



## Report to the Board

9 July 2015

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**Title:** KPMG Representation Letter – Year Ended 31 March 2015

**Report of:** Managing Director

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### **Purpose of Report**

1. To authorise the Chair and the Company Secretary to sign the management representation letter on behalf of the Board.

### **Background**

2. The company's external auditors KPMG carried out an audit of the report and financial statements for 2014/15 during May 2015.
3. A report presenting their findings was approved by Audit Committee at its meeting on 1 July 2015.

### **Management Report**

4. KPMG produced a management report following the audit they have carried out.
5. There were no significant issues raised in the report and all of the recommendations have been responded to by the company.

### **Management Representation Letter**

6. As part of the audit, KPMG require the letter attached at the Appendix to be signed by the Chair and the Company Secretary on behalf of the Board. Audit Committee, at its meeting on 1 July 2015, recommended that the Board authorise the Chair and Company Secretary to sign the letter on its behalf.

### **Link to values**

7. This report is in line with the following values of the company :-
  - Fair
  - Customer Focused
  - Open and Honest
  - Accountable

### **Impact on tenants**

8. Appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

### **Risk Management Implications**

9. The external audit carried out by KPMG is one element of the controls in place to ensure that the strategic risk within the business plan (insufficient available financial resources) is effectively controlled.

### **Financial Implications**

10. The financial implications are contained within the report and appendices.

### **Equality and Diversity Implications**

11. There are no equality or diversity implications arising from this report.

### **Value for Money implications**

12. There are no value for money implications arising from this report.

### **Health Implications**

13. There are no direct health implications arising from this report.

### **Environmental Implications**

14. There are no direct environmental implications arising from this report.

### **Consultation carried out**

15. None directly for this report.

### **Recommendation**

16. It is recommended that the Chair and the Company Secretary be authorised to sign the management representation letter on behalf of the Board.

KPMG LLP  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

9 July 2015

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of The Gateshead Housing Company (“the Company”), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Company’s affairs as at year end and of the Company’s profit or loss for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

These financial statements comprise the Balance Sheet, the Income and Expenditure Account, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement letter dated 16 June 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the state of the Company’s affairs as at the end of its financial year and of its profit or loss for that financial year;
  - ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”); and have been prepared in accordance with the requirements of the Companies Act 2006
  - iii. The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which FRS 21 *Events after the balance sheet date* requires adjustment or disclosure, have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### **Information provided**

5. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board confirms the following:
  - i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
  - ii) The Board has disclosed to you all information in relation to:
    - a) Fraud or suspected fraud that it is aware of and that affects the Company and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 12 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Board has disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 8 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 8.

11. The Board confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Company's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Company to continue as a going concern.
12. On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 17 *Retirement Benefits*.

The Board further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;

- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and accounted for; and

- b) all settlements and curtailments have been identified and properly accounted for. This letter was tabled and agreed at the meeting of the Board of Directors on 9 July 2015.

Yours faithfully,

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Director (cc: Audit Committee)

## Appendix to the Board Representation Letter of The Gateshead Housing Company Definitions

### Financial Statements

A complete set of financial statements comprises:

- a Balance Sheet as at the end of the period;
- a Income and Expenditure account for the period;
- a Statement of Total Recognised Surpluses and Deficits for the period;
- a Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

### Material Matters

Certain representations in this letter are described as being limited to matters that are material.

The ASB's *Statement of Principles for Financial Reporting* states that:

“An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship.”

### Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and

- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### ***Related party:***

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 8 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
- i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

### **Related party (continued):**

- b) An entity is related to a reporting entity if any of the following conditions applies:
- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a retirement benefit scheme for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a scheme, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).

- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**Related party transaction:**

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.