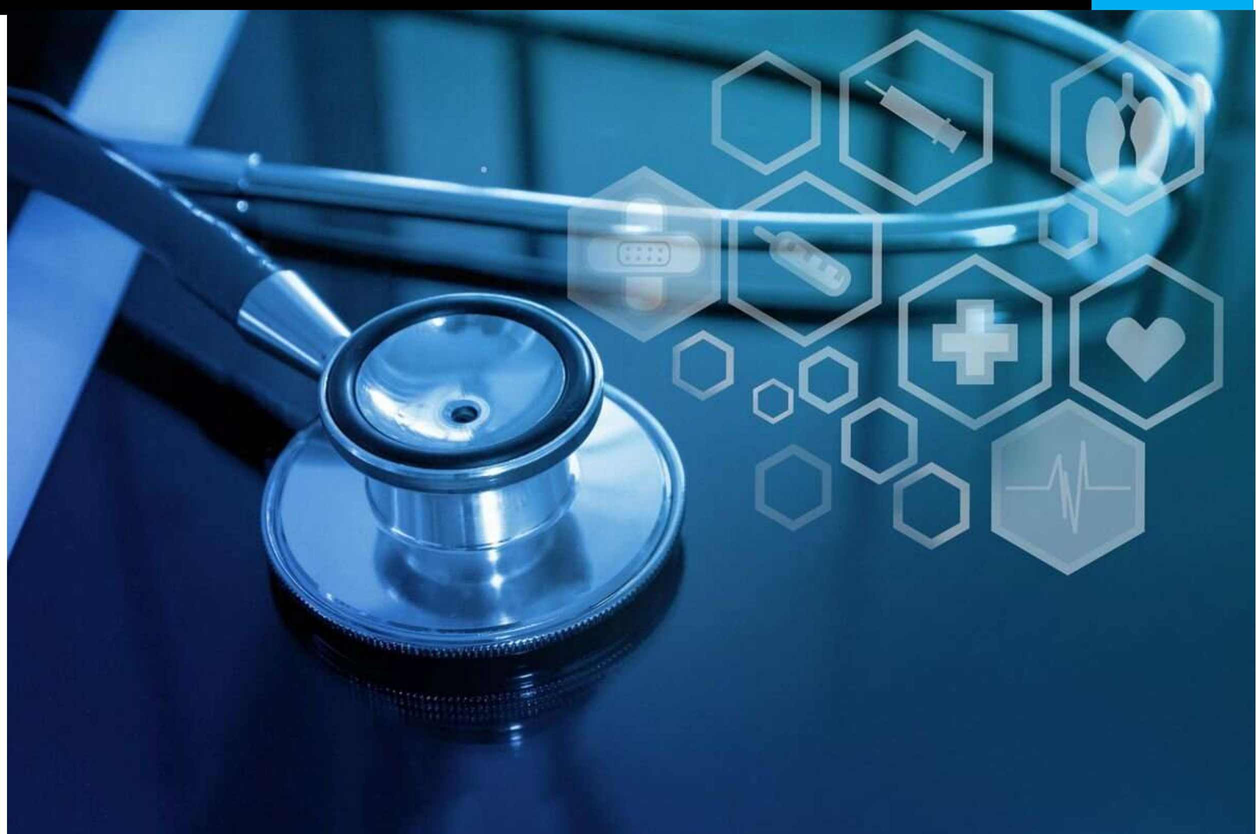
2022

Audit Proposal



Jarred Barnard CA(SA)

Ransome Russouw Incorporated

1/28/2022

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FIRM BACKGROUND AND HISTORY

Firm partners N. Russouw (former and founding partner) and H.J. Russouw (current and founding partner) each had eleven years' experience as partners in one of the big four accounting firms, Deloitte & Touche, currently known as Deloitte. They set up a small practice out of preference, operating mainly in the medium to smaller size business entities at the beginning of 1995. J.A. Barnard joined the executive during the 2016 year, whilst C.S. Swart and A. Otto joined the executive during the 2021 year, all having been audit managers with extensive knowledge of the practice.

It is of utmost importance to the firm that the partners, managers and staff are actively involved with all aspects of services we supply and are available for advice at any time. We perform audits of or render other services to a wide variety of clients. Our clients vary from Medium/Large sized Medical Schemes and companies to close corporations, professional practices, individuals, government bodies/entities and professional bodies. Most of our clients emanate from existing client referrals. Some associations go back to more than thirty years.

