

5 June 2020

The Committee
Newcastle District Bowling Association (Zone 2) Inc
PO Box 2199
DANGAR NSW 2309

Dear Committee Members

Re: Audit Management letter – 31 March 2020

We have recently completed the audit of Newcastle District Bowling Association (Zone 2) Incorporated for the year ended 31 March 2020.

Audit Scope

We have been engaged to report as to whether the financial report is prepared in accordance with the *Associations Incorporation Act (NSW)*, including:

- i) giving a true and fair view of the Association's financial position as at 31 March 2020 and of its performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards to the extent as described in Note 1 of the financial statements and the *Associations Incorporation Regulations 2016*.

Audit Opinion

Our audit opinion was unmodified except for the inclusion of a paragraph to reference the disclosure in the financial report in respect of the COVID-19 pandemic, the inherent uncertainty, the Association's assessment of possible impact and strategies to manage the risks.

We also draw attention to the basis of accounting as described in Note 1 of the financial report.

Emphasis of Matter

The following has been included within the audit report to reference the basis of accounting:

"Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Association to meet its financial reporting responsibilities under the Associations Incorporation Act (NSW). As a result, the financial statements may not be suitable for another purpose."

The following has been included within the audit report to reference the disclosure in the financial report in respect of the COVID-19 pandemic:

"We draw attention to Note 1(c) in the financial statements, which discusses the impact of COVID-19 on the Association's operations and finances. Our opinion is not modified in respect of this matter."

Financial Reports and Audit Focus Areas

The following pages provide an overview of the operating result and net asset position of the Newcastle District Bowling Association (Zone 2) Incorporated.

We also address in this report the audit focus areas that were identified in our audit strategy letter, together with any other matters we considered relevant to report to the Committee.

This report is intended for the purpose and sole use of the Committee and Management and may not be suitable for any other purpose.

Representation Letter

A representation letter is to be considered by the Committee, signed and returned acknowledging the Committee's acceptance of responsibility for the financial statements.

Once the representation letter and the signed financial report(s) have been returned to our office we will sign the audit report and return copies of the financial reports for your records.

Internal Controls

During our audit we obtained an understanding of the Association's internal control structure, policies and procedures to allow us to determine our audit procedures for the purpose of expressing our opinion on the financial reports.

Our consideration of the control structure and procedures would not necessarily disclose all significant control deficiencies, as our audit is based on selective tests of accounting records and supporting data and is not intended to provide specific assurance on the internal control structure.

No fraud has been disclosed to us and throughout the audit we have not identified any fraud or financial reporting errors which appear to have occurred due to fraud.

We have not identified any significant deficiencies in internal control relating to the prevention and detection of fraud and error which would influence our audit opinion.

Auditor Independence

As the appointed client engagement partner, I confirm that there have been no contraventions of the audit independence requirements that apply to Cutcher & Neale under the Corporations Act or any applicable code of professional conduct with respect to our audit of the financial report. Our audit independence declarations were unqualified.

Audit Preparation & Assistance

We would like to take this opportunity to thank Don Wells, Warren Shipley and staff for their assistance and co-operation over the course of the audit. Should you wish to discuss any of the matters raised in the attached schedules please do not hesitate to contact Cameron Burns or myself.

Yours faithfully



Nick Nancarrow

Partner

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NEWCASTLE DISTRICT BOWLING ASSOCIATION ZONE 2 INC

- AUDIT 31 MARCH 2020

1. Operating Result

Statement of Profit or Loss and Other Comprehensive Income	Change \$	2020 \$	2019 \$
Income	(1,131)	226,158	227,289
Expenditure	(39,701)	(258,529)	(218,828)
Net Operating Profit / (Loss)	(40,832)	(32,371)	8,461

- Capitations fee income decreased \$2k due to a number of clubs negotiating reduced fees for 2019/20 with the Royal NSW Bowls Association. These reduced fees have also been granted by the NDBA;
- Competition fees income have increased \$9,608, mainly due to increased district competition participation and fees;
- Repairs and maintenance expenses increased \$4,874 due to installation of pest baiting system at the NDBA office;
- Representative team expenses increased \$6,149 due to additional costs for travel compared to the prior year;
- Wages and salaries increased \$13,589 with the Secretary Manager position being filled for the entire year. In the prior year the position was vacant for a period of time following resignation of the former Secretary Manager.

