

Audit Committee Annual Report 2024/25

A note from the Chair

This Annual Report highlights the work of the Committee for 2024/25 to achieve its Terms of Reference and provides assurance to the Board that it has done so. It also includes a brief look ahead covering possible areas of development.

At its core the Audit Committee plays a vital role in encouraging and maintaining a culture to support the integrity of governance arrangements, a review of risks and possible mitigating actions, and assurance over the organisation's control framework.

Members of the Audit Committee have consistently demonstrated their understanding of the Committee's role in this time of uncertainty. In another turbulent year for local audit, we have collectively provided robust and independent challenge to the processes, structures and arrangements surrounding PSAA's audit, risk management, financial control, and its governance framework.

I would like to thank Marta Phillips, our Audit Committee Chair for the last three financial years, 2022/23 to 2024/25 including the year covered by this annual report. I would also like to thank Committee members, officers, and the internal and external auditors for their input and support for the work of the Committee during the last year.

I look forward to continuing the work the Committee members and the wider team carry out to provide assurance of PSAA's working and governance environments.

Alan Edwards

PSAA Audit Committee Chair

30 October 2025

The role of the Audit Committee

The influence of the Audit Committee depends not only on its effective performance of its role but also the engagement with officers and Those Charged With Governance. The Board established the Audit Committee and has delegated responsibilities where the Audit Committee acts in the capacity of Those Charged With Governance. The Audit Committee has no decision-making powers other than to appoint the internal auditors, but it is responsible for making recommendations to the Board.

The Audit Committee oversees the PSAA Board's financial reporting process on behalf of the Board. It also receives independent assurance on the adequacy of the risk management framework and oversees internal and external audit, seeking to ensure efficient and effective assurance arrangements are in place. PSAA officers have the primary responsibility for producing the financial statements and for internal control systems.

All members of the Committee are appraised in line with the PSAA corporate governance framework. Committee members have recent and relevant financial experience through the Chair (Alan Edwards from April 2025 and previously Marta Phillips), Committee members (Mike O'Donnell and Liz Murrall from February 2025) and independent member (Adrian Lythgo from February 2025), who all have professional backgrounds in financial reporting.

Marta Phillips was the Audit Committee Chair for the period covered by this annual report. Following a Board recruitment campaign in December 2024, Committee membership changed and full details of the 2024-25 Committee membership is provided later in the report.

During 2024/25, the Committee discussed with the internal auditors (TIAA) and external auditors (MHA Services LLP) the overall scope and plans for their respective audits. The Committee also met with the auditors, with and without officers present, and discussed the results of their work and evaluations of the internal control environment and the overall quality of PSAA's financial reporting.

MHA Services LLP completed their audit in October 2025 and will present their findings to the Audit Committee on 30 October. I attended the audit close meeting. They have confirmed the accounting policies selected by PSAA were appropriate.

The internal auditors provided substantial assurance for the areas reviewed in the 2024/25 audit plan (treasury and cash flow arrangements and financial transactions compliance).

We assess the effectiveness of internal and external audit based on a review of Audit Committee members' and officers' views. The views were captured via an anonymised survey. Committee members assessed the results during a private session which confirmed that the external and internal audit functions are performing well overall. The Committee identified some areas for improvement in the focus for internal audit work to ensure that significant strategic risk areas were captured for testing in the audit plan. It was accepted that the size of the existing plan created restrictions and that in order to build in coverage of more complex and higher risk areas linked to the corporate risk register,

the audit plan would require extra internal audit resource. The results of this assessment were taken forward and reflected in the re-tender specification for internal audit services.

At each meeting the Committee considered the effectiveness of the Company's risk management arrangements, including reviewing the risk management policy and strategy and the corporate risk register. The Committee sought assurances that action was being taken on risk-related issues. We continue to operate in a highly uncertain environment with few mitigations available to the key risks and issues that we face. However, some areas of risk are reducing following the Government's announcement of its consultation response to the reform of local audit and funding for the consequences of the backlog solution.

