

Respondent



12

Anonymous



22:28
Time to complete



1. Select Respondent Type *

Please select the capacity in which you are responding.

Regulator



2. Organisation Name *

If you answered "Individual" in Question 1, please write "Private".

Council for Medical Schemes (CMS)

3. Full Name of Respondent *

Julindi Scheepers

4. Job Title *

Chief Financial Analyst

5. Email Address *

j.scheepers@medicalschemes.co.za

6. Do you believe that additional disclosures in the auditor's report about the scope of the audit would be useful in enhancing the understanding of the audit that was performed? *

Refer to question 1 in section A of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Scope of the audit. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. In relation to question 6 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The main users of medical scheme financial statements are the members of medical schemes (i.e. owners). Typically a medical scheme is a stand-alone entity and does not form part of a group. Medical schemes typically make use of third-party providers such as administrators, managed care organisations and investment managers. A number of medical schemes have either their own internal audit function or makes use of the administrator's internal audit function. Auditors of medical schemes are required to report on KAM in terms of Circular 65 of 2015. Key audit matters are defined as those matters that were in the auditor's professional judgement of the most significance in the audit of the financial statements; these matters are selected from matters communicated with those charged with governance. In our opinion, the disclosure of KAM, together with additional disclosure in relation to materiality (please refer to our response to question 9 of this form), is sufficient for purposes of members' understanding of the scope of the audit. It could be argued that the use of third-party service organisations and internal audit and its effect on the audit scope might warrant additional disclosure. CMS uses further information relating to the scope of the audit when considering the appointment of the auditors. This information is however provided upon application.

8. Do you believe that disclosing the materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit in the auditor's report, would be useful in enhancing the understanding of the audit that was performed? *

Refer to question 2 in section A of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
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Very useful Useful Somewhat useful Not useful No particular view

Materiality threshold applied, and an explanation of significant judgements made by the auditor in determining materiality for the audit. Refer to section A.

9. In relation to question 8 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

This is important information that will contribute towards managing the expectation gap between what the public assumes is happening during an audit, and the reality thereof. CMS uses this information (the auditor's report to management is submitted as part of annual statutory return submission) when analysing the scheme's annual financial statements, as well as the return itself.

10. Do you believe that the disclosure of performance materiality in the auditor's report would be useful in enhancing the understanding of the audit that was performed? *

Refer to question 3 in section A of the Consultation Paper.

Very useful Useful Somewhat useful Not useful No particular view

Performance materiality. Refer to section A.

11. In relation to question 10 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

This is important information that will contribute towards managing the expectation gap between what the public assumes is happening during an audit, and the reality thereof.

12. Do you believe that additional disclosures in the auditor's report that explain the extent to which the audit was considered capable of detecting irregularities, including fraud, would be useful in enhancing the understanding of the audit that was performed? *

Refer to question 4 in section B of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Explanation of the extent to which the audit was considered capable of detecting irregularities, including fraud. Refer to section B.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. In relation to question 12 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as any suggestions you may have.

Max 4 000 characters.

This is important information that will contribute towards managing members' perceptions.

14. Do you believe that disclosures in the auditor's report about how the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation would be useful in enhancing the understanding of the audit that was performed? *

Refer to question 5 in section C of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
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Very useful Useful Somewhat useful Not useful No particular view

How the auditor evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations. Refer to section C.

15. In relation to question 14 above, please provide your reasons and indicate where applicable, what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The going concern of the stokvel is the members' main concern – whether there are enough funds to cover insurance events during the next coverage period. The disclosure is therefore necessary to enhance members' understanding of the factors that were taken into consideration in the evaluation of the going concern assumption.

16. Do you believe that a conclusion (i.e. a positive statement) that management's use of the going concern basis of accounting in the preparation of the entity's financial statements is appropriate, should be included in the auditor's report? *

Refer to question 6 in section C of the Consultation Paper.

Yes Maybe No No particular view

Conclusion (i.e. a positive statement) that management's use of the going concern basis of accounting is appropriate. Refer to section C.

