

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

20th July 2022

Dear Management,

Management Letter –Year Ended 31 March 2022

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 2022. 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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales

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

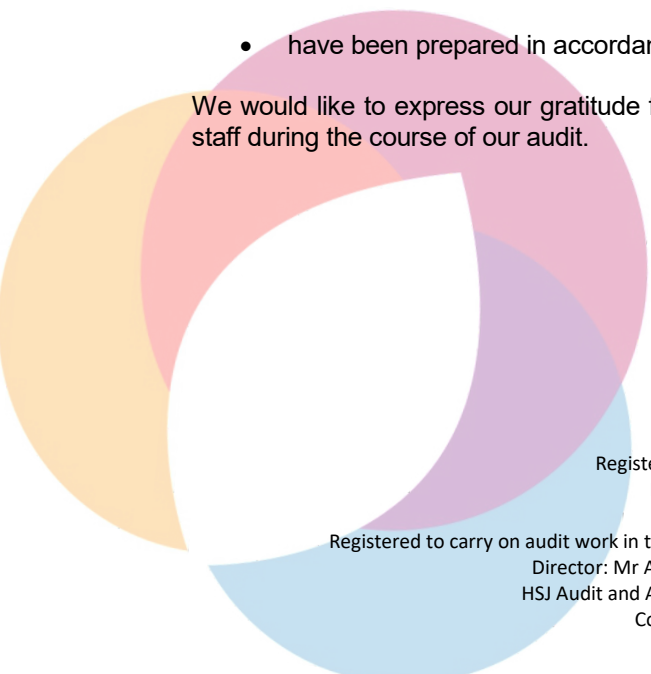
We plan and perform our audit having regard to the time required by the Company to account for relevant transactions. Our audit in respect of the year ended 31 March 2022 was conducted within the week commencing 18 July 2022.

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 2022 and of its loss, 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.


A decorative graphic in the bottom left corner consists of several overlapping circles in shades of orange, pink, purple, and blue, creating a colorful, abstract design.

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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales

Financial Performance –Year Ended 31 March 2022

GENERAL OVERVIEW OF RESULTS	
Sport Wales Grant income has increased by £233,333 year on year.	<p>The income recognised in the year from the primary funder has been reconciled to the revised 2021-22 offer letter and movements in opening and closing deferred income.</p> <p>The balance reported is in line with expectations based on this testing.</p>
Membership Services and Education and Event income has increased in the year by £165,582.	This movement is in line with our expectations based on discussions held with Management ion 2021 surrounding the impact of the Covid-19 pandemic and subsequent recovery of activities in the year under review.
Wages and salary costs (inclusive of NIC and pension) have increased in the year by £49,900.	A growth in salary costs is to be expected with increased activity and is further supported by an increase in the average headcount in the year from 32 to 34 employees.
Domestic event and International Competition expenditure has increased by £210,610 year on year.	This growth is driven by two key variables, namely the ongoing recovery of activities following the Covid-19 pandemic and costs incurred to date in preparation for the upcoming Commonwealth Games.
Athlete Support costs have increased by £49,064 year on year.	<p>This balance would be expected to increase ahead of a Major Championships as is the case with the upcoming Commonwealth Games.</p> <p>The growth was seen to have started in the period year where expenditure increased despite the ongoing pandemic.</p>



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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales

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.

A decorative graphic in the bottom left corner consists of several overlapping circles in shades of orange, pink, purple, and blue, creating a stylized, abstract shape.

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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales

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



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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
 HSJ Audit and Assurance is a trading name of HSJ Audit Limited
 Company Registration No: 06877934
 Registered in England and Wales

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 2022.

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



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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales

Appendix A

The following matter has arisen from discussion with management surrounding your future plans and is not an advisory point based on existing processes.

Recommendation	Management Response
<p>Purchase Ordering System:</p> <p>We understand that this is an area under review with the purchase ordering system being considered alongside the wider accounting package in the remainder of the year ended 31 March 2022.</p> <p>With this in mind, you may wish to consider reviewing ApprovalMax (https://www.approvalmax.com/) which integrates with both QuickBooks and Xero and is used by a number of our clients who require a more detailed authorisation process than is offered by the basic accounting packages in the marketplace.</p>	



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 A D Hill FCCA ACA DChA BFP & Mr A Finch FCCA
HSJ Audit and Assurance is a trading name of HSJ Audit Limited
Company Registration No: 06877934
Registered in England and Wales