

Public Sector Audit Appointments

Annual report and accounts 2024/25

About PSAA

Public Sector Audit Appointments Limited (PSAA) is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations. PSAA's financial statements are not consolidated into the LGA's as neither the IDeA nor the LGA exercise control over PSAA or benefit from its results and financial performance.

PSAA began operations in April 2015 when the then Secretary of State for Communities and Local Government delegated a number of statutory functions to PSAA on a transitional basis following the closure of the Audit Commission. These responsibilities included appointing auditors and setting audit fees for bodies subject to audit under the provisions of the Local Audit and Accountability Act 2014 (the Act).

PSAA is specified by the Secretary of State as an appointing person under the provisions of The Act. This means that PSAA is responsible for appointing an external auditor to eligible principal authorities (councils, local police bodies, fire authorities and other local government bodies) that have chosen to opt into the national auditor appointment scheme developed by the company. The role also includes setting audit fees for opted-in bodies, overseeing issues of auditor appointment, and monitoring compliance with the contracts awarded to firms to carry out local government audits.

We operate in accordance with the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015 (the Regulations).

PSAA's changing responsibilities over time

PSAA has two significant business cycles which run in parallel. Firstly, the annual process for managing and reporting on the contracts and auditor compliance, setting the audit fees and fulfilling all the requirements of a Companies Act company. Secondly, the development of the arrangements (at least once every five years) for an appointing period - the national auditor appointment opt-in scheme. This requires a significant and complex procurement of audit contracts and the appointment of auditors with a lengthy intense period of activity leading to the start of a new appointing period.

In December 2024 the government announced proposals to overhaul local audit including establishing a new body for local audit – the Local Audit Office (LAO). The LAO will take on PSAA's appointing person responsibilities. The indicative timelines mean the transition may occur from as early as Autumn 2026. PSAA has started to consider the implications and identified the broad areas of work required to support a successful closedown of PSAA and transition to the LAO alongside performing our appointing person role.

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Annual Report

Overview of the year

During this financial year the backlog of unaudited accounts continued to overshadow local government, adding to the serious concerns about local public accountability and the impact on assurance on the sector's governance and financial management. The Government introduced statutory backstop dates for audit years to 2027/28 and a comprehensive reform strategy for the local audit system, which included folding PSAA's responsibilities into a new body, the Local Audit Office (LAO). This is a significant starting point on a long and crucially important journey to overhaul local audit.

Developments to address issues in the local audit system

Since 2018 local government external audit has been affected by regulatory reforms, capacity issues and increased complexity, which has had a devastating impact on the delivery of audits and resulted in a backlog of unaudited local government accounts. This has had a profound effect on PSAA, impacting on many different areas of our appointing person role and increasing both the volume and complexity of our work.

The National Audit Office (NAO), the Public Accounts Committee (PAC) and the Levelling Up, Housing and Communities (LUHC) Select Committee all expressed growing concern about a local audit infrastructure unable to cope with the demands placed on it. They highlighted the important challenges facing the local audit system and the serious consequences for accountability and effective management of the public bodies and services concerned.

Our [written evidence](#) to the Levelling Up, Housing and Communities Committee inquiry on Financial Reporting and Audit in Local Authorities in April 2023 provides a short history of how the situation developed.

The new [Government announced in July 2024](#) that an overhaul of the local audit system was needed to deliver the reforms required '*to enable taxpayers to get better value for money*', a commitment that we strongly support.

The announcement introduced statutory backstop dates for all audit years up to 2027/28, including 13 December 2024 for audits up to 2022/23, and 28 February 2025 for 2023/24 audits. Where an auditor was unable to obtain sufficient evidence for the audit, they were able to disclaim their opinion, and, where necessary, value for money arrangements commentaries could cover multiple years. Where an audit has been disclaimed it may take several years before an auditor will be able to give an unmodified opinion.

Revisions to the [Accounts and Audit Regulations](#) and the [Code of Audit Practice](#) were laid in September 2024 to give legal effect to backstop measures to deal with the backlog.

The Ministry of Housing, Communities and Local Government (MHCLG) issued its plans for [local audit reform](#) in April 2025. It invited comments as part of a consultation to which [we submitted a response](#). The plans included the establishment of a Local Audit Office (LAO) to oversee local audit, to simplify and streamline the current fragmented system, and to ensure efficiency, transparency and value for money.

This difficult but necessary solution has unprecedented consequences for the sector and the bodies affected, and recovery from the backlog will be challenging for all parties. We welcomed the solution and look forward to being an active participant in implementing the changes to overhaul the local audit system.

