

Report to Governance

Archery New Zealand Incorporated
For the periods ended 30 June 2021 and
31 March 2022

26th September 2023

The Committee
Archery New Zealand Incorporated
15B Vestey Drive
Mt Wellington
Auckland 1060

Dear Chairperson and members of the board,

Report to Governance – Management Letter

We completed the audit of Archery New Zealand Incorporated's financial statements for the periods ended on the 30 June 2021 and 31 March 2022. Please find attached our Report to Governance in connection with the audit.

We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely on for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

We congratulate Governance on its efforts to maintain effective internal controls in the organisation. We take this opportunity to thank members of governance, management and staff for the co-operation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Yours faithfully
Silks Audit Chartered Accountants

Cameron Town

Cameron Town
Engagement Partner

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Encl: Report to Governance

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EXECUTIVE SUMMARY

This report details the processes, findings and recommendations from our audit of Archery New Zealand Incorporated in accordance with International Standards on Auditing (NZ), and the terms of our engagement as set out in our audit engagement letter. In accordance with our normal practice we enclose our comments on certain areas of the internal control and accounting practices which came to our attention during our recent audit. We also offer recommendations for possible courses of action.

We have prepared this report solely for the use of Archery New Zealand Incorporated. It forms part of the continuing dialogue between the organisation and ourselves and contains constructive suggestions to improve some practices which we identified in the course of our normal audit procedures. We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist, and this report should not be relied on to include all such matters as we will expect management to apply continuous improvements in these areas and Governance members to continually monitor the level of controls and procedures in place at the organisation.

Overall, we are satisfied that the organisation has presented its results for the period ended 30 June 2021 and 31 March 2022 to a good level of compliance with applicable financial reporting standards. Adjustments made during the audit are noted in Appendix 1.

We would like to thank Governance, management, and staff for their co-operation extended to us, during the course of the audit. We have received full co-operation.

AUDIT SCOPE AND OBJECTIVES

Silks Audit Chartered Accountants Limited has been engaged to carry out the audit of Archery New Zealand Incorporated.

Auditor responsibilities include a requirement to express an opinion on the organisation's financial statements arising from our audit conducted in accordance with the International Standards on Auditing (NZ).

Our audit objectives are to:
report on whether the financial statements give a true and fair view, and
report to Management about control environment issues that should be addressed by the organisation.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested and assessed the controls supporting the Organisation's key transaction streams, and there are some significant to report. Control weaknesses identified during the audit have been included in the Summary Findings section of this report.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of Chartered Accountants Australia and New Zealand and the External Reporting Board.

Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:
No other work is permitted to be undertaken by Silks Audit Chartered Accountants.

We have not provided any non-audit services to the organisation. We confirm the independence of the Silks Audit engagement team.

KEY FINANCIAL STATEMENT AUDIT RISKS

We have set out below our findings in areas we have identified as risks.

1. Revenue Recognition

Identified audit risks

A key audit risk is in relation to revenue recognition. There is a rebuttable presumption under Auditing Standards that there is a risk of fraud in relation to revenue recognition.

Conclusion of our work From our audit work performed we found no issues regarding revenue recognition in the financial statements, other than completeness of revenue for donations and courses/training.

MANAGEMENT JUDGEMENTS AND ESTIMATES

Under International Standards on Auditing (NZ) we have a responsibility to ensure that you have been informed about the process used by the Organisation in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall, we note that the judgements and estimates by management in preparing the results for the periods ended 30 June 2021 and 31 March 2023 appear reasonable.

The most significant areas of judgement, assumptions and estimates applied by management relate to:

We are not aware of any other sensitive accounting estimates, assumptions or valuation judgements made by the Organisation.

MATTERS REQUIRING BOARD INPUT

We have placed reliance on the Board's review and approval of the following matters:

Minutes of the Board meetings;
Implementation of such controls as is needed to ensure that financial statements are presented fairly;
Review and approval of 2022 and 2023 budgets;
Notification of fraud; and
Review and approval of the financial statements.

GOVERNANCE AND ACCOUNTABILITY

Good governance and accountability need and support each other and, if done well, enhances trust and confidence by the beneficiaries and the public. Good governance encourages and can result in good accountability. In turn, accountability is a vital element of good governance.

ACCOUNTING POLICIES

Auditing standards require us to discuss with you the qualitative aspects of the Organisation's accounting practice and financial reporting. We reviewed the financial statements of the Organisation against the Financial Reporting Standards and templates applicable to the organisation (Special Purpose Financial Reporting determined by governance) and noted no material departures from the requirements.

MATERIALITY AND ADJUSTED / UNADJUSTED DIFFERENCES

Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During the course of our audit we have identified adjustments. All adjusted differences have been detailed in Appendix 1 of this report.

It should be noted that the auditing standards do not require us to communicate misstatements that are considered "clearly trivial" and as such, if we identify such misstatements, we will not communicate these to you. We consider "clearly trivial" to be 10% or less of our performance materiality.

GOING CONCERN

Management and governance are required to make a formal assessment on going concern. Under Auditing Standards, we are required to review this assessment for appropriateness.

During the course of our audit we have identified no material misstatements. All unadjusted differences (none of which we consider material, either individually or in aggregate) have been detailed in Appendix 1 of this report.

Paragraph 15 of ISA (NZ) 570 states:

15. *The auditor shall enquire of those charged with governance as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern.*

The assumption of going concern was concluded as appropriate for the Organisation given the Organisation's funding sources and its Year to date performance for the following financial period.

FRAUD

During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.

COMPLIANCE WITH LAWS AND REGULATIONS

We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the Organisation.