We are also involved in other activities, i.e. N. Russouw served on the disciplinary committee of The Independent Regulatory Board of Auditors (IRBA), the body addressing transgressions from the code of professional conduct by Registered Auditors. In addition, he was also a member/acting chairman/chairman of the audit committee of the Department of Home Affairs for many years and served on the audit committee of the Department of Agriculture, Forestry and Fisheries.

Besides the audit function, we provide reviews of internal controls and systems, accounting services, i.e. monthly management accounts, payroll services, taxation services (company and personal), statutory and secretarial services, estate/executor services, consulting services, etc. It should be mentioned that we also perform accounting, secretarial, taxation and audit services to a number of overseas clients operating through locally registered entities.

We currently have a staff complement of 28 of which 5 are qualified CA's and do contract people in whenever we require additional capacity.

The partnership was established in 1995 and was converted to an incorporated entity in 2021.

In conducting our services, we strive towards applying a practical business approach yet bearing in mind our core values being, integrity, independence and commitment to adding value.

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ADMINISTRATIVE INFORMATION

Name of the firm:	Ransome Russouw Incorporated
Firm registration number:	2017/064889/21 (Partnership Established in 1995)
Firm IRBA registration number:	953717
Business address (Physical):	1 Mowbray Road Greenside Johannesburg Gauteng South Africa 2193
Business address (Postal):	PO Box 6706 Cresta Johannesburg Gauteng South Africa 2118
Engagement partner:	JA Barnard CA(SA) / RA jbarnard@ranrus.co.za 083 958 6490
Engagement partner IRBA registration number:	310769
Engagement partners SAICA registration number:	10006613
Firm contact details:	011 482 8595 info@ranrus.co.za
Firm VAT number:	4720289729
Firm Tax number:	9109164237
Firm PAYE number:	7530806605
Medical schemes audited in the last ten years:	Umvuzo Medical Aid Scheme (45,000 members) Foodmed Medical Aid Fund (12,000 members) The Building and Construction Industry Medical Aid Fund (10,000 members) Mascom Medical Aid Scheme – Deregistered Since
Medical schemes audited for the 2020 financial year:	Umvuzo Medical Aid Scheme Foodmed Medical Aid Fund

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RELEVANT REGISTRATION

Council for Medical Schemes:	The firm is registered with the Council for Medical Schemes. The firm reference is AF-14. Our registration is valid until 12 December 2022 and it is our intention to renew the registration in the 2022 year. The following directors are certified with the CMS: • JA Barnard (IA-100)(15 January 2024) • HJ Russouw (IA-42)(12 December 2022) **Refer appendix 1, appendix 2 and appendix3**
South African Institute of Chartered Accountants:	All directors of the firm are registered members of SAICA and are in good standing with SAICA.
Independent Regulatory Board for Auditors:	The firm is registered with the IRBA and is a member in good standing. The firm registration number is 953717-0000. Proof of registration is attached –. All directors of the firm are appropriately registered with IRBA and are in good standing. The firm was subject to a review by the IRBA in January 2019.

BROAD BASED BLACK ECONOMIC EMPOWERMENT

The firm currently does not have a BBBEE rating and is therefore non-compliant.

Prior to the 2021 financial year, the firm traded as a partnership and qualified as a level four Exempt Micro Entity. As a result, a formal BBBEE certification was not required and not pursued. The conversion to an Incorporated entity and the growth of the firm over the past few years meant that the firm has now become non-compliant and as such has determined the need to have a formal BEE certification and rating to be done.

To this end, we have engaged with a consulting firm to assist us in formalizing a structure and a road map that takes to the end of the 2022 financial year, where the firm will engage with a reputable ratings agency to provide us with a complete final rating. Please refer to **appendix 4** for confirmation from the consulting firm.

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Based on the work we have done with the consulting firm, we envisage achieving a final BBBEE rating level of 4 (four). It is our commitment to continue with the relevant development and to achieve a level 2 rating in the next three to five years.

