



CIRCULAR

Reference: 2017 Annual Statutory Return
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Circular 13 of 2018: Annual Statutory Returns for the financial year ended 31 December 2017

The Council for Medical Schemes (CMS) has finalised the 2017 Annual Statutory Return online system, which is now available on our website (<http://www.medicalschemes.com>Returns/login.aspx>).

It should be noted that the Word document will only be available at a later stage, i.e. schemes will not be able to generate draft or final documents before then. Communication will be sent at a later stage regarding the availability of the document.

Schemes are referred to the [2017 Annual Statutory Return Help File](#), for detailed guidance on the completion of the Annual Statutory Return.

Please note that the deadlines for the submission of the 2017 Annual Statutory Return are:

- Part 1 changes must be finalised by **6 April 2018***;
- Electronic submission of the Annual Statutory Return must occur by **23 April 2018**; and
- The signed hard copy submission must reach CMS by **30 April 2018**.

*It is important that the information captured in Part 1 is correct as some of it is linked (i.e. pulled through) to other parts of the return. Incorrect entries may therefore result in errors in the return.

Submission requirements

In terms of Section 37 of the Medical Schemes Act 131 of 1998 (the Act), **two sets** of the following signed documentation must be physically submitted to the Office of the Registrar, to ensure a complete submission:

- 2017 Annual Statutory Return – with the watermark “Final for Signature MM/DD/YYYY”;
- 2017 audited Annual Financial Statements (AFS);
- Board of Trustees’ Report;
- If applicable, the letter of comfort from the administrator and co-administrator*;
- The auditor’s management report to the Board of Trustees on the 2017 audit findings (the said report should include housekeeping issues for the Board of Trustees’ attention); and
- Detailed investment schedules, including a breakdown of all the underlying assets per institution. The detailed investment schedules must reconcile back to the third party investment statements; copies of which must also be included in the submission. Please also refer to Circular 7 of 2005 in this regard (<http://www.medicalschemes.com/files/Circulars/Circular7of2005.pdf>).

**Where self-administered schemes pay any administration or co-administration fee, a letter of comfort from the relevant party must also be submitted.*

Scheme officials’ signatories

The Principal Officer, Chairperson and one other trustee signatory must sign these documents, as is required in terms of Section 39 of the Act. Kindly note that the investment schedules should also be signed off by the Principal Officer.

If any of the documents are not signed as required, the CMS will regard the submission of the Annual Statutory Return documentation as incomplete.

In this regard, it is important to note that the signing authority of a Principal Officer and/or Chairperson can only be delegated to a suitable person appointed by the Board of Trustees. Further, the appointment of an acting Principal Officer should be in line with the provisions of Section 57(4) of the Act, and the appointment of an acting Chairperson in line with the rules of the scheme. Where applicable, a copy of the signed Board of Trustee resolution, where another person was appointed, should accompany the Annual Statutory Return submission.

In terms of the workflow created by SignFlow to enable the electronic signing of the return, as well as to ensure that the annual return is not sent to a mailbox no longer being monitored, the current Principal Officer and Chairperson’s details will be used for signature purposes. Should the scheme have made alternative arrangements with the previous Principal Officer or Chairperson (i.e. as at 31 December) to sign off on the annual financial statements, the new official will be able to create a proxy to allow the previous officials to electronically sign the return.

Auditors' reports

The auditor is required to electronically sign the return. It is important to note that the auditor's signature is for identification purposes only (it is also indicated as such on the signature page).

The auditors are still required to sign off on Parts 4-10 of the Annual Statutory Return, as well as to provide assurance regarding specific compliance matters as required in terms of Sections 36(5) and 36(8) of the Act. Auditors are referred to Circular 49 of 2016, which contain links to the templates for the two audit reports required as per Part 3 of the return, as well as the template reports on the AFS and Summarised AFS.

CMS requires the auditor's report on the AFS to be on the auditor's letterhead.

Electronic signatures

SignFlow SignFREE™ allows scheme officials and auditors to receive, approve (or decline) and e-sign electronic documents that were sent to them by the Council for Medical Schemes absolutely free of charge. These digital SignFREE e-signatures are securely created for each individual and will prohibit any changes being made to the document after it was signed.

The scheme officials and auditors would simply need to open the link from their email, create their password and login to their SignFREE account.

The SignFlow workflow engine will automatically circulate the annual return until everyone has signed.

Kindly refer to the above-mentioned Annual Statutory Help File (*Part 1.1: Signflow for annual return purposes: electronic signatures*) for more detailed guidance.

Categorisation of assets in terms of Annexure B to Regulation 30 of the Act

In order to provide assistance regarding the completion of Part 9(a): Assets Held in the Republic in Terms of Regulation 30 of the Act in Conjunction with Annexure B to the Regulations, the CMS published various guidelines on its website, in this regard.

Please note that these publications serve as a guideline only, as the scheme will have more details available in respect of specific investments and the nature of the underlying assets. It should be noted that the purpose of these Guidelines is to provide guidance on the categorisation of assets in accordance with Annexure B to the Regulations, and not to highlight any non-compliance matters. Schemes should ensure compliance with not only the limitations imposed by Annexure B, but also the various Sections of the Act.

Please refer to the CMS website (<http://www.medicalschemes.com/Publications.aspx>) for the following guidelines on the categorisation of assets in terms of Annexure B as at 31 December 2017:

- Registered banks as at 31 December 2017;
- Securities listed on the JSE as at 31 December 2017;
- Bonds listed on the JSE Debt Market as at 31 December 2017;
- ASISA list of Collective Investment Schemes as at 30 June 2017;
- Registered Financial Service Providers as at 31 December 2017; and
- Registered insurers as at 31 December 2017.

Supporting documentation attesting to the new classification must be submitted in the event where a scheme categorises any investment in Part 9 differently from the categorisation provided for in the above guidelines.

Kindly note that only Financial Advisory and Intermediary Services (FAIS) - registered entities are allowed to manage investments on behalf of a medical scheme. Investments managed by these registered entities should be accounted for in such entities' registered names in Part 1.4 question 6(g) and Part 9(b). Schemes are referred to the guideline listing all the authorised Financial Service Providers (as mentioned above), as well as to the website of the Financial Services Board (FSB) (www.fsb.co.za) for more detail on registered entities.

The CMS has also published the following documents to aid in the identification of Sections 35(8)(c) and (d) non-compliance issues:

- Accredited third-party administrators and their holding companies as at 31 December 2017; and
- Accredited administrators and its accredited managed care organisations as at 31 December 2017.

Your attention is drawn to the provisions of Section 66(3) of the Act, in terms of which any medical scheme which fails to furnish the Registrar with the prescribed documentation shall be liable to a penalty of R1,400 (one thousand four hundred rand) for every day that the non-compliance continues. Please note that the deadline applies to the receipt of the signed documents by the Office of the Registrar and not merely the electronic submission.

Your cooperation will be highly appreciated.



Tebogo Maziya
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