenamela moving for the noting of the quorum, seconded by Mr R Swarts.

3. SAFETY BRIEFING

The AGM noted a Safety Briefing from the Building Officer of the venue.

4. NOTICE OF THE AGM

In accordance with Rule 27.1.2 of the Scheme, a 30 days' notice period is required to be served to members for the AGM and this was regarded as having been observed. Notice of the AGM was accepted as having met the requirements of the Rules.

5. CONFIRMATION OF THE AGENDA

Members considered the Agenda, which was taken as read and noted.

Ms R Sobuza took to the floor and requested an amendment to the agenda as follows:

- The inclusion of a report regarding Ubuhle Bezwe under item number 9.2 (This matter was included in the AGM documentation 11.1 under the Legal Matters.)
- Inclusion of motions listed in point form and by names under item number 8.1.

Mr X Mthuthu raised a point of order regarding the suggestion of inclusion of motions on the agenda and requested guidance in accordance with the Scheme Rules in this regard.

The Chairman noted that there was a stipulated period prior to the date of the AGM, wherein management opened for submissions of motions by members, after which the competence of submitted motions would be evaluated. Where motions did not meet the required competence, such information would be communicated to the relevant member. The matter of motions was also included on the Agenda as item 12.

The Agenda was adopted, without any further amendments, with Mr L Dlangamandla and Mr A Malithama moving for the adoption. Mr X Mthuthu seconded the move.

6. DECLARATION OF CONFLICT OF INTEREST

The Chairman provided guidance on the matter of Declaration of Interest, to the effect that, in line with good governance, no member should participate in the deliberations and/or vote on an Agenda item in which he or she had a direct or financial interest. Any member conflicted in this regard would have to recuse themselves and allow the AGM to proceed and deal with the matter without fear, favour, or prejudice.

At this point, the Chairman confirmed attendance of 198 members at the AGM. However, at the end of the registration process, a total number 292 in good standing were registered as present.



7. MINUTES OF THE 2018 AGM - FOR APPROVAL AND MATTERS ARISING

7.1 APPROVAL OF MINUTES OF THE AGM HELD ON 20 JULY 2018

The Minutes of the AGM held 20 July 2018 were considered, which were taken as read and confirmed as a true reflection of proceedings, subject to the following corrections:

- Ms Ria Sobuza was incorrectly recorded as Ms Ria Ledwaba;
- There was another section of the previous minutes of the AGM where a member was recorded as 'not known'. The Chairman emphasised that members recognised to the floor must state their full names and surname prior to their submissions to avoid any potential future contentions and disputes of the minutes.

The minutes of the AGM held on 20 July 2018 were approved as the true reflection of the proceedings, subject to noted amendments. Ms SJ Gumbi moved for adoption. The move was seconded by Mr F Nkwane and Mr G Madonsela.

7.2 MATTERS ARISING FROM THE PREVIOUS AGM

The Matters Arising from the AGM held 20 July 2018 were considered, which were taken as read and noted.

- The Chairman noted that at the previous year's AGM, the contentious matter regarding the next AGM date was pronounced as resolved with the 2019 AGM being held on Saturday.
- Furthermore, all other resolutions approved at the 2018 AGM were implemented by the BOT as reflected in the Matters Arising.

Matters arising from the previous meetings were duly noted as reflected. Mr N Ngobeni moved for the noting, seconded by Mr R Swan.

8. REPORTS AND PRESENTATIONS

8.1 CHAIRMAN'S REPORT

The Chairman's Report was noted as discussed under item 1 above.

8.2 PO'S REPORT

The PO welcomed all members present, the BOT, the Fund Partners, the Administrator, the Executive team and all other present stakeholders of the Fund to the AGM.

8.2.1 Overview

The PO provided an overview of the Fund as follows:

- The average age ratio of the Fund was improving. The average age ratio for 2019 was 32 years compared to 2018 being between 33 years to 34 years.
- Membership of the Fund had grown to 47 600 to date.
- The Fund was challenged by socio-economic factors such as unemployment, unequal society, crime, HIV and AIDS, and diabetes which were impacting on the number of the economically active population and thus reducing the market of people with permanent employment requiring medical aid cover. Despite these challenges, the Fund had sustained growth which was a very commendable effort from Management.
- In 2018, the BOT had approved a Board Strategy based on 5 pillars, namely Compliance; Governance; Markets; Membership and Corporate Leadership. In this regard, it was noted that:
 - » Considering the highly regulated business environment in which the Fund was operating, the BOT had stressed that high levels of compliance be maintained. To this end, management was working with the CMS to maintain a high level of compliance and which the BOT was monitoring.
 - » Upon reflection of Markets and Membership, the BOT requested to focus on the long-term growth



of the Fund in order to preserve the legacy of the founders of the Fund and to also prioritise growing membership in this regard.

- » On Corporate Leadership, the BOT had aspired to lead by example as they wanted to take the Fund into a new direction, and to this end, management had planned an extensive annual Board plan. This took into account the annual work required of the BOT, strategy planning, and work required to lead the Fund in a new direction.
 - » In terms of Membership, the Fund was growing at a slow pace which placed pressure on members. Management had initiated marketing media campaigns (radio and television) to attract new members. Ms Nomzamo Mbatha and Mr Bob Mabena were new members gained through the media marketing initiatives. Management was also engaging 3 Sixty Health on other ideas that can be pursued to improve membership.
- Membership service experience was deemed a key matter to be improved by the Fund going forward. In the past 17 years, the Fund had sustained the lowest contribution increases of 7.8% in the market. Solvency was also severely impacted by the low annual contribution increases, and management projected a solvency of 23% by 2022 if a drastic intervention was not taken. For the Fund to take a new direction, a competitive annual increase was crucial.
 - Marketing had been outsourced to 3 Sixty Health due to a lack of in-house capacity. Since 2008, membership had declined from 65 000. Membership remained stable from June 2018 to June 2019, with marginal growth achieved and this was attributable to marketing interventions employed by 3 Sixty Health. Management stressed that more could be done in this regard, and to this end, they were in constant interaction with the team from 3 Sixty Health on new ideas.
 - The Fund furthermore appointed a black actuarial firm, Matlotlo Actuaries as requested by the members at the 2018 AGM.
 - Ngubane and Co. Chartered Accountants were also appointed as the Fund's External Auditors.
 - Attracting and retaining new talent and skills remained a challenge and a major obstacle was that the Fund was not offering competitive remuneration as compared to the market. The PO advised members to reflect on this matter when it comes to the remuneration of the BOT.
 - Management had launched a new website for the Fund and was also due to launch a new mobile application in due course.
 - Management was reviewing a new approach towards risk and was also in the process of obtaining a BEE certificate for the Fund.
 - Management was also looking into changing the option names. This change will not affect the benefits thereof. This was being done so as to align the options with more competitive names.

Comments and questions

Upon conclusion of the PO's report, the Chairman opened the floor to Members for comments and questions. The following members took to the floor, raising these salient points:

- Ms SJ Gumbi welcomed the PO's report and complimented management on its improvements on stakeholder engagements. She encouraged the BOT to attend regional meetings and road shows in order to provide members with information on developments regarding the Fund. She encouraged management to consider aligning the fund option names with the benefits offered in that option. She went on to commend the BOT on the appointment of a black actuarial firm. She also commended management on the good working relationship with 3 Sixty Health.
- Mr A Bloko welcomed the PO's report and proposed marketing the AGM as part of the Fund's marketing initiatives and this should be considered. He added that the PO's report however didn't provide sufficient substance for members to consider a competitive annual



contribution increase. Regarding attracting and retaining new talent and skills, he advised management and the BOT to find more creative ways to attract skills and talent as the Fund could not afford highly competitive salaries at that stage. Lastly, he agreed and supported the matter of renaming of the option names to align them with the benefits offered on the respective option.

- Mr EM Masenamela raised an issue regarding outsourcing of Marketing functions and services and requested management to provide reasons as to why this was outsourced. Regarding solvency, concern was raised that if the Fund benefits continued to be funded from reserve funds, without increasing the membership, this would severely affect the solvency of the Fund going forward. It was advised that management focuses on growing the Fund membership first.
- Mr NR Shabangu commended the BOT and management in improving the quality and benefits offered by the Fund, in that the Fund options were being widely accepted by most medical practitioners. He emphasised that marketing the Fund was crucial in growing membership and advised management to look into identifying and capacitating individuals within the Fund to assist with marketing thereof, in order to prevent outsourcing in this regard. It was advised that in long-term planning for the Fund, management should develop its own network of doctors that could account to and help prevent the defrauding of the Fund. The relationship of the Fund with the Administrator was commended, especially in assisting with the marketing strategy in stabilising and marginally growing membership. It was advised that the relationship with 3 Sixty Health be maintained especially regarding marketing.
- Mr W Fontein stressed the matter of increases in contribution as well as that Fund membership needed to grow in order to remain competitive. Growth could be achieved through contact with old members who have left the Fund due to retrenchments and advising them to give Sizwe first preference once employment was secured again. He encouraged wellness programs and investment in gym infrastructure for the members. He further urged management to consider filling vacancies

with internships.

- Mr K Ngobeni commended management on appointing black service providers. The hope was expressed that the Fund will continue working with transformed service providers.
- Mr L Dlangamandla requested clarity and rationale of changing option names, noting that management did not provide alternative names for consideration. It was pointed out that some of the option names were symbolic in being named after previous leaders of the Fund members.
- Mr V Phetshwa reminded management that at the previous AGM there was a request for a 0% annual contribution increase but, the BOT took a position of implementing a 4% and 6.1% annual contribution increase. If revenues were strained, increasing of remuneration to attract new talent and skills will also have to talk to the same revenues and therefore members could not take such a decision given the Fund's current financial status. Management was advised to consider hiring competent individuals who will be cognisant of the Fund's current financial status.
- Mr L Ntshintshi highlighted that he was pleased with the Fund's alignment with the 4th Industrial revolution, especially in the matter of the implementation of the Fund mobile application. He, however, expressed concern that the Sizwe mobile application, discussed at the previous and current AGM, has not yet materialised. It was requested that the marketing department attend to this matter and further to ensure that, the application is available on application stores.
- Mr M Serope requested an update on management's plan on vision 2020, as well as the plan for the National Health Insurance (NHI). He commended the Fund on being the official sponsor for Athletics South Africa.



The PO addressed the comments and questions raised by members. Members were encouraged to engage Executive Management in the member engagement session at the end of the meeting. Furthermore, members were encouraged to make appointments with the executive team on any pressing matter in their respective Provinces.

Lengthy discussions ensued on the proposed annual contribution increases, with members willing to only accept an increase linked to CPI. The members insisted on the decision of the AGM regarding the annual contribution increase for the year 2020. It was noted that the annual contribution increase rate for 2020 was not yet available as the actuaries were still finalising the numbers, once complete same would be provided to the Board for deliberation. The Board would take into account comments of the AGM.

It was further emphasised by the PO that Management had obtained three independent actuarial reports which confirmed that if a competitive increase was not approved in the current year, the Scheme faced the very real prospect of not being in existence in 2 years. This information was further confirmed with Accountants and Risk Managers. Based on the past, such an increase was necessary to comply with the CMS and to sustain the Scheme going forward.

Mr Cele from CMS clarified that the decision on contribution increases, was ultimately the decision of the Registrar, after consideration of the Fund's financial position. However, the members' inputs in respect of this matter should be noted by the meeting, the BOT and management.

The report of the PO was duly noted. Mr K Mawela moved for the noting of the PO report.

The last couple of months have taught us to always remember to smile, have a child-like spirit and be grateful for our health because our health is truly our wealth. Choose happiness with us, considering happiness is freedom in disguise.





9. NOTING OF THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

9.1 REPORT OF THE INDEPENDENT AUDITORS (NGUBANE AND CO. CHARTERED ACCOUNTANTS)

The Annual Financial Statements for the year ended 31 December 2018 were included in the meeting pack. Mr Wilfred Ngubane introduced Ms Mabel Ndlovu as the main Auditor and Engagement Partner and Mrs Khuzwayo the Senior Auditor on the audit.

9.1.1 Introduction

- Mr W Ngubane commended the working relationship with the Fund in 2019 and that despite some initial teething problems at inception, the relationship had since improved.
- Further, it was stated the Auditors were required to maintain their independence at all times with a professional responsibility to report matters to members objectively without fear, favour or prejudice.
- Members were reminded that there were areas that Auditors would report on negatively, with the aim of highlighting areas of improvement for Management.

9.1.2 Audit report

Ms M Ndlovu presented the Audit Report, with the following key matters highlighted:

- Ms Ndlovu confirmed that they had a pleasant working experience in performing the audit working with Management from Sizwe, as well as Management from Sechaba and fellow Assurance Providers appointed to perform their respective assurance services.
- It was noted that the Audit Report for Sizwe Medical Fund was unqualified. The implication being that financial statements presented fairly in all material respects the Financial Position and Performance of the Fund. The basis of the audit Opinion was informed by key three matters which was in accordance with International

Standards on Auditing. The Auditors complied with the International Regulatory Board for Auditors “IRBA” code of conduct in performing the Audit, ensuring that the judgments applied in the audit were informed objectively by the Auditors’ understanding of the Audit and by the applicable standards. The Auditors also fulfilled their ethical responsibility in accordance with the IRBA code.

- The responsibility of the BOT was to prepare the Financial Statements of the Fund, ensure that Sizwe had designed and established internal control functions and that those Internal Control functions were implemented to enable accurate and complete financial reporting and to assess the fund’s ability to continue as a going concern.
- The auditors’ responsibility was to obtain reasonable assurance which involved a considerable amount of work and engagement with Management and fellow Assurance Service Providers to obtain assurance in order to issue an opinion free from material misstatements whether due to fraud or error.

9.1.3 Audit findings

- The key audit matter considered of significance was the incurred but not reported provisions, this related to claims at year-end that were not registered with the Scheme.
- Regarding reporting on other Legal and Regulatory requirements, four areas of non-compliance with the Medical Schemes Act 131 of 1998 (the Act) were found, namely:
 - » Payment of contributions that were not made within 3 to 7 days as per the general rule of the Fund and Medical Schemes Act. The Auditors acknowledged and took cognisance of the measures that Management had implemented in making sure that the collection of premiums was done within 3 days as required as per the Medical Schemes Act and 7



days as per rule of the Fund, however, during the financial year under review, the Auditors identified a few transgressions in this regard which informed the reporting of this non-compliance.

- » Contravention of Section 35(8) of the Act, where investments were made to prohibited employer groups and Administrators associated with the Fund. The Fund had obtained an exemption from the Registrar of Medical Schemes to continue investing in those pool of funds, however, the Auditors had a responsibility to bring this to the attention of members.
- » Contravention of Section 6(1) of the Act, where payments of claims were made after four months of the treatment date.
- » Contravention of Section 33(2) of the Act, where some options of the Fund were not self-sustaining in the year under review. The Chief Financial Officer (CFO) was to unpack this matter in his report.

9.2 REPORT FROM THE BOARD OF TRUSTEES

Mr B Salters, Deputy Chairman was called to present the Report of the BOT. The following were key highlights:

9.2.1 Terms of Registration and fund benefits

- The Terms of Registration of the Sizwe Medical Fund is a not-for-profit open Medical Scheme registered under the reference number 1486 in terms of the Medical Scheme Act 131 of 1998, as amended. The Fund is administered by 3 Sixty Health, regulated by the CMS.
- The Fund benefit options offered to employers and members of the public during the year under review were noted as follows:
 - » Full Benefit Care Option;
 - » Affordable Care Option;
 - » Primary Care Option;
 - » Hospital Care Option;
 - » Gomomo Care Option.

9.2.2 Sub-Committee of the Board of Trustees

- The Audit and Risk Committee (ARC) was a statutory committee established in terms of Section 36(10) of the Companies Act 71 of 2008. The Committee's mandate is derived from its approved terms of reference.
- The Committee performs an oversight role and assists the Board of Trustees in discharging its responsibilities of safeguarding the Fund's assets and ensuring that an effective internal control system was operational.
- The Audit and Risk Committee Members and movement thereon were stipulated on page 43 of the AGM documentation.

9.2.3 Investment Strategy

- The Fund's investment objectives were to maximise the return on its investments on a long term basis at minimal risk.
- The investment strategy takes into account both constraints imposed by legislation and the BOT.
- The monitoring and implementation of the strategy are delegated to the Investment Committee. Details of investments are set out in the Annual Financial Statements in Note 4.
- The Fund held investments in equities, insurance policies, collective investment schemes and cash instruments during 2018. This strategy is reviewed regularly, taking into consideration compliance and surplus funds available.
- The Fund utilised the services of Independent Actuarial Consultants (Pty) Ltd (IAC) as its investment advisor for 2018. The primary mandate of the investment advisor is to ensure compliance with the Fund's investment strategy, actively monitor the performance of asset managers, ensure legislative compliance and value retention while still ensuring growth.



9.2.4 Compliance

- The Fund was operating in a highly regulated environment. To this end, there were functions of Internal and External Audit to assist in identifying non-compliance within the Fund. Any matter identified by the Auditors is raised and resolved with the BOT and management. The External Auditors raised the following matters of non-compliance:
 - » Contravention of Section 26(7) of the Medical Scheme Act 131 of 1998 — Contributions not received within three days of becoming due.
 - » Contravention of Section 35(8) of the Medical Scheme Act 131 of 1998 — Investment in Medical Scheme administration and employer groups.
 - » Contravention of Section 6(1) of the Medical Scheme Act 131 of 1998 — Payment made for claims received four (4) months after the date of treatment.
 - » Contravention of Section 33(2) of the Medical Scheme Act 131 of 1998 — Sustainability of benefits
- The Auditors worked with the BOT, Executive Management and other stakeholders to resolve these matters.