17. In relation to question 16 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The main users of medical scheme financial statements are the members of medical schemes (i.e. owners). The going concern of the stokvel is the members' main concern – whether there are enough funds to cover insurance events during the next coverage period. A positive statement to this effect will allay these fears and provide stability in the industry.

18. Where there is a material uncertainty related to going concern, do you believe that procedures specific to the auditor's response to the material uncertainty related to going concern should be disclosed in the auditor's report? *

Refer to question 7 in section C of the Consultation Paper.

	Yes	Maybe	No	No particular view
Procedures specific to the auditor's response to a material uncertainty related to going concern. Refer to section C.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. In relation to question 18 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The main users of medical scheme financial statements are the members of medical schemes (i.e. owners). The going concern of the stokvel is the members' main concern – whether there are enough funds to cover insurance events during the next coverage period. Should there be material uncertainty relating to going concern, additional information would enhance the users' understanding of the concerns raised, and would also guide the users' reaction to this information. Additional information relating to the Board of Trustees' business plan and proposed interventions need to be provided, and the auditor's response would be critical.

20. Where the auditor concludes that no material uncertainty related to going concern has been identified, would a statement that the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue be useful to you as a user? *

Refer to question 8 in section C of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
A statement that the auditor has not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. Refer to section C.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

21. In relation to question 20 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The main users of medical scheme financial statements are the members of medical schemes (i.e. owners). The going concern of the stokvel is the members' main concern – whether there are enough funds to cover insurance events during the next coverage period.

22. Are there any other matters related to going concern that you believe should be disclosed in the auditor's report? *

Refer to question 9 in section C of the Consultation Paper.

	Yes	Maybe	No	No particular view
Any other matters related to going concern that you believe should be disclosed in the auditor's report. Refer to section C.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. In relation to question 22 above, please provide the details and where applicable, the benefits and drawbacks of disclosure of such matters, as well as any suggestions you may have.

Max 4 000 characters.

In instances where there is doubt relating to the medical schemes' going concern, additional information relating to the Board of Trustees' business plan and proposed interventions needs to be provided, and the auditor's assessment thereof.

24. Do you believe that auditor's reports other than on listed entities and where law or regulation requires the application of ISA 701, should disclose Key Audit Matters (KAMs)? *

Refer to question 10 in section D of the Consultation Paper.

	Other PIEs	All Entities	No	No particular view
KAMs in auditor's reports other than on listed entities and where law or regulation requires the application of ISA 701. Refer to section D.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

25. In relation to question 24 above, please explain your reasons for the answer to this question and where applicable, specify the type of entity for which you believe the auditor's reports should disclose KAMs, as well as any suggestions you may have.

Max 4 000 characters.

Circular 65 of 2015 has reference – the audit report of all medical scheme audits needs to include information relating to KAM. This requirement was imposed on all schemes, as members are the owners of medical schemes (i.e. it is a stokvel) and there is therefore a high level of public accountability. It is therefore CMS' suggestion that the auditor's report on all entities that have public participation should disclose KAM.

26. In your view, are descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters useful in understanding the KAM? *

Refer to question 11 in section D of the Consultation Paper.

	Very useful	Useful	Somewhat useful	Not useful	No particular view
Descriptions of the outcome of audit procedures or key observations with respect to Key Audit Matters. Refer to section D.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

27. In relation to question 26 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of KAM provides insight into what matters the auditor considered to have the biggest impact on the financial statements. The disclosure as to the audit procedures performed to address this risk is of particular value when assessing the quality of the audit.

28. Do you believe it is beneficial to stakeholders to have visibility of the professional relationships between an audit firm and the audit client for audits of entities that are not PIEs? *

Refer to question 12 in section E of the Consultation Paper.

Yes	Maybe	No	No particular view
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	Yes	Maybe	No	No particular view
Visibility of the professional relationships between an audit firm and the audit client for audits of entities that are not PIEs. Refer to section E.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29. In relation to question 28 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder and specify for which types of entities should the disclosure of such professional relationships be. Also indicate any suggestions you may have.

