



COUNCIL FOR MEDICAL SCHEMES

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

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2006 SAICA Guide

SAICA Guide published on SAICA website:

The revised SAICA guide was prepared in compliance with the International Financial Reporting Standards (IFRS) and, for auditors of medical schemes, International Standards of Auditing (ISAs). It is very important to note that the guide is not considered to be complete in all aspects, and readers are advised to read the guide in conjunction with applicable legislation, IFRS and ISAs, where appropriate, to ensure that all areas are adequately covered.

This guide has now been published on SAICA's website (www.saica.co.za).

In preparation for your Annual Report and the annual statutory return, we advise users to have a look at the SAICA guide well in advance.

Appendix II to the SAICA Guide (Common problem areas identified by the Council for Medical Schemes):

During the annual statutory return analysis process in 2005, the Office identified various problem areas in respect of non-compliance with IFRS etc. We decided to include these problem areas in an Appendix to the guide in order to assist the industry. In order to assist the users of the annual statutory return, we have also tried to align the format of the annual statutory return with the disclosure formats given in the SAICA guide.

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Appendix II to the SAICA guide addresses the following common problem areas:

1. The usage of irrelevant/not yet applicable accounting policies
2. Off-setting of assets, liabilities and income and expenses
3. Aggregation of material amounts of income and expenses (separate disclosure of such)
4. IAS 1 – minimum disclosure requirements of the Income Statement and Balance Sheet
5. Financial instruments
 - 5.1 Available-for-sale investments
The realisation of the unrealised portion relating to the Available-for-sale investment disposed off included in the Available-for-sale reserve
 - 5.2 Unrealised and realised gains and losses
A distinction between unrealised – and realised gains and losses should be made for purposes of:
 - 5.2.1 Available-for-sale reserve
 - 5.2.2 Solvency calculation
 - 5.3 Occurrence of wash sale transactions
Consideration should be given to the derecognition criteria in IAS 39 when an asset is bought back immediately after disposal of such asset.
6. Provision for impairment losses - Lack of an age analysis
7. Incorrect classification of receivables with credit balances
8. Risk management report – applicability to the Schemes risk management approach.

Invitation to users for feedback and comments:

We want to invite the users to send us feedback and comments on the areas in the return where you believe we could improve the format of the return. The comments and feedback could be sent to Leentie Mouton on l.mouton@medicalschemes.com before the 15th of December 2006.

Submission format of returns:

Various questions were raised and comments made that the information requested by the Office in the annual statutory return seems to be a duplication of the information contained in the Annual Report. Schemes should take note that the Annual Report does not constitute a duplication of information submitted in the annual statutory return, but is used for the collation of data. The system currently in place for the collation of the information has proved to be the most efficient and stable system currently available.

Numerous questions were raised on why the information required for the annual statutory return could not be provided in Excel format as is currently the case with the

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consolidated REF returns. Schemes should bear in mind that the information required for the annual statutory returns are much more complex than is the case with the consolidated REF returns. The annual statutory returns involve so called "other" fields which will need to be declared beforehand in a "template file" (generated by the Office for population by schemes).

The Office is currently investigating various alternatives for submission of the annual statutory returns aimed at automating and easing the administrative burden of the current web based method. Development of such an alternative will however take place over a period of time and in consultation with all parties concerned.

A handwritten signature in black ink, appearing to read 'T. Patrick Masobe'.

T. PATRICK MASOBE
REGISTRAR OF MEDICAL SCHEMES