9.3 FINANCIAL HIGHLIGHTS

Mr Vusi Mbonani (CFO) presented the Financial Highlights as per page 64 to 67 of the AGM documentation and the members noted the report as follows:

9.3.1 Statement of Financial Position as at 31 December 2018

- Total assets had decreased from R1.5 billion in 2017 to R1.3 billion in 2018, this was attributed to a decrease in Cash and Cash Equivalents under Current Assets as sustained by the Fund.
- Under Funds and Liabilities, Accumulated members' funds were R1.3 billion in 2017 and decreased to R1.1 billion in 2018 due to losses incurred by the Fund. This translated in a drop of the Solvency Ratio to 48%.

- Current Liabilities were under control, except for the IBNR which increased about by R10 million.

9.3.2 Statement of Comprehensive Income for the year ended 31 December 2018

- Net contribution income had decreased from R2.4 billion in 2017 to R2.3 billion in 2018. This was attributable to the drop in average membership of the Fund and members choosing lower Options.
- Benefits paid on behalf of members of the Scheme had increased from R2 billion in 2017 to R2.2 billion in 2018.
- Gross healthcare results decreased from R283.5 million to R49.5 million, the expenses of the Fund had also increased resulting in negative Net healthcare results of - R277.4 million. The Net healthcare loss for 2017 was approximately R 4 million.
- Other investment income had also decreased from R123 million in 2017 to R114 million in 2018, this was attributable to a drop in accumulated funds available for investments.
- Under Other Income, Sundry Income included R11.1 million which was recouped from the legal matters with Moriting Life.
- There were also unallocated deposits that were written back after they had prescribed.
- Fair value reserve adjustment loss on available-for-sale-investment was R34 million in 2018 but there has since been recoupment in this regard.
- Total net loss for the year was R204 million in 2018 as compared to a surplus of R143 million in 2017.
- Further, it was noted that if losses are not controlled, increases in the annual contribution rate would jump to a double-digit figure and the Fund would begin to lose members. It was cautioned that the BOT needed to exercise their fiduciary duties and make tough decisions in this regard.



9.3.4 Statement of Changes in Funds and Reserves for the year ended 31 December 2018

Funds and Reserves decreased from R1.3 billion at the beginning of the year to R1.1 billion at the end of the year.

9.3.5 Statement of Cash Flows for the year ended 31 December 2018

Total Cash balances had decreased from R419 million to R187 million at the end of 2018 financial year.

9.3.6 Financial Assets held at fair value through profit and loss

This statement reflected all classes of investments in which the Fund was invested, these were mainly Equities, Bonds and Money Market. These were the facilities utilised by Management when there were cash constraints.

Comments and questions

The Chairman proceeded to open the floor to the members for comments and questions of the Annual Financial Statements Report as presented. The following key matters raised by members were noted:

- Mr EM Masenamela commended the CFO on the Financial Reports. It was noted that in hindsight, if the Financial highlights were linked to the PO's Report it could have possibly avoided the indifferences encountered earlier. Clarity was sought on the matters costing the Fund money and what could be done to resolve those matters.
- Mr M Serope raised concerns on the movement of Cash Flows and losses thereof. The risks faced by the Fund in this regard and mitigating factors being implemented by management were queried. The member also questioned as to why members should not worry at this stage.
- Ms D Maluleke raised concerns on the number of BOT meetings. The member enquired whether all 13 meetings stipulated in the reports were only BOT meetings or if these also incorporated training.

The CFO took to the floor and responded to the comments and questions as follows:

- Cost drivers and losses:
- These were attributed to an increase in the number of claims (or member benefits) from FY2017 to FY2018;
 - » The rule of Prescribed Minimum Benefits "PMB's" entailed a classification of approximately 27 diseases, and the Fund had to honour a claim of the conditions or diseases listed in full, irrespective of whether the member exceeded funds or not. This implied that there were no limits for the PMB conditions in general;
 - » There were also challenges of fraud, waste, and abuse of the system. Management was working with the Administrator in this regard to try and drive down these costs. There is a process being developed that estimates a member's full-year claims and then retrospectively cost the members total claims to assess if there are anomalies and thus possible fraud, waste or abuse. This process involved Actuaries to evaluate the numbers and the process needed to be reviewed and vetted clinically;
 - » Other costs for the Fund were Administration costs and these were being diligently managed;
 - » On the question of not worrying about losses, the CFO clarified that the actual wording used was "members should not panic but, should be very concerned". Overall, management was concerned over the Gomomo Option;
 - » The Gomomo option consisted of 5,000 members and management were projecting accumulated losses of R200 million for this Option by the end of 2019. The Fund had reserves of about R1.1 billion and should the loss of R150 million (projected to be R200 million by end of the year) not be incurred, this amount could have been added to the current reserves;



- » Management was looking into all five options of the Fund separately. The other three options were easier to manage as management could assess their claims and contributions and then pass the necessary contribution increases to make them breakeven;
- » Operational strategies were being implemented by the Clinical Executive together with the 3 Sixty Health team to managing those claims going forward, with projections of savings of about R10 million per month until the end of the year.
- Board meetings:
 - » The Rules of the Fund stipulates that the BOT must meet at least once in every two months or at such intervals as it may deem necessary but did not stipulate a maximum. This translates to a minimum of 6 meetings per annum however the BOT could also have more meetings as and when required depending on the business requirements. Typically, 8 to 10 meetings were scheduled by management to enable the BOT to deliberate on all matters in its annual work plan. Specific meetings, such as the April meeting are held to approve Annual Financial Statements, another practice was for the Board to meet and prepare before the AGM. Lastly, there are two days set aside for the Board Strategy meeting.

Resolution

The Annual Financial Statements for the year ended 31 December 2018 were accepted, with Mr M Seropeng moving for the acceptance, seconded by Mr A Zitho.

10. APPOINTMENT OF EXTERNAL AUDITORS

Mr Wilfred Ngubane and his team recused themselves at this stage.

Ms N Nkosi, the Chairperson of the Audit and Risk Committee (ARC) was requested to present on the proposed appointment of External Auditors, she noted the following:

- Highlighted the legislative framework on the appointment of external auditors.
- At the 2017 Annual General Meeting, the BOT was requested to appoint Ngubane and Co. Chartered Accountants as the external auditors for 2018.
- Ngubane and Co. Chartered Accountants is a level 1 BEE company. The company has extensive experience in auditing including medical fund auditing.
- Following a resolution at the 2017 Annual General Meeting, the Fund appointed Ngubane and Co. Chartered Accountants as the Fund's external auditors for 2018.
- Proposal for re-appointment of current external auditors:
 - » The Fund has just recently appointed Internal Auditors and a Risk Management service provider.
 - » Areas of non-compliance such as the sustainability of the options (Section 33.2) have a fundamental impact on the financials of the Fund and should be addressed as a matter of urgency.
 - » Regular meetings between management and Ngubane and Co. Chartered Accountants must be convened in order to address several housekeeping issues.
 - » Continuity is important for audit matters.
- Recommendation:
 - » The BOT recommends the re-appointment of Ngubane and Co. Chartered Accountants as the Fund's external auditors for the 2019 financial year.
 - » The recommendation is in line with the members' requirement that a black-owned firm is appointed as the Fund's external auditor.



Resolution

The re-appointment of Ngubane and Co. Chartered Accountants as Fund's external auditors was approved, with Mr Sebotsa moving for the re-appointment. The move was seconded by Mr Dlangamandla.

11. APPROVAL OF BOARD OF TRUSTEES' REMUNERATION

The Board of Trustees recused themselves from the meeting at this stage.

The PO assumed the Chairing of the AGM and requested Ms M Ngwenya to provide an overview of the proposed Trustee's remuneration.

- Ms M Ngwenya highlighted that:
 - » The Remuneration Committee served an independent role in assisting the Board in ensuring that decisions about remuneration were fair and independent.
 - » The committee considered a number of aspects, key among these being a performance management review and a review of the Human Resources "HR" policies, and that these were in line with legislation.
 - » Input was provided in terms of the remuneration of independent members of the Committee. The committee also assisted in the appointment of the new Executive, as well as, assisting the BOT in the filling of vacant positions in the Sub-Committees.
 - » The committee proposed that the BOT fees be increased with a rate in line with the Consumer Price Index (CPI).

The PO opened the floor to the members for comments and questions.

Mr M Serope sought clarity whether the general salary increase for 2018 also applied to the BOT. Ms Ngwenya clarified that the increases were for employees and not applicable to the BOT.

Ms M Ngwenya further clarified that it was important to retain the skills in the BOT but stressed the fact that the remuneration was not very competitive given the current Board members' skills.

Resolution

The increase of Trustees' remuneration with CPI as per the proposed resolution was duly approved, with Mr K Ngobeni moving for the approval of the Trustees' remuneration increase. Mr A Zitha and Mr J Mthimunye seconded the move.

12. MOTIONS RECEIVED IN TERMS OF RULE 27.1.5

The Board of Trustees re-joined the meeting at this stage and the Chairman resumed his role of chairing the meeting. The Chairman requested Ms V Xaxa to present on the Motions received in terms of Rule 27.1.5.

Ms Xaxa highlighted the following:

- Rule 27.1.5 stipulates thus " The date of the AGM will be provided to members three (3) months (90 days) prior to the meeting. At the same, the Scheme will call for motions to be placed before the AGM. Notices of motions must reach the Principal Officer (2) months (60 days) prior to the date of the annual general meeting. Any person qualified to do so may table a motion as contemplated herein, and in so doing, shall furnish the Scheme with a memorandum setting out the reasons for the motion and the objectives that such a motion seeks to achieve, together with proposed wording in respect of the motion. The Board shall consider any such motion so received and shall, in its sole discretion, having taken such advice as may be competent, determine whether the motion is competent to serve before the general meeting. Should the Board determine that the motion is not competent to serve before the general meeting, or that it may serve subject to such reasonable amendments that the Board may determine, then the person seeking to place the motion shall be so notified,"



- » Call for motions went out on the 20th of March 2019 and closed on the 20th of May 2019.
- A total of 32 motions were received during the above-mentioned period.
- The 32 motions were received from 22 members and none of the motions were determined as competent:
 - » Operational — 11
 - » Rules Amendment to ensure provincial representation in all provinces — 4
 - » Trustee remuneration —5
 - » Outsourcing / closure of marketing department - 5
 - » Motions not clear— 7
- On the call of motions communique, members are drawn to the provisions of Rule 27.1.5.

Resolution

The motions were duly noted, with Mr EM Masenamela moving for the noting of the motions received in terms 27.1.5. The move was seconded by Mr R Swarts.

13. AUTHORISATION TO SIGN OFF RESOLUTIONS

Mr K Mawela took to the floor and moved to authorise the Chairman to sign off the resolutions, with Mr S Chabangu seconding the move.

Mr G Madonsela sought clarity on next year's venue of the AGM. The Chairperson noted that the Board would deliberate and communicate the decision to all Members of the Scheme.

14. CLOSURE

The Deputy Chairman took to the floor and thanked the BoT, the PO and his executives, CMS Representative, all Service Providers, all stakeholders and all Members of the Fund for a successful AGM.

Mr M Moyeni took to the floor and gave a closing prayer.

There being no further items to discuss the meeting was closed at 15h30.

Adopted as a true reflection of proceedings at the meeting.

Chairman

Date



There might be a required physical distance between us - but Sizwe Medical Fund will stand with you until the end. Forward we will go – together.





**COLLECTIVE LIST OF RESOLUTIONS
TAKEN AT THE ANNUAL GENERAL
MEETING (AGM)**

HELD ON 20 JULY 2019





ITEM ON THE AGENDA	ISSUE	RESOLUTIONS
Item 4	Notice of the Meeting	That the Notice of the Annual General Meeting is hereby taken as read and adopted.
Item 7.1	Approval of the Minutes of the Annual General Meeting held on the 20th of July 2018	That the Minutes of the previous Annual General Meeting held on the 20th of July 2018 were taken as read and are hereby approved.
Item 7.2	Matters arising from the previous AGM minutes	That the matters arising from the previous AGM held on the 20th of July 2018 are hereby received and noted.
Item 8.1	Chairman's Report	That the report of the Chairman of the Board of Trustees is received and noted.
Item 8.2	Principal Officer's Report	That the report of the Principal Officer is received and noted.
Item 9	The Annual Financial Statements for the year ended 31 December 2018	That the Audited Annual Financial Statements of the Fund for the year ended 31 December 2018 are received and accepted.
Item 9.1	Report of the Independent Auditors	That the report of Ngubane and Co. Chartered Accountants as the Fund's External Auditors, as incorporated in the Audited Annual Financial Statements for the year ended 31 December 2018, is hereby taken as read and accepted.
Item 9.2	Report from the Board of Trustees	That the report of the Board of Trustees as incorporated in the Audited Annual Financial Statements for the year ended 31 December 2018, is hereby taken as read and accepted.
Item 10	Re-Appointment of External Auditors	That the re-appointment of Ngubane and Co. Chartered Accountants as the Fund's External Auditors for the 2019 financial year is hereby approved.
Item 11	Trustee's Remuneration	That the Trustees' remuneration increase with average CPI for 2019 is hereby approved. Remuneration to be R7 855 per meeting and a Retainer of R8 880 per month.
Item 12	Motions received in terms of rule 27.1.5	That the report on the AGM motions received is hereby taken as received and noted.
Item 13	Authorisation to sign off resolutions	That the Chairman of the BOT, Mr Luyolo Makwabe be authorised to sign off AGM resolutions is hereby approved.


Company Confidential

L MAKWABE CHAIRMAN OF THE BOARD OF DIRECTORS

Date: 15 AUGUST 2019

BOARD OF TRUSTEES'
REPORT





Sizwe Medical Fund does not support any form of discrimination or racism. We believe in one race - The human race!





BOARD OF TRUSTEES' REPORT

The Board of Trustees (BOT) hereby presents its report for the year ended 31 December 2019. The BOT wishes to report that for the year ending 31 December 2019, due to a difficult economic climate, the Fund achieved a deficit of (R194 104 392) (2018 : R175 928 216)

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1. Terms of registration






Sizwe Medical Fund ("the Fund") is a non-profit open Medical Scheme registered under reference number 1486 in terms of the Medical Schemes Act 131 of 1998, as amended. The Fund is administered by 3 Sixty Health (Pty) Ltd and regulated by the Council for Medical Schemes (CMS)

1.2. Benefit options within Sizwe Medical Fund

The Fund offered the following five benefit options to employers and members of the public during the year:

- Full Benefit Care Option
- Affordable Care Option
- Primary Care Option
- Hospital Care Option
- Gomomo Care Option

During the 2019 financial year, the Fund embarked on a name change initiative on its benefit options. Effective 01 January 2020, the benefit option names are as follows:

Full Benefit Care Option	▶	Titanium Executive Plan	
Affordable Care Option	▶	Platinum Enhanced Plan	
Primary Care Option	▶	Gold Ascend Plan	
Hospital Care Plan	▶	Silver Saver Plan	
Gomomo Care Plan	▶	Copper Core Plan	

1.3. Risk Transfer Arrangement

During the 2019 financial year, the Fund had entered into risk transfer arrangements with Enabledmed (Pty) Ltd and Intellihealth Africa Managed Care Organisation (IHAMCO) (Pty) Ltd.

The risk transfer arrangement with Enabledmed (Pty) Ltd is to provide out-of-hospital benefits to members on a capitated basis. The duration of the contract with Enabledmed (Pty) Ltd is for a period of twelve months, commencing on 01 January 2019. The risk transfer arrangement with IHAMCO (Pty) Ltd is to provide medical care for members on the Gomomo Care Option. The contract with IHAMCO is for a duration of twelve months and is automatically renewed annually. Capitation fees are paid to both risk partners on a monthly basis.

	2019 R	2018 R
Risk transfer fees paid (refer to note 13.1 of the financial statements)	(74 922 540)	(62 951 989)
Recovery from risk transfer arrangement	60 705 375	49 300 102
Net expense on risk transfer arrangement	(14 217 165)	(13 651 887)

1.4. Unallocated Funds

Unallocated funds arise on receipt of deposits in favour of Sizwe Medical Fund that have been identified as members' contributions but have not been allocated to individual members as at 31 December 2019. Section 26(7) of the Medical Schemes Act 131 of 1998 (MSA) states that all subscriptions or contributions shall be paid directly to a Medical Scheme not later than three days of becoming due. The rules allow for an extension of this period to seven days. Sizwe Medical Fund approved rules extended the requirement to 7 days, as per paragraph 13.3 of the rules.

The unallocated funds as at 31 December 2019 is **R56 284 396** (2018: **R 23 346 171**).



2. BOARD OF TRUSTEES

2.1. BOARD OF TRUSTEES MEETING ATTENDANCE 2019

In terms of the Fund rules, the BOT must consist of not more than ten members. The following table reflects the schedule of trustees who were in office during the year as well as their attendance of Board and Committee meetings.