In July 2025 the Government laid in Parliament the English Devolution and Community Empowerment Bill. Part 4 covers the local audit aspects including the creation of the LAO as a central part of reforming England's local audit system. As set out in the Bill the LAO will have five strategic responsibilities, including coordinating the audit system, managing contracts, setting the Code of Audit Practice, overseeing quality, and issuing national reports on the health of local audits. It will therefore subsume the current responsibilities of PSAA. Responsibility for the Code of Practice on Local Authority Accounting will remain with CIPFA. The Bill is currently passing through Parliament.

PSAA is considering the implications and has identified the broad areas of work required to support a successful closedown of PSAA and transition to the LAO alongside performing our appointing person role. This will be a significant focus of our work during 2025/26.

Audit services market

Our last main procurement in 2022 took place against challenging circumstances of a troubled audit profession, a turbulent market and a local audit system facing unprecedented difficulties including a large volume of delayed audit opinions. Our procurement secured just enough audit supply for the bodies that opted into our scheme, but there was and remains little or no spare audit capacity.

Alongside changes to local audit the Government is also pursuing a local government reorganisation agenda, including the creation of new combined authorities. We have made several appointments to them and over the next few years, expect to make more as the Government's plan for devolution in England accelerates.

Auditor Appointments for 2028/29 and 2029/30

In late 2024/25 we started to explore our options to secure audit services for opted-in bodies from the 2028/29 audits. Our contracts include the option to extend by up to two years by mutual agreement. We were seeking the most beneficial way forward providing the best contractual position and minimal disruption to the sector. Following an assessment of the options, which covered extending the current contracts, undertaking a new procurement and a hybrid solution of both options, we were able to secure contract extensions for the two audit years, 2028/29 and 2029/30. This will provide a period of stability for the transition to the LAO.

Monitoring our contracts and the quality of audit services

We published our fifth Annual Quality Monitoring Report (AQMR) that covered the work of local auditors appointed by us for audits from 2018/19 to 2022/23. The report was shorter than in previous years as the impact of the audit backlog restricted the range of information available to report on, including the regulators' suspension of routine

inspections and our decision not to run an annual client survey. Our Annual Contract Monitoring Report, published in October 2025, captures the progress since.

We have strengthened our contract monitoring arrangements from 2023/24 and evolved our approach to the annual report and client survey. However, the suspension of routine inspections continues. This impacts on the level of assurance provided over the quality of auditors' work, an essential part of our contract monitoring regime. We are concerned by this and continue to press for a suitable regime to be put in place as soon as possible to provide effective assurance on audit work.

Proposals for local audit systems leadership

From July 2021, MHCLG was the interim system leader with the Financial Reporting Council (FRC) operating as shadow systems leader from March 2023 to February 2025. MHCLG is now preparing for the establishment of the LAO, which will have a focused mandate to reform the local audit system.

MHCLG established the Local Audit Liaison Committee (LALC) to co-ordinate the work of the local audit system to resolve the issues impacting local audit. MHCLG replaced LALC with a Transition Board which brings together key local audit stakeholders to support the transition to the reformed system.

Looking ahead

We will continue to actively support the reforms and continue to collaborate with stakeholders through the Transition Board.

We will continue to work to understand the potential implications of the local audit reforms for bodies, audit firms, and key stakeholders. It is particularly important that the local audit market evolves, improving competition and assuring sustainability for the future.

The plans to overhaul the local audit system to address the systemic challenges that led to the backlog are welcome. We are committed to do everything we can as part of a collective systemwide effort to develop and deliver the critical changes required to ensure that current challenges are addressed and proper audit assurance is provided in a timely manner.

The proposed solution requires sustained goodwill and commitment from all parties. It is critical to acknowledge that, whilst the establishment of the LAO is a significant step in addressing the issues, there is a pressing need to use the current momentum to work on solutions to address the more immediate issues impacting local audit. This includes the need to look at how long the build back of audit assurance will take and the need for an effective audit inspection regime to provide assurance over all aspects of public audit quality.

The solution must address the overly complex and cumbersome local government accounting requirements, the capacity and recruitment/retention problems faced by finance teams in local bodies, and the lack of capacity in the audit supply market.

Board changes

On 1 February 2025 PSAA appointed Alan Edwards, Irene Asare and Liz Murrall as directors to the Board and Adrian Lythgo as independent member on the Audit Committee.