Max 4 000 characters.

The (perceived) independence of auditors had been a focus area the past few years. CMS had been of the view that the external assurance provider should only provide assurance services, and no additional services that could affect their perceived independence should be allowed. CMS is however following IRBA's lead on this matter, and is for now allowing these additional services.

30. If the answer to question 28 is "yes" or "maybe", do you believe this should be disclosed in the auditor's report? *

Refer to question 13 in section E of the Consultation Paper.

	Yes	Maybe	No	No particular view	Not Applicable
Disclosure of professional relationships in the auditor's report. Refer to section E.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

31. In relation to question 30 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder or provide alternative mechanisms for such disclosure.

Max 4 000 characters.

Medical scheme members approve the appointment of the scheme auditor (the audit committee recommends, the Board of Trustees then appoints, and this is then approved by the members). Auditor independence is therefore one of the regularly discussed items at medical scheme AGMs – with specific focus on the tenure, and additional services provided. Additional services provided by auditors raise concerns relating to the auditor’s perceived independence. The nature of and the value (compared to the audit fee value) of these services is therefore crucial in allaying members’ fears relating to their independence concerns. The auditor’s report to the financial statements is addressed to the members. It is therefore the appropriate structure to report back to the members on the auditor’s independence. To further address the perceived independence question to some extent, CMS had also been requiring auditors to disclose their audit tenure (Circular 38 of 2018). The additional services disclosure will be the next disclosure that CMS will enforce.

32. Do you believe the auditor’s report is an appropriate mechanism to disclose the matters described in (a), (b), (c) and (d) in paragraph 65 of the Consultation Paper in relation to fees? *

Refer to question 14 in section E of the Consultation Paper.

	Yes	Maybe	No	No particular view
Auditor’s report an appropriate mechanism to disclose the matters described in (a), (b), (c) and (d) in paragraph 65. Refer to section E.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

33. In relation to question 32 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder or provide suggestions on other possible mechanisms to achieve such disclosure, including the benefits and the drawbacks.

Max 4 000 characters.

As mentioned above, medical scheme members approve the appointment of the scheme auditor. The auditor’s report to the financial statements is addressed to the members. It is therefore the appropriate structure to report back to the members on the auditor’s independence. The report-back in the auditor’s report will place emphasis on these considerations – which is warranted given the importance of independence considerations. CMS therefore strongly agrees with the suggested disclosure of additional information; and will be implementing this as a required disclosure in the audit reports of medical schemes. CMS further recommends that the additional fees also need to be depicted as a percentage of the audit fee.

34. Do you believe the auditor’s report is an appropriate mechanism to disclose whether an entity has been classified as a PIE or not? *

Refer to question 15 in section F of the Consultation Paper.

	Yes	Maybe	No	No particular view
Disclosure of whether an entity has been classified as a PIE or not in the auditor’s report. Refer to section F.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

35. In relation to question 34 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure provides additional information as to the risk assessment of the entity.

36. Do you believe that when prior period financial statements that are misstated have not been amended and an auditor’s report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements, the matter should in all cases be described in the auditor’s report? *

Refer to question 16 in section G of the Consultation Paper.

	Yes	Maybe	No	No particular view
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	Yes	Maybe	No	No particular view
<p>Description in the auditor's report when prior period financial statements that are misstated have not been amended and an auditor's report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements. Refer to section G.</p>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

37. In relation to question 36 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

A restatement will only occur if it was a material matter. It seems to suggest that appropriate care was not taken in the preparation and audit of the previous year. Additional disclosures in the auditor's report should provide information as to the reasons for the misstatement, and what steps were taken to ensure that a similar error would not re-occur.

38. Where such disclosure (refer to question 36) is made in the auditor's report, whether mandated or not, do you believe that tailored descriptions of the audit procedures performed, and key observations made by the auditor regarding prior year material misstatements, would be useful in enhancing the understanding of how the auditor addressed the matter? *

Refer to question 17 in section G of the Consultation Paper.