	Designation	Date initially appointed	Board of Trustees (BOT)		Remuneration Committee (REMCO)		Investment Committee (IC)		Audit and Risk Committee (ARC)		Clinical Governance Committee (CGC)		Complaints & Dispute Resolution Committee (CDRC)	
			A	B	A	B	A	B	A	B	A	B	A	B
L Makwabe (Mr)	Chairperson	21 July 2017	14	14	5	5	-	-	-	-	-	-	-	-
B Salters (Mr)	Deputy	16 December 2014	14	14	-	-	-	-	7	6	-	-	-	-
	Chairperson													
M Mathibela (Mr)*	Trustee	04 February 2015	1	1	-	-	-	-	-	-	-	-	-	-
NM Motsoane (Dr)*	Trustee	19 January 2017	1	1	-	-	-	-	-	-	-	-	-	-
Z Matikinca (Ms)	Trustee	21 July 2017	14	14	-	-	-	-	7	6	-	-	-	-
PA Jacobs (Mr)	Trustee	21 July 2017	14	14	-	-	5	5	-	-	-	-	-	-
S Daweti (Mr)	Trustee	21 July 2017	14	14	-	-	-	-	-	-	7	7	-	-
VM Shamase (Mr)	Trustee	21 July 2017	14	14	5	5	5	4	-	-	-	-	-	-
C Rensburg (Ms)	Trustee	21 July 2017	14	13	-	-	-	-	-	-	7	7	2	2
M Moyeni (Mr)	Trustee	21 July 2017	14	13	-	-	5	5	-	-	-	-	2	2
T Kgokolo (Mr)	Appointed Trustee	01 February 2019	14	7	-	-	-	-	7	2	7	5	-	-
BZ Limba (Dr)	Appointed Trustee	01 February 2019	14	13	-	-	-	-	-	-	7	7	-	-

A : Number of meetings that could be attended

B : Number of meetings attended

* Resigned 19 January 2019

In terms of the Fund Rules, Trustees are elected by members and remain in office until the third Annual General Meeting. During the year the Trustees attended training provided by the Council for Medical Schemes as well as other service providers.

2.2. Sub-Committees of the Board of Trustees governing the Fund.

Audit and Risk Committee (ARC)

The Audit and Risk Committee (ARC) is a statutory committee established in terms of sections 36(10) to 36(13) of the Act. The Committee's mandate is derived from its approved terms of reference. The Committee performs an oversight role, and assists the Board of Trustees in discharging its responsibilities of safeguarding the Fund's assets and of ensuring that an effective internal control system is operational.

In addition, the ARC performs a key corporate governance oversight role by safeguarding the integrity of the Fund's financial reporting and internal financial control environment. The ARC periodically reported to the Board on how it has discharged its responsibilities.



Audit and Risk Committee Members

Ms N Nkosi	Chairperson and Independent member	(Appointed 1st February 2019)
Ms Z Matikinca	Trustee representative	(Appointed 3rd August 2017)
Mr T Kgokolo	Trustee representative	(Appointed 14th February 2019)
Ms S Hari	Independent member	(Appointed 1st August 2018)
Mr M Matlwa	Independent member	(Appointed 1st August 2018)
Ms K Mthimunye	Independent member	(Appointed 1st February 2019)
Mr B Salters	Trustee representative	(Appointed 3rd August 2017)

A report of the Audit and Risk Committee is presented in pages 42 to 45.

Other Committees

To improve and strengthen the governance of the Fund, the BOT also operates the following committees:

Clinical Governance Committee

Whilst there is no statutory requirement for this Committee, it has been established in order to give power to the BOT to appoint and delegate authority to a sub-committee consisting of such BOT members and other experts as it may deem necessary. The Committee reviews and monitors all initiatives to reduce unnecessary healthcare costs without negatively impacting on the quality of care. The Committee met seven times during the year and comprised the following members:

Clinical Governance Committee Members

Mr T Kgokolo	Chairperson and Trustee representative	(Appointed 14 February 2019)
Mr M Mathibela	Chairperson and Trustee representative	(Appointed 4th February 2015 - Resigned 19th January 2019)
Mr S Daweti	Trustee representative	(Appointed 3rd August 2017)
Dr N Motsoane	Trustee representative	(Appointed 19th January 2017 - Resigned 19th January 2019)
Ms C Rensburg	Trustee representative	(Appointed 24th April 2018)
Dr Z Limba	Trustee representative	(Appointed 14 February 2019)
Dr O Mazwai	Clinical and Operations Executive	(Appointed 7th January 2019)

Complaints and Dispute Resolution Committee

The role of the Complaints and Dispute Resolution Committee is to adjudicate disputes that may arise between a member, prospective member or person claiming against the Fund. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority and duties. The Committee met twice during the year and comprised the following members:

Complaints and Dispute Resolution Committee Members

Ms N Maseko	Chairperson and Independent member	(Appointed 24th April 2019)
Ms C Rensburg	Trustee representative	(Appointed 3rd August 2017)
Mr M Moyeni	Trustee representative	(Appointed 3rd August 2017)
Ms V Xaxa	Compliance Executive	(Appointed 7th January 2019)

Investment Committee

The role of the Committee is to advise the BOT and Management on the best possible investment of the Fund's resources available for that purpose, amendments to, or the re-investment of existing investments and possible steps that may be considered in respect of the investment of available funds. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority and duties. The Principal Officer and senior management attend meetings of the Committee. The Committee met five times during the year and comprised the following members:

Investment Committee Members

Ms N Maponya	Chairperson and Independent member	(Appointed 1st August 2018)
Mr M Mathibela	Trustee representative	(Appointed 4th February 2015 - Resigned 19th January 2019)
Mr P Jacobs	Trustee representative	(Appointed 3rd August 2017)
Mr M Shamase	Trustee representative	(Appointed 3rd August 2017)
Mr M Moyeni	Trustee representative	(Appointed 24th April 2018)
Ms M Maubane	Independent member	(Appointed 1st August 2018)



Remuneration Committee

The role of the Committee is to ensure that the remuneration policy and practices are regularly reviewed, that the Fund remunerates the BOT, senior management and its employees fairly and responsibly and that the disclosure of trustee and senior management remuneration is accurate, complete and transparent. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority and duties. The Committee met five times during the year and comprised the following members:

Remuneration Committee Members		
Ms M Ngwenya	Chairperson and Independent member -	(Appointed 1st June 2015 Resigned and re-appointed 1st July 2018)
Ms N Mhlungu	Independent member	(Appointed 1st June 2015 - Resigned and re-appointed 1st July 2018)
Mr L Bahula	Independent member	(Appointed 1st June 2015 - Resigned and re-appointed 1st July 2018)
Mr M Shamase	Trustee member	(Appointed 3rd August 2017)
Mr L Makwabe	Trustee member	(Appointed 3rd August 2017)
Dr S Mangcwatywa	Principal Executive Officer - Ex Officio member	(Appointed 4th January 2018)
Ms N Maseko	Independent member	(Appointed 25 May 2019)

3. MANAGEMENT

3.1. Registered office and postal address

Postal address:

PO Box 62345
Marshalltown
2107

Business address:

4th Floor, One Sturdee Building
1 Sturdee Avenue
Rosebank
2107

Website : www.sizwe.co.za

3.2. Principal Officer/ Management

The table reflects the names of the management team which was in the employ of the Fund during the 2019 financial year as well as their dates of engagement.

Name	Position	Date of Appointment
Dr S Mangcwatywa	Principal Officer	4th January 2018
Mr JVM Mbonani	Chief Financial Officer	16th September 2014
Dr O Mazwai	Clinical Executive	7th January 2019
Ms V Xaxa	Compliance Executive	7th January 2019

3.3. Medical Scheme Administrator and Managed Care provider

3Sixty Health (Pty) Limited

7 West Street
Houghton
Johannesburg
2001

PO Box 10436
Johannesburg
2000

3.4. External Auditors

Ngubane and Co. Chartered Accountants

Ngubane House
1 Superior Close
Midrand
1683

PO Box 8468
Halfway House
1685

3.5. Internal Auditors

SekelaXabiso CA Incorporated

Building 1 Waverly Office Park
15 Forest Road
Bramley
2199

3.6. Investment managers during the year

During the 2019 financial year, the BOT retained the services of asset managers to assist it with the investment and management of the Fund's surplus funds. The following five companies are the asset managers that were engaged by the Fund during the year.



Taquanta Asset Managers (Proprietary) Limited

Business address:

7th Floor, Newlands Terrace
8 Boundry Road
Newlands
7700
FSP 618

Postal address:

PO Box 23540
Claremont
7735

Aluwani Capital Partners (Proprietary) Limited

24 Georgian Crescent
Bryanston East
2152
FSP 46196

Private Bag X75
Bryanston
2125

Argon Asset Management (Proprietary) Limited

1st Floor Colinton House
The Oval, 1 Oakdale Road
Newlands
7700
FSP 835

PO Box 23254
Claremont
7735

Sanlam Investment Management (Proprietary) Limited

55 Willie van Schoor Avenue
Bellville
7530
FSP 579

Private Bag X8
Tygervalley
7536

RH Managers (Proprietary) Limited

3rd Floor, 18 Melrose Boulevard
Melrose Arch, 2076
FSP 4481

Postnet Suite 510
Private Bag X 1
Melrose Arch, 20176

3.7. Investment advisors during the year

Independent Actuarial Consultants (Proprietary) Limited
6th Floor, Wale Street Chambers
38 Wale Street
Cape Town, 8001
FSP 6832

3.8. Actuaries

Matlotlo Group Pty Ltd
Suite 49 2nd Floor Nelson Mandela Square
Sanddown
2196

3.9. Regulator

Council for Medical Schemes (CMS)
Block A Eco Glades Office Park
420 Witch-Hazel Avenue, Eco Park
Centurion
0157

3.10. Banker

Nedbank Limited
Fifth floor Block F
135 Rivonia Road
Sandown
2196

4. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. The monitoring and implementation of the strategy is delegated to the Investment Committee. Details of investments are set out in the AFS in note 5.

The Fund held investments in equities, insurance policies, collective investment schemes and cash instruments during 2019. This strategy is reviewed regularly, taking into consideration compliance with the Act, the risk and returns of the various investment instruments, economic climate and the surplus of funds available.

The Fund utilised the services of Independent Actuarial Consultants (Proprietary) Limited (IAC) as its investment advisor for 2019. The primary mandate of the investment advisor is to ensure compliance with the Fund's investment strategy, actively monitor the performance of asset managers, ensure legislative compliance and value retention while ensuring growth.



5. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates to the health of fund members.

As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorization and case management, service provider profiling, centralised management of risk transfer arrangements, and the monitoring of emerging issues.

The Fund uses several methods to assess and monitor insurance risk exposures for both individual types of risk and overall risks.

These methods include internal risk measurement models, sensitivity analysis, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

Insurance events are by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the AFS and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

6. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

As part of its oversight role, the BOT reviews various ratios and operational statistics. The following tables reflect some of the key operational statistics that the BOT would have considered during the year.

6.1. Operation Statistics – 31 December 2019

	Total Scheme	Primary Care	Full Benefit Care	Affordable Care	Gomomo Care	Hospital Care
1. Average number of members during the accounting period	47 321	21 621	3 756	16 067	5 654	224
2. Number of members at the end of the accounting period	46 935	21 436	3 636	15 755	5 855	253
3. Average number of beneficiaries during the accounting period	112 661	54 859	7 199	36 718	13 441	444
4. Number of beneficiaries at the end of the accounting period	111 409	54 296	6 952	36 014	13 655	492
5. Number of new members at 31 December 2019	8 189	3 740	635	2 749	1 022	44
6. Number of members leaving the scheme at 31 December 2019	7 850	3 585	608	2 635	980	42
7. Average age of beneficiaries for the accounting period	32,10	29,62	49,53	33,45	29,40	34,89
8. Pensioner ratio (beneficiaries >65)	7,69 %	4,19 %	30,60 %	9,55 %	4,98 %	10,22 %
9. Dependant ratio	1,37	1,53	0,91	1,29	1,33	0,95
10. Beneficiaries per member at 31 December 2019	2,37	2,53	1,91	2,29	2,33	1,95



11.	Average net contributions per member per month	4 324	3 831	7 530	4 916	2 448	2 940
12.	Average net contributions per beneficiary per month	1 817	1 511	3 928	2 153	1 030	1 481
13.	Average claims incurred per member per month	4 082	3 365	7 782	4 602	2 934	2 848
14.	Average claims incurred per beneficiary per month	1 716	1 327	4 060	2 016	1 234	1 435
15.	Average administration costs per member per month	415	415	440	424	376	395
16.	Average administration costs per beneficiary per month	174	164	229	186	158	199
17.	Amount paid to administrator *	224 600 133	106 269 554	18 422 119	80 565 655	18 244 197	1 098 608
18.	Average managed care: management services per member per month	208	222	222	225	96	224
19.	Average accumulated funds per member at 31 December 2019	18 925	17 739	111 955	20 975	(42 420)	(25 253)
20.	Non-healthcare expenditure per average beneficiary per month	208	195	271	221	192	240
21.	Relevant healthcare expenditure per average beneficiary per month	1 819	1 414	4 174	2 113	1 421	1 547
22.	Relevant healthcare expenditure as a % of gross contribution	100,17 %	93,57 %	106,24 %	98,12 %	138,03 %	126,95 %
23.	Non-healthcare expenditure as a % of gross contribution	11,47 %	12,93 %	6,91 %	10,26 %	18,68 %	19,67 %
24.	Return on Investment	9 %	7 %	38 %	8 %	0 %	0 %
25.	Net claims as a percentage of net contributions	100,17 %	93,57 %	106,24 %	98,12 %	138,03 %	126,95 %
26.	Managed care management services as a percentage of net contributions	4,82 %	5,80 %	2,95 %	4,58 %	3,93 %	9,27 %
27.	Administration expenses as a percentage of net contributions	9,61 %	10,82 %	5,84 %	8,62 %	15,38 %	16,33 %
28.	Number of dependants at the end of the accounting period	64 340	32 832	3 317	20 247	7 796	238
29.	Average number of dependants per member during the accounting period	1	2	1	1	2	1

* ***Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited***



6.2. Operation Statistics – 31 December 2018

	Total Scheme	Primary Care	Full Benefit Care	Affordable Care	GomomoCare	Hospital Care
1. Average number of members during the accounting period	46 850	21 698	4 164	16 511	4 367	111
2. Number of members at the end of the accounting period	46 596	21 502	3 997	16 213	4 743	141
3. Average number of beneficiaries during the accounting period	112 201	55 451	8 085	37 273	11 165	227
4. Number of beneficiaries at the end of the accounting period	111 522	54 804	7 720	36 787	11 926	285
5. Number of new members at 31 December 2019	569	263	49	198	58	2
6. Number of members leaving the scheme at 31 December 2019	1 214	560	104	422	124	4
7. Average age of beneficiaries for the accounting period	36,15	30,23	48,43	34,02	29,19	38,86
8. Pensioner ratio (beneficiaries >65)	8,20 %	4,50 %	30,21 %	10,22 %	4,58 %	14,04 %
9. Dependant ratio	1,39	1,55	0,93	1,27	1,51	1,02
10. Beneficiaries per member at 31 December 2019	2,39	2,55	1,93	2,27	2,51	2,02
11. Average net contributions per member per month	4 154	3 580	7 060	4 604	2 584	2 328
12. Average net contributions per beneficiary per month	1 735	1 401	3 636	2 039	1 011	1 138
13. Average claims incurred per member per month	3 830	3 148	7 335	4 335	1 982	3 255
14. Average claims incurred per beneficiary per month	1 599	1 232	3 778	1 920	775	1 592
15. Average administration costs per member per month	478	493	475	495	342	444
16. Average administration costs per beneficiary per month	200	193	245	219	134	217
17. Amount paid to administrator *	207 056 392	101 325 712	19 434 910	77 120 219	8 649 216	526 335
18. Average managed care: management services per member per month	87	96	94	96	-	94
19. Average accumulated funds per member at 31 December 2019	24 704	20 857	105 262	24 548	(31 192)	(22 997)



20.	Non-healthcare expenditure per average beneficiary per month	231	223	284	253	164	254
21.	Relevant healthcare expenditure per average beneficiary per month	1 679	1 268	3 821	1 956	1 245	1 638
22.	Relevant healthcare expenditure as a % of gross contribution	96,81 %	90,54 %	105,09 %	95,93 %	123,20 %	143,88 %
23.	Non-healthcare expenditure as a % of gross contribution	13,33 %	15,89 %	7,81 %	12,40 %	16,18 %	22,30 %
24.	Return on Investment	7 %	5 %	27 %	6 %	0 %	0 %
25.	Net claims as a percentage of net contributions	96,81 %	90,54 %	105,09 %	95,93 %	123,20 %	143,88 %
26.	Managed care management services as a percentage of net contributions	2,09 %	2,69 %	1,29 %	2,02 %	0 %	3,69 %
27.	Administration expenses as a percentage of net contributions	10,37 %	12,65 %	6,27 %	9,68 %	11,20 %	17,56 %
28.	Number of dependants at the end of the accounting period	65 692	34 124	4 287	20 237	6 987	57
29.	Average number of dependants per member during the accounting period	1	2	1	1	2	1

* *Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited*

6.3. Operational statistics for the scheme

	2019	2018
	R	R
Accumulated funds per member	19 699	24 008
Breakdown of total amount paid to administrator:		
Administration fees	111 976 615	164 171 578
Managed care fees	112 623 518	42 884 814
Return on investment as a percentage of investments	9,00 %	7,00 %

6.4. Results of Operations

The results of operations are set out in the Annual Financial Statements and the Board of Trustees believes that no further clarification is required.



6.5. Solvency ratio

	2019	2018
	R	R
Accumulated Funds	897 184 346	1 092 818 413
Total Net Assets	897 184 346	1 092 818 413
Gross contributions	2 459 615 163	2 327 554 433
Solvency ratio	36,47 %	46,95 %

The Board has taken note of the decrease in the solvency ratio. After consultation with the Fund's actuaries, the BOT is confident that the current reserves are adequate to cover sufficiently members' healthcare needs, including any emergency outbreaks. The outbreak of the COVID-19 contagion has created much uncertainty with regards to the increase in claims expenditure and a possible reduction in gross contributions received. A more detailed discussion on the impact of COVID-19 on the Fund's financial certainty is set out in the going concern note (note 10 on the BOT report). The BOT is confident that with its solvency level being well over the regulated requirement, the Fund's reserves are adequate to cover its members' healthcare needs. The solvency ratio is determined by dividing the accumulated funds by annual turnover.

6.6. Reserve accounts

Movements in the reserves are set out in the Statement of Comprehensive Income and other comprehensive income.

