Circular 38 of 2018: Audit tenure

Due to regulatory developments in the auditing environment to strengthen auditor independence, whereby it is mandatory for all public interest entities to disclose in their auditor’s reports the number of years which the audit firm has been the auditor of the entity (audit tenure), the Council for Medical Schemes (CMS) deems it necessary to align with these developments. The CMS is of the view that it would be prudent to extend this requirement to the medical schemes industry, in line with the mandate of the CMS regarding the protection of the interest of members of medical schemes.

In view of the above, the CMS requires that auditor’s reports on Annual Financial Statements should disclose the number of years that both the audit firm and engagement partner has been the auditor of a medical scheme (audit tenure). The disclosure of audit tenure will lead to transparency regarding the association between audit firms (and engagement partners) and medical schemes; ultimately contributing to the strengthening of auditor independence.

Audit tenure refers to the length of the auditor-client relationship. Thus tenure includes the period that the firm and any predecessor audit firms (where there has been mergers/de-mergers or other combinations in the audit firm), as well as the specific engagement partner, issued audit reports on the medical scheme. The audit tenure disclosed in the audit should reflect the number of years the audit firm and the engagement partner each served as auditor.

This requirement applies to audit reports issued on the Annual Financial Statements of all medical schemes for periods ending on or after 31 December 2018.
An illustrative example of how this requirement should be dealt with, is provided in the extract from the auditor’s report below:

"Report on Other Legal and Regulatory Requirements

In terms of CMS Circular 38 of 2018 Audit tenure, we report that XX firm has been the auditor of X Medical Scheme for X years.

The engagement partner, XX, has been responsible for X Medical Scheme’s audit for X years.”

Tebogo Maziya
General Manager: Financial Supervision
Council for Medical Schemes