Very useful	Useful	Somewhat useful	Not useful	No particular view
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Very useful Useful Somewhat useful Not useful No particular view

Tailored descriptions of the audit procedures performed, and key observations made by the auditor regarding prior year material misstatements. Refer to section G.

39. In relation to question 38 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

A restatement will only occur if it was a material matter. It seems to suggest that appropriate care was not taken in the preparation and audit of the previous year. The additional disclosures would aid in clearing up this perception.

40. Do you believe the disclosure of the threshold of unadjusted misstatements in the auditor's report would be useful in further enhancing transparency by auditors? *

Refer to question 18 in section H of the Consultation Paper.

Very useful Useful Somewhat useful Not useful No particular view

Do you believe the disclosure of the threshold of unadjusted misstatements in the auditor's report would be useful in further enhancing transparency by auditors? Refer to section H.

41. In relation to question 40 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

The disclosure of the threshold for unadjusted differences provides more information on the auditor & management interactions. It also feeds into the materiality discussion.

42. In relation to the matters described in sections A, B, C, G and H in the Consultation Paper, if applicable, would you please indicate for which types of entities these disclosures should be made? Your response should be in the format set out below (tick where appropriate and provide your reasons, including benefits and drawbacks, in the comment box). *

Refer to question 19 in section I of the Consultation Paper.

	All entities	PIEs only	Listed entities only	Others (Please explain in question 43 below)	Disclosure should not be made at all (Please explain in question 43)
Extending the disclosures of the Audit Scope. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Materiality. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Performance Materiality. Refer to section A.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Enhancing the disclosure of the audit effort related to Irregularities, including fraud. Refer to section B.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

	All entities	PIEs only	Listed entities only	Others (Please explain in question 43 below)	Disclosure should not be made at all (Please explain in question 43)
Enhancing the disclosure of the audit effort related to Going Concern. Refer to section C.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Auditor's report disclosures arising from Prior Year Misstatements. Refer to section G.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Disclosure of the reporting threshold unadjusted misstatements. Refer to section H.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

43. In relation to question 42 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

Previously the auditor's report would only have been scrutinised as to whether there is any emphasis of matters or adverse opinions. The rest of the report was standardised information which users essentially ignored as it was perceived to be a long disclaimer paragraph in nature. The additional disclosures discussed in this document would result in the auditor report becoming a more important tool in the analysis of financial statements. This is a right step in our ever-evolving industries. It is therefore CMS' suggestion that the auditor's report on all entities that have public participation (this includes all PIEs) should disclose the above matters.

44. Other than those proposals discussed in sections A to I in the Consultation Paper, are there more matters that can be disclosed by auditors in the auditor's report for an audit of financial statements? *

Refer to question 20 in section J of the Consultation Paper.

	Yes	Maybe	No	No particular view
More matters that can be disclosed by auditors in the auditor's report.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

45. In relation to question 44 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

46. Should there be prescribed standards or a rule that will mandate additional disclosures in the auditor's report? *

Refer to question 21 in section J of the Consultation Paper.

	Yes	Maybe	No	No particular view
Prescribed standards or a rule that will mandate additional disclosures in the auditor's report.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

47. In relation to question 46 above, please provide your reasons and where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder, as well as any suggestions you may have.

Max 4 000 characters.

With a prescribed standard or rule it would be enforceable.

48. Is there a need to develop a structure or framework within which to accommodate currently envisaged but also future changes to auditor's report contents? *

Refer to question 22 in section J of the Consultation Paper.

	Yes	Maybe	No	No particular view
A need to develop a structure or framework within which to accommodate currently envisaged but also future changes to auditor's report contents.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

49. In relation to question 48 above, please provide your reasons. Where applicable, indicate what the benefits and drawbacks of such disclosures would be to you as a stakeholder and explain what the elements of such a framework would be. Also provide any suggestions you may have.

Max 4 000 characters.

The additional disclosures discussed in this document would result in the auditor report becoming a more important tool in the analysis of financial statements. These additional disclosures might result in the auditor's report evolving even further to address other incorrect perceptions from the public.