6.7. Outstanding Claims

The basis of calculating the outstanding claims provision is set out in Note 1.12 to the AFS and this is consistent with the prior year. Movements on the outstanding claims provision are also set out in Note 9 to the AFS. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Fund.

7. ACTUARIAL SERVICES

The Fund appointed the Matlotlo Group (Pty) Ltd with effect 01 March 2019 as the Fund's actuaries. The Matlotlo Group was consulted in the determination of the 2019 claims IBNR disclosed in the AFS. The Matlotlo Group was consulted during 2019 in the determination of the contribution and benefits levels for the 2020 financial year.

8. EVENTS AFTER REPORTING DATE

There have been no significant events that have occurred subsequent to the end of the accounting period that affect the annual financial statements which should be brought to the attention of the members of the scheme, other than :

8.1. Impact of Covid

The outbreak of the COVID- 19 contagion across the globe has resulted in the World Health Organisation declaring the outbreak a pandemic on 11 March 2020. South Africa recorded its first COVID-19 case on 5 March 2020. The outbreak has since spread rapidly with a significant number of infections. Measures taken to contain the virus included a 35-day national lockdown in South Africa and a current level 4 lockdown, which could severely disrupt businesses and have a negative impact on the economy.

The Council of Medical Schemes confirmed that COVID-19 is regarded as a Prescribed Minimum Benefits condition and that cases of COVID-19 should be paid in full in line with the current published National Institute for Communicable Diseases guideline. This should cover all consultations, clinically appropriate diagnostic tests and medication as well as the costs of hospitalisation and rehabilitation. The Council for Medical Schemes has further requested that in the spirit of social solidarity, all disruptions to member contributions must be investigated on a case by case basis and determine the merits thereof prior to termination.

This coupled with the increase in medical claims due to the contagion is likely to have a negative impact on the cash flows of the Fund. In addition, the outbreak of COVID-19 has sparked a substantial correction in asset prices as market participants struggle to understand the true economic impact of the virus. In times of uncertainty, market volatility increases materially, and the market focuses more on day-to-day news flows and less on fundamentals.



The Fund's investments have been impacted negatively in several ways:

- The JSE All-Share index is substantially lower than at the beginning of the year;
- The yield curve has shifted higher at the long end reducing the mark to market valuation of bonds;
- The South African Reserve Bank cut in interest rates will imply lower interest return on the Fund's money market assets.

The estimated impact of this on the Fund's total investment portfolio is a return of investment of (3,6%) between 31 December 2019 and 31 March 2020.

8.2. Termination of Intellihealth contract

With effect 01 April 2020, the Fund terminated its risk transfer arrangement with Intellihealth (Pty) Ltd. Members belonging to the Copper Care Plan in the Eastern Cape region will be serviced by Enabledmed (Pty) Ltd.

8.3. Amalgamation of Sizwe Medical Fund and Hosmed Medical Scheme

During the 2020 financial year, Sizwe Medical Fund and Hosmed Medical Scheme engaged in discussions into a possible amalgamation between the two entities. In accordance with Section 63 of the Medical Schemes Act 131 of 1998 the amalgamation is currently under review by the Council for Medical Schemes and the Competition Commission and is pending the necessary approval.

The Board of Trustees of both Schemes approved the amalgamation based on an independent actuarial review undertaken by 3One Consulting. The review confirms that the amalgamation will be in the best interest of the members of both schemes based on the following:

- A combined Sizwe-Hosmed membership would render it the eighth largest open Medical Scheme in South Africa. The amalgamated entity would have the fourth highest solvency ratio of the top 10 largest Medical Schemes.
- Members will have a greater variety of options to choose from in the Amalgamated Scheme.
- The Amalgamated Scheme is expected to have reduced scheme expenses per member which will assist in reducing the financial deficit position in 2020.
- -Economies of scale and bargaining power associated with the larger membership base will support the medium to long-term strategy of the Amalgamated Scheme.

The proposed effective date of the merger is 01 August 2020. The exposition documents were submitted and subsequently accepted by CMS. The exposition document is available for public inspection for 21 days from 27 May 2020 to 25 June 2020 and for a further 21 days from 26 June 2020 to 24 July 2020 for the submission of comments or objections.

The voting process that was opened to members of both schemes from 4 May 2020 to 5 June 2020 has now been closed. The schemes are awaiting the finalisations of the voting results by an independent auditor.

9. RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 23 to the annual financial statements.

10. GOING CONCERN

The going concern basis has been adopted in preparing the AFS. The BOT has reviewed the Fund's financial position as at 31 December 2019, as well as the budget for the year ending 31 December 2020. Total members' funds exceeded R897 million with a solvency level of 36,47% as at 31 December 2019. The BOT has considered in management's plans, the identified conditions and events in the aggregate. The BOT has considered the plans for dealing with the adverse effects of the identified conditions and events such as COVID-19, decline in membership numbers, the entrance of new competitors to the market, the increased cost of doing business as well as the volatile foreign currency and assessed the likelihood of effective implementation thereof. The BOT is therefore of the opinion that the Fund does not appear to have a going concern problem. On the basis of this review, the BOT considers that:

- The Fund's total assets of R1,1billion currently exceed its liabilities of R288,5 million.
- The Fund reports a current ratio of 2,81.
- The Fund will be able to settle its liabilities as they arise for the foreseeable future.

Based on the assessment conducted, the BOT has no reason to believe that the Fund will not be a going concern in the foreseeable future.



11. PERSONAL MEDICAL SAVINGS

Personal medical savings accounts in respect of the Fund's Hospital Care Option are managed on the members' behalf in terms of the scheme rules. Following the Constitutional court ruling which found that PMSA funds enter the scheme's bank account without being impressed by a trust or fiduciary relationship and once paid into the scheme's bank account become assets to the scheme, the Fund's rules were amended in January 2019. The effect of the amendment establishes that a trust relationship no longer exists. Therefore PMSA assets are no longer defined and treated as trust assets and now form part of the Fund's assets.

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

12. NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance with the Medical Schemes Act were identified during the course of the financial year:

12.1. Contravention of Section 26(7) of the Act – Contributions not received within three days of becoming due.

Nature

Section 26 (7) of the Medical Schemes Act 131 of 1998 (MSA) states that all subscriptions or contributions shall be paid directly to a Medical Scheme not later than three days of becoming due. The rules are allowed to extend this period to seven days. Sizwe Medical Fund approved rules extended the requirement to 7 days, as per paragraph 13.3 of the rules.

Cause of non-compliance

The Fund has no control over the payment of members and employer contributions, this could be caused by delays in Employers' pay runs.

Possible impact

If not well managed, late payment of contributions could result in:

- Inability to pay claims from members when they fall due; and
- Loss of potential interest income.

Corrective course of action

Less than 0.5% of contributions are received after the seventh day of the month. This is mainly due to:

- Members having insufficient funds in their bank account at the time of collection,
- Members paying contributions after the third day of becoming due, thus contravening Section 26(7).

The Fund has amended its rules such that the three days period is increased to seven days and these rules have been approved accordingly by the Regulator (CMS). We actively pursue contributions not received within seven days. Furthermore, we apply credit control processes including the suspension and termination of membership for non-payment.

12.2. Contravention of Section 35(8) of the Act – Investment in Medical Scheme administrators and employer groups

Nature

Section 35(8) of the MSA states that:

A Medical Scheme shall not invest any of its assets in the business of or grant loans to:

- An employer who participates in the Medical Scheme or any administrator or any arrangement associated with the Medical Scheme;
- Any other Medical Scheme;
- Any administrator; and
- Any person associated with any of the above mentioned.

Cause of non-compliance

The Fund invests in a pool of funds through its investment managers which are invested in various portfolios which makes it difficult to manage the scheme investments requirements.

Possible impact

- Non-compliance with the MSA;
- Members may perceive the other Medical Schemes to be better and may consider leaving the Fund.



Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Investment Portfolios as well as the performance of the affected stocks. The Fund has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

12.3. Contravention of Regulation 6(1) of the Act – Payment made for claims received four months after treatment date.

Nature

Regulation 6(1) of the Medical Schemes Act states that a Medical Scheme must not in its rules or in any other manner in respect of any benefit to which a member or former member of such a Medical Scheme or a dependent of such member is entitled limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission or late resubmission of an account or statement, before the end of the fourth month -

- from the last date of the service rendered as stated on the bank account, statement or claim; or
- during which such account, statement or claim was returned for correction.

In terms of paragraph 15.2 of the Rules of the Scheme and in order to qualify for benefits, any claim must unless otherwise arranged, be signed and certified by the member as correct, and must be submitted to the scheme not later than the last day of the fourth month in which the service was rendered. Claims received after four months of treatment date are rendered invalid.

Cause of non-compliance

- Management has interpreted the Act as stating the “month following” as the rules of the scheme state in part “not later than the last day of the fourth month following the month in which the service was rendered”, as a result of this, the administrator accepts claims received after the last day of the fourth month from service.
- Management override of the system and administration procedures and policies to allow for the acceptance of stale claims.

Possible impact

- Risk of non-compliance with section 6(1) of the MSA and the approved Rules of the Scheme.

Corrective course of action

Management acted within the defined mandate of the scheme that allows for claims that are older than four months to be approved for payment, should the claim appear on the system and proof of previous submission is available. Claims sampled for the audit were claims that were processed within 30 days, in accordance with the information that was available at the time. They were reprocessed following further investigation to ensure effective management.

12.4. Contravention of Section 33(2) of the Act – Sustainability of benefits Nature.

Nature

Section 33(2) of the MSA states that each benefit option is required to be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

More claims than anticipated were received from the Hospital Care and Gomomo Care option members.

Benefit Option	Number of members	Net healthcare deficit	Net result
Primary Care	21 436	(69 534 030)	(33 757 194)
Full Benefit Care	3 636	(45 589 708)	(13 329 940)
Affordable Care	15 755	(83 259 656)	(50 845 126)
Gomomo care	5 855	(94 210 713)	(93 201 365)
Hospital Care	253	(3 030 545)	(2 970 767)

Possible impact

- Risk of non-compliance with section 33(2) of the MSA.
- Utilising funds from other benefits to fund the Hospital Care and Gomomo options.



Corrective course of action

The Fund is committed to complying wherever possible with the applicable legislation. It however also focuses intensively on the sustainability and financial position of the Fund as a whole and not only on individual benefit options.

The performance of all benefit options is monitored on an ongoing basis with a view to improving financial outcomes and different strategies to address the deficit in these two plans are continually evaluated. In addition, Sizwe continually provides the Regulator with updates on both the Fund and individual benefit option performance through the monthly management accounts and quarterly filing of statutory returns.

The Fund intends to continue increasing the contributions annually at a rate higher than market average within the constraints of the Act. Contract rates have also been renegotiated. The clinical protocols are also to be improved and application thereof to be strictly monitored.

12.5. Contravention of Section 59(2) - Payment of claims within 30 days.

Nature

Member or provider claims should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Cause of non-compliance

Claims were paid in part and the short payment later corrected, resulting in the latter being paid after 30 days of receipt.

Possible impact

- Non-compliance with section 59(2) of the MSA;
- Internal control deficiency, system controls not recognising that there are claims which have not been paid within 30 days;
- The backlog in processing will change the pattern of the claims experience, and incorrect projections may arise if these are not taken into account.

Corrective course of action

The MSA requires that a valid claim submitted to the Scheme must be paid within 30 days after the day on which the claim is received. In limited instances claims were paid after this timeframe mostly as a result of incorrect coding by service providers. A remittance advice with reasons for short payment or rejection of the claim is shared with the member and service provider.

Reprocessing of valid claims will be paid within stipulated conditions of the MSA.

13. OTHER MATTERS FOR REPORTING TO MEMBERS

13.1. Legal matters

The Board of Trustees (BOT) inherited various legal matters from the Fund's erstwhile Curator in 2014. The following are the updates on key legal matters which the BOT has overseen during its term of office.

- The Fund is pursuing a civil claim against the erstwhile Principal Officer in respect of various amounts totalling R8 million which were paid to a company under her control. This matter was served before the courts during the 2018 financial year but was postponed to March 2020 due to the defendant once again changing legal representatives just before the case was heard. The Fund, however, managed to successfully apply for its costs against the defendant's frozen pension benefits. The matter was enrolled for trial on 6 March 2020 in the Johannesburg High Court: The matter was postponed sine die with the erstwhile Principal Officer to pay the Fund's wasted costs on an attorney and client scale; The erstwhile Principal Officer has to pay the actual incurred costs and fees of the handwriting expert and actual incurred fees and costs, including return travel and accommodation costs to the UK for a former trustee and Chairperson of the Fund's Finance Committee. The Fund's legal representatives are addressing a request to the Deputy Judge President for a special allocation of the matter due to the inordinate number of years it has taken to prosecute this matter.
- The Fund is currently engaged in an ongoing legal matter with Intellihealth Africa regarding the termination of the capitation agreement in April 2020.



14. PRIOR PERIOD ERROR

During the 2019 financial year, it was noted that the Fund consented to the backdating of terminations to the last date on which contributions were received by the affected members. As a consequence of this, contributions recorded in 2018 were overstated by R7 866 136 and claims paid in 2018 amounting to R1 448 578 had to be reversed. This resulted in a misstatement of R6 417 558 on the 2018 AFS, which was corrected retrospectively. Refer to note 32 of the financial statements for the impact of the restatement.

The Annual Financial Statements have been prepared on the going concern basis. The Annual Financial Statements were approved on the 16 May 2020 except for Note 33.3 relating to the proposed amalgamation of Sizwe Medical Fund with Hosmed Medical Scheme for which the disclosure note was included on the 12 June 2020 and are signed on the Fund's behalf by:

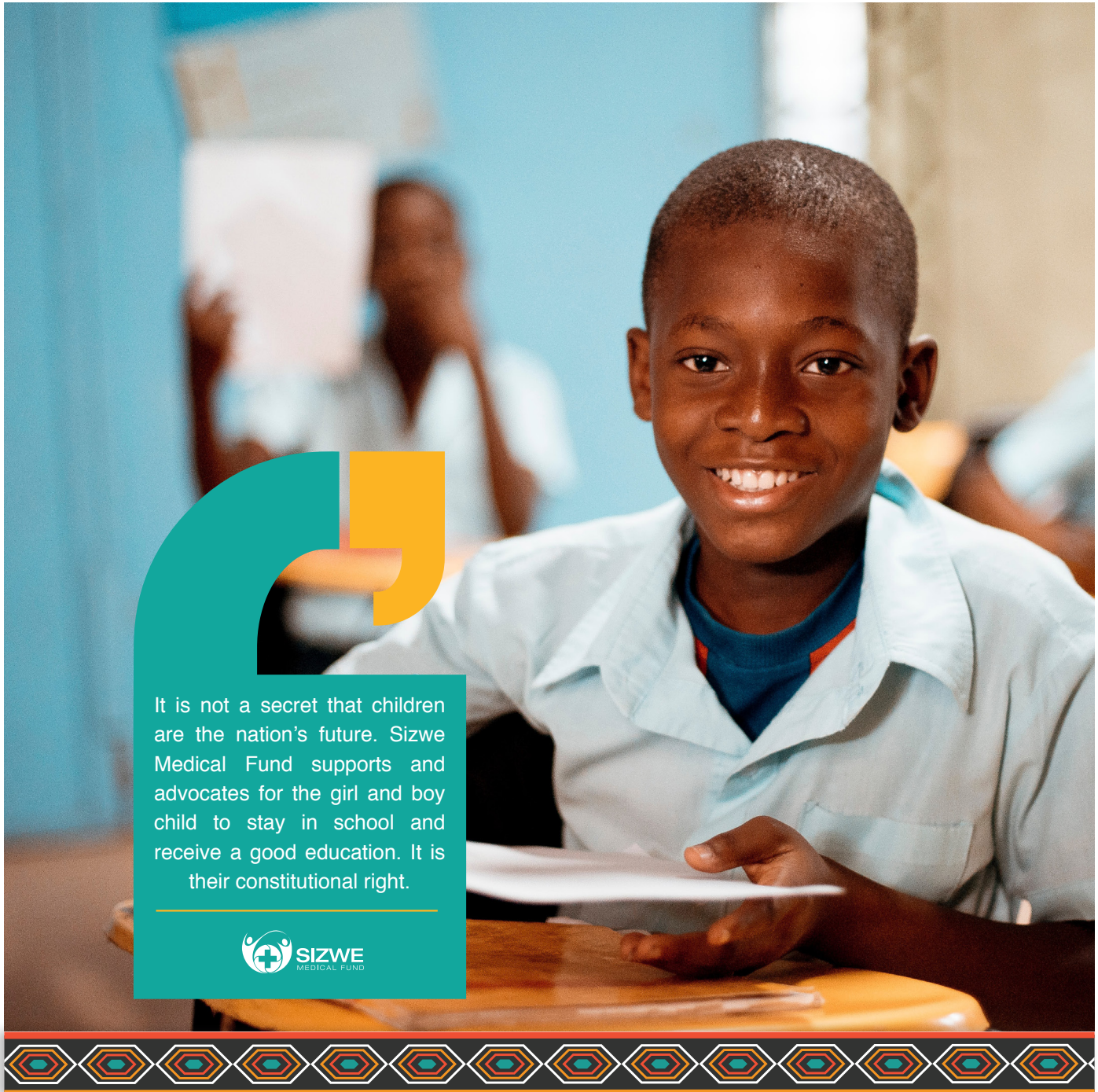
L Makwabe (Mr)

Chairman

16 May 2020 and 12 June 2020

15. APPRECIATION

The Fund would like to express its sincere gratitude to its members, service providers, staff and all other stakeholders for their loyalty and continued support.




It is not a secret that children are the nation's future. Sizwe Medical Fund supports and advocates for the girl and boy child to stay in school and receive a good education. It is their constitutional right.



