



Board Report

The Sovereign Islands (Precinct No 3) Company Limited
30 June 2017



Independent Audits Pty Ltd
e. info@iaudits.com.au
w. www.iaudits.com.au
p. 1800 228 348



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is a CPA Practice
ABN: 39 606 080 826

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w. www.iaudits.com.au
p. 1800 228 348
a. PO Box 458
Biggera Waters Q 4216



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Monday, 21 August 2017
The Sovereign Islands (Precinct No 3) Company Limited
Sovereign Islands
GOLD COAST, QLD
4216

Re: Audit of the Financial Statements for the year ended 30/06/2017

To the directors of The Sovereign Islands (Precinct No 3) Company Limited,

We are pleased to present you with our report on the audit of The Sovereign Islands (Precinct No 3) Company Limited for the year ended 30 June 2017.

The report includes an overview of the audit outcomes, key audit risk areas (if any) and our findings, internal control deficiencies and any other recommendations.

We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process.

Yours sincerely,

Leslie Proud
Engagement Director
21 August 2017

Summary of Detailed Audit Findings

Significant Findings - Nil

There were no audit findings of significant value (either material by nature or amount) that required modification of our audit opinion.

Other Findings

1 - Costs of the company

We have conducted substantive audit procedures on the annual costs of the company and did not find any material errors in the reported expenses.

Conclusion - The annual costs incurred by the Community are materially correct and fairly reported in the financial statements.

2 - Minor Observations

During our audit procedures we noticed the following minor observations. These are considered minor as in our opinion that do not require any adjustment in the financial statements. The directors should review the below observations and take corrective action if considered appropriate.

- (a) Interest on overdue levies has been calculated as if the overdue levy has been in arrears for the full year whereas the owner deed implies that arrears interest is calculated via simple interest on the arrears period only. This has resulted in a slight overcharging of interest on some owners where the levy has been overdue for a period less than 1 year. The variance in interest charges between the two periods varies between owners but is generally around \$100.
- (b) The provision for doubtful debts is an estimate is reported and reflects those owner's levies that probably won't be collected. This provision has been based on the following criteria:
 - i) Where the owner has significant overdue levies
 - ii) There is no substantive history of payment by the owner
 - iii) There is no deed held for the owner

Where all of the above three criteria has been met, the owners outstanding levies have been provided for as a doubtful debt.

The directors should periodically review the outstanding levy doubtful debt provision criteria and method of estimation to ensure it adequately reflects the estimate of debts that are doubtful and at risk of being collectible.

- (c) It is noted that the company has established a sinking fund for future capital expenses of the precinct. In order to ensure the sinking fund is sufficient, it is recommended that the directors consider engaging professional valuers to assess the future capital expenditure requirements of the precinct to ensure sinking fund allocations are sufficient to meet the capital replacement needs of the precinct and the owners expectations.

3 - Financial Report

The financial statements of the The Sovereign Islands (Precinct No 3) Company Limited is a company that needs to complete financial statements in terms of the Corporations Act 2001. The Sovereign Islands (Precinct No 3) Company Limited falls under the small entity provisions of the Corporations Act 2001 where income of the company falls under \$250,000 for the year. The accounting standards say that Gateway contributions are excluded from the income calculation when assessing income level in accordance with the Corporations Act 2001.

Section 294A allows for members to request financial statements to be prepared in the format determined appropriate to meet the needs of members . SSKB has completed the financial statements in a format that is consistent with the needs of members of strata schemes which is also consistent in nature to needs of members of The Sovereign Islands (Precinct No 3) Company Limited.

Conclusion - In my opinion, the company's financial statements fairly state the incomes, expenses and the financial position of the company for the year ended 30/06/2017.

Part I: Overview of findings

Auditor's responsibilities and scope of the audit

The objective of our audit was to obtain reasonable assurance that the financial report was free of material misstatement. We are responsible for forming and expressing an opinion on the financial report that has been prepared by management with the oversight of those charged with governance. Our audit of the financial report does not relieve management or those charged with governance of their responsibilities.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal controls or for identifying all significant deficiencies that may exist. Accordingly, our audit would not usually identify all such matters that may be of interest to you and it is inappropriate to conclude that no such matters exist.

