



CIRCULAR

Reference: Annual returns 2020
Contact person: Ms Elizabeth Figueiredo
Tel: 012 431 0525
E-mail: e.figueiredo@medicalschemes.co.za
Date: 2 July 2021

Circular 41 of 2021: General concerns noted during the analysis of the 2020 Annual Financial Statements (AFS) and Annual Statutory returns (ASR)

1. INTRODUCTION

1.1. Purpose

The Council for Medical Schemes (CMS) would like to express its appreciation to medical schemes, administrators and auditors for the cooperation provided in submitting the 2020 Annual Financial Statements (AFS) and Annual Statutory Returns (ASR) within the period, as required by [Circular 16](#) and [30 of 2021](#).

This circular will discuss common problems and issues identified during the analysis of the AFS and ASR in order to:

- enhance the quality of data submitted in the AFS and ASR;
- achieve standardisation and uniformity regarding proper disclosure;
- reduce or minimise errors; and
- establish good financial reporting for the industry.

1.2. Background

A review of the data collected by the CMS has highlighted a number of discrepancies in the information currently being furnished by medical schemes in their statutory returns. The users responsible for preparing the statutory returns and scheme management are requested to address these matters in future submissions.

1.3. Statistics

In 2020 there were 76 medical schemes in operation. A total of 75 schemes provided a full submission for 2020.

	2020
Number of scheme submissions	75
Number of schemes unlocked for correction	20
Number of schemes rejected	0

Schemes were only unlocked in instances where a number of corrections were necessary/material.

2. KEY AREAS OF CONCERN

2.1. Part 1.4 Questions

A number of questions were not correctly answered in part 1.4. We urge schemes to pay specific attention to this area as it is an indicator that care was not taken in the completion of the return. Schemes are to ensure that each question is answered correctly with all the necessary details are provided. It should also be noted that the scheme, in answering the questions, should provide full details and not refer to the financial statements. Non-compliance should be fully disclosed in this part, even if the scheme has been granted an exemption. Corrective courses of action implemented should be included in the answers provided.

2.2. Investments

Part 9(a) of the return was not correctly completed. Issues identified include:

- General misclassification;
- Drop downs provided were not always utilised;
- Full disclosure of entity names not provided (only instrument codes were provided);
- Certain funds not being broken down into the underlying assets as per Explanatory Note 8 of Annexure B, read in conjunction with Regulation 30 of the Medical Schemes Act 131 of 1998 (the Act); and
- Insufficient documentation supporting reclassification of investments to other categories as required in [Circular 8 of 2021](#).

Schemes are to please ensure that the investments are classified correctly in order to test compliance in future returns. The Guidelines on the categorisation of assets in terms of Regulation 30 of the Act, read in conjunction with Annexure B to the Regulations, are available [here](#) for further guidance in this regard.

The CMS is looking forward to improved AFS submissions in future and appreciates your cooperation.

Yours sincerely,



Ms Lerato Sehularo
Acting General Manager: Financial Supervision
Council for Medical Schemes