REPORT OF THE AUDIT
AND RISK COMMITTEE





She is a daughter, mother,
sister, girlfriend and a wife.
She is not your punching bag,
protect her.





REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (The ARC) is pleased to present its report for the financial year ended 31 December 2019. The Committee is an independent statutory committee of the BOT. Duties are delegated to the ARC by the Board of Trustees.

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The ARC confirms that it has adopted an appropriate and formal terms of reference, which is approved by the BOT. The ARC has executed its duties and conducted its affairs in accordance with its terms of reference and has discharged all its responsibilities as contained therein.

2. THE MEMBERS OF THE COMMITTEE AND ATTENDANCE OF MEETINGS

The ARC consists of four independent members and three Trustee members.

The executive officers of the Fund and representatives of the Administrator attend meetings by invitation. In addition, the Internal and External auditors attend meetings or parts of meetings by invitation and meet with the ARC at least once per year without the executives being present. The ARC meets at least four times per year in accordance with its charter. During the year under review, seven meetings were held. Details of attendance are provided in the table below. Members of the ARC collectively bring a wide range of expertise and skills in the areas of accounting, auditing, compliance, finance, governance, investment and fund management, Medical Schemes industry, and risk management to assist and advise the Fund in fulfilling its mandate.



During these uncertain times; we are certain about our Affordable Medical Cover. Here's to rebuilding our country's economy with our rich benefits.





3. THE COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Committee Member	Qualifications	Appointment Date	Number of meetings that could be attended	Number of meetings attended
Ms N Nkosi (Chairperson and Independent Member)	B Com (Insurance Risk Management and Law) MBA	Friday, 01 February 2019	7	7
Ms K Mthimunye (Independent Member)	BCompt Honours; CA (SA)	Friday, 01 February 2019	7	6
Mr T Kgokolo (Trustee)	CA (SA) ; MBA	Friday, 01 February 2019	7	2
Mr B Salters (Trustee)	BA, PGDLL	Thursday, 03 August 2017	7	6
Ms Z Matikinca (Trustee)	N3 Electrical Engineering	Thursday, 03 August 2017	7	6
Ms S Hari (Independent Member)	BCompt Honours	Wednesday, 01 August 2018	7	6
Mr M Matlwa (Independent Member)	BCompt Honours, MBA, MCom, CA(SA)	Wednesday, 01 August 2018	7	5





4. ROLE AND RESPONSIBILITIES

The ARC's role and responsibilities include statutory duties as per the Medical Schemes Act, No 131 of 1998, as amended, (the Act) and further responsibilities assigned to it by the BOT. The ARC executed its duties in accordance with its terms of reference and the Act during the financial year.

5. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The ARC considered the matters set out in Section 36 of the Act. The ARC is satisfied that the external auditor, Ngubane and Co. (JHB) Inc is independent of the Fund as set out in Section 36(3) of the Act. Assurance was provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim of independence. The ARC, following consultation with the Fund's executive officers, recommended acceptance of the engagement letter, terms, audit plan and budgeted audit fees for the year ended 31 December 2019.

6. FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The ARC has reviewed the accounting policies and the Fund's AFS and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The Auditors have indicated that the 2019 AFS are a fair reflection of the Fund's activities during the year and accounting practices have been applied appropriately.

7. INTERNAL FINANCIAL CONTROLS

The ARC is responsible for overseeing the Fund's internal control environment. In this regard, the ARC has, among other things, evaluated the adequacy and effectiveness of the Fund's systems of internal control and made appropriate recommendations to the Board of Trustees. This included a formal documented review by the Internal Audit function of the effectiveness of the Administrator's system of internal financial controls pertaining to the Fund. Based on the results of this review, it is the view of the ARC that reasonable assurance can be placed on the adequacy and effectiveness of the Fund's internal controls, relative to the fair presentation of the Annual Financial Statements.

8. INTERNAL AUDIT

The ARC fulfills an oversight role on the Fund's AFS and the reporting process, including the system of internal financial control. It is responsible for ensuring the independence of the internal audit function and that it has the necessary resources, understanding and authority in the organization to enable it to discharge its duties. Furthermore, the ARC oversees cooperation between the internal and external auditors and serves as a link between the Board Of Trustees and these functions.

Internal Audit forms an integral part of the Fund's risk management process and system of internal control. The Internal Audit plan for 2019 and the Internal Audit Charter were presented to and approved by the ARC. The ARC received regular internal audit reports confirming the soundness of the system of internal control of the Fund. The ARC is satisfied with the working relationship between the ARC, the Fund's external auditors and internal auditors. In addition, the ARC is satisfied that the Internal Audit function of the Fund is independent and has the relevant skills and resources to perform its duties.

9. RISK MANAGEMENT

The ARC monitors the risk management processes and systems of internal control of the Fund through the review of reports from and discussions with the Fund's internal and external auditors and the risk management function.

The Fund has performed a risk assessment and updated the risk register during the financial year, and has managed the risks to which the Fund was exposed. The ARC used a combined assurance model to identify risks that the Fund is exposed to. Reports from internal and external audits indicated that the control environment and procedures are sound and functioning as intended.

The ARC is satisfied that the system and process of risk management is effective.



10. GOING CONCERN

The going concern basis has been adopted in preparing the AFS. The ARC has reviewed the Fund's financial position as at 31 December 2019, as well as the budget for the year ending 31 December 2020. Total members' funds exceeded R897 million with a solvency level of 36,47% as at 31 December 2019. The ARC has considered in management's plans, the identified conditions and events in the aggregate. The ARC has considered plans for dealing with the effect of identified events such as decline in membership numbers, the entrance of new competitors to the market, the increased cost of doing business as well as the volatile foreign currency, and assessed the likelihood of effective implementation thereof.

The ARC is therefore of the opinion that the Fund does not appear to have a going concern problem. On the basis of this review, the ARC considers that:

- The Fund's total assets of R1,1billion currently exceed its liabilities of R228 million.
- The Fund reports a current ratio of 2,81;
- The Fund will be able to settle its liabilities as they arise for the foreseeable future.

Based on the assessment conducted, the ARC has no reason to believe that the Fund will not be a going concern in the foreseeable future.

11. SUBSEQUENT EVENTS

11.1 COVID-19

Subsequent to reporting date, and prior to the date the AFS were approved for issue, the World Health Organisation declared the COVID-19 contagion a pandemic on 11 March 2020. The President of South Africa declared a national state of disaster, with lockdown measures introduced, that could severely impact businesses and have a potentially negative impact on the economy.

The ARC has considered the plans for dealing with the adverse effects of the COVID-19 pandemic, including the Council for Medical Scheme's guidelines regarding all COVID-19 claims being treated as Prescribed Minimum Benefits that must be paid in full, treating the non-payment of contributions on a case by case basis prior to termination, as well as the volatility of investment markets and its impact on the Fund's investment portfolio post year-end.

The ARC has assessed the likelihood of effective implementation thereof, and is of the opinion that the COVID-19 pandemic would not negatively impact the Fund's future financial position.

11.2 Amalgamation of Sizwe Medical Fund and Hosmed Medical Scheme

During the Audit and Risk Committee meeting of the 2nd June 2020, it was brought to our attention that Sizwe Medical Fund and Hosmed Medical Scheme have recently engaged in discussions of a possible merger of the two institutions. We were further informed that the merger is subject to the approval of the Council for Medical Schemes. The full details of the merger are disclosed in paragraph 8 of the Board of Trustees' report and note 33 of the AFS.

12. CONCLUSION

Based on the information and explanations given by the Fund's executive officers, the Administrator, and discussions with the independent external auditor regarding the results of their audit, the ARC is satisfied that there was no material breakdown in the accounting and internal controls during the financial year under review.

The ARC has evaluated the Fund's AFS for the year ended 2019 and, based on the information provided to the ARC, considers that the Fund complies to a large extent with the requirements of the Medical Schemes Act, No 131 of 1998, as amended, and with International Financial Reporting Standards. The ARC has recommended the AFS to the Board of Trustees for approval, which will be presented to the members at the forthcoming Annual General Meeting.

NOBUHLE NKOSI (Ms)

Chairperson: Audit and Risk Committee

FINANCIAL HIGHLIGHTS





Without you, our Sizwe family is incomplete. So, when we designed our affordable medical benefits, we had you in mind. Our reputation for affordable cover stays the same.





STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019 R	2018 Restated * R
ASSETS		
Non-Current Assets		
Property, plant and equipment	1 468 136	961 909
Right of use assets	3 881 981	-
Available-for-sale assets	478 941 683	541 132 327
	484 291 800	542 094 236
Trade and other receivables	87 873 530	72 990 495
Available-for-sale assets	316 151 932	522 485 613
Cash and cash equivalents	236 937 155	187 055 671
	640 962 617	782 531 779
Total Assets	1 125 254 417	1 324 626 015
Accumulated Funds	924 609 351	1 118 713 743
Available-for-sale fair value reserve	(27 425 005)	(25 895 330)
Members' funds	897 184 346	1 092 818 413
LIABILITIES		
Current Liabilities		
Personal medical savings account liability	563 132	19 750
Outstanding claims provision	149 607 641	150 408 214
Trade and other payables	73 680 798	81 063 289
Lease liability	4 218 500	316 349
	228 070 071	231 807 602
Total Equity and Liabilities	1 125 254 417	1 324 626 015



STATEMENT OF COMPREHENSIVE INCOME

	2019	2018 Restated
	R	R
Risk contribution income	2 458 216 162	2 327 554 433
Relevant healthcare expenditure	(2 462 408 827)	(2 284 764 556)
Net claims incurred	(2 448 191 662)	(2 271 112 669)
Risk claims incurred	(2 331 513 250)	(2 227 629 686)
Accredited managed healthcare services	(118 492 374)	(48 847 699)
Third party claims recoveries	1 813 962	5 364 716
Net expense on risk transfer arrangements	(14 217 165)	(13 651 887)
Risk transfer arrangement premiums paid	(74 922 540)	(62 951 989)
Recoveries from risk transfer arrangements	60 705 375	49 300 102
Gross healthcare result	(4 192 665)	42 789 877
Less:		
Broker service fees	(45 892 538)	(42 704 372)
Administration fees and other operative expenses	(244 058 415)	(269 444 876)
Net impairment losses on healthcare receivables	(1 481 034)	(14 776 693)
Net healthcare result	(295 624 652)	(284 136 064)
Other income	107 287 425	114 745 893
Investment income	98 220 918	91 398 199
Sundry income	9 066 507	23 347 694
Other expenditure	(5 767 165)	(6 538 045)
Asset management fees	(5 767 165)	(6 538 045)
Net expense for the year	(194 104 392)	(175 928 216)
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Available-for-sale: reclassification to profit/loss	(17 036 712)	2 624 550
Available-for-sale investments: net change in fair value	15 507 037	(37 280 280)
Total items that will be reclassified to profit or loss	(1 529 675)	(34 655 730)
Total comprehensive expense for the year	(195 634 067)	(210 583 946)



STATEMENT OF CHANGES IN MEMBERS FUNDS AND RESERVES

	Available-for-sale reserve	Accumulated funds	Total members' funds
	R	R	R
Restated* Balance at 01 January 2018	8 760 400	1 294 641 959	1 303 402 359
Net expense for the year	-	(175 928 216)	(175 928 216)
Other comprehensive expense	(34 655 730)	-	(34 655 730)
Total comprehensive expense for the year	(34 655 730)	(175 928 216)	(210 583 946)
Realised gain on disposal of available-for-sale investment.	2 624 550	-	2 624 550
Unrealised loss on revaluation of available-for-sale investment.	(37 280 280)	-	(37 280 280)
Opening balance as previously reported	(25 895 330)	1 125 131 301	1 099 235 971
Adjustments			
Prior period errors	-	(6 417 558)	(6 417 558)
Balance at 01 January 2019 as restated	(25 895 330)	1 118 713 743	1 092 818 413
Net expense for the year	-	(194 104 392)	(194 104 392)
Other comprehensive expense	(1 529 675)	-	(1 529 675)
Realised loss on available-for-sale investment.	(17 036 712)	-	(17 036 712)
Unrealised gain on available-for-sale investment.	15 507 037	-	15 507 037
Total Comprehensive expense	(1 529 675)	(194 104 392)	(195 634 067)
Balance at 31 December 2019	(27 425 005)	924 609 351	897 184 346



STATEMENT OF CASH FLOWS

	2019 R	2018 Restated R
Cash flows from operating activities		
Cash receipts from members	2 452 833 127	2 327 554 433
Cash receipts from members and providers - other	10 880 469	4 229 079
Cash paid to providers and employees - Claims	(2 483 262 268)	(2 290 129 272)
Cash paid to providers and employees - non healthcare expenditure	(370 699 157)	(364 434 542)
Cash paid to members - savings plan refunds	(2 588)	-
Net cash from operating activities	(390 250 417)	(322 780 302)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 055 833)	(667 692)
Proceeds on disposal of property, plant and equipment	-	30 786
Proceeds on disposal of available-for-sale investments	403 500 000	-
Purchase of available-for-sale investments	(55 998 222)	-
Interest received	51 901 362	12 332 770
Dividends received	29 282 844	81 689 979
Realised profit	17 036 712	(2 624 551)
Net cash from investing activities	444 666 863	90 761 292
Cash flows from financing activities		
Payment of lease liabilities	(4 534 962)	-
Net increase/(decrease) in cash and cash equivalents	49 881 484	(232 019 010)
Cash and cash equivalents as previously reported	187 055 671	419 074 681
Cash and cash equivalents at end of the year	236 937 155	187 055 671

MY HEALTH
MY HERITAGE
MY SIZWE






IN MEMORIAM

- | | |
|-----------|-----------|
| 1. _____ | 24. _____ |
| 2. _____ | 25. _____ |
| 3. _____ | 26. _____ |
| 4. _____ | 27. _____ |
| 5. _____ | 28. _____ |
| 6. _____ | 29. _____ |
| 7. _____ | 30. _____ |
| 8. _____ | 31. _____ |
| 9. _____ | 32. _____ |
| 10. _____ | 33. _____ |
| 11. _____ | 34. _____ |
| 12. _____ | 35. _____ |
| 13. _____ | 36. _____ |
| 14. _____ | 37. _____ |
| 15. _____ | 38. _____ |
| 16. _____ | 39. _____ |
| 17. _____ | 40. _____ |
| 18. _____ | 41. _____ |
| 19. _____ | 42. _____ |
| 20. _____ | 43. _____ |
| 21. _____ | 44. _____ |
| 22. _____ | 45. _____ |
| 23. _____ | 46. _____ |

THIS WALL IS DEDICATED TO THOSE WHO HAVE LOST THEIR LOVED ONES. MAY THEY ALL REST PEACEFULLY.



A close-up photograph of two hands pressed together in a prayer position, centered on a dark background. The hands are illuminated from the side, highlighting the texture of the skin and the creases on the palms.

Annual Financial
Highlights **2020**

“Life doesn’t get easier or more forgiving,
we get stronger and more resilient”

- **Steve Maraboli,**

Life, the Truth, and Being Free





CONTENTS

PAGE

Statement of responsibility by the Board of Trustees	2
Statement of Corporate Governance by the Board of Trustees	3-4
Board of Trustees Report	5- 20
Report of the Audit and Risk Committee	22-27
Independent Auditor's Report	28-31
Financial Highlights	32-37
» Statement of Financial Position	34
» Statement of Comprehensive Income	35
» Statement of Changes in Members' Funds and Reserves	36
» Statement of Cash Flows	37



Annual Financial Statements and Annual Report

The Board of Trustees (BOT) is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements (AFS) of Sizwe Medical Fund (the "Fund"). The AFS presented in to the AFS presented in pages 28-82 to the AFS have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgments and estimates made by management.

The AFS comprise the statement of financial position as at 31 December 2020, 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 the notes to the AFS which include a summary of significant accounting policies and other explanatory notes.

The BOT considers that in preparing the AFS, appropriate accounting policies have been applied and that IFRS has been followed. These are consistent with those adopted in the prior financial years and are supported by reasonable and prudent judgments and estimates.

The BOT is satisfied that the information contained in the AFS fairly presents the results of operations for the year and the financial position of the Fund at year-end. The BOT also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the AFS.

Accounting records and control environment

The BOT has the responsibility for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Fund which enables the BOT to ensure that the AFS comply with relevant legislation.

Sizwe Medical Fund is operated in an established control environment which is well documented and regularly reviewed. This incorporates both 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 Fund are being managed.

Going concern

The going concern basis has been adopted in preparing these AFS. The BOT has no reason to believe that the Fund will not be a going concern in the foreseeable future, based on the current financial position and available cash resources. The Fund's forecasts support the long-term viability of the Fund.

External auditor's responsibility

The Fund's external auditor, PricewaterhouseCoopers Inc. have audited the AFS in terms of International Standards on Auditing and their report is presented on pages 28-31. PricewaterhouseCoopers Inc. had unrestricted access to all financial records and related data. The BOT believes that all representations made to the independent auditor during their audit were accurate and appropriate.

The Fund's AFS as identified above were approved by the Board of Trustees on the 23 April 2021 and are signed on their behalf by:

L Makwabe (Mr)
Chairman

B Salters (Mr)
Deputy Chairman

Dr Simon Mangcwatywa
Principal Officer
Friday, 23 April 2021



STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Sizwe Medical Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The trustees are required to act with due care, diligence and good faith in the best interest of the members. In pursuit of this, the trustees conduct themselves in accordance with the Rules of the Scheme. The trustees are proposed and elected by the members in accordance with the Medical Schemes Act no. 131 of 1998, as amended (“MSA”).

1. Board of Trustees

The trustees meet regularly and monitor the administration of the Fund. They address a range of key issues and ensure that discussions of items of policy, strategy and performance are critical, informed and constructive.

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

2. Internal Controls and Risk Management

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

A formal internal audit function exists within the Fund with regular reporting to the Audit and Risk Committee. This function is provided by SekelaXabiso CA Incorporated.