Audit opinion

We intend to issue an **unmodified** audit opinion on the financial report.

Auditor independence

We confirm that, as at the date of this report, the engagement team and others in the audit firm have complied with the relevant ethical requirements regarding independence and have communicated all relationships and other matters that in the auditor's professional judgment may reasonably be thought to bear on independence and associated safeguards, as necessary.

The engagement team and others in the firm as appropriate, the firm, and, when applicable network firms, have complied with the independence requirements of the Australian Accounting Standards.

Accounting policies, estimates and financial report disclosures

We consider the accounting policies adopted in the financial statements to be appropriately disclosed. There were no changes to accounting policies adopted, or significant changes in estimates or judgments during the year.

Materiality

Material misstatements, including omissions, are those that could reasonably be expected to influence the economic decisions of users of the financial report, either individually or in aggregate. The determination of materiality is a matter of professional judgment, and is affected by our perception of the financial information needs of users of the financial report.

In establishing the overall planning materiality, we considered the following specific factors relating to the entity the nature and size (revenue, expenses, assets, liabilities) of the company along with members expected interests in operations of the company.

Adjusted and Unadjusted differences

The below unrecorded audit differences are considered immaterial and not requiring correction in the financial statements.

Over (under) misstatement in the financial statements						
Description	Assets	Liabilities	Equity	Profit and Loss	Corrected?	W/P ref.
Total corrected adjusting journal entries	-	(1,200)	1,200	1,200	Yes	4-100
Unrecorded misstatements - factual	-	-	-	-	No	4-110
Unrecorded misstatements - projected	-	-	-	-	No	4-115
Unrecorded misstatements - judgmental	697	-	(697)	(697)	No	4-120
Total uncorrected misstatements	697	-	(697)	(697)		4-130
Effect of uncorrected misstatements from prior periods	-	-	-	-		
Uncorrected misstatements to be carried forward	697	-	(697)	(697)		

Fraud

We are required by Auditing Standards to consider the risk of fraud in planning the nature and extent of our audit tests. During the course of our audit we have not become aware of any incidence of fraud.

Compliance with laws and regulations

During the course of our audit we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

Going concern

During the course of our audit we have not identified any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We have assessed and agreed with the conclusions reached by the board and the strata manager concerning the application of the going concern concept.

Significant difficulties, if any, encountered during the audit

We did not encounter any significant difficulties during the process of the audit and we would like to thank SSKB for the provision of comprehensive audit documentation.

Written representations

SSKB have provided a management representation letter confirming that to the best of their knowledge, they have supplied us with all financial records, disclosed all known fraud and other information for the preparation of financial statements free from material fraud or error. This is considered sufficient representation for our audit requirements. No further representations are required for our audit.

Other

Where we consider there are significant risks associated with the audit, we detail them below and how we addressed those risks.

We concluded that there were no significant risks associated with the audit.

Part II: Significant findings relating to audit risk areas

There were no significant findings or audit risks identified during our audit.

If we identified any significant risk areas during the planning or conduct of our audit, we would detail those areas in the below table.

Risk Name	Inherent Risk	Control Risk	Residual Risk	Audit Response	Management response	Controls exist?	WP Ref	Risk addressed?
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Part III: Internal control findings

No Significant Control Deficiencies Identified

Audit procedures in relation to financial controls in operation

As our audit was substantive based, we did not conduct an audit of the controls in operation and no assurance is given in relation to the operation of internal controls of company for The Sovereign Islands (Precinct No 3) Company Limited.

During the course of our audit of The Sovereign Islands (Precinct No 3) Company Limited for the year ended 30 June 2017, we did not identify any significant deficiencies in controls in operation for the company.

We have not previously reporting any internal control weaknesses or significant findings in relation to audit risk areas in the past as this is our first year of audit of your accounts.