

FINANCIAL INSTITUTIONS OFFICE.

Private Bag X238,

PRETORIA.

12 August 1963.

CIRCULAR NO. F.S. 2.

TO ALL PRIVATELY ADMINISTERED FRIENDLY SOCIETIES.

PROVISION FOR OUTSTANDING LIABILITIES.

1. From an examination of the annual accounts of societies it appears that in the case of many societies either no specific provision for outstanding claims is made or the provision actually made is not adequate.

2. In accordance with sound accounting practice and having due regard to the provisions of sections 22 and 24 of the Friendly Societies Act, 1956, this Office requires that the final accounts of a friendly society should include adequate specific provision in respect of all outstanding claims, i.e. all claims incurred prior to the end of the financial year (whether or not intimated or notified) which have not been paid.

3. The auditor of a friendly society should satisfy himself that the specific provision is adequate and to this end it is considered that friendly societies should maintain a record of all claims which occurred prior to the end of a financial year but which were only paid in the following financial year. Such a record will enable the auditors of friendly societies to test the adequacy of the provision in respect of outstanding liabilities in the light of the actual experience over a number of years.

4. Should the auditor of a friendly society not be satisfied in regard to the adequacy of the provision in respect of outstanding liabilities he should qualify his report on the accounts. It is advisable, therefore, that societies consult with their auditors in this matter.

5. Societies are requested to furnish with their next annual returns a certificate by the auditors to the effect that the society maintains the necessary record.

6. An extra copy is attached for the information of the auditor of your society with whom you should consult in regard to their accounting requirements necessary to comply with the foregoing.

(SIGN.) H.J.F. CILLIERS.

REGISTRAR OF FRIENDLY SOCIETIES.

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