The Fund’s risk profile continues to be addressed by risk management, evaluation and management processes, including the use of a risk register utilising the Combined Assurance model.

3. Ethical values of the Fund

The Fund is bound by a Code of Conduct, mandates and principles of treating members fairly. The Code of Conduct outlines the principles that guide the Fund in a way that contributes to the welfare of the key stakeholders and helps balance the needs of all stakeholders in the system. Governance and ethical values within Sizwe Medical Fund are continually being addressed by the BOT.

The Fund’s committees have mandates that set-out their responsibilities that promote the principles of transparency and ethics. The Fund is bound to open communication with all its stakeholders about its financial and business targets and to treat them fairly in all business dealings.

4. Compliance with the Medical Schemes Act

The Trustees monitor that the Fund complies with the Medical Schemes Act no. 131 of 1998 (“the Act”) and the Regulations issued in terms of the Act. The Trustees endeavour to apply the King IV code of Corporate Governance where necessary and practical. The BOT noted non-compliance matters which are set out fully in the BOT Report.

5. Administrator performance

The administrator, 3Sixty Health (Pty) Ltd, as well as all providers of administrative services are charged with implementing a functioning control environment, which is well documented and regularly reviewed. The contracts and Service Level Agreements (SLA) provide for monthly and quarterly submission of reports to the Fund, which are then used to measure and monitor the service providers’ performance.



6. Independent evaluation of the Board and Committees

The Fund adopted a practice of performing annual evaluations on its BOT and its Committees with independent evaluations being undertaken every second year. The last independent evaluation was performed during the 2019 financial year. The Audit and Risk Committee was not included in the evaluation conducted in 2019 due to the Committee consisting of newly appointed members. The next evaluation of the BOT and its sub-committees will be carried out in 2021.

L Makwabe (Mr)
Chairman

B Salters (Mr)
Deputy Chairman

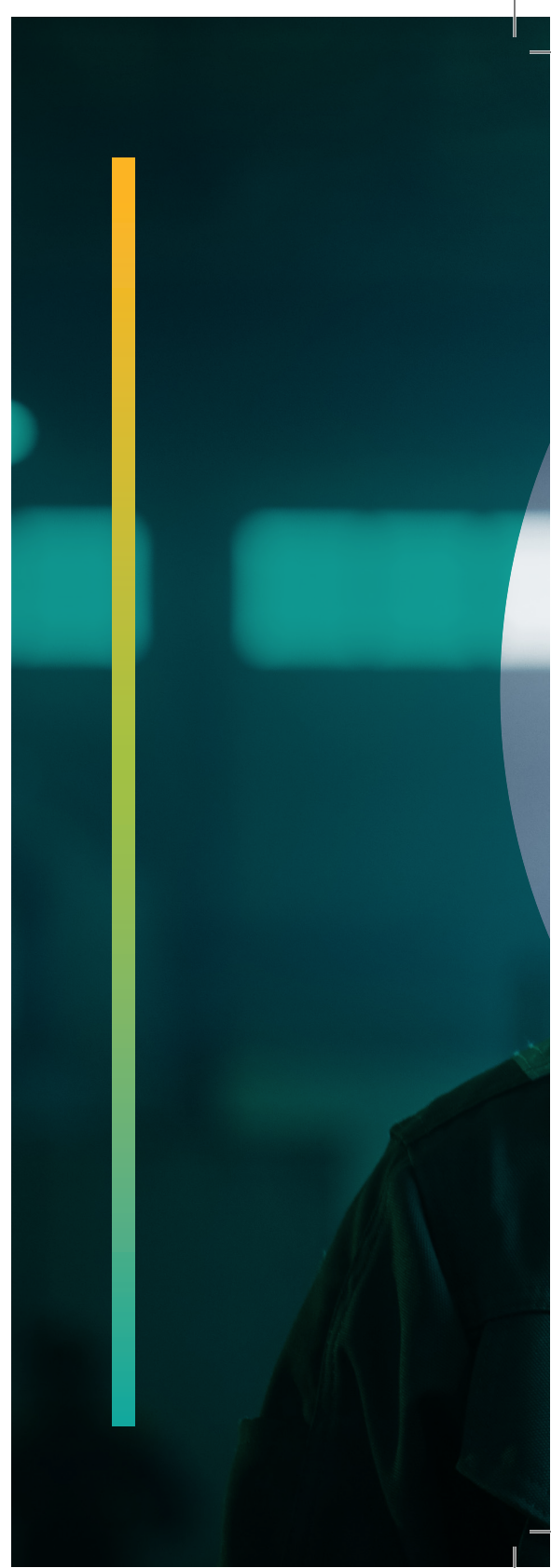
Dr Simon Mangcwatywa
Principal Officer
Friday, 23 April 2021





A vertical bar on the left side of the page with a color gradient from yellow at the top to teal at the bottom.

Board Of Trustees Report

A short horizontal orange line underlining the word "Report".





BOARD OF TRUSTEES REPORT

The Board of Trustees hereby presents its report for the year ended 31 December 2020. The BOT wishes to report that for the year ending 31 December 2020, the Fund achieved a surplus of R 113 237 214 (2019 : (R 194 104 392)).

1. Description of the Medical Scheme

1.1. Terms of registration

Sizwe Medical Fund (“the Fund”) is a not-for-profit, open medical scheme registered under reference number 1486 in terms of the Medical Schemes Act no. 131 of 1998, as amended. The Fund is administered by 3 Sixty Health (Pty) Ltd and regulated by the Council for Medical Schemes (CMS)

1.2. Benefit options within Sizwe Medical Fund

The Fund offered the following five benefit options to employers and members of the public during the year:



1.3. Risk Transfer Arrangement

During the 2020 financial year, the Fund had entered into risk transfer arrangements with Enabledmed (Pty) Ltd and Intellihealth Africa Managed Care Organisation (IHAMCO) (Pty) Ltd.

The risk transfer arrangement with Enabledmed (Pty) Ltd is to provide out-of-hospital benefits to members on a capitated basis. The duration of the contract with Enabledmed (Pty) Ltd is for a period of twelve months, commencing on 01 January 2020. On 31 March 2020, the Fund terminated its contact with IHAMCO (Pty) Ltd and appointed Enabledmed (Pty) Ltd to service the terminated contract. Both Enabledmed (Pty) Ltd contracts were to remain valid until 31 December 2020.

	2020	2019
	R	R
Risk transfer fees paid (refer to note 13.1 of the financial statements)	(56 294 811)	(74 922 540)
Recovery from risk transfer arrangement	48 721 013	60 705 375
Net expense on risk transfer arrangement	(7 573 798)	(14 217 165)

1.4. Unallocated Funds

Unallocated funds arise on receipt of deposits in favour of Sizwe Medical Fund that have been identified as members’ contributions but have not been allocated to individual members as at 31 December 2020. Section 26(7) of the Medical Schemes Act no. 131 of 1998 (MSA) states that all subscriptions or contributions shall be paid directly to a medical scheme not later than three days of becoming due. Medical Schemes are allowed to extend this period to seven days. Sizwe Medical Fund’s approved rules extended the requirement to 7 days, as per paragraph 13.3 of the rules.

Unallocated funds as at 31 December 2020 amounted to R37 346 495 (2019: R 56 284 396).



2. BOARD OF TRUSTEES

2.1. Board Of Trustees Meeting Attendance 2020

In terms of the Fund rules, the BOT must consist of not more than ten members. The following table reflects the schedule of trustees who were in office during the year as well as their attendance of Board and Committee meetings.

	Designation	Date initially appointed	(BOT)		(REMCO)		(IC)		(ARC)		(CGC)		(CDRC)	
			A	B	A	B	A	B	A	B	A	B	A	B
B L Makwabe (Mr)	Chairperson	21 July 2017	14	14	4	4	-	-	-	-	-	-	-	-
B Salters (Mr)	Deputy Chairperson	16 December 2014	14	13	-	-	-	-	13	13	-	-	-	-
Z Matikinca (Ms)	Trustee	21 July 2017	14	14	-	-	-	-	13	13	-	-	-	-
PA Jacobs (Mr)	Trustee	21 July 2017	14	13	-	-	6	6	-	-	-	-	-	-
S Daweti (Mr)	Trustee	21 July 2017	14	14	-	-	-	-	-	-	6	6	-	-
VM Shamase (Mr)	Trustee	21 July 2017	14	14	4	4	6	6	-	-	-	-	-	-
C Rensburg (Ms)	Trustee	21 July 2017	14	13	-	-	-	-	-	-	6	6	2	2
M Moyeni (Mr)	Trustee	21 July 2017	14	14	-	-	6	6	-	-	-	-	2	2
T Kgokolo (Mr)	Appointed Trustee	01 February 2019	14	12	-	-	4	4	2	2	6	6	-	-
BZ Limba (Dr)	Appointed Trustee	01 February 2019	14	14	-	-	-	-	-	-	6	6	-	-

A : Number of meetings that could be attended. **B** : Number of meetings attended

BOT - Board of Trustees

REMCO - Remuneration Committee

IC - Investment Committee

ARC - Audit and Risk Committee

CGC - Clinical Governance Committee

CDRC - Complaints and Dispute Resolution Committee

In terms of the Fund Rules, Trustees are elected by members and remain in office until the third Annual General Meeting. During the year, the Trustees attended training provided by the Council for Medical Schemes as well as other service providers.

2.2. Sub-Committees of the Board of Trustees governing the Fund.

Audit and Risk Committee (ARC)

The Audit and Risk Committee (ARC) is a statutory committee established in terms of sections 36(10) to 36(13) of the Act. The Committee's mandate is derived from its approved terms of reference. The Committee performs an oversight role and assists the Board of Trustees in discharging its responsibilities of safeguarding the Fund's assets and of ensuring that an effective internal control system is operational.

In addition, the ARC performs a key corporate governance oversight role by safeguarding the integrity of the Fund's financial reporting and internal financial control environment. The ARC periodically reported to the Board on how it has discharged its responsibilities.



The Committee met 13 times during the year and comprised the following members:

Audit and Risk Committee Members

Ms N Nkosi	Chairperson and Independent member	(Appointed 1st February 2019)
Ms Z Matikinca	Trustee representative	(Appointed 3rd August 2017)
Ms S Hari	Independent member	(Appointed 1st August 2018)
Mr M Matlwa	Independent member	(Appointed 1st August 2018)
Ms K Mthimunye	Independent member	(Appointed 1st February 2019)
Mr B Salters	Trustee representative	(Appointed 3rd August 2017)
Mr T Kgokolo	Trustee representative	(Appointed 14th February 2019 - Resigned 27th February 2020)

A report of the Audit and Risk Committee is presented in pages 22 - 27 of the Annual Financial Statements.

Other Committees

To improve and strengthen the governance of the Fund, the BOT also operates the following committees:

Clinical Governance Committee

Whilst there is no statutory requirement for this Committee, it has been established in order to give power to the BOT to appoint and delegate authority to a sub-committee consisting of such BOT members and other experts as it may deem necessary. The Committee reviews and monitors all initiatives to reduce unnecessary healthcare costs without negatively impacting on

the quality of care. The Committee met six times during the year and comprised the following members:

Clinical Governance Committee Members

Mr T Kgokolo	Chairperson and Trustee representative	(Appointed 14th February 2019)
Mr S Daweti	Trustee representative	(Appointed 3rd August 2017)
Ms C Rensburg	Trustee representative	(Appointed 24th April 2018)
Dr Z Limba	Trustee representative	(Appointed 14th February 2019)
Dr O Mazwai	Clinical and Operations Executive	(Appointed 7th January 2019)

Complaints and Dispute Resolution Committee

The role of the Complaints and Dispute Resolution Committee is to adjudicate disputes that may arise between a member, prospective member or person claiming against the Fund. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority and duties. The Committee met twice during the year and comprised the following members:

Complaints and Dispute Resolution Committee Members

Ms N Maseko	Chairperson and Independent member	(Appointed 24th April 2019)
Ms C Rensburg	Trustee representative	(Appointed 3rd August 2017)
Mr M Moyeni	Trustee representative	(Appointed 3rd August 2017)

Investment Committee

The role of the Committee is to advise the BOT and Management on the best possible investment of the Fund's resources available for that purpose, amendments to, or the re-investment of



existing investments and possible steps that may be considered in respect of the investment of available funds. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority and duties. The Principal Officer and senior management attend meetings of the Committee. The Committee met six times during the year and comprised the following members:

Investment Committee Members

Mr N Maponya	Chairperson and Independent member	(Appointed 1st August 2018)
Mr P Jacobs	Trustee representative	(Appointed 3rd August 2017)
Mr M Shamase	Trustee representative	(Appointed 3rd August 2017)
Mr M Moyeni	Trustee representative	(Appointed 24th April 2018)
Ms M Maubane	Independent member	(Appointed 1st August 2018)
Mr T Kgokolo	Trustee representative	(Appointed 12th May 2020)

Remuneration Committee

The role of the Committee is to ensure that the remuneration policy and practices are regularly reviewed, that the Fund remunerates the BOT, senior management, and its employees fairly and responsibly and that disclosure of trustee and senior management remuneration is accurate, complete and transparent. The Committee is mandated by the BOT by means of formal terms of reference as to its membership, authority, and duties. The Committee met four times during the year and comprised the following members:

Remuneration Committee Members

Ms M Ngwenya	Chairperson and Independent member	(Appointed 1st July 2018)
Ms N Mhlungu	Independent member	(Appointed 1st July 2018)

Mr L Bahula	Independent member	(Appointed 1st July 2018)
Mr M Shamase	Trustee member	(Appointed 3rd August 2017)
Mr L Makwabe	Trustee member	(Appointed 3rd August 2017)
Dr S Mangcwatywa	Principal Executive Officer	(Appointed 4th January 2018)
Ms N Maseko	Independent member	(Appointed 25th May 2019)

3. MANAGEMENT

3.1. Registered office and postal address

Postal address:	Business address:
PO Box 62345 Marshalltown 2107	4th Floor, One Sturdee Building 1 Sturdee Avenue Rosebank 2107

Website : www.sizwe.co.za

3.2. Executive Management

The table reflects the names of the management team which was in the employ of the Fund during the 2020 financial year as well as their dates of engagement.

Name	Position	Date of Appointment
Dr S Mangcwatywa	Principal Officer	4th January 2018
Ms N Tshobeni	Chief Financial Officer	1st December 2020
Dr O Mazwai	Clinical Executive	7th January 2019
Ms V Xaxa	Compliance Executive	7th January 2019 - Resigned 30th June 2020



3.3. Medical Scheme Administrator and Managed Care provider

3Sixty Health (Pty) Limited

7 West Street
Houghton
Johannesburg
2001

PO Box 10436
Johannesburg
2000

Sanlam Investment Management (Proprietary) Limited

55 Willie van Schoor Avenue
Bellville
7530
FSP 579

Private Bag X8
Tygervalley
7536

3.4. External Auditor

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Juskei View - Midrand
2090

Private Bag X36
Sunninghill
2157

RH Managers (Proprietary) Limited

3rd Floor, 18 Melrose Boulevard
Melrose Arch
2076
FSP 4481

Postnet Suite 510
Private Bag X1
Melrose Arch,
20176

3.5. Internal Auditor

SekelaXabiso CA Incorporated

Building 1 Waverly Office Park
15 Forest Road
Bramley 2199

3.6. Investment managers during the year

During the 2020 financial year, the BOT retained the services of asset managers to assist it with the investment and management of the Fund's surplus funds. The following five companies are the asset managers that were engaged by the Fund during the year.

Taquanta Asset Managers (Proprietary) Limited

7th Floor, Newlands Terrace
8 Boundary Road
Newlands 7700
FSP 618

PO Box 23540
Claremont
7735

Aluwani Capital Partners (Proprietary) Limited

24 Georgian Crescent
Bryanston East
2152
FSP 46196

Private Bag X75
Bryanston
2125

Argon Asset Management (Proprietary) Limited

1st Floor, Colinton House
The Oval, 1 Oakdale Road
Newlands
7700
FSP 835

PO Box 23254
Claremont
7735

3.7. Investment advisors during the year

Independent Actuarial Consultants (Proprietary) Limited

6th Floor, Wale Street Chambers
38 WalStreet
Cape Town,
8001
FSP 6832

3.8. Actuaries

Matlotlo Group Pty Ltd

Suite 49
2nd Floor, Nelson Mandela Square
Sandown
2196

3.9. Regulator

Council for Medical Schemes (CMS)

Block A, Eco Glades Office Park
420 Witch-Hazel Avenue, Eco Park
Centurion
0157

3.10. Banker

Nedbank Limited

Fifth floor, Block F Nedbank
135 Rivonia Campus
135 Rivonia Road
Sandown
Sandton

PO Box 1144
Johannesburg
2000



4. **INVESTMENT STRATEGY OF THE FUND**

The Fund's primary investment objective is to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and the Board of Trustees. The monitoring and implementation of the strategy is delegated to the Investment Committee. Details of investments are set out in the AFS in note 5.

The Fund held investments in equities, insurance policies, collective investment schemes and cash instruments during 2020. This strategy is reviewed regularly, taking into consideration compliance with the Act, the risk and returns of the various investment instruments, economic climate and the surplus of funds available.

The Fund utilised the services of Independent Actuarial Consultants (Proprietary) Limited (IAC) as its investment advisor for 2020. The primary mandate of the investment advisor is to ensure compliance with the Fund's investment strategy, actively monitor the performance of asset managers, ensure legislative compliance and value retention while still ensuring growth.

5. **MANAGEMENT OF INSURANCE RISK**

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates to the health of fund members.

As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre authorization and case management, service provider profiling, centralised management of risk transfer arrangements, and the monitoring of emerging issues.

