

Welsh Athletics Limited  
Cardiff International Sports Stadium  
Leckwith Road  
Leckwith  
Cardiff  
CF11 8AZ

3<sup>rd</sup> August 2021

Dear Management,

## **Management Letter –Year Ended 31 March 2021**

### **Executive Summary**

We have pleasure in submitting this letter in relation to the audit of the financial statements of Welsh Athletics Limited ('the Company') for the year ended 31 March 2021. It sets out the significant matters that have come to our attention during the course of our audit work.

We also comment on any other issues relevant to the audit which could have an impact on the Company, or on the way in which it fulfils its objectives.

We recorded in "Work in respect of core financial systems" the key risks and controls you have in place to mitigate those risks. Unless otherwise stated in appendix A no issues were found. This work was not directed primarily towards discovering weaknesses (other than those that would affect our audit opinion) or towards the detection of fraud.

We have included in this letter only matters which have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that could be made.

Any matters arising during the course of our audit which we feel should be addressed by management have been included within Appendix A to this letter.

### **Audit Regulation**

The work carried out at this visit is in accordance with audit regulation and auditing standards as set out in the audit plan.

### **Ethical standards**

We have complied with the Ethical Standards for Auditors and all threats to our independence, as identified to you in our planning communication, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

Registered Office - Severn House, Hazell Drive  
Newport, South Wales, NP10 8FY.  
Tel: 01633 815800

Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales  
Director: Mr R J Hughes BA (Hons) FCA CTA & Mr A D Hill FCCA ACA DChA BFP  
HSJ Audit and Assurance is a trading name of HSJ Audit Limited  
Company Registration No: 06877934  
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## Disclaimer

This report has been prepared for the sole use of the trustees and must not be shown to third parties without our prior consent. No responsibilities are accepted by HSJ Audit Limited towards any party acting or refraining from action as a result of this report.

## Our audit approach

The principal objective of our audit approach is to enable us to express our opinion on the truth and fairness of the financial statements as a whole. An audit opinion is based on the concept of reasonable assurance. It is not a guarantee that the accounts are free from material misstatement.

Our audit procedures are tailored to our assessment of risk of material misstatement, taking into account the inherent risks and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We consider controls primarily at the corporate level and in overall terms. We cannot in practice examine every operating activity or accounting procedure, nor can we substitute for management's responsibility to maintain adequate controls at all levels of the business.

Our work cannot, therefore, be expected to identify all weaknesses in your systems and procedures that a special investigation directed at those systems and procedures might reveal.

## Timing of our audit

We plan and perform our audit having regard to the time required by the Company to account for relevant transactions. Our audit in respect of the year ended 31 March 2021 was conducted within the week commencing 26 July 2021.

## Current status of the audit

Our audit of the financial statements is now complete. We anticipate issuing our unmodified audit opinion on the financial statements following their approval by the Board. Our audit report confirms that, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We would like to express our gratitude for all of the assistance provided to us by the Finance and other staff during the course of our audit.



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## Financial Performance –Year Ended 31 March 2021

GENERAL OVERVIEW OF RESULTS	
Sport Wales Grant income has increased by £73,317 year on year.	<p>This is driven by increases in income recognised in the year in relation to sporting strategy, elite sport strategy and infrastructure investment.</p> <p>These increases in core activities have been further boosted by the recognition of an element of grant income in relation to Covid relief, the majority of which has been deferred for expenditure in 2021-22.</p>
UKA Grant, Membership Services and Education and Event income has fallen in the year by £390,651.	This reflects the impact of the ongoing Covid-19 pandemic on the company's ability to work with athletes and events due to restrictions during the year.
Administration income has increased year on year by £75,912.	This has been boosted by income received via the Coronavirus Jobs retention scheme.
Club development and infrastructure costs have increased by £213,118 year on year.	This is driven by a number of large capital grants made in the year, notably in relation to athletics facilities in Newport, Carmathenshire and within the Cardiff City House of Sport.
Domestic event and International Competition expenditure has fallen by £225,270 year on year.	This reflects the impact of the Covid-19 pandemic on athletics events during the lock down periods.
Athlete Support costs have increased by £14,210 year on year.	Despite the impact of the pandemic this trend is expected as more athletes qualify for support having achieved the requisite standards in the run up to the forthcoming Commonwealth Games.
The fair value gain on the investment portfolio stands at £47,742 as opposed to a deficit in 2020 of £22,278.	This variance is in line with expectations and reflects the returning confidence investors have in international markets following the recession caused by the pandemic in early 2020.

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### **Work in respect of core financial systems**

We updated our understanding of the Company's systems for recording revenue. These discussions focused on the processes governing the recognition of key revenues. We recorded the key income risks and the controls in place to mitigate these risks. A review of these controls was carried out and no recommendations have been noted.

We have reviewed the recoverability of principal debtors.

We updated our detailed systems notes concerning purchases and procurement.

As part of our analytical procedures we confirmed major variances to underlying records – no issues were identified in respect of this work.

We recorded the key risks and the controls in place to mitigate these risks. A review of these controls was carried out and no recommendations have been noted.