We would like to highlight that transformation and uplifting the previously disadvantaged has always been a focus of the firm and while we have not in the past pursued a formal BBBEE rating, we have undertaken the following in an effort to improve the circumstances of BBBEE beneficiaries:

- We are engaged on a pro-bono basis with a number of entities who have more than 75% black beneficiaries (these include entities like The Teddy Bear Clinic).
- We are engaged on the audit of a number of public schools at discounted rates. These schools comprise mostly of qualifying learners.
- Our total staff compliment comprises of more than 60% empowerment candidates. We provide on the job and formal training to these candidates to empower and uplift them.

INDEPENDENCE

Our internal procedures are designed to ensure that all directors and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements and policies regarding independence are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Ethics and Independence Standards in our methodologies, tools, and internal training programs. The procedures require that the engagement lead be made aware of any matter which may reasonably be thought to impact on the firm's independence and the objectivity of the engagement lead and the audit staff.

We confirm that the firm complies with the relevant ethical standards for auditors, and in our professional judgement, is independent and objective within the meaning of those Standards.

Ethical standards and ISA 260 require us to give you timely disclosure of matters relating our independence. We confirm that there are no significant facts or matters that impact on our independence as proposed auditors which we are required or wish to draw to your attention. We have complied with the SAICA Code of Professional Conduct and we confirm that we are independent and are able to express an objective opinion on the financial statements.

Based on our professional judgement, the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies included the considerations of engagement lead and manager rotation.

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Area of consideration	Appliable to Firm	Applicable to Engagement Partner
Financial interests in client.	**No**	**No**
Loans and guarantees to/from client.	**No**	**No**
Close business relationships with client.	**No**	**No**
Family and personal relationships with client.	**No**	**No**
Future or recent employment with client.	**No**	**No**
Serving as officer, director, or company secretary of client.	**No**	**No**
Provision of non-assurance services such as corporate finance or legal services that involve dispute resolution.	**No**	**No**
Performance of management functions for the client.	**No**	**No**
Making journal entries or accounting classifications without first obtaining management's approval.	**No**	**No**
Acceptance of gifts or hospitality from client (other than clearly insignificant).	**No**	**No**
Fee quote is considerably less than market price for the engagement.	**No**	**No**
Provision of legal services.	**No**	**No**
Preparation of source documentation.	**No**	**No**
Provision of corporate finance services.	**No**	**No**

Independence issues are reviewed on an ongoing basis by the firm and the firm's leadership. Should there be any change to the assessment of independence made by the form and the firm's leadership, we endeavor to inform you immediately.

PROFESSIONAL PROFICIENCY

Statements of International Financial Reporting Standards (IFRS):
We have appointed KM Professional Consulting as our independent IFRS Advisors, which firm is duly authorised by the CMS to provide services as IFRS advisors. Where applicable we will make use of the IFRS advisors to assess the relevant IFRS issues that come to our attention during the course of the audit and review of the financial statements. We have several professionals employed in the firm who have sufficient knowledge of IFRS and where necessary research will be carried out by the relevant professional staff. The directors and firm have also built up a network of professional connections who can be called upon to assist with relevant research or dissemination regarding IFRS.

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Directors and managers attend workshops and seminars presented by both SAICA and outside service providers relating to IFRS standards and the relevant changes made to those standards. The firm employs several trainees who are in the process of completing their studies which ensures that senior professional staff keep up to date with the latest developments in IFRS. We have access to multiple resources such as the IFAC website which provides guidance and information relating to IFRS standards.
SAICA Medical Schemes Accounting Guide and Specimen Financial Statements of Medical Schemes:
We have engaged with Leaf Excellence as an official training partner. In discussion with Leaf Excellence we will engage to do firm wide training on the Medical Scheme Guides when they are published to incorporate the updates. Further to the above, the key staff and directors who will be involved on these engagements, will be required to attend any training presented by SAICA that relates to the accounting and auditing of the Medical Schemes.
Statements of International Standards on Auditing and other auditing pronouncements issued by the IRBA:
All staff and directors of the firm are required to attend training in line with the roles that they fulfil. Our directors, senior and middle management are required to attend training to stay up to date with revision and pronouncements from an auditing standards perspective. The directors are signed up to receive communication from IRBA and where applicable these notices and updates are sent to various staff within the firm. Changes in the profession and the legislative environment are discussed on an ongoing basis with staff on all levels. Regular team meetings are held where we discuss the changes to the standards and the development in the profession, and we encourage our staff to look at these changes and developments and provide comments on this.
Medical Schemes Act No 131 of 1998, Regulations in terms of the Medical Schemes Act No 131 of 1998 and Circulars Issued by the Council for Medical Schemes:
Professional staff involved on Medical Scheme audits attend the annual SAICA Medical Schemes update. As part of this update, the changes in the Medical Schemes Act are also addressed.