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

Insurance events are by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the AFS and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

6. **OPERATIONAL STATISTICS PER BENEFIT PLAN**

As part of its oversight role, the BOT reviews various ratios and operational statistics. The following tables reflect some of the key operational statistics that the BOT considered during the year.

**6.1. Operation Statistics- 31 December 2020**

	Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Copper Core	Silver Saver
1. Average number of members during the accounting period	47 575	22 297	3 289	15 251	6 326	413
2. Number of members at the end of the accounting period	48 213	23 335	3 116	14 779	6 452	531
3. Average number of beneficiaries during the accounting period	112 802	56 221	6 219	34 910	14 648	803
4. Number of beneficiaries at the end of the accounting period	115 156	59 705	5 852	33 853	14 702	1 044
5. Number of new members at 31 December 2020	10 782	5 218	697	3 305	1 443	119
6. Number of members leaving the scheme at 31 December 2020	9 506	4 601	614	2 914	1 272	105
7. Average age of beneficiaries for the accounting period	31,90	29,59	50,18	33,68	29,83	32,45
8. Pensioner ratio (beneficiaries >65)	7,30%	4,06%	31,58%	9,64%	5,42%	7,47%
9. Dependent ratio	1,39	1,56	0,88	1,29	1,28	0,97
10. Beneficiaries per member at 31 December 2020	0,42	0,39	0,53	0,44	0,44	0,51
11. Average net contributions per member per month (R)	4 646	4 177	8 329	5 486	2 497	2 489
12. Average net contributions per beneficiary per month (R)	1 959	1 657	4 404	2 397	1 078	1 280
13. Average claims incurred per member per month (R)	3 989	1 387	3 382	2 005	1 335	1 536
14. Average claims incurred per beneficiary per month (R)	1 682	1 377	3 360	2 008	1 307	1 681
15. Average administration costs per member per month (R)	441	440	458	441	434	418
16. Average administration costs per beneficiary per month (R)	186	174	242	193	188	215
17. Amount paid to administrator (R) *	238 777 569	116 045 394	17 068 052	79 319 644	24 303 416	2 141 063
18. Average managed care: management services per member per month (R)	230	247	243	246	120	243
19. Average accumulated funds per member at 31 December 2020 (R)	1 796	1 675	12 274	2 310	(4 210)	(2 102)
20. Non-healthcare expenditure per average beneficiary per month (R)	221	208	287	230	224	258
21. Relevant healthcare expenditure per average beneficiary per month (R)	1 682	1 387	3 382	2 005	1 335	1 536
22. Relevant healthcare expenditure as a % of gross contribution	85,86%	83,71%	76,79%	83,65%	123,79%	120,00%
23. Non-healthcare expenditure as a % of gross contribution	11,32%	12,57%	6,52%	9,59%	20,79%	20,20%
24. Return on Investment	4%	3%	21%	4%	0%	0%
25. Net claims as a percentage of net contributions	85,86%	83,71%	76,79%	83,65%	123,79%	120,00%
26. Managed care management services as a percentage of net contributions	4,94%	5,91%	2,92%	4,48%	4,82%	9,76%
27. Administration expenses as a percentage of net contributions	9,48%	10,53%	5,50%	8,04%	17,39%	16,77%
28. Number of dependents at the end of the accounting period	66 943	36 370	2 736	19 074	8 250	513
29. Average number of dependents per member during the accounting period	1	2	1	1	1	1

*Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited



6.2. Operation Statistics- 31 December 2019

	Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Copper Core	Silver Saver
1. Average number of members during the accounting period	47 321	21 621	3 756	16 067	5 654	224
2. Number of members at the end of the accounting period	46 935	21 436	3636	15 755	5 855	253
3. Average number of beneficiaries during the accounting period	112 661	54 859	7 199	36 718	13 441	444
4. Number of beneficiaries at the end of the accounting period	111 409	54 296	6 952	36 014	13 655	492
5. Number of new members at 31 December 2019	8 189	3 740	635	2 749	1 022	44
6. Number of members leaving the scheme at 31 December 2019	7 850	3 585	608	2 635	980	42
7. Average age of beneficiaries for the accounting period	32,10	29,62	49,53	33,45	29,40	34,89
8. Pensioner ratio (beneficiaries >65)	7,69%	4,19%	30,60%	9,55%	4,98%	10,22%
9. Dependent ratio	1,37	1,53	0,91	1,29	1,33	0,95
10. Beneficiaries per member at 31 December 2019	2,37	2,53	1,91	2,29	2,33	1,95
11. Average net contributions per member per month (R)	4 324	3 831	7 530	4 916	2 448	2 940
12. Average net contributions per beneficiary per month (R)	1 817	1 511	3 928	2 153	1 030	1 481
13. Average claims incurred per member per month (R)	4 082	3 365	7 782	4 602	2 934	2 848
14. Average claims incurred per beneficiary per month (R)	1 716	1 327	4 060	2 016	1 234	1 435
15. Average administration costs per member per month (R)	415	415	440	424	376	395
16. Average administration costs per beneficiary per month (R)	174	164	229	186	158	199
17. Amount paid to administrator (R)*	224 600 133	106 269 554	18 422 119	80 565 655	18 244 197	1 098 608
18. Average managed care: management services per member per month (R)	208	222	222	225	96	224
19. Average accumulated funds per member at 31 December 2019 (R)	18 925	17 739	111 955	20 975	(42 420)	(25 253)
20. Non-healthcare expenditure per average beneficiary per month (R)	208	195	271	221	192	240
21. Relevant healthcare expenditure per average beneficiary per month (R)	1 819	1 414	4 174	2 113	1 421	1 547
22. Relevant healthcare expenditure as a % of gross contribution	100,17%	93,57%	106,24%	98,12%	138,03%	126,95%
23. Non-healthcare expenditure as a % of gross contribution	11,47%	12,93%	6,91%	10,26%	18,68%	19,67%
24. Return on Investment	9%	7%	38%	8%	0%	0%
25. Net claims as a percentage of net contributions	100,17%	93,57%	106,24%	98,12%	138,03%	126,95%
26. Managed care management services as a percentage of net contributions	2,09%	2,69%	1,29%	2,02%	0%	3,69%
27. Administration expenses as a percentage of net contributions	4,82%	5,80%	2,95%	4,58%	3,93%	9,27%
28. Number of dependents at the end of the accounting period	64 340	32 832	3 317	202 347	7 796	238
29. Average number of dependents per member during the accounting period	1	2	1	1	2	1

* Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited



6.3. Operational statistics for the scheme

	2020	2019
	R	R
Accumulated funds per member	21 526	19 699
Breakdown of total amount paid to administrator:		
Administration fees	113 531 028	111 976 615
Managed care fees	125 246 542	112 623 518
Return on investment as a percentage of investments	4,00%	9,00%

6.4. Results of Operations

The results of operations are set out in the annual financial statements, and the Board of Trustees believes that no further clarification is required.

6.5. Solvency ratio

	2020	2019
	R	R
Accumulated Funds	1 025 271 678	897 184 346
Accumulated Funds per regulation 29	1 025 271 678	897 184 346
Gross contributions	2 654 804 622	2 459 615 163
Solvency ratio	38,62%	36,47%

After consultation with the Fund's actuaries, the BOT is confident that the current reserves are adequate to cover sufficiently members' healthcare needs, including any emergency outbreaks. The outbreak of the COVID-19 contagion has created much uncertainty with regards to the increase in claims expenditure and a possible reduction in gross contributions received. A more detailed discussion on the impact of COVID-19 on the Fund's financial certainty is set out in the going concern note (note 10 on the BOT report). The BOT is confident that with its solvency level being well over the regulated requirement, the Fund's reserves are adequate to cover its members' healthcare needs. The solvency ratio is determined by dividing the accumulated funds by annual turnover.

6.6. Reserve accounts

Movements in the reserves are set out in the Statement of Comprehensive Income and other comprehensive income.

6.7. Outstanding Claims

The calculation of the outstanding claims provision is set out in Note 1.3 to the AFS and this is consistent with the prior year. Movements on the outstanding claims provision are also set out in Note 1.3 to the AFS. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Fund.

7. ACTUARIAL SERVICES

The Fund appointed the Matlotlo Group (Pty) Ltd with effect from 01 March 2019 as the Fund's actuaries. The Matlotlo Group was consulted in the determination of the 2020 claims IBNR disclosed in the AFS. The Matlotlo Group was consulted during 2019 in the determination of the contribution and benefits levels for the 2020 financial year.

8. EVENTS AFTER REPORTING DATE

Amalgamations

The Competition Commission approved the merger between Sizwe and Hosmed during the 2020 financial year. In March 2021, the Council for Medical Schemes (CMS) approved the merger subject to the merged scheme obtaining accreditation from the SALGA Bargaining Council (SALGBC). The Scheme was still awaiting the outcome of its application for accreditation from SALGBC at the time that these financial statements were approved by the Board of Trustees.

The exposition documents clearly identified Sizwe as the acquirer. The two schemes have decided on the 1st of June 2021 as the effective date of the merger and management are hopeful that any currently outstanding matters would have been finalised by then, including the SALGBC accreditation and the publication of a circular by CMS, announcing the amalgamation.



The approval of the financial statements before the effective date reduces the disclosures that the Scheme is required and able to prepare. Detailed disclosures that will enable users to evaluate the financial effect of the amalgamation will be provided in the 2021 Annual Financial Statements.

Hosmed is a not-for-profit, open medical scheme registered in terms of the Act, with a membership base of 20 820 as at 31 December 2020 and reserves in excess of the threshold that has been set by the regulator. The members of the Scheme and Hosmed voted that the amalgamation of Hosmed with the Scheme would be in their best interest.

COVID-19

The Fund has not identified any events after the reporting date that relate to COVID-19. The full impact of COVID-19 as at the end of 2020, including the second wave, is incorporated in the AFS. On the date of approval of these AFS, the second wave was largely controlled and there were no indications of a possible third wave in the foreseeable future. Any such developments, if they arise, will be updated for in the Fund's regular financial projections.

9. RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 22 to the annual financial statements.

10. GOING CONCERN

The going concern basis has been adopted in preparing the AFS. The BOT has reviewed the Fund's financial position as at 31 December 2020, as well as the budget for the year ending 31 December 2021. Total members' funds exceeded R1 billion, with a solvency level of 38,62% as at 31 December 2020. The BOT has considered in management's plans, the identified conditions and events in the aggregate. The BOT has considered the plans for dealing with the adverse effects of the identified conditions and events such as COVID-19, the entrance of new competitors to the market, the increased cost of doing business as well as the volatile foreign currency, and assessed the likelihood of effective implementation thereof. The BOT is satisfied with the Fund's ability to fund the vaccination of its members under the

Government led Covid-19 vaccination programme. The Covid-19 vaccine has been defined as a Prescribed Minimum Benefit (PMB) by CMS. The BOT considers the eminent merger with Hosmed as a positive development (note 8 to the AFS). Hosmed, which is considered a going concern, is in possession of reserves in excess of the threshold that has been set by the regulator and able to settle its obligations as they become due.

The BOT is therefore of the opinion that the Fund does not appear to have a going concern problem. Based on this review, the BOT considers that:

1. The Fund's total assets of R 1,2 billion currently exceed its liabilities of R210 million;
2. The Fund reports a current ratio of 3,71;
3. The Fund will be able to settle its liabilities as they arise for the foreseeable future.

Based on the assessment conducted, the BOT has no reason to believe that the Fund will not be a going concern in the foreseeable future.

11. PERSONAL MEDICAL SAVINGS

Personal medical savings accounts in respect of the Fund's Silver Saver Option are managed on the members' behalf in terms of the scheme rules. Following the Constitutional court ruling which found that PMSA funds enter the Scheme's bank account without being impressed by a trust or fiduciary relationship and once paid into the scheme's bank account becomes assets to the scheme, the Fund's rules were amended in January 2019. The effect of the amendment establishes that a trust relationship no longer exists. Therefore, PMSA assets are no longer defined and treated as trust assets and now form part of the Fund's assets.

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



12. NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance with the Medical Schemes Act were identified during the financial year:

12.1. Contravention of Section 26(7) of the Act- Contributions not received within three days of becoming due.

Nature

Section 26 (7) of the Medical Schemes Act no. 131 of 1998 (MSA) states that all subscriptions or contributions shall be paid directly to a medical scheme not later than three days of becoming due. The rules can extend this period to seven days. Sizwe Medical Fund's approved rules extended the requirement to 7 days, as per paragraph 13.3 of the rules.

Cause of non-compliance

The Fund has no control over payments by members and employer contributions, this could be caused by delays in Employers' pay runs.

Possible impact

If not well managed, late payment of contributions could result in:

- Inability to pay claims from members when they fall due; and
- Loss of potential interest income.

Corrective course of action

Less than 0.5% of contributions are received after the seventh day of the month. This is mainly due to:

1. Members having insufficient funds in their bank account at the time of collection,
2. Members paying contributions after the third day of becoming due, thus contravening Section 26(7).

The Fund has amended its rules such that the three days period is increased to seven days and these rules have been approved accordingly by the Regulator (CMS). We actively pursue contributions not received within seven days, furthermore, apply credit control processes including the suspension and termination of membership for non-payment.

12.2. Contravention of Section 35(8) of the Act- Investment in medical scheme administrators and employer groups

Nature

Section 35(8) of the MSA requires that:

A medical scheme shall not invest any of its assets in the business of or grant loans to:

- a. An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
- b. Any other medical scheme;
- c. Any administrator; and
- d. Any person associated with any of the above mentioned.

Cause of non-compliance

The Fund invests in a pool of funds through its investment managers which are invested in various portfolios which makes it difficult to manage the regulatory requirements.

Possible impact

- Non-compliance with the MSA
- Members may perceive the other medical schemes to be better, and may consider leaving the Fund

Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Investment Portfolio as well as the performance of the affected stocks. The Fund has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

12.3. Contravention of Regulation 10(6) of the Act- Payment made from member's personal medical savings accounts

Nature

Regulation 10(6) of the Medical Schemes Act states that the funds in a member's medical savings account are not to be used to pay for the costs of a prescribed minimum benefit. Certain claims have been paid from personal medical savings accounts.



Cause of non - compliance

From the testing performed, it was noted that certain PBM claims were paid from savings accounts. These pertain to real time pharmacy claims whereby members must register as per clinical protocols for PMB.

Possible impact

- Risk of non-compliance with section 10(6) of the MSA and the approved Rules of the Scheme.

Corrective course of action

Monthly reviews will be performed of the members' savings and claims processed for the month, and the reprocessing of claims processed before registration.

12.4. 12.4.Contravention of Section 33(2) of the Act - Sustainability of benefits

Nature

Section 33(2) of the MSA states that each benefit option is required to be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

More claims than anticipated were received from the Copper Core and Silver Saver option members.

Benefit Option	Number of members	Net healthcare deficit	Net result
Copper Core	6 452	(84 469 435)	(83 652 614)
Silver Saver	531	(4 950 925)	(4 888 940)

Possible impact

- Risk of non-compliance with the section 33(2) of the MSA
- Utilising funds from other benefits to fund the Copper Core and Silver Saver options.

Corrective course of action

The Fund is committed to complying wherever possible with the applicable legislation. It however also focuses intensively on the overall sustainability and financial position of the Fund as a whole and not only on individual benefit options.

The performance of all benefit options is monitored on an ongoing basis with a view to improving financial outcomes and different strategies to address the deficit in these two plans are continually evaluated. In addition, Sizwe continually provides the Regulator with updates on both the Fund and individual benefit option performance through the monthly management accounts and quarterly filing of statutory returns.

The Fund intends to continue increasing the contributions annually at a rate higher than market average within the constraints of the Act. Contract rates have also been renegotiated. The clinical protocols are also to be improved and application thereof to be strictly monitored.

12.5. 12.5 Contravention of Section 59(2) - Payment of claims within 30 days

Nature

Member or provider claims should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Cause of non-compliance

Claims were paid in part and the short payment later corrected, resulting in the latter being paid after 30 days of receipt.

Possible impact

- Non-compliance with section 59(2) of the MSA
- Internal control deficiency, system controls not recognising that there are claims which have not been paid within 30 days.

The backlog in processing will change the pattern of the claims experience, and incorrect projections may arise if these are not considered.



Corrective course of action

The MSA requires that a valid claim submitted to the Scheme must be paid within 30 days after the day on which the claim is received. In limited instances claims were paid after this time frame, mostly as a result of incorrect coding by service providers. Remittance advice with reasons for short payment or rejection of the claim is shared with the member and service provider.

Reprocessing of valid claims will be paid within stipulated conditions of the MSA.

13. OTHER MATTERS FOR REPORTING TO MEMBERS

13.1. Legal matters

13.1.1 Gabela

The Fund has been pursuing a civil claim against its former principal officer, Ms Gabela, for amounts relating to, amongst others, payments made to an entity related to her without any authorisation from the Board. The amount claimed was in excess of R8 million. Ms Gabela requested postponements on several occasions when the matter went to court for hearing. The Fund's attorneys countered by applying to the court to strike out Ms Gabela's defence and enrolling the matter on the opposed roll. Judgment was granted by the court against Ms Gabela for an amount of R 13,55 million including interest. The Fund's attorneys are preparing the next steps for execution of the judgment by the sheriff.

13.1.2 Intellihealth Africa

Sizwe had contracted Intellihealth Africa Pty Ltd ("IHA") to manage all out of hospital healthcare services for its Copper Core Plan (formerly the Gomomo Care Option) in the Eastern Cape. In March 2020, IHA failed to honour valid claims submitted to them, resulting in the Scheme terminating the capitation agreement in April 2020. IHA has since gone into liquidation, and the Fund has concluded an agreement with Enabledmed to service the members previously serviced by IHA. The attorneys have advised that it is doubtful whether the Fund can recover any of its monies given that IHA is under liquidation. As such it is doubtful whether the claim would be realised, as there is in all likelihood higher ranking creditors in terms of the insolvency laws of the Republic.