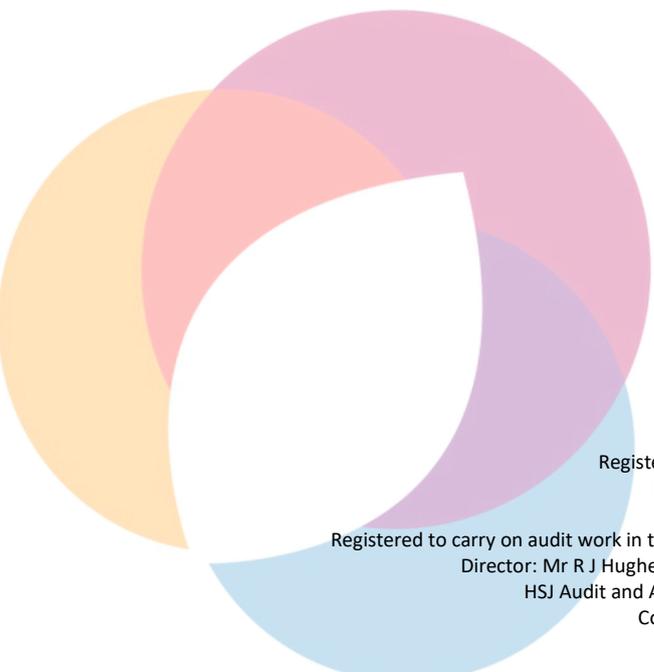
Salary costs continue to be a significant overhead of the Company and as part of our audit work we updated our understanding of the Company's systems in operation over payroll.

We reviewed the monthly payroll costs in order to attempt to identify any material deviation month on month and to assess significant variances against budget. We reviewed the detailed reconciliation of wages per the management accounts and the payroll records - no issues were.

We also conducted detailed testing on a selection of employees agreeing information per the payroll to contracts of employment - no issues were identified.

We recorded the key risks and the controls in place to mitigate these risks. A review of these controls was carried out and no recommendations have been noted.

We acknowledge that the ongoing pandemic has led to challenges in complying with documented policies and controls given the restrictions on movement and working arrangements. This being the case, where policies have been adapted to ensure continuation of activities during the pandemic we will not report these as weaknesses unless we consider that they give rise to a material risk of mis-statement or fraud.

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**International standards on auditing**

- ISA 260 – Communication of audit matters with those charged with governance**
- ISA 265 – Communicating deficiencies in internal control to those charged with Governance and Management**
- ISA 450 – Evaluation of misstatements identified during the audit**

ISA 260, ISA 265 and ISA 450 require the auditor to communicate issues arising from the audit, including misstatements that management have chosen not to adjust, to those charged with governance that previously would only have been reported to management.

The following table highlights the areas we are required to report to those charged with governance, along with our responses:

Matters arising during the course of the audit	Our report to those charged with governance
Expected modifications to the audit report.	We anticipate issuing an unmodified standard audit report.
Unadjusted misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust.	No material unadjusted items have been identified.
Material weaknesses in the accounting and internal control systems identified during the audit.	We have made recommendations in relation to non material issues.
Our views about the qualitative aspects of the Company’s accounting practices and financial reporting.	The trial balance and other information presented for audit was prepared to a high standard.
Any other relevant matters relating to the audit.	Any other relevant matters are reported within this Audit Letter



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## Conclusion

We are pleased to report that we anticipate issuing an unmodified audit opinion in respect of the Company's financial statements for the year ended 31 March 2021.

We are satisfied with the arrangements that are in place at the Company's finance department to facilitate the preparation of the financial statements.

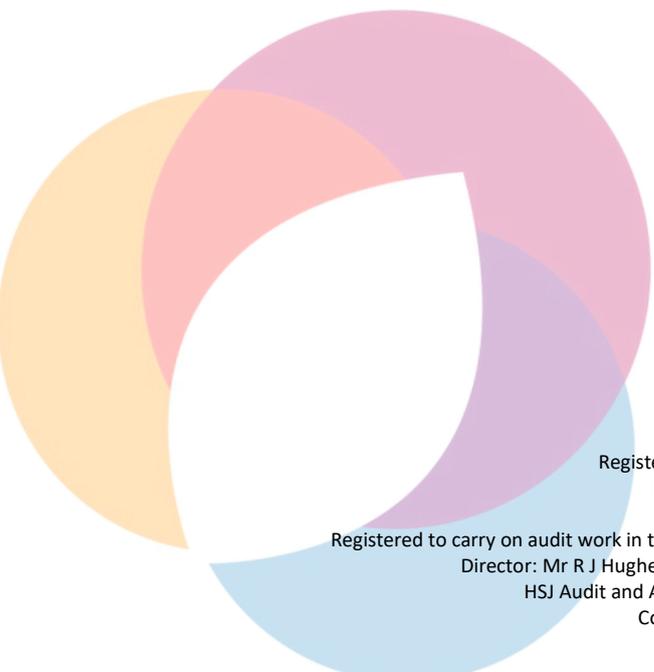
The matters raised in this and other reports that flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all matters arising and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.

We would like to express our thanks to the officers and staff of the Company for their assistance and co-operation provided to us during the course of our audit.

**Yours faithfully**



**HSJ Audit Limited**



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**Appendix A**

Recommendation	Management Response
<p><b>Fixed Asset Register</b></p> <p>Our review of the fixed asset register identified a number of items dating back to 2007 which have been fully depreciated.</p> <p>It is unlikely that these items remain in the ownership of the company and therefore the cost and accumulated depreciation of fixed assets are both overstated.</p> <p>This is a non-material weakness as the net book value impact is £NIL.</p> <p>We recommend that an annual review of the register be completed to ensure that only items physically held are disclosed. This will ensure maximum compliance with accounting standards and allow the register to be used for insurance premium purposes etc.</p>	



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