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Relevant professional staff receive updates and circulars provided by the CMS. These circulars are reviewed and where necessary in-house training and discussions are held to address key changes. In addition, we engage with other professionals in our network who are involved in the Medical Scheme Industry.
Financial Advisory and Intermediary Services Act (Act 37 of 2002):
Directors and relevant professional staff are mandated to attend annual legislative updates which cover changes in various acts and regulations. Relevant training from SAICA and the FSCA is done when assessed as required. Relevant professional staff are signed up to receive legislative updates from SAICA via email.
General Medical Schemes Industry knowledge:
The firm and directors have built up a large network of fellow professionals and key issues are discussed with fellow professionals on an ongoing basis. The directors and audit staff are expected to keep up to date with current industry developments and issues which have been raised in the media. When a development or issue is identified, it is discussed with all relevant staff. We engage with role players, both professional and through other service providers in the Medical Industry, which allows us to expand our knowledge and view of the industry as a whole and to gain a clearer understanding of the operational changes in the industry. These issues are discussed with relevant staff on an ongoing basis. The relevant engagement director has joined the SAICA Medical Schemes working committee and attended his first meeting in October 2021.
Does the firm have a technical department capable of researching new developments in auditing and accounting standards and changes in the legislative environment relating to Medical Schemes?
The firm does not have a dedicated technical department. Professional staff involved with the audit of Medical Aid Schemes are required to keep up to date with industry developments and changes in the standards and legislative environment. Where key or critical changes have been identified, these professional staff will prepare and present training on the issues to the other professional staff. The firm has access to a network of key professionals with technical knowledge where required. If a technical issue arises for which we are not in the position to assess, we will

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reach out to this network to assist with the issue at hand. One of the key professionals that we utilise is a former technical director of SAICA.
Please provide details on the extent to which Computer Assisted Audit Techniques are utilised during medical schemes audits:
Computer Assisted Audit Techniques ("CAATs") are considered during the planning phase of the audit. Once controls have been setup and reviewed, assessments will be made in terms of CAATs to be used. The audit of a medical scheme requires a combined approach of auditing, which is: • Around the computer, and • Through the computer. CAATs would include the following: • Embedded audit routines – these are built into the entity's system to provide data for use by the auditor as required. • Test data techniques – Test data techniques used during an audit by entering data into the system and comparing the results obtained with predetermined results. • Simulation of parallel processing – auditor uses test data on the system to determine that the system is correctly processing the data. • Code reviewing and flowcharting – The auditor reviews the documentation supporting the programs with the objective of determining what controls have been prescribed and how they have been included in the software. CAATs play a significant role in our audit approach.

KEY ENGAGEMENT TEAM MEMBERS

Engagement director:	Jarred Andre Barnard CA(SA) / RA
Concurrent review partner:	Hendrik Jacobus Russouw CA(SA) / RA
Junior partner / manager	André Otto CA(SA) / RA
IT, Risk and Governance:	Roy A Shough CA(SA) (External)
Engagement Quality Control:	Jannie Dannhauser CA(SA) / RA (External) – Leaf Excellence
IFRS Advisor:	Kimberly Berry CA(SA) (External) – KM Professional Consulting
Data Analytics :	Quantaltyics (Pty) Ltd – Dirk Strauss

ENGAGEMENT PARTNER:	**JA Barnard CA(SA) / RA**
Are you independent of: • The Medical Scheme • Any related parties	Yes, I am both independent of the Medical Scheme and any related parties.