Current directors Fraser McKinlay and Marta Phillips stepped down from the Board on 28 February and 31 March respectively. PSAA thanks them for their significant contributions.

Keith House and Mike O'Donnell have continued in their director roles. Mike's tenure as a Board member ended on 30 September 2025, and PSAA thanks him also.

The new Board looks forward to playing its part in the development of the LAO and in future local audit reforms.



Bill Butler, Chair



Tony Crawley, Chief Executive

Strategic report

The directors present their strategic report for the year ended 31 March 2025.

1. Objectives and operating environment

PSAA's responsibilities and aims are expressed through our objectives, set out in our Articles of Association, covering the following areas of activity:

- appointing auditors to relevant authorities;
- consulting on and setting a scale or scales of fees, and charging fees, for the audit of accounts of relevant authorities;
- ensuring that public money from audit fees continues to be accounted for properly and is protected;
- overseeing the delivery of consistent, high quality and effective audit services to relevant authorities;
- ensuring effective management of contracts with firms for audit services to relevant authorities;
- being financially responsible having regard to the efficiency of operating costs and transparently safeguarding fees charged to opted-in bodies; and
- leading our people as a good employer.

We have a memorandum of understanding (MoU) with key partners including MHCLG and the LGA which sets out the broad framework within which PSAA operates. We expect to agree a new MoU which will cover the period of transition to the LAO.

The Board believes in strong and effective corporate governance. It has in place, and regularly reviews and updates, a comprehensive governance framework to support the company's functions as an appointing person.

Whilst our core functions as an appointing person remain unchanged, continuing to operate in a complex and evolving environment means that communication and engagement with opted-in bodies and wider stakeholders remains a hugely important part of our work.

2. Business review

This report covers our tenth full year of business. Our focus during the year has been:

- Continuing to embed strengthened contract monitoring arrangements for the audit services contracts for the second appointing period which began in April 2023; and
- Dealing with the consequences of the government's implementation of backstop dates as part of their proposals for the overhaul of local audit. The two backstop dates during the year have meant that we have had to devise a revised approach for processing a significantly increased volume of fee variations.

Auditor appointments from 2018/19 to 2027/28

Our first set of contracts covered audit appointments for 2018/19 to 2022/23. Contracts continue until every audit under it has been delivered, and so the implementation of backstop dates during the year has significantly impacted the end point. As at 31 March 2025, there were 45 outstanding audits relating to the first appointing period and 42 outstanding for 2023/24.

The firms' market shares across the two appointment periods are as follows:

Firm	PSAA market share 2018/19 - 2022/23 %	PSAA market share 2023/24 - 2027/28* %
Grant Thornton UK LLP	40.00	36.00
Ernst and Young LLP	30.00	20.00
Forvis Mazars LLP	18.00	22.50
KPMG LLP	-	14.00
Bishop Fleming LLP	-	3.75
Azets Audit Services Ltd	-	3.25
BDO LLP	6.00	-
Deloitte LLP	6.00	-

For the first appointing period 98% of eligible bodies opted in. For the second appointing period, 456 eligible bodies (over 99%) chose to opt into the national scheme, with only 4 eligible bodies preferring to make local arrangements for their auditor appointments.

* We awarded contracts for a total of 99.5% of the audit work detailed in our tender. We were able to take into account the impact of scheduled local government reorganisations which resulted in a marginal reduction in the target auditor capacity at the time.

This high level of support from eligible bodies has enabled us to offer a scheme that strives to maximise benefits for participating bodies.

Typically, there are small changes every year in the number of eligible bodies because of reorganisation and/or the establishment of new bodies. Where a new eligible body chooses to opt into the scheme, PSAA is charged with finding an auditor. In 2024/25 we were able to make appointments to all new bodies created in readiness for the 2025/26 audits. This reflects an improved position to the previous year in which we were unable to make appointments to three bodies with atypical characteristics. We have resolved one of these in 2025/26 and the remaining two are to be addressed by the Government's plans to reform local audit.

A full list of opted-in bodies is published on our website as required by the regulations. [Auditor appointments and scale fees 2018/19 - 2022/23 - PSAA](#) and [Auditor appointments and scale fees 2023/24 - 2027/28 - PSAA](#)

Local Audit Reform

Following the government's announcement in December 2024 of proposals to overhaul local audit including establishing the LAO, we are working through the implications for PSAA. The LAO will take on the relevant elements of PSAA's appointing person responsibilities. The indicative timelines mean the transition may occur from as early as Autumn 2026. We have identified the broad areas of work required to support a successful closedown of PSAA and transition to the LAO and will build on this early work in 2025/26 to develop a transition plan that we will implement to ensure a smooth transition, alongside performing our appointing person role.

