



## COUNCIL FOR MEDICAL SCHEMES

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**TO: ALL PRINCIPAL OFFICERS, BOARDS OF TRUSTEES OF ALL MEDICAL SCHEMES , ALL STATUTORY RETURN USERS AND OTHER RELEVANT STAKEHOLDERS**

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Date: 26 October 2007

## **CIRCULAR NO 38 OF 2007**

### **SUMMARISED FINANCIAL STATEMENTS**

The Council for Medical Schemes has developed this circular in consultation with the South African Institute of Chartered Accountants (SAICA) and the Independent Regulatory Board for Auditors (IRBA). The circular has been prepared with the aim of providing guidance to medical schemes that produce summarised financial statements, mainly for distribution to their members, and to emphasise the audit requirements on summarised financial statements.

The Medical Schemes Act, 1998 (the Act) is silent as to the form and content of the financial statements to be distributed to members. Schemes should therefore refer to the rules of the scheme to determine whether a full set of financial statements or summarised financial statements should be distributed to members.

### **Content and disclosure in the summarised financial statements**

The Council for Medical Schemes requires the following minimum information to be included in the summarised financial statements distributed to members:

- Complete (full) balance sheet, income statement and statement of changes in equity;
- Benefit option results;
- Note on outstanding claims provision;
- Note on risk transfer arrangements;

Chairperson: Prof. William Pick Vice-Chairperson: Dr Saadiq Kariem Chief Executive & Registrar: Patrick Masobe

A STATUTORY BODY ESTABLISHED IN TERMS OF THE MEDICAL SCHEMES ACT, 1998 (ACT 131 OF 1998)

- Note on contributions income (if gross contributions are not provided on the income statement face);
- Note on realised and unrealised profit and losses on investments and property, plant and equipment;
- Note on related parties;
- The Board of Trustees report as reported in the complete set of financial statements. Please refer to the minimum disclosure requirements as set out in the SAICA Medical Schemes accounting and auditing guide; and
- Audit report on the summarised financial statements.

The notes accompanying the summarised annual financial statements should also address the following:

- Whether the same accounting policies and methods of computation have been used as in the previous annual financial statements; if not, the nature and effect of the change should be described;
- The nature and amount of items affecting the annual financial statements that is unusual because of their nature, size or occurrence (these items should not be referred to as 'abnormal items');
- The nature and amount of changes in estimates that have a material effect in the current financial year;
- Events after the balance sheet date;
- Changes in the composition of the medical scheme, such as amalgamations, disposal of subsidiaries and restructurings; and
- Contingent liabilities, contingent assets and any changes in these contingent liabilities and/or contingent assets since the previous annual financial statements have been issued.

Any other information that is relevant for obtaining an understanding of the changes in the financial position and performance of the medical scheme since the previous annual financial statements have been issued should also be included in the summarised financial statements.

Medical schemes are not restricted to the providing of the above information.

The summarised annual financial statements should agree with the full audited annual financial statements. The summarised annual financial statements may not in any way be misleading.

The summarised annual financial statements must indicate where and how interested parties can obtain a complete set of the annual financial statements.

## **Audit of the summarised financial statements**

The guidance in this circular set out the applied criteria in respect of the contents and disclosure in summary financial statements. The Council for Medical Schemes require that all summarised annual financial statements be issued together with an audit report. The auditor should accept an engagement to report on summary financial statements only when the summary financial statements are derived from financial statements on which the auditor has issued an auditor's report in accordance with the International Standards on Auditing. The auditor is to express an opinion whether the summary financial statements are a fair summary of the audited financial statement in accordance with the applied criteria in the auditor's report.

A handwritten signature in black ink, appearing to read 'Julindi Scheepers', with a stylized, cursive script.

**JULINDI SCHEEPERS**  
**ACTING HEAD: FINANCIAL SUPERVISION**  
**COUNCIL FOR MEDICAL SCHEMES**