2. Net Assets

Statement of Financial Position	Change \$	2020 \$	2019 \$
Current Assets	(33,824)	268,678	302,502
Non-Current Assets	5,376	23,042	17,666
Total Assets	(28,448)	291,720	320,168
Current Liabilities	(3,923)	(43,799)	(39,876)
Non-Current Liabilities	-	-	-
Total Liabilities	(3,923)	(43,799)	(39,876)
Net Assets	(32,371)	247,921	280,292

The main changes in assets and liabilities included:

- Cash and cash equivalents have decreased due to the operating loss of \$32,371 for the year, as well as purchases of plant and equipment of \$7,378;

- Trade and other receivables increased \$8,750 due to an increase in outstanding debts from Clubs of \$20,494, offset by a decrease in insurance prepayments of \$7,196 due to the timing of payments. A provision for doubtful debts has been raised for \$2,740 to recognise debt from Club that is unlikely to be received;
- Property, plant and equipment has increased \$5,376, due to the purchase of a computer server and defibrillator (total cost \$7,378), and depreciation of \$2,002;
- Trade and other payables decreased \$3,738 mainly due to Let's Play Bowls grant funds received in advance in the prior year. Funds have been recognised as revenue during the 2020 financial year;
- Employee leave entitlements increased \$7,660 with employees accruing more leave than was taken during the year.

3. Adjusted Audit Differences

The following adjustments were made during the course of the audit:

Description	Assets \$	Liabilities/Equity \$	Effect on (Profit) \$
a. Provision for doubtful debts	(2,740)	-	(2,740)
Understated/(Overstated)	(2,740)	-	(2,740)

a. Recognise a provision for debtors unlikely to be received

4. Unadjusted Audit Differences

On completion of our audit work, we were not aware of any unadjusted audit differences.

5. Prior Year Issues

We have noted below an update on the status of internal control issues that were raised as part of previous audits:

Prior year issue	Current year status
<p>Stale cheques</p> <p>As at 31 March 2019, the Association's bank reconciliation showed unpresented cheques totalling \$320 that remained unclaimed for over 12 months.</p>	<p>As at 31 March 2020, there were no unpresented cheques recorded on the bank reconciliation.</p> <p>Issue closed</p>

6. Impact of COVID-19 and disclosure within the financial report

Additional disclosure has been made within the notes to the financial statements to inform the users of the financial report of the impact that COVID-19 has had on the Association. The disclosure is shown below:

"On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact. However, the COVID-19 situation is still evolving, and its full economic impact remains uncertain.

During the week beginning 16 March 2020, the Australian Government together with State and Territory Premiers announced a series of measures aimed at preventing the spread of COVID-19, which had the effect of impacting the state of the Australian economy (i.e. impact on supply chain, customers, availability of finance, consumer confidence, etc.).

Subsequent to these measures on 22 March 2020 it was announced that all registered clubs were to cease operating from midday the following day. These measures have significantly impacted the member Clubs of this Association.

The Committee and Management have implemented a range of operational and financial strategies in response to the COVID-19 pandemic including, but not limited to:

- *Review of the future capitation fees to be charged to member Clubs.*
- *Employing government initiatives, in particular with respect to ensuring that our employees can remain employed at the Association via JobKeeper payments.*
- *Cashflow tightening measures to ensure ongoing adequate cash reserves to trade through the impact, including reduction of operational expenditure. Management have suspended and / or reduced contracts and supplier payments where possible.*

The Committee and Management also recognises that the situation associated with the management of COVID-19 continues to evolve on a daily basis and it is difficult to estimate with any degree of certainty the future impact on the Association."