In the run up to establishing the LAO it is important that work continues on solutions for the more immediate issues impacting local audit. This includes the need to look at the scope of audit work in the current regime, how long the build back of audit assurance will take and the need for a robust inspection regime to provide assurance over audit quality.

Fee variations

Statutory regulations specifically allow firms to submit a fee variation proposal to PSAA where they consider that the work involved in a particular audit was substantially more than provided for by the scale fee. Volumes have increased in recent years, reflecting that local audit no longer operates in its relatively stable pre-2018 conditions, that auditors have needed to increase their work to meet rising regulatory requirements and the restrictions on setting and updating the scale fee itself.

The statutory backstop dates for all years up to 2022/23 and for 2023/24 were introduced at short notice and were only 10 weeks apart. They generated significant volumes of fee variations, including for audit work to issue disclaimers of audit opinions.

These variations were processed in the main in the 2025/26 audit year. To meet this additional short-term demand, we temporarily increased our capacity.

Further significant tranches are expected in 2026/27. The Board has therefore commissioned an independent review of our fee variation process to learn from our work to date, to take account of concerns raised and of the views of local bodies and audit firms. The review will allow us to improve our fee variation processes further and ensure arrangements are robust and fit for purpose.

The table below sets out the volume of fee variations processed during the last two financial years along with a projection of volumes for 2025/26.

Number of fee variations

Fee variation proposals submitted	Financial year April 2023 to March 2024	Financial year April 2024 to March 2025	% difference
<= £25,000	223	449	101%
>£25,000 and <= £50,000	129	343	166%
>£50,000 and <= £75,000	69	113	64%
>£75,000 and <= £100,000	36	42	17%
>£100,000 and <= £200,000	62	61	-2%
>£200,000	24	13	-46%
Total	543	1,021	88%
Number of fee variations submitted	3,628	13,430	270%

Contract monitoring arrangements

We are very aware that quality of audit service delivery is a high priority for opted-in bodies. We work within the boundaries of our remit and the limitations of the local audit market, and endeavour to secure appropriate quality audit services through our contracts with firms.

We have based our model for monitoring the performance of auditors and the quality of the audit services they provide on the International Auditing and Assurance Standards Board (IAASB) Framework. This is set out on our website at [Contract monitoring - PSAA](#).

Our contract monitoring arrangements reflect our statutory responsibility to monitor firms' performance against the audit services contracts. It also enables us to report the results of the auditors' work to audited bodies and other stakeholders.

We oversee any issues relating to our auditors' independence. This includes reviewing proposals to provide non-audit consultancy services and monitoring the rotation of senior audit staff to minimise the threat of familiarity arising from long association.

The contracts with audit firms from 2023/24 provided the opportunity to significantly evolve our monitoring and reporting arrangements to align with the service delivery and the strengthened compliance requirements in the contracts. We have restructured our staffing and created additional capacity in response.

We have regular dialogue with our contracted firms and formal quarterly meetings covering any issues, performance and contract compliance, and discussion on actions needed.

We publish [Quarterly quality monitoring reports - PSAA](#) on our website to help bodies understand how we are monitoring the performance of audit firms on their behalf, along with other information such as the results of our client surveys.

The results of our monitoring are published annually in our summary Audit Quality Monitoring Review, incorporating the results of the latest professional regulatory reviews undertaken by the FRC and the Institute of Chartered Accountants in England and Wales (ICAEW). In March 2025 we published our [report on audits up to 2022/23](#) following the passing of the backstop date for these audits and noting the limited number of FRC reports. It is the final report under the first appointing period contracts.

We have recently published our [annual contract quality monitoring report](#) on the 2023/24 audits. To reflect our strengthened contract management arrangements for the audits from 2023/24, we evolved our approach to the report and the client survey. The survey now provides more timely feedback, and we introduced more firm specific questions.

The survey reported positive feedback against previous years on an improved audit experience; the completion of audits by the target date; communications overall; audits delivered by new auditors including new entrants; timely reporting of significant weaknesses; and the auditor's performance at Audit Committee meetings.

Where concerns were raised these related to the need for improved communications on fee variations, fees and infrastructure assets; the shortage of experienced auditor resources; the levels of additional review and scrutiny that firms build into their processes on valuations and pensions; and a requirement for better planning and guidance from audit teams.