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Are you able to maintain an objective frame of mind in fulfilling your audit responsibilities?	Yes
Are you a member of the Medical Scheme	No
Are you involved in the management or decision-making process of the medical scheme?	No
Are you associated with a service provider of the Medical Scheme?	No
SAICA membership number:	10006613
IRBA membership number:	310769
Professional Qualifications and year in which they were obtained:	CA(SA) 2010
Has your registration with the professional body been suspended	No
Have you been cautioned, reprimanded or fined by SAICA or IRBA	No
Details of workshops and training sessions attended pertaining to the Medical Schemes Industry	• Attended various SAICA and IRBA workshops related to the Medical Scheme Industry. • In house training and discussions around relevant circulars received from the CMS. • In house training on the SAICA Medical Schemes Auditing and Accounting Guide. • Attended legislative updates presented by an approved training provider. • Discussed developments in the industry with colleagues both within the firm and from other firms / Medical Aid Industry
Details of workshops and training sessions attended pertaining to accounting and auditing statements related to Medical Scheme Industry:	• Attended various workshops and seminars presented by SAICA. • In house training and discussions around developments and changes to the IFRS and auditing standards. • Attended several discussions with colleagues both within and outside of the firm regarding developments in the accounting and auditing standards. • Prepared and presented training for trainees on developments in the

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	industry and specifically relating to accounting standards.
Are you included on the mailing list of IRBA and SAICA for receiving updates on the medical schemes industry and any other matters related to the medical schemes entity?	Yes, as well as the mailing list of the Council for Medical Schemes.
Are you qualified to act as an auditor specifically keeping in mind the disqualification criteria covered in Section 90 of the Companies Act of 2008?	Yes
Are there any pending or current lawsuits or professional liability suits pending against you?	No
Have you ever been the engagement director engaged by a regulatory authority to perform an assignment on its behalf that failed to reveal a problem that was subsequently shown to exist?	No
Have you ever been removed as an engagement director of a regulated institution by a regulatory authority?	No

CONSIDERATION OF MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the annual financial statements and the audit process, which applies not only to monetary misstatements, but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the impact of misstatements. With regards to the planning of an audit engagement, we consider materiality to be the extent to which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken based on the annual financial statements. To reduce to an appropriately low level the probability of any misstatements exceeding materiality, we use a lower materiality level (performance materiality) to determine the extent of testing required. Importantly, misstatements below these levels will not necessarily be evaluated and considered immaterial, however we do take account of the nature of the identified misstatements and the circumstances of their occurrence, when evaluating the effect on the annual financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
    - Narrative disclosure e.g., accounting policies, going concern;
    - Statutory performance targets, or

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    - Instances when greater precision is required (e.g., executive remuneration).
- International Standards on Auditing also allow an auditor to set a lower materiality for particular classes of transactions, account balances or disclosure for which misstatements of a lesser amount than materiality, for the financial statements as a whole, could reasonably be expected to influence the economic decisions of users of the financial statements.

CALCULATION AND DETERMINATION

- Materiality will be determined based on our professional judgement in the context of our knowledge of the Medical Scheme, including the consideration of factors such as industry developments, financial stability, and reporting requirements for the financial statements.
- We determine materiality in order to:
    - Assist in establishing the scope of our audit engagement and audit procedures;
    - Calculation of sample sizes, and
    - Assist in evaluating the effect of known and likely misstatements on the financial statements.

OVERALL AUDIT STRATEGY

We will perform a risk-based audit on the annual financial statements of the Scheme, which will enables us to focus our time on key audit areas.

Our starting point will be to obtain an understanding of the Scheme's operations and the specific risks it faces. We will discuss with management any changes to the operations and management's own view of potential audit risks, to gain an understanding of the Scheme's activities and determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we will also obtain an understanding of the accounting systems used by the Scheme, to ensure its adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

We will then carry out our audit procedures in response to audit risks.

Audit risks and planned audit responses

For the audit of the annual financial statements, under International Standards on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

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In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The auditing standard requires us to consider:

- Whether the risk is a risk of fraud.
- Whether the risk is related to recent significant economic, accounting, or other developments and, therefore, require specific attention.
- The complexity of transactions.
- Whether the risk involves significant transactions with related parties.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measures involving a wide range of measurement uncertainty.
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or otherwise appear to be unusual.

RISK ASSESSMENT

We have set out some standard risk assessment based on our knowledge of the industry. Each risk will be assessed individually, taking into account any/all mitigating controls implemented by the Scheme. Based on the results obtained through the assessment, detailed audit responses will be developed and performed in addressing the risks. The list set out below is for illustrative examples and will be amended once we have done a formal risk assessment.

