

Assurance Report on Compliance with Sections 36(5) and 36(8) of the Act (ISAE 3000 (Revised) Report)

Circumstances

- Limited assurance engagement conducted in terms of ISAE 3000 (Revised).
- Materiality is set as one, as any non-compliance is required to be reported to the Council. Therefore, all instances of non-compliance are regarded as material and therefore all are listed. Any instance of non-compliance will therefore result in a qualified conclusion.
- Both an unmodified (i.e. “clean”) conclusion (appropriate based on the evidence obtained) and a qualified conclusion are illustrated.

Independent Auditor’s Limited Assurance Report in Accordance with the Requirements of Sections 36(5) and 36(8) of the Medical Schemes Act No. 131 of 1998¹

To the Board of Trustees of [name of scheme]

We have undertaken our engagement in accordance with the requirements of Sections 36(5) and 36(8) of the Medical Schemes Act of South Africa (the Act) in order to provide the Registrar of Medical Schemes (the Registrar) with limited assurance regarding compliance by <name of scheme> (the Scheme) with the Sections of the Act and related Regulations specified below (the specified Sections of the Act and related Regulations) for the year ended <insert date>:

1. Section 24(5) and/or Regulation 2 (1)(j); and/or sections 33(3) and 44(9)(b) as applicable, relating to the furnishing of financial guarantees;
2. Section 26(1)(c) relating to the establishment of a bank account under the scheme’s direct control;
3. Sections 26(4) relating to the restriction of payments made from the scheme’s bank account; and 26(5) relating to the prohibition on any dividend, rebate or bonus payment by a Scheme;
4. Section 26(7) relating to the period within which all subscriptions or contributions are to be paid directly to the Scheme;
5. Section 26(11) relating to the prohibition on a registered medical Scheme from carrying on any other business;
6. Section 37(4)(d) relating to disclosures in the annual financial statements in respect of benefit options offered, read together with section 33 relating to approval and withdrawal of benefit options;
7. Sections 35(4), 35(5), 35(7) and 35(8) relating to assets and investments held by the Scheme, as well as Regulation 30 relating to limitations on assets held, read together with

¹ The Office of the Registrar requires auditors to submit this report on the auditor’s letterhead.

Annexure B of the Regulations which specifies the limitations on percentages of different categories of assets that may be held;

8. Section 35(6) relating to prohibition on encumbrances of Scheme assets without the prior approval of the Medical Council;
9. Sections 36(10) and 36(11) relating to the appointment of an audit committee and the composition of the majority of its members;
10. Section 57(4)(f) regarding the duties of the Trustees to take out and maintain an appropriate level of professional indemnity and fidelity insurance²;
11. Sections 59(2) relating to the payment within 30 days of a benefit to be paid to a member or supplier of service, read together with Regulations 6(1), 6(2), 6(3) and 6(4) relating to the manner of payment of benefits;
12. Regulation 9A relating to a prohibition on any provision in the rules of a Scheme that permits an accumulation of unexpended benefits by a beneficiary from one year to the next, other than as provided for in personal medical savings accounts;
13. Section 30(1)(e) relating to Scheme Rules allocating a personal medical savings account to a member within the limit and in the manner prescribed from time to time for payment of any relevant health service;
14. Regulations 10(1), 10(4), 10(5) and 10(6) relating to personal medical savings accounts;
15. Sections 4(1), 4(2), 4(4) and 4(5) of the Financial Institutions (Protection of Funds) Act 28 of 2001 relating to the investment of personal medical savings account monies and the separation thereof from scheme assets, read together with Section 2(c) of the Protection of Funds Act relating to the allocation of investment income earned in respect of these monies;
16. Regulations 15 relating to the provision of managed health care; 18 relating to provisions to be included in administration agreements; and 19 relating to requirements of the parties on termination of an administration agreement;
17. Section 65 relating to broker services and commission, read together with Regulations 28(1), 28(2), 28(5) relating to compensation of brokers by a Scheme and Regulation 28B relating to requirements for accreditation of brokers by the Medical Council; and
18. Regulation 29 relating to the minimum accumulated funds to be maintained by a Scheme.

² In terms of this section, instances of non-compliance that may be identified may include that the Scheme either failed to take out fidelity guarantee and professional indemnity, or the cover provided in policy <insert policy number> to the value of <insert sum insured>, was not in accordance with section 57(4)(f) of the Act, and/or the premiums for the policy were not fully paid up.

Trustees' Responsibility

The trustees are responsible for compliance by the Scheme with the specified Sections of the Act and related Regulations and for such internal control as they determine is necessary to ensure compliance with the specified Sections of the Act and related Regulations.

Auditor's Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (the IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*.

[Name of firm] / [The firm] applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility, in accordance with Sections 36(5)(b) and 36(8)(b) of the Act, is to express a limited assurance conclusion whether, based on our work performed, anything has come to our attention that causes us to believe that the Scheme has not complied with the specified Sections of the Act and related Regulations.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance on whether the Scheme has complied with the specified Sections of the Act and related Regulations.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

We completed our audit of the annual financial statements of the Scheme for the year ended <insert date>, prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa, on which we issued an <unmodified/modified>³ opinion on <insert date of audit report>. Our audit was performed in

³ Where a modified opinion has been expressed on the annual financial statements, the auditor considers the implications for the limited assurance conclusion expressed in this report.

accordance with International Standards on Auditing. Where appropriate, we have drawn on evidence obtained regarding instances of non-compliance with the specified Sections of the Act and related Regulations identified during the course of our audit that might materially affect the annual financial statements, and have performed such additional procedures as we considered necessary which included:

- Making inquiries of the Scheme's management primarily responsible for financial and accounting matters and regulatory compliance;
- Re-performance of calculations;
- Performance of substantive analytical review procedures; and
- Inspection of supporting documentation considered necessary to assess compliance with the specified Sections of the Act and related Regulations.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion regarding whether the Scheme has complied with the specified Sections of the Act and related Regulations.

Basis for Qualified Limited Assurance Conclusion

< List all instances of non-compliance >⁴.

*Qualified Limited Assurance Conclusion*⁵

Based on the procedures performed and the evidence obtained, except for the instances of non-compliance described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the Scheme has not complied, in all material respects, with the specified Sections of the Act and related Regulations for the year ended <insert date>.

OR

*Limited Assurance Conclusion*⁶

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Scheme has not complied with the specified Sections of the Act and related Regulations for the year ended <insert date>.

⁴ Refer to paragraph A182 of ISAE 3000 (Revised). Delete this paragraph if the conclusion is unmodified.

⁵ Delete this paragraph if the conclusion is unmodified

⁶ Delete this paragraph if the conclusion is modified.

Restriction on Use

Without modifying our conclusion we emphasise that the specified Sections of the Act and related Regulations are designed to meet the information needs of the Registrar. As a result our report is not suitable for another purpose. Our report is presented solely for the information of the Registrar.

[Auditor's Signature]

[Name of individual registered auditor]

[Capacity if not a sole practitioner: e.g. Director or Partner]

Registered Auditor

[Date of auditor's report]

[Auditor's address]