Other projects

The Public Procurement Act 2023 came into effect in February 2025. The Act improves public procurement in the UK with the aim of making public sector procurement simpler, more flexible, and more transparent. PSAA's procurement processes have been revised to reflect the changes and future procurements will comply with the requirements of the new Act. We will continue working under the Public Contracts Regulations 2015 until our current contracts, dynamic purchasing system and government and related frameworks that we use expire.

We undertook a significant project to look at all aspects of how and where we work with a wide remit across all areas of staffing. All key recommendations from the review have now been implemented.

We implemented a new e-learning system to support the development of staff. We also implemented a Board and Committee papers management system to improve security and provide more functionality for directors.

Transitional arrangements

Since 1 April 2015 specific functions have been delegated to PSAA on a transitional basis to enable us to deal with the outstanding elements of this work. These transitional powers were extended for a further five years to 31 December 2028. At 31 March 2025 audit closure certificates have not been issued at 6 principal authorities because of ongoing audit work on financial statements, outstanding electors' objections, or where other investigative work has to be concluded. There is also one smaller authority where the certificate and opinion has yet to be concluded.

3. Risk management

Risk management arrangements

PSAA has a comprehensive risk management framework that provides assurance to the Board that strategic and operational risks are appropriately managed. Risk management is embedded into the company's culture and daily operations and is used to support informed decision-making and effective resource planning.

Risk Governance and Responsibilities

The Board oversees risk and opportunity management, ensures governance and internal controls are effective, and approves the risk strategy and appetite. Given PSAA's role in managing public funds, it maintains a low risk tolerance.

The Chief Executive has overall responsibility for maintaining internal controls and provides assurance to the Board and Audit Committee. Whilst the Chief Executive has overall responsibility for PSAA's risk management arrangements, the Chief Operating Officer/Deputy Chief Executive provides operational oversight of risk management and acts as the Senior Information Risk Officer.

The PSAA team regularly reviews the corporate risk register, with individual managers responsible for specific risks.

Audit Committee

The Board delegates responsibility to the Audit Committee to oversee risk management. The Audit Committee scrutinises the corporate risk register, reviews and challenges risk assessments and internal control at each meeting and reports to the Board.

Current risks and issues

During the year we have monitored the risks to achievement of our objectives and where appropriate sought to establish mitigating actions.

Many of the risks in our register arise from matters which are largely beyond our direct control, so we have worked to ensure system stakeholders understand the fragile position of local audit.

Overall, our risk profile has lowered as the consequence of the implementation of backstop dates and the government's plans to reform local audit, although a few new risks have emerged. The significant risks currently facing PSAA are:

- The impact of the backlog solution on our operational activity and capacity for processing an increased volume of fee variations; and
- The period of uncertainty and additional work flowing from the government's proposals for local audit reform and the creation of the LAO.

Future risks

Over the next year we will face significant challenges as the government progress their plans for local audit reform which create change within the local audit system. These include:

- Significant peaks of audit fee variation proposals including those for work to build back audit assurance following a disclaimed opinion;
- Being an active influencer to ensure that the reformed local audit system as a whole works effectively and meets the needs of audited bodies and users of accounts;
- Managing the uncertainty and insufficient capacity of the local audit market; whilst considering how to increase its sustainability and competitiveness; and
- Understanding the impact of the re-introduction of public provision on local audit and its impact on an already fragile market.

4. Financial review

Being financially responsible

PSAA is committed to securing value for money, ensuring it delivers its objectives while minimising costs. PSAA is a not-for-profit organisation and strives to be financially responsible by:

- exercising financial discipline and maintaining a robust control environment;
- keeping running costs to a minimum;
- returning surplus funds to opted-in bodies;
- ensuring PSAA's internal auditors review the internal control environment annually to provide assurance on the financial controls and confirm these are working as intended;
- meeting PSAA's statutory obligations; and
- meeting PSAA's duties as a good employer.

The internal auditors, TIAA Limited (for 2024/25), perform an annual work programme which covers key systems and aspects of the control framework. The results of this work programme are included in the governance report on page 27. Following a procurement we appointed KOSI Corporation Ltd as our internal auditors from 2025/26 for three years.

Turnover and profit on ordinary activities

The revenue received by PSAA must cover the costs of paying auditors for work under the audit contracts and the operating expenses of PSAA.

PSAA's accounts show a £nil profit for the 12 months to 31 March 2025 as revenue is matched to expenditure and retained. Any monies that we are satisfied are not required to cover our costs are held in reserve until the Board is satisfied they are not needed, and they are then returned to bodies.