Contributions and membership records

- The Scheme's membership records may not be adequately maintained resulting in contributions due to the Scheme not being paid and calculated on the basis described in its rules.
- Unauthorised admission of new members.
- Contributions calculated/deducted may be incorrect.
- Benefits may be paid without contributions having been received.
- Incorrect date of change in the status of any of the above.
- Unauthorised changes to the membership database/details.
- Calculations for reversals of contributions for retrospective terminations may be inaccurate.
- Ongoing payment of benefits despite membership termination.
- Unauthorised/invalid journal entries may be passed.
- Incorrect allocation of contributions to individual membership records.
- The contribution income total and contributions outstanding balance as per the member administration system, schedules received from employers and accounting system may not reconcile.

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- Contributions may not be received on a timely basis from the employer and/or individuals, in accordance with the Scheme's rules and the requirements of the Medical Schemes Act, as amended and the regulations.
- Long outstanding member debtors / debtors related to resigned members may be irrecoverable.

Information technology and general accounting issues

- The complexity of the accounting and operating systems of a medical Scheme together with the wide variety of interested parties involved with the respective activities, e.g. members, staff employers and service providers increase the risk of fraud and error.
- Reconciliations and the accompanying review process of bank accounts and all other control accounts in the general ledger may not be undertaken on a monthly basis.

Investments

- The Scheme may be in breach of Regulation 30 of the Medical Schemes Act and Annexure B to the Regulations regarding its investment transactions.
- The Scheme's investment policy may be inappropriate for the risk profile of the Scheme. In addition, the board of trustees may not review investment performance on a regular basis.

Benefits / Claims

- The outstanding claims provision at year-end may not take into account all variables affecting the provision, e.g. the nature of and changes in the legal environment in which the claim or benefit risk resides, the profile of membership and changes to it, changes in the timing of data recording and delays in assessing claims. This may result in an over/under-provision of outstanding claims.
- A lack of a well-developed system of internal control over claims to ensure that:
    - i. No duplicate claims are processed.
    - ii. No stale claims are processed.
- The allocation of claims recoverable from members (i.e. co-payments) are inaccurate.
- Claims information is inaccurately recorded.
- Claims per the annual financial statements include expenditure relating to administration and/or managed healthcare.
- The settlement of claims is in breach of the terms of Section 59 of the Act, Regulation 6 and the rules of the Scheme.
- Unauthorised/invalid journal entries may be passed.

Administration expenses

- Administration expenses may not:

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i. Relate only to the administration of the Scheme,
ii. Be in accordance with relevant contracts and agreements.

Maintenance of statutory obligations

- Procedural and other obligations imposed by the Medical Schemes Act 131 of 1998, as amended. Regulations and rules of the Scheme may not be adhered to, e.g.:
    i. Meeting requirements.
- Procedural and other obligations imposed by the Medical Schemes Act 131 of 1998, as amended. Regulations and rules of the Scheme may not be adhered to, e.g.:
    i. Amendments to the rules have been registered (where applicable).
    ii. Contributions have been received within three days after the payment has become due (Section 26 (7)).
- Contribution rates and member benefits as contained in the rules of the Scheme have been registered and approved by the Registrar, or such approval has been withdrawn.
- The Scheme's business has been maintained in a financially sound condition, in line with the Act.
- The board of trustees has appointed an audit committee of at least five members of which at least two are members of the board of trustees and of which the majority are not officers of the Scheme.
- Annual financial statements, statutory reports and the trustees' report have been submitted and not rejected by the Registrar.

Accounts receivable

- Accounts receivable may be irrecoverable.

Accounts payable

- Accounts payable and sundry creditors may be inaccurate/ incomplete.

INFORMATION TECHNOLOGY

The nature of the operations of a Medical Scheme is incredibly reliant on information technology and systems. As part of our audit, we are required to review and assess the IT control environment and to determine through assessment of the control objectives that the information processed is reliable, accurate and complete.

The control objectives can be divided into the following categories:

- General computer controls.
- Contribution's business process controls.
- Claims business process controls.

