

**10 August 2018**

Imran Vanker  
Director: Standards  
Independent Regulatory Board for Auditors  
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Dear Imran

**DELOITTE COMMENTS REGARDING THE PROPOSED REVISED GUIDE FOR REGISTERED AUDITORS: ASSURANCE ENGAGEMENTS ON THE ANNUAL FINANCIAL STATEMENTS AND ANNUAL STATUTORY RETURNS OF A MEDICAL SCHEME**

We appreciate the opportunity to provide our comments on the proposed revised guide.

We include one annexure to this letter, Annexure A: Response to request for specific comments.

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please do not hesitate to contact Liezl du Plessis at 012 482 0126 or 082 374 2765.

Yours faithfully,



Liezl du Plessis  
Deloitte & Touche  
Partner

## Annexure A: Response to request for specific comments

The Explanatory Memorandum requests for comments on specific aspects of the guide. These comments are provided in the table below.

Reference to the proposed guide	Comments
<p><i>Report on Other Legal and Regulatory Requirements</i></p> <p>Paragraph 126 (c ) requires all non-compliance matters that are considered material by an auditor, to be reported in the ISA 700 report under the heading "Report on Other Legal and Regulatory Requirements" and where no instances of non-compliance have come to an auditor's attention, a statement to this effect should be made.</p>	<p>There is a significant amount of judgement required in determining what constitutes a material non-compliance.</p> <p>It is recommended that further guidance be provided, in order to ensure consistency by all practitioners in the approach taken to determine what non-compliance matters are material.</p>
<p><i>Personal Medical Savings Accounts</i></p> <p>Paragraphs 79 – 80 Incorrect interest allocated to savings accounts</p>	<p>It is recommended that the proposed guide clearly reflect that schemes are no longer required to allocate interest to individual Personal Medical Savings Accounts (PMSAs) as per the guidance in Circular 56 of 2018.</p> <p>The circular states that "<i>Medical schemes are no longer required in terms of legislation to invest these monies separately and to accrue interest on the PMSA accounts. Schemes should still adhere to scheme rules. Schemes that wish to amend their rules accordingly may do so during the October rules submissions for incorporation from 1 January 2018.</i>"</p>
<p><i>Reporting on Parts 4 – 10 of the annual statutory return</i></p> <p>Paragraph 121 requires that "A reasonable assurance opinion is provided on whether Parts 4 to 6.1 and 6.3 to 10 have been prepared in all material respects in accordance with the provisions of the Act and related Regulations."</p>	<p>It is recommended that this requirement be revised with respect to Part 9 of the return "<i>Assets held in the Republic in terms of regulation 30 in conjunction with Annexure B to the Regulations</i>"</p> <p>Deloitte currently issues a qualified opinion with respect to this part of the return as we consider it impracticable to obtain sufficient appropriate evidence to support the allocation of the individual assets underlying the insurance policy and equity investments.</p>
<p>General</p>	<p>It is recommended that additional guidance be provided with respect to the auditor's responsibilities with respect to placing reliance on the medical scheme administrators.</p> <p>We note that medical scheme administrators and the information supplied by them to the medical schemes, play a pivotal role in the financial reporting process of the scheme.</p> <p>Currently, no clear guidance is available with respect to the extent of procedures that are required to be performed in order to place reliance on the work of medical scheme administrators and/or their control processes.</p>

Reference to the proposed guide	Comments
	<p>Similarly, placing reliance on the work performed by the internal audit function of the medical schemes is an area where additional guidance could be provided.</p>
Appendix 6	<p>Appendix 6 includes an Other Matter paragraph in the ISA 800 and ISRE 2410 reports that refers to the audit of the financial statements and the reliance on evidence obtained during the audit of the financial statements.</p> <p>"We completed our audit of the annual financial statements of the Scheme for the year ended &lt;insert date&gt; on which we issued an unmodified opinion on &lt;insert date of audit report&gt;. Our audit of the financial statements was conducted in accordance with International Standards on Auditing. <b>In conducting our review of Part 6.2 of the Return we considered evidence obtained during our audit of the financial statements of the Scheme.</b>"</p> <p>We believe that this reference to the evidence obtained in another engagement is not required. The auditor is required to obtain sufficient evidence for every individual engagement and report issued. This evidence could be obtained over a period of time or evidence from one engagement could be relevant to another engagement, but all necessary evidence should be aggregated at the time of issuing the auditor's report. Reference to evidence obtained in another engagement is not required by the Standards, and could be misleading.</p> <p>We note that the reports issued in terms of Regulation 46 of the Banks Act No 94 of 1990 does not include similar references to an Other matter, and the circumstances in these engagements would be similar,</p>