For the 12 months ending 31 March 2025, our revenue was £126.160 million (2023/24: £52.079 million).

The significant increase in turnover reflects the fee rates established through procurement processes under the new contracts introduced in 2023/24, which resulted in a 151% uplift in audit fee rates.

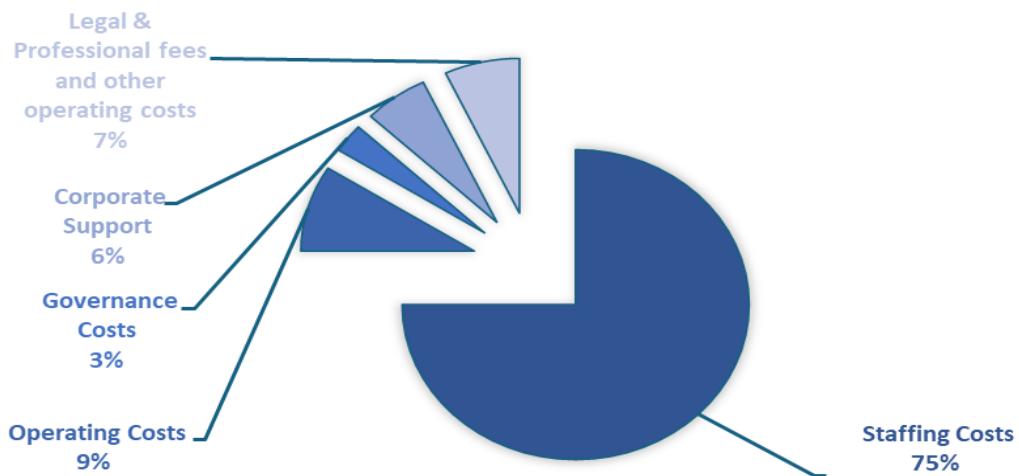
A surplus of £4.946 million was transferred to deferred income aligning revenue with costs of £123.823 million. This practice allows us to absorb any surplus or deficit in a given year.

Controlling costs

PSAA incurred total costs of £126.595 million, of which the cost of the audit contracts for the period was £123.823 million, 97.8% of total costs (2023/24: £50.630 million which represented 96.6%).

The chart shows the split of PSAA incurred operating expenses of £2.772 million in 2024/25. This represents 2.2% of total costs (2023/24: £1.771 million which represented 3.4% of total costs) and £nil taxation (2023/24: £nil).

Chart 1: 2024/25 operating costs of £2.772 million



The increase in operating expenses primarily reflects higher staff costs. This is driven by a substantial rise in both the volume and complexity of fee variations, the strengthening of contract management processes, and preparations for the PSAA closedown and transition to the Local Audit Office (LAO).

Financial position

PSAA's total assets equal total liabilities at the end of 31 March 2025 (31 March 2024: total assets also equalled total liabilities). PSAA is required to pay any surplus funds to opted-in bodies, as provided for in its Articles of Association. Surplus funds are shown as a liability in the balance sheet as part of deferred income. The deferred income is regularly reviewed to ensure PSAA has sufficient funds to pay for its operating expenses and manage its cash flow. Subject to Board approval, funds no longer required are returned to relevant bodies.

Future developments

During 2025/26 PSAA will continue to discharge its appointing person responsibilities and administer a robust contract and financial monitoring framework for the audit services contracts. PSAA will also work on a transition plan to prepare PSAA to fold into the LAO.

By order of the Board



Bill Butler

Chair

26 November 2025

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2025.

Directors

For the year commencing 1 April 2024 the PSAA Board membership was as set out in the table below:

Board members	Position	Date of appointment
Bill Butler	Chair	1 April 2024
Keith House	Non-executive director	1 December 2017
Marta Phillips	Non-executive director	1 April 2021**
Fraser McKinlay	Non-executive director	1 February 2022*
Mike O'Donnell	Non-executive director	1 April 2022***
Alan Edwards	Non-executive director	1 February 2025
Liz Murrall	Non-executive director	1 February 2025
Irene Asare	Non-executive director	1 February 2025

* Fraser McKinlay's appointment ended on 28 February 2025

** Marta Phillip's appointment ended on 31 March 2025

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

Board succession

The Chair is appointed by the IDeA, and other non-executive directors are appointed by the Chair following interviews with a panel consisting of officers and directors and external advisors and the approval of the IDeA. The composition of the Board is intended to bring together a range of skills and experience relevant to the governance of the company and its distinctive role.