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GENERAL COMPUTER CONTROLS

- Operations are appropriately managed to support scheduling, execution, monitoring and continuity of IT programs and processes for the complete, accurate, and valid processing and recording of financial transactions.
- Data is appropriately managed to provide reasonable assurance that financial information remains complete, accurate and valid during the update and storage process.
- Facilities are appropriately managed to protect the integrity of financial information as it is managed by the relevant component of the IT infrastructure.
- The configuration of programs and systems security during change management is appropriately managed to safeguard against unauthorised modifications to programs and data that may result in incomplete, inaccurate or invalid processing or recording of financial information.
- Systems security is appropriately implemented, administered and logged to safeguard against unauthorised access to or modifications of programs and data that result in incomplete, inaccurate, or invalid processing or recording of financial information.
- Programs and systems are appropriately acquired or developed to provide platforms supporting the accurate, complete and valid processing and recording of financial information.
- Programs and systems are appropriately implemented in a manner supporting the accurate, complete and valid processing and recording of financial information.
- The data architecture is appropriately defined and implemented to organise data in a manner supporting the accuracy, completeness and validity of the financial information.
- Programs and system changes are appropriately managed to minimize the likelihood of disruption, unauthorised alterations, and errors which impact the accurate, complete and valid processing and recording of financial information.

CONTRIBUTIONS BUSINESS PROCESS CONTROLS

- Member details in the system are accurate, valid and complete.
- Member resignations are timeously and accurately recorded.
- Member contributions are accurate and complete.
- Changes to contributions/benefits are authorised and monitored.
- Contributions systems balance with the general ledger system.
- Contributions are received in a timely manner.
- Amounts owed as per system are accurate and complete.
- Receipts are accurately and completely recorded.

CLAIMS BUSINESS PROCESS CONTROLS

- Claims are uniquely identified.
- Claims are accurately and completely recorded in the claims sub-system.
- All claims are accurate and valid.

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- Claims are recorded completely and accurately in the general ledger.
- Claims paid are valid.
- Only valid / authorised transactions are processed through the payment system.
- Banking details for members and suppliers are valid and any changes are adequately validated and authorised.
- Master file data is valid, accurate and complete.
- Refunds are processed via valid and approved journal entries.

USE OF DATA ANALYTICS

We have engaged the services of a company to assist us with Data Analytics. This engagement entails the following:

- Assistance with putting the data into a format that will assist us in auditing and assessing the data.
- Preparing reports from data that set items in various risk categories.
- Applying various analytical procedures to identify claims / members / suppliers that are outliers based on certain key information.

Artificial Intelligence, leveraging off the expertise provided by these service providers, is allowing to establish certain risk buckets and conducted trend analyses of claims and contribution data to assist us in identifying transactions / members / suppliers whose interaction with the Scheme is outside of the normal / expected interaction with the Scheme.

The work that we have done in this area allows us to focus on the key risk area's while assessing the data against trends analysed.

AUDIT SCOPE AND OBJECTIVE

FINANCIAL STATEMENTS	The financial statements give a true and fair view of the financial position of the Scheme and its income and expenditure for the period in question. The financial statements have been prepared properly in accordance with the relevant accounting standards (IFRS) and the requirements of the Medical Schemes Act and Regulations.
OTHER INFORMATION	Other information to be issued with the audited financial statements is consistent with the financial statements and our knowledge obtained during the audit.

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The reporting required for the board of trustees is as follows:

ISA 700 Engagement:	Reporting on the financial statements. The auditor is required to provide reasonable assurance on the financial statements. After the finalisation of the audit, we will provide the trustees with a formal audit opinion with regards to the annual financial statements.
ISAE 3000 Engagement:	Reporting on compliance with sections 36(5) and 36(8) of the Medical Schemes Act. The auditor is required to perform a compliance engagement and report to the Registrar on compliance with the appropriate sections of the Medical Schemes Act. Any instance of non-compliance will be disclosed in the annual financial statements and referred to in our audit report. Furthermore, we will furnish the trustees with a report to management which will highlight the non-compliance, if any.
ISA 800 Engagement:	Reporting on Parts 4 to 6.1 and 6.3 to 10 of the Annual Statutory Return and ISRE 2410 engagement reporting on part 6.2 of the Annual Statutory Return. We will provide the trustees with a formal opinion regarding the annual returns which is to be included in the annual return.

AUDIT QUALITY

Our audit quality cornerstones underpin the firm's definition of audit quality.

- Ransome Russouw Incorporated is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with an External Quality Manager, monitors the actions required to maintain a high level of audit quality within the audit process and address findings from the quality control and monitoring process. We welcome feedback from any external bodies and are committed to implementing necessary action to address their findings.
- We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside the review from a number of external regulators, the firm undertakes a thorough internal quality assurance review. We are subject to periodic reviews by the Independent Regulatory Board for Auditors.

