



Reference: Regulatory Guidance - routine monitoring of compliance inspections and Request for Information
Contact person: Ms Avril Jacobs / Mr Sibongubuhle Sitanda
Tel: 012 431 0542 / 012 431 0482
E-mail: a.jacobs@medicalschemes.co.za
Date: 18 October 2023

Circular 37 of 2023: Regulatory guidance on routine monitoring of Compliance Inspections and Request for Information

The Council for Medical Schemes (CMS) executes its regulatory mandate to ensure compliance with the Medical Schemes Act, 131 of 1998 (MSA) through amongst others, conducting routine monitoring of compliance inspections ('Routine Inspections'), as provided for in terms of section 44(4)(b) of the MSA.

The purpose of Routine Inspections is to monitor whether medical schemes adhere to the MSA registered rules and policies. This is a governance type of inspection, with the key focus on the Board of Trustees and the manner in which the various Boards execute its duties, as well as the day-to-day operations managed by the various Principal Officers.

The key objectives of Routine Inspections include:

- Evaluation of Compliance with the MSA and relevant legislation.
- Compliance with registered rules and Scheme policies.
- Ensuring sound corporate governance of medical schemes.
- Evaluation of the board of trustees in the execution of its duties.
- Evaluating internal control procedures and
- Evaluation of the financial soundness and solvency position of schemes as at the date of the inspection.

Routine Inspection Process:

Medical Schemes are formally notified of the Routine Inspection and a Request for Information ('RFI') is attached with the said notice. The RFI provides a list of information that schemes should prepare for inspection. Medical schemes are provided sufficient time to submit the relevant information to the CMS. The information should be submitted via the CMS FTP site or as directed.

The CMS Inspectors (Internal) and/or external service consultants will commence with the inspection as arranged with the various schemes and may include key interviews with the Chairpersons of the Board / Board Committees, Principal Officers, and key scheme executives.

Once the inspection has been concluded, schemes will be presented with a draft report for comments. The Medical Scheme comments will be evaluated, thereafter a final inspection report and directives (if applicable) will be issued.

Should an inspection uncover irregularity or non-compliance, this may warrant further regulatory intervention.

Routine Inspection Process – submission of documents:

During 2020 – 2022, the Office conducted routine inspections via a desktop-based model - given the impact of COVID-19. However, towards the latter part of 2022, a hybrid model ensued. This meant that information submitted on the CMS FTP site and inspections were conducted at the premises of the Medical Schemes. This model proved diligent as Medical Schemes did not have to print documents, this arrangement is expected to continue for the 2023/2024 period.

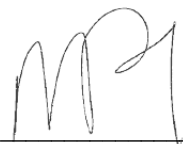
Routine Inspections for the 2023/2024 period:

For the current financial year, ten (10) Medical Schemes have been selected for routine monitoring and the relevant schemes shall be formally notified of the said inspections. A formal opening meeting is normally arranged with schemes to introduce the inspection team and scheme officials, to discuss what is expected of the schemes as well as to formalise the inspection process. Four (4) of the ten (10) routine inspections will be outsourced via the CMS procurement process. In terms of Regulation 4B of the Financial Sector Regulations Act, the Registrar has the discretion to recoup inspection fees.

Request for Information (RFI):

Following the engagements with the Trustees and Principal Officers at the Cape Town and Gauteng PO Forums, the attendees requested that the CMS publish the RFI document to enlist or draw attention to the minimum compliance documentation that should be maintained by medical schemes. This document is attached for ease of reference ([see attached here](#))

Yours sincerely,



Mr Mfana Maswanganyi
Executive: Regulation
Council for Medical Schemes