More information on the PSAA Board and individual directors is available on the [PSAA website](#).

Review of Board capacity

In November 2024 the company's articles of association were revised to increase the maximum number of Board members from five to seven. This increase was designed to enhance the Board's ability to better weather future challenges faced by the company across a wide range of significant and complex issues in areas not originally envisaged.

Register of interests

Board directors are required to notify and register any issues on which they might have a conflict of interest. Declarations of interest are also invited at the outset of each Board meeting. The register of directors' interests is available on the [PSAA website](#).

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, including FRS 102, subject to any material departures disclosed in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors take seriously their duties under Section 172 of the Companies Act 2006 to promote the success of the company for the benefit of its members as a whole. The directors have satisfied themselves that consideration of its requirements, and the directors' duties under it, have informed and guided their work throughout the year and have published on the PSAA website a [Section 172 statement](#) detailing how they have complied with this requirement.

Part 7A of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require disclosures concerning greenhouse gases, energy use or efficiency measures. PSAA is exempt from these disclosure requirements as the company does not qualify as a large company.

Directors' indemnity provision

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Future developments

There are key developments on the horizon which will have a significant impact on the local audit landscape and some which will directly impact on PSAA:

- The Government's publication of the results of their consultation into local audit reform sets out their proposals and longer-term plans to overhaul local audit. The establishment of a new single body, the LAO, to oversee local audit will simplify and streamline the currently fragmented system and is one of several steps towards resolving the sector's most pressing challenges. The LAO will adopt PSAA's full responsibilities to procure, appoint and contract manage local auditors. The indicative timeline for establishing the LAO is Autumn 2026.

Whilst these sector developments take shape and evolve, in the next year, we will:

- Develop a flexible business plan to cover the period as we prepare to close down PSAA and transition to the LAO. We will regularly review our programme of activities to ensure we remain focused on the crucial issues and to ensure we provide the best possible service to our opted-in bodies;
- Set the 2025/26 annual fee strategy and consult on the fee scale for the second year under the new audit services contract by 30 November 2025.
- Consider the best option to secure the provision of local audits from 2028/29.

Going concern

In 2016 PSAA was specified by the Secretary of State for Communities and Local Government as an appointing person for relevant principal local government bodies under the provisions of the Local Audit and Accountability Act 2014. The Board has considered PSAA's ability to continue as a going concern in accordance with the requirements of FRS 102. Although PSAA is expected to close as part of a planned transition to the Local Audit Office, the date of closure is not yet confirmed. The closure could occur either within or shortly after the 12-month period from the expected approval of the 2024/25 financial statements in November 2025.

PSAA has sufficient funding through to closure, and plans are in place to maintain delivery of statutory functions, manage contracts, and support the transfer of staff and responsibilities. Based on this, the Board is satisfied that there are no material uncertainties affecting PSAA's ability to continue operating over the going concern assessment period. The financial statements have therefore been prepared on a going concern basis.

Subsequent events

There have been no other events affecting the company or the information provided in this annual report and accounts since the year end.

Disclosure of information to auditors

For each of the directors at the time this report was approved, the following applies:

- as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditors

A resolution to appoint Macintyre Hudson LLP as auditors for the company for three years 2022/23 to 2024/25 was approved by the Board on 24 October 2022 and extended by one year on 3 February 2025.

In April 2025 Macintyre Hudson LLP underwent a restructure and MHA Services LLP became the audit and advisory services arm of the organisation. We have novated the audit services contract to MHA Services LLP.

By order of the Board



Bill Butler

Chair

26 November 2025

Remuneration report

Chief Executive and other senior appointments

Throughout 2024/25 our senior management team remained unchanged, consisting of a team of three permanent senior managers, led by the Chief Executive.

Remuneration policy for the Chief Executive and senior staff

For all senior staff, remuneration is set by the PSAA Board, in line with PSAA's terms and conditions of employment.

Key terms of employment for the Chief Executive and other members of the management team are as follows:

- **pension arrangement:** PSAA operates a defined contribution plan with the same level of benefit for all its members. The Chief Executive and all staff are eligible to join the scheme. PSAA's contribution is 10% of salary for all staff and an additional optional matching contribution of up to 5% of salary.
- **other terms of employment:** The Chief Executive and senior managers all have permanent employment contracts and are required to give six months' notice if they resign.

Remuneration over £50,000

The number of staff with remuneration over £50,000 is shown in the table below. The bands are based on salary, employer pension contributions and contractual payments and benefits in line with the contractual terms and conditions of employment.