14. PRIOR PERIOD ERROR

During the 2020 financial year, the following was noted:

14.1 The Fund's investment with Taquanta Asset Managers, which was classified as short-term investments, due to its liquidity profile, had a portfolio composition with the majority of weightings of terms to maturity exceeding three months. As a consequence of this, the Fund re-classified its assets held with Taquanta Asset Managers from Cash and Cash Equivalents to Available-for-sale assets on the Fund's Statement of Financial Position, and the Fund's Statement of Cash Flows. In addition, note 5, note 25 and note 25.1 to the AFS have been restated to reflect the impact of the re-classification.

14.2 In the prior year, the cash flow statement included non-cash items. These items specifically refer to the receipt of Interest, Dividends and Realised Profits which were received in the account of the Asset Managers and not the Fund's bank account. The cash flow from operations also included non-cash items. As a result of this, the Fund's Cash Flow Statement for 2019 has been restated. The restatement further considered the split between the capital and interest portion of the lease payments as well as the reclassification of interest received on bank accounts from investing activities to operating activities.

15. APPRECIATION

The Fund would like to express its sincere gratitude to its members, service providers, staff and all other stakeholders for their loyalty and continued support.

The annual financial statements set out on pages 28 to 82 of the AFS, which have been prepared on the going concern basis, were approved by the board of directors on 23 April 2021, and were signed on its behalf by:

L Makwabe (Mr)
Chairman

Friday, 23 April 2021





Report Of The Audit And Risk Committee







The Audit and Risk Committee (The Committee) is pleased to present its report for the financial year ended 31 December 2020. The Committee is an independent statutory committee of the BOT. Duties are delegated to the Committee by the Board of Trustees.

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Committee confirms that it has adopted appropriate and formal terms of reference, which are approved by the BOT. The Committee has executed its duties and conducted its affairs in accordance with its terms of reference and has discharged all its responsibilities as contained therein. Members of the Committee keep up to date with developments at the scheme that require their skills set.

The Audit and Risk Committee is assessed annually, with independent evaluations undertaken every second year. The next independent evaluation will be carried out in 2021.

2. THE MEMBERS OF THE COMMITTEE AND ATTENDANCE OF MEETINGS

The Committee consists of four independent members and three Trustee members.

The executive officers of the Fund and representatives of the Administrator attend meetings by invitation. In addition, the Internal and External auditor attend meetings or parts of meetings by invitation and meet with the Committee at least once per year without the executives being present. The committee meets at least four times per year in accordance with its charter. During the year under review, thirteen meetings were held. Details of attendance are provided on the table below. Members of the Committee collectively bring a wide range of expertise and skills in the areas of accounting, auditing, compliance, finance, governance, investment and fund management, medical schemes industry, and risk management to assist and advise the Fund in fulfilling its mandate.

3. THE COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Committee Member	Qualifications	Appointment Date	Resigned	Number of meetings that could be attended	Number of meetings attended
Ms N Nkosi (Chairperson and Independent Member)	B Com (Insurance Risk Management and Law) MBA	Friday, 01 February 2019		13	13
Ms K Mthimunye (Independent Member)	BCompt Honours; CA (SA)	Friday, 01 February 2019		13	13
Mr T Kgokolo (Trustee)	CA (SA); MBA	Friday, 01 February 2019	Thursday, 27 February 2020	2	2
Mr B Salters (Trustee)	BA, PGDLL	Thursday, 03 August 2017		13	13
Ms Z Matikinca (Trustee)	N3 Electrical Engineering	Thursday, 03 August 2017		13	13
Ms S Hari (Independent Member)	BCompt Honours	Wednesday, 01 August 2018		13	13
Mr M Matlwa (Independent Member)	BCompt Honours, MBA, MCom, CA(SA)	Wednesday, 01 August 2018		13	13



4. **ROLE AND RESPONSIBILITIES**

The Committee's role and responsibilities include statutory duties as per the Medical Schemes Act, no 131 of 1998, as amended, (the Act) and further responsibilities assigned to it by the BOT. The Committee executed its duties in accordance with its terms of reference and the Act during the financial year.

5. **EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE**

The Committee considered the matters set out in Section 36 of the Act and nominated PricewaterhouseCoopers Inc (PWC) for appointment as external auditor of the Fund for the 2020 financial year, replacing Ngubane & Co Inc, who had been the Fund's external auditor for the 2019 financial year. PWC was subsequently approved by the Council for Medical Schemes as the statutory auditor of the Scheme for the financial period 01 January 2020 to 31 December 2020 in accordance with section 36(2) of the Act.

The Committee is satisfied that PWC is independent of the Fund as set out in Section 36(3) of the Act. Assurance was provided by the Auditor that internal governance processes within the audit firm support and demonstrate its claims of independence.

The Committee will table the appointment of PWC as the Fund's external auditors at the next Annual General Meeting, which is set to take place on the 21st August 2021, in compliance with the Act and Scheme Rules. The Committee is not aware of any matters that should prevent the appointment of PWC at the AGM.

The Committee, following consultation with the Fund's Executive Officers, recommended for approval the engagement letter, audit plan, budgeted audit fees and representation letter for the year ended 31 December 2020 by the Board of Trustees.

During the year, the Committee met with the External Auditors without management being present.

6. **FINANCIAL STATEMENTS AND ACCOUNTING POLICIES**

The Committee has reviewed the accounting policies and the Fund's AFS and is satisfied that they are appropriate and comply with International Financial Reporting Standards ("IFRS"), the Medical Schemes Act no. 131 of 1998 and circulars issued by the Council for Medical Schemes. The Auditor has indicated that the 2020 AFS are a fair reflection of the Fund's activities during the year and accounting practices have been applied appropriately.

7. **INTERNAL FINANCIAL CONTROLS**

The Committee is responsible for overseeing the Fund's internal control environment. In this regard the Committee has, among other things, evaluated the adequacy and effectiveness of the Fund's systems of internal control and made appropriate recommendations to the Board of Trustees. This included a formal documented review by the Internal Audit function of the effectiveness of the Administrator's system of internal financial controls pertaining to the Fund. Based on the results of this review, it is the view of the Committee that reasonable assurance can be placed on the adequacy and effectiveness of the Fund's internal controls, relative to the fair presentation of the annual financial statements.

8. **INTERNAL AUDIT**

The Committee fulfills an oversight role on the Fund's AFS and the reporting process, including the system of internal financial control. It is responsible for ensuring the independence of the internal audit function and that it has the necessary resources, understanding and authority in the organization to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors and serves as a link between the board of trustees and these functions.

Internal Audit forms an integral part of the Fund's risk management process and system of internal control. The Internal Audit plan for 2020 and the Internal Audit Charter were presented to and approved by the Committee. The Committee received regular internal audit reports confirming the soundness of the system of



internal control of the Fund. The Committee is satisfied with the working relationship between the Committee, the Fund's External Auditor and Internal Auditor. In addition, the Committee is satisfied that the Internal Audit function of the Fund is independent and has the relevant skills and resources to perform its duties.

9. RISK MANAGEMENT

The Audit and Risk Committee is responsible for ensuring that systems are in place to monitor and mitigate risk, comply with laws, regulations and codes of conduct that may affect the integrity of the financial statements. The Committee monitors the risk management processes and systems of internal control of the Fund through the review of reports from and discussions with the Fund's internal and external auditor and the risk management function.

The Fund has performed a risk assessment and updated the risk register during the financial year and has managed the risks to which the Fund was exposed. The Committee continues to monitor risks posed by the COVID-19 epidemic on the Fund and is satisfied with the Fund's ability to fund the vaccination of its members under the Government led COVID-19 vaccination programme.

Reports from internal and external audits indicated that the control environment and procedures are sound and functioning as intended. The Committee is satisfied that the system and process of risk management is effective.

10. EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The Committee is satisfied with the expertise and experience of the Fund's Chief Financial Officer. The Committee further reviewed and satisfied itself of the experience, expertise and appropriateness of the administrator's team that carries out the duties of a finance function for the scheme.

11. GOING CONCERN

The going concern basis has been adopted in preparing the AFS. The Committee has reviewed the Fund's financial position as at 31 December 2020, as well as the budget for the year ending 31 December 2021. Total members' funds exceeded R1 billion, with a solvency level of 38,62% as at 31 December 2020. The Committee has considered in management's plans, the identified conditions and events in the aggregate. The Committee has considered the plans for dealing with the adverse effects of the identified conditions and events such as COVID-19, the entrance of new competitors to the market, the increased cost of doing business as well as the volatile foreign currency, and assessed the likelihood of effective implementation thereof. The Committee is satisfied with the Fund's ability to fund the vaccination of its members under the Government led Covid 19 vaccination programme. The Covid 19 vaccine has been defined as a Prescribed Minimum Benefit (PMB) by CMS. The Committee considers the eminent merger with Hosmed as a positive development. Hosmed, which is considered a going concern, is in possession of reserves in excess of the threshold that has been set by the regulator and able to settle its obligations as they become due.

The Committee is therefore of the opinion that the Fund does not appear to have a going concern problem. Based on this review, the Committee considers that:

1. The Fund's total assets of R1,2 billion currently exceed its liabilities of R210 million;
2. The Fund reports a current ratio of 3,71;
3. The Fund will be able to settle its liabilities as they arise for the foreseeable future.

The Committee agreed that based on the above assessment, the Board of Trustees could be advised that there is no reason to believe that the Fund will not be a going concern in the next twelve months.

12. CONCLUSION

Based on the information and explanations given by the Fund's executive officers, the Administrator, and discussions with the independent external auditor regarding the results of the audit, the Committee is satisfied that there was no material breakdown in the accounting and internal controls during the financial year under review.

The Committee has evaluated the Fund's AFS for the year ended 2020 and, based on the information provided to the Committee, considers that the Fund complies to a large extent with the requirements of the Medical Schemes Act, no. 131 of 1998, as amended, and with International Financial Reporting Standards "IFRS"). The Committee has recommended the AFS to the Board of Trustees for approval.



NOBUHLE NKOSI (Ms)

Chairperson: Audit and Risk Committee





Independent Auditor's Report

To the Members of Sizwe Medical Fund

Report on the financial statements

Opinion

We have audited the financial statements of Sizwe Medical Fund (the Fund), set out on pages 28 to 82, which comprise the statement of financial position as at 31 December 2020, 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 the Fund as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

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

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

Independence

We are independent of the 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' International Code of Ethics for Professional Accountants (including International Independence Standards).

Key Audit Matters

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



Key audit matter	how our audit addressed the key audit matter
<p><i>Outstanding claims provision</i></p> <p>The outstanding claims provision of R 117 018 026 at year-end as described in Note 9 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Fund after year-end.</p> <p>The outstanding claims provision is calculated by the Fund's actuaries which is reviewed by management and the Audit and Risk Committee and recommended to the Board of Trustees for approval.</p> <p>The Fund's actuaries use an actuarial method, based on the Fund's actual claim development patterns throughout the year, to project the year end provision. This method applies the Basic Chain Ladder ("BCL") method. The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p> <p>We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p>	<p>We obtained an understanding from the Fund's actuaries regarding the process to calculate the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial method applied by the Fund is one that is generally applied within the medical scheme industry.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2020. The actual claims data includes the impact of COVID-19 and therefore the impact has been taken into account in the claims patterns in the outstanding claims provision.</p> <p>For a sample of actual claims received by the Fund in the 31 December 2020 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims against the relevant Fund rules and assessed completeness of the claims data.</p> <p>The claims data that was included in the Fund's actuarial method was agreed to the above actual claims data with no material inconsistencies noted.</p> <p>To assess the reasonableness of the Fund actuaries' estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered to be conservative. Calculated the Fund's outstanding claims provision, taking into account the claims data tested above. We compared our results with that of the Fund and found the amounts to be within a reasonable range.</p>



Other Information

The Fund's trustees are responsible for the other information. The other information comprises the information included in the document titled "Sizwe Medical Fund Annual Financial Statements for the year ended 31 December 2020". 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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 the following material instance of non compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

Section 33 (2) of the Medical Schemes Act of South Africa: two benefits options were not self-supporting in terms of performance, as disclosed in note 28 of the financial statements.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Sizwe Medical Fund for one year.

The engagement partner, Clinton Mitchelson, has been responsible for Sizwe Medical Fund's audit for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C. Mitchelson

Registered Auditor

Johannesburg, South Africa

30 April 2021



Financial Highlights



OPEN



Statement of Financial Position as at 31 December 2020

		2020	2019 Restated*
	Note(s)	R	R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	986 660	1 468 136
Right of use assets	4	4 237 004	3 881 981
Available-for-sale assets	5	451 219 667	478 941 683
		456 443 331	484 291 800
Current Assets			
Trade and other receivables	7	88 168 815	87 873 530
Available-for-sale assets	5	676 041 794	504 290 340
Cash and cash equivalents	8	14 879 808	48 798 747
		779 090 417	640 962 617
Total Assets		1 235 533 748	1 125 254 417
FUNDS AND LIABILITIES			
Accumulated Funds		1 037 846 565	924 609 351
Available-for-sale fair value reserves		(12 574 887)	(27 425 005)
Members' funds		1 025 271 678	897 184 346
LIABILITIES			
Current Liabilities			
Personal medical savings account liability	10	1 203 498	563 132
Outstanding claims provision	9	117 018 026	149 607 641
Trade and other payables	11	87 756 201	73 680 798
Lease liability	6	4 284 345	4 218 500
		210 264 070	228 070 071
Total Equity and Liabilities		1 235 533 748	1 125 254 417

* 2019 Restated - refer to note 31 for details of the restatement



Statement of Comprehensive Income

	Note(s)	2020	2019
		R	R
Risk contribution income	12	2 652 144 726	2 458 216 162
Relevant healthcare expenditure		(2 277 245 370)	(2 462 408 827)
Net claims incurred	13	(2 269 671 572)	(2 448 191 662)
Risk claims incurred		(2 139 813 764)	(2 331 513 250)
Accredited managed healthcare services	14	(131 027 385)	(118 492 374)
Third party claims recoveries		1 169 577	1 813 962
Net expense on risk transfer arrangements	13.1	(7 573 798)	(14 217 165)
Risk transfer arrangement premiums paid		(56 294 811)	(74 922 540)
Recoveries from risk transfer arrangements		48 721 013	60 705 375
Gross healthcare result		374 899 356	(4 192 665)
Less:			
Broker service fees	16	(48 302 431)	(45 892 538)
Administration expenditure	17	(251 500 006)	(243 453 093)
Net impairment losses on healthcare receivables	18	(161 777)	(1 481 034)
Net healthcare result		74 935 142	(295 019 330)
Other income		44 873 084	107 287 425
Investment income	19	38 587 230	98 220 918
Sundry income	15	6 285 854	9 066 507
Other expenses		(6 571 012)	(6 372 487)
Asset management fees		(6 306 326)	(5 767 165)
Finance Costs		(264 686)	(1605 322)
Net income / (expense) for the year		113 237 214	(194 104 392)
Other comprehensive income:			
Items that will be reclassified to profit or (loss):			
Available-for-sale: reclassification to profit / (loss)		24 999 108	(17 036 712)
Available-for-sale investments: net change in fair value		(10 148 990)	15 507 037
Total items that will be reclassified to profit or (loss)		14 850 118	(1 529 675)
Total comprehensive income / (expense) for the year		128 087 332	(195 634 067)



Statement of Changes in Members' Funds and Reserves

	Available-for-sale reserve	Accumulated funds	Total members' funds
	R	R	R
Restated* Balance at 01 January 2019	(25 895 330)	1 118 713 743	1 092 818 413
Net expense for the year	-	(194 104 392)	(194 104 392)
Other comprehensive expense	(1 529 675)	-	(1 529 392)
Total comprehensive expense for the year	(1 529 675)	(194 104 392)	(195 634 067)
Realised gain on disposal of available-for-sale investment.	(17 036 712)	-	(17 036 712)
Unrealised loss on revaluation of available-for-sale investment.	15 507 037	-	15 507 037
Balance at 01 January 2020	(27 425 005)	924 609 351	897 184 346
Net income for the year	-	113 237 214	113 237 214
Other comprehensive income	14 850 118	-	14 850 118
Realised loss on available-for-sale investment.	24 999 108	-	24 999 108
Unrealised gain on available-for-sale investment.	(10 148 990)	-	(10 148 990)
Total Comprehensive income	14 850 118	113 237 214	128 087 332
Balance at 31 December 2020	(12 574 887)	1 037 846 565	1 025 271 678



Statement of Cash Flows

	Note(s)	2020	2019 Restated
		R	R
Cash flows from operating activities			
Cash receipts from members		2 645 150 776	2 457 458 520
Cash receipts from members and providers - other		13 992 321	(4 725 959)
Cash paid to providers and employees - Claims		(2 295 447 845)	(2 475 756 805)
Cash paid to providers and employees - non healthcare expenditure		(296 716 066)	(280 531 692)
Cash paid to members - savings plan refunds		(93 016)	(2 588)
Interest paid on lease liabilities		(264 686)	(605 322)
Interest received on bank account		958 653	1258 515
Net cash from / (used in) operating activities		67 580 137	(302 905 331)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(112 602)	(1 055 833)
Proceeds on disposal of available-for-sale investments		1 621 107 834	2 160 837 000
Purchase of available-for-sale investments		(1 718 280 857)	(1 828 766 222)
Interest received		-	-
Net cash (used in) / from investing activities		(97 285 625)	331 014 945
Cash flows (used in) financing activities			
Payment of lease liabilities		(4 213 451)	(3 929 640)
Cash and cash equivalents movement for the year		(33 918 939)	24 179 974
Cash and cash equivalents at the beginning of the year		48 798 747	24 618 773
Total cash and cash equivalents at end of the year	8	14 879 808	48 798 747

