

14 March 2017

The Executive Committee
The Browns Bay Racquets Club Incorporated
7 Woodlands Crescent
North Shore 0630
Auckland

Attention: Allister Zimmerman, President

Dear Sirs/Madams,

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

We have substantially completed the audit of The Browns Bay Racquets Club Incorporated ("the Club") for the year-ended 30 September 2016. We expect to sign a qualified audit opinion, upon the resolution of/receipt of the following:

- Subsequent events
- Signed financial statements
- Signed management representation letter
- Signed going concern representation letter

We have an obligation under the Auditing Standards to communicate certain aspects of our audit with those charged with governance. This communication includes only those audit matters of governance interest that have come to our attention as a result of the performance of our audit. Our audit is not designed to identify all matters that may be relevant to those charged with governance. The scope and terms of our audit are set out in our engagement letter dated 24 January 2017.

1. Auditor responsibility under Generally Accepted Auditing Standards

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance, in accordance with New Zealand equivalents to International Standards on Auditing (New Zealand). The detailed terms of our engagement are set out in our engagement letter.

2. Significant accounting policies

We have read the accounting policies as set out in the financial statements for the current year-end and are satisfied that these comply with the relevant accounting standards.

3. Significant management judgements and accounting estimates

We have not identified any significant areas of management judgement and accounting estimates impacting these financial statements.

4. Significant audit matters

We have identified the following audit matters during the audit:

4.1 Payroll

From our examination of wages and salaries paid to staff we noted that pay rates for employees were not supported or backed up by up to date employment contracts or salary review forms.

We recommend that all employment contracts be updated for all current staff to remain updated for any changes in their salaries or hourly rates.

4.2 Fixed assets

Fixed assets, having an overall book value of approximately \$385,871, consist of a multitude of assets with varying carrying values acquired over many years.

We understand the majority of asset relates to leasehold improvement and courts but also numerous assets with low book value (less than \$10) and due to the diminishing value method used, for depreciating the assets no depreciation was charged as the opening book value was already too low.

Management and those charged with governance accordingly should review the fixed asset register and identify assets which are no longer in use or of such low value that they should be written off.

4.3 Misfiled documentation

For our review of payments we selected a sample of expenses posted to the general ledger and sought to verify these by sighting supplier's invoices or other valid documentation. We sighted a significant number of the suppliers invoice's but not all of them; it would appear they may have been misfiled.

We believe that it is imperative that all outgoings should be sufficiently backed up or supported by valid documentation such as suppliers invoices at all times.

4.4 Bank guarantee

From prior year discussion with those charged with governance, we were advised that the current unsupported guarantee from Auckland Council for a limit of \$110,000 no longer applies.

Management should seek clarification from Westpac about the matter and if possible, remove the unsupported guarantee if it is no longer relevant.

5. Fraud and Illegal acts

It should be noted that the Executive Committee is ultimately responsible for the prevention and detection of irregularities including fraud. We are not required to search specifically for fraud and therefore cannot be relied upon to identify all such matters. However, our audit was planned so that we would have reasonable expectation of detecting material misstatements in the accounts resulting from irregularities including fraud.

There have been no fraud or illegal acts brought to our attention or identified through the audit.

6. Disagreements / difficulties encountered during the audit

We did not experience any disagreements with management but we did encounter difficulties

in locating documents during the audit.

7. Deficiencies in internal control

Our audit procedures concentrated primarily on substantiating the amounts appearing in the accounts and did not include a detailed evaluation of the accounting controls. Accordingly, our audit may not have identified all weaknesses within your systems. The comments in this letter therefore may not be a comprehensive record of all the weaknesses that may exist.

We did not identify any significant deficiencies in the internal control environment. However the organisation is small and therefore the internal control environment is considered inadequate. Our audit approach as a result is not based on reliance on the internal control environment.

8. Specific Management Representation Letter

We have not required management to make any specific representations relating to this engagement, other than those that are included in our standard management representation letter and going concern representation letter.

9. Consultations with other accountants or consultants

We have not consulted with any other accountants or consultants in relation to this engagement.

10. Audit misstatements

There were no audit misstatements found during the audit.

11. Related parties

We have not identified any significant related parties except as disclosed in the accounts and as will be confirmed to us in the management representation letter prior to our signing of the audit report.

12. Independence confirmation

We confirm that, as at the date of sending this communication letter to those charged with governance, we have complied with the ethical requirements regarding independence. No breaches of independence are noted.

Should you have any queries or require any further information relating to the information presented above, please do not hesitate to contact us.

Yours faithfully

DFK OSWIN GRIFFITHS CARLTON



Shane Browning
PARTNER