REQUIRED COMMUNICATION

Standard	Our Response
Auditors responsibility under General Accepted Auditing Standards	We are responsible for the completion of an audit in accordance with the International Standard on Auditing (New Zealand). The detailed terms are included in our letter of engagement signed off by the Board.
Significant accounting policies	We had read the accounting policies and are satisfied that these comply with the relevant accounting standards and disclosure.
Management judgements and accounting estimates	No management judgement or accounting estimate issues identified.
Significant matters	No significant matters identified.
Disagreements with management	No disagreements were had with organisation management.
Difficulties encountered during the audit	No difficulties were encountered during the audit.
Independence	There were no independence issues identified between the Silks Audit employees and/or spouses of those employees and the Board.
Independence – other services	We can confirm no other services were provided to the entity during the course of the audit
Laws and Regulations	The Organisation have confirmed that the Board have complied with all necessary laws and regulations. We did not identify any significant breaches.
Fraud or Illegal Acts	From our enquiries with management and our audit testing we have not become aware of any significant fraudulent or illegal acts during the period.
Accumulation of unadjusted errors	We can confirm that all audit adjustments identified have been adjusted for in the financial statements. We can confirm that there is no accumulation of unadjusted errors which would impact on the financial statements
Deficiencies in internal control	As reported in the internal control section above.

OVERALL RESULT

Our audit work is complete. We have issued modified audit reports on the financial statements of the organisation for the periods ended 30 June 2021 and 31 March 2022. The audit report contains matters that the Board needs to consider further.

Qualification

Control over cash revenues for donations and courses/training.

To enable management to set priorities on their action plans we have assessed our findings on the following basis, namely, critical, high, moderate, and low based on our assessment of the importance of each finding. Classifications of findings are detailed in Appendix 2 of this report.

These findings and recommendations should be discussed and agreed with the organisations management and those charged with governance.

	Critical	High	Moderate	Low
Number of findings		2	1	1

Provided below is a summary of key findings:

ITEM NO	FINDINGS AND RECOMMENDATIONS	RATING
1	Board minutes	Moderate
2	Authorisation of invoices	High
3	Offsetting of revenue and expenditure	High
4	GST errors	Low

SUMMARY OF FINDINGS

1. Board minutes		Rating of finding: Moderate	
Observation			
We noted from our review of the board minutes provided to us, that they have not all been signed and dated by the Chairperson.			
We also noted that the minutes did not record the approval of accounts passed for payment.			
Recommendation			
We recommend that the Chairperson signs the last page of the minutes to verify the accuracy of the discussions and resolutions that took place, and to confirm the authenticity of the minutes. This procedure is normally carried out at the next meeting.			
We also recommend that the accounts passed for payment are minuted as being approved.			
Management comments and actions			
Governance comments and actions			
Responsibility		Target date	

2. Authorisation of invoices		Rating of finding: High
Observation		
<p>On our review of invoices paid by the Society, we did not sight evidence on the invoices themselves of authorisation for payment. As a result invoices can be paid, whether mistakenly or fraudulently, without being properly approved, or the same invoice could be inadvertently paid twice.</p> <p>We stress that these are possible occurrences only, and we have not noted any instances where such errors have occurred.</p> <p>We also noted from the Internal Controls Questionnaire that the bank accounts on the invoices are not regularly checked to the bank account on internet banking.</p>		
Recommendation		
<p>We recommend that all invoices supporting payments made be signed for clear evidence of authorisation on the invoice itself at the time they are approved.</p> <p>We also recommend that the bank account details are checked regularly from the invoices to the internet banking.</p>		
Management comments and actions		
Governance comments and actions		
Responsibility		Target date

3. Offsetting of revenue and expenditure			Rating of finding: High
Observation			
We noted that some Xero codes had receipts and payments offset against each other, which reduces the transparency of the financial reporting (eg. Uniforms and Grants).			
Recommendation			
We recommend that care is taken to ensure receipts are coded to revenue codes and payments are coded to expenditure codes in Xero, so that these are not offset against each other for financial reporting purposes.			
Management comments and actions			
Governance comments and actions			
Responsibility		Target date	

4. GST errors		Rating of finding: Low	
Observation			
We identified two GST errors: <ul style="list-style-type: none">• GST of \$1,497 was returned in error on the grant received from Four Winds in March 2022, as this grant had nil GST.• GST was claimed in error on payments made to Clubs for the Indoor Challenge in October 2020, as there were no tax invoices from these Clubs.			
Recommendation			
We recommend that care is taken to ensure the GST applied to all transactions in Xero is accurate.			
Management comments and actions			
Governance comments and actions			
Responsibility		Target date	

APPENDIX 1 – ADJUSTED AND UNADJUSTED DIFFERENCES

Adjusted differences

The following audit adjustments were made to the financial statements:

Description	Assets	Liabilities	Equity	Profit/ (Loss)
	Inc / (Dec)	Inc / (Dec)	Inc / (Dec)	Inc / (Dec)
	\$	\$	\$	\$
August 2022 Indoor Challenge fees received in advance (2022FY)		5,617		(5,617)
Banquet Fees included in Tournament Fees in error (2021FY)				
SportNZ expenses and a grant paid offset against Grants Revenue (2021FY)				
2021 insurance expense included in Gifts expense line (2022FY)				
Uniforms revenue offset against uniforms expenditure (2022FY)				
Net Effect of Adjustments made:		5,617		(5,617)

Unadjusted differences

There were no unadjusted differences as at 30 June 2021 or 31 March 2022.

APPENDIX 2 – FINDINGS RATINGS

The following framework for ratings has been developed to facilitate discussion with the Organisation's management in order to prioritise issues according to their relative significance.

Rating	Definition
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.