



## COUNCIL FOR MEDICAL SCHEMES

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**TO ALL PRINCIPAL OFFICERS, BOARD OF TRUSTEES OF  
ALL MEDICAL SCHEMES AND STATUTORY RETURN  
USERS**

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### **Circular No 11 / 2006**

#### **ISSUES TO BE ADDRESSED IN THE AUDITED FINANCIAL STATEMENTS OF MEDICAL SCHEMES**

The following matters should be taken into account in the preparation of a medical scheme's 2005 audited financial statements:

##### Reporting of non-compliance matters

After due consideration of SAICA's letter dated 13 January 2006, the Registrar has taken the decision that medical schemes should report as follow on non-compliance matters noted during the course of the audit:

- All non-compliance matters noted should be disclosed in the notes to the audited financial statements, irrespective whether the auditor considers it as material or immaterial.
- All non-compliance matters noted, which are considered as material by the auditor should be reported on in the auditor's report.
- The board of trustees should report on all non-compliance matters in the board of trustee report, irrespective whether the auditor considers it as material or immaterial.

##### International accounting standards

The Office would like to highlight certain requirements of some international accounting standards, which were specifically brought to our attention:

- Related party transactions (IAS 24): It should be noted that the revised IAS standard added a definition of 'close members of the family of an individual' and clarified that non-executive directors (hence board of trustee members) are key management personnel.

Medical Schemes are therefore requested to please ensure that all the disclosure requirements of IAS 24 is applied to all its board of trustee members and their close members of family.

Chairperson: Prof. Nicky Padayachee Vice-Chairperson: Ms Gando Matyumza Chief Executive & Registrar: Patrick Masobe

- Intangible assets (IAS 38): IFRS 3 provides examples of items that meet the definition of an intangible asset; these assets should be treated in terms of IAS 38. Amongst others, the following are some examples of intangible assets, which might form part of a medical scheme's business:
  - Trademarks
  - Internet domain names (websites)
  - Copyrights
  - Franchises

Medical schemes are requested to consider any possible intangible assets with an economic life greater than one year, and establish whether it should be recognised in their accounting records, in terms of IAS 38.

Regulation 30(4) – Fair value of assets to be used in the calculation of compliance with Annexure B

Please note that the definitions of the fair values of assets as set out in Regulation 30(4) may not in all instances be inline with International Financial Reporting Standards. However, in terms of Regulation 30(7) the Registrar directs medical schemes to calculate the fair value of assets as prescribed by the International Financial Reporting Standards.



**MAGGIE GROBLER**  
**HEAD: FINANCIAL SUPERVISION**  
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