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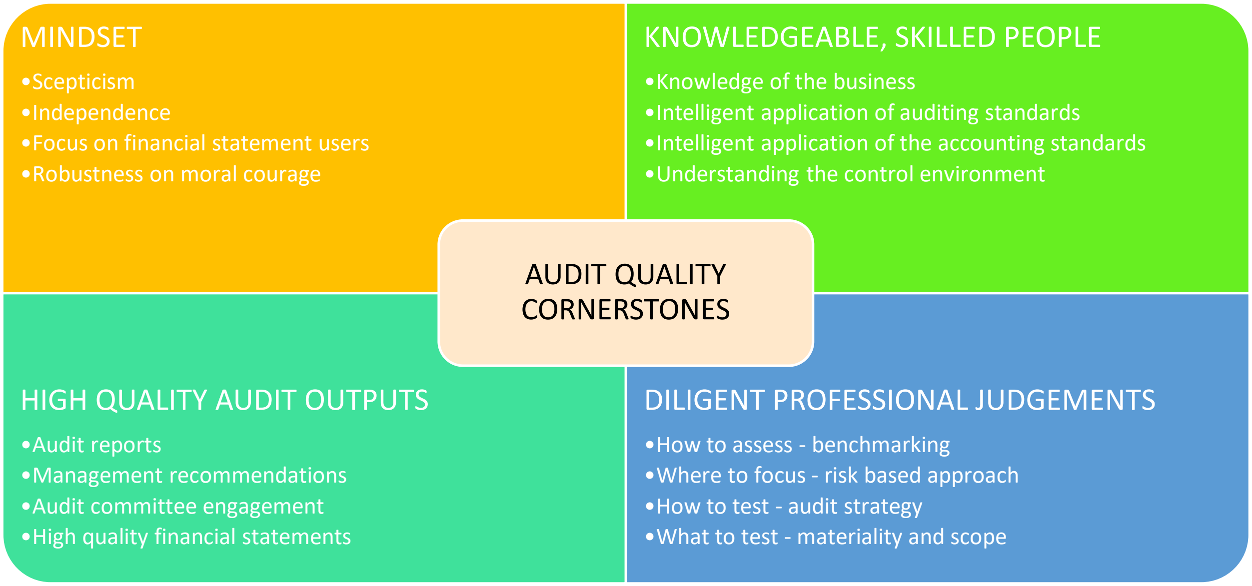

CONSIDERATION OF SIGNIFICANT RISKS

Significant risk	Description
The revenue cycle includes fraudulent transactions	In terms of International Standards on Auditing (“ISA”) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.
Management override of controls	In terms of ISA 240 there is a non-rebuttal presumption that the risk of management override of controls is present in all entities. Management override of controls can be described as efforts by management to manage earnings in order to influence the perceptions of economic users as to the entity’s performance and profitability.
Journal entries	In terms of ISA 240, irrespective of our assessment of the risks of management override of controls, we shall design and perform procedures to test the appropriateness/validity of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements

Significant risks often relate to significant non-routine transactions and are judgemental matters. Non-routine transactions are unusual, either due to the size or nature, and will therefore occur infrequently. A judgemental matter may include the development of accounting estimates for

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which there is significant measurement uncertainty (ISA 315). In making the review of unusual significant transactions, “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA 550).

PROPOSED AUDIT FEES

Reporting deliverable	
Reporting on financial statements	
Reporting on compliance with Section 36(5) and 36(8) of the Act	
Reporting on parts 4 to 6.1 and 6.3 to 10 of the annual statutory return and ISRE 2410 engagement – reporting on part 6.2 of the annual statutory return	
Total fees (<u>including VAT</u>) excluding disbursements	

Our fee assumptions include:

- Supporting schedules to all figures in the accounts will be supplied by the agreed upon dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Scheme and its activities have not changed significantly.
- The Scheme will make available management and accounting staff to help us locate information and provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

What is included within our fee:

- A reliable and risk focused audit, appropriate for your Scheme.
- Feedback on your systems and processes, and identifying potential risks, opportunities, and savings.
- Ad-hoc telephone calls, meetings and queries.
- Regular contact to discuss strategy and other important areas and developments (as needed).
- Review of accounting policies for appropriateness and consistency.

SIGN OFF

Signed on behalf of Ransome Russouw Incorporated:	Ransome Russ Inc
Name:	JA Barnard CA(SA)
Designation:	Director
Date:	28/01/2022