At the meeting in June 2025 the Committee reviewed and discussed the draft Annual Report and Accounts for 2024/25, including the appropriateness of the accounting policies proposed, the reasonableness of significant judgements and estimates and the clarity of disclosures made.

The Committee has:

- Overseen PSAA's risk management arrangements and reviewed treasury management performance/policy on behalf of the Board.
- Reviewed the process for making payments on account for disclaimer audit fees in order to provide assurance to the Board.
- Received assurances from the Chief Executive about the operation of internal controls, including those that inform the Annual Report and Accounts. (October 2025)
- Recommended PSAA's Annual Report and Accounts to the Board for approval. (October 2025)
- Received assurances from the external auditor (MHA) confirming independence from PSAA. The Board has a policy of not buying non-audit services from its external auditor except for work on 'tagging' the accounts for tax return purposes. This policy has been adhered to.
- Recommended to the Board to approve the extension of the external audit service contract by one year to December 2026 and approved the approach to reprocure internal audit services.
- Overseen a deep dive review into PSAA's fee variation process (October 2025)

In summary, the Committee has met its Terms of Reference, and the above points confirm that the Audit Committee is effective. Full details of the [Audit Committee's Terms of Reference](#) can be found on our website.

Meetings and membership

The Audit Committee met on three occasions: in April 2024, June 2024 and January 2025. The meeting comprised of the Chair, two members and one independent member. All members of the Committee attended all meetings, and membership has been stable throughout the year.

The meetings of the Audit Committee are designed to facilitate and encourage communication among the Committee members, PSAA officers, PSAA's internal auditors (TIAA) and the appointed external auditor (MHA Services LLP).

Member	Date appointed to Committee	April 2024	June 2024	January 2025
Marta Phillips** - Chair	1 April 2021	✓	✓	✓
Fraser McKinlay* - Member	1 June 2022	✓	✓	✓
Mike O'Donnell*** - Member	1 April 2022	✓	✓	✓
Alan Edwards - Independent Member	1 April 2021	✓	✓	✓

* Fraser McKinley's term of appointment ended on 28 February 2025

** Marta Phillips' term of appointment ended on 31 March 2025

*** Mike O'Donnell's term of appointment ended on 30 September 2025

The Committee's terms of reference require that the following PSAA officers attend every Audit Committee meeting:

- Tony Crawley (Chief Executive)
- Julie Schofield (Chief Operating Officer and Deputy Chief Executive)
- Sandy Parbhoo (Chief Financial Officer)

The Audit Committee meetings were also routinely attended by the following officers and external parties as appropriate:

- Martin Phillips (Finance Manager (Financial Management))
- Julie Sharp (Governance and Contract Manager)
- Kelly Reed (IT Systems & Project Manager)
- Sean Marshall (Procurement and Project Manager)
- Ashley Norman (Director of Audit, TIAA)
- Sudhir Singh (Partner, MHA Services LLP)

Development areas for 2025/26

The Committee's annual effectiveness survey 2023 highlighted the value in carrying out a skills assessment of the Committee members to identify any training needs. We have implemented a new e-learning platform which provides an extensive range of on-line training modules and can be accessed by staff and directors. Directors have access to the platform and have completed modules on cyber security, AI and modern slavery. A training needs assessment will be considered and developed over the next 12 months in conjunction with the Chair and Committee members if appropriate.

The new contract for internal audit services commenced in July 2025 and reflects an increase in audit days. The contract includes an audit needs assessment to develop a risk based audit plan to ensure that the auditors focus on the key risks to achievement of our objectives. The Audit Committee will agree the internal audit plan audit and monitor the results of the internal auditor's work.

The Committee is committed to reviewing the risk management processes and format of reporting in order to provide a wider range of assurance on risk management to the Board.

The Committee will have overarching responsibility for overseeing the Governance, IT and Systems and Finance and Fees workstreams within the close down and transition programme.

Conclusion

The Audit Committee concludes that this report demonstrates to the Board that it has discharged its responsibilities as set out in the Terms of Reference.

The Committee looks forward to developing its arrangements in line with good practice guidance and in assuring and supporting the PSAA team during 2024/25.