Band £k	Number of employees 2025	Number of employees 2024
50 - 55	2	2
55 - 60	1	
70 - 75		3
75 - 80	2	1
80 - 85	2	1
85 - 90	1	
105 - 110		1
110 -115		1
115 -120	1	1
125 - 130	1	
130 - 135	1	
150 - 155		1
165 - 170	1	

Note: Pay bands shift year on year due to staffing changes, promotions or changes arising from organisation restructure

Senior management remuneration

Remuneration details for the senior management team are shown in the table below. This includes salary, employer pension contributions and contractual allowances and benefits in line with the contractual terms and conditions of employment.

Description	2025	2024
Chief Executive	£167,846	£154,455
Chief Operating Officer & Deputy Chief Executive	£133,752	£112,814
Chief Finance Officer	£125,152	£116,884
Head of Audit Technical	£116,066	£108,805

During the year as part of a wider review of how and where we work, we commissioned an independent review of remuneration and benefits. Recommendations from the review were accepted and an improved benefits package introduced.

Pay multiple

During the year staff numbers increased from 14 to 21. This had an impact on median pay in 2024/25. The fall in median remuneration is caused by changes to organisational structure designed to bring in additional capacity.

The relationship between the remuneration of the highest paid employee and the median remuneration of the organisation's workforce is shown in the table below. Total remuneration includes salary, contractual payments and benefits. PSAA does not have performance-related pay. These figures do not include employer pension contributions.

Description - £'000	2025	2024
Band of highest paid - total remuneration	145k - 150k	140k - 145k
Median - total remuneration	49	64
Ratio	3.1	2.2

Remuneration policy for directors

During the year we commissioned an independent review of directors' remuneration, the first since PSAA's inception. The outcome acknowledged the increased time commitment required and inflationary rate increases over 10 years. The Board agreed an increase in directors' remuneration from 1 January 2025.

None of the directors serving between 1 April 2024 and 31 March 2025 received other benefits from PSAA, nor were they members of the pension scheme.

Director - £'000	2025	2024
Bill Butler	30	-
Stephen Freer	-	30
Keith House	9.9	8
Marta Phillips (appointment ended 31 March 2025)	9.9	8
Fraser McKinlay (appointment ended 28 February 2025)	8.3	8
Michael O'Donnell	9.5	8
Irene Asare (appointed 1 February 2025)	2.6	
Liz Murrall (appointed 1 February 2025)	2.3	
Alan Edwards (appointed 1 February 2025)	2.3	

(1) Amounts included in the table above exclude Employers' NIC and other reimbursed expenses.

Directors are also reimbursed for expenses directly and necessarily incurred in the performance of their duties.

Alan Edwards was the independent Audit Committee member from 1 April 2024 to 31 January 2025 and received remuneration of £1,820. He was appointed as a director from 1 February 2025.

Adrian Lythgo became the independent Audit Committee member from 1 February 2025 and received remuneration of £640.

People and Remuneration Committee Oversight

The newly established People and Remuneration Committee reviewed and supported senior pay decisions during the year in line with its remit. Although recently formed, the Committee is operating effectively and has strengthened governance oversight in this area.

Governance report

Principles of governance

The principles of the governance structure of PSAA are set out in the Articles of Association and the Memorandum of Understanding such that the company:

- has a governance structure which transmits, delegates, implements and enforces decisions appropriately;
- has trustworthy internal controls to safeguard, channel and record resources as intended;
- works cooperatively with partners while supporting the Board's duty to protect PSAA's independence;
- operates with propriety and regularity in all its transactions;
- treats its counterparties fairly, honestly and with integrity;
- offers appropriate redress for failure to meet agreed standards; and
- gives timely, transparent and realistic accounts of its business and decisions.

Governance structure

PSAA is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations. PSAA's financial statements are not consolidated into the LGA's as neither the IDeA nor the LGA exercise control over PSAA or benefit from its results and financial performance.

The primary duty of the company is to discharge the statutory objects and powers set out in its Articles of Association in accordance with the Companies Act 2006 and the company's founding documents. The principal legislation governing the statutory functions of PSAA is the Local Audit and Accountability Act 2014.

The role of the IDeA, as founder of the company, is to support PSAA in discharging its functions and achieving its objectives. The IDeA acknowledges the independence of the company and the responsibility for running the company as that of PSAA and the Board.

PSAA's governance structure and corporate governance framework are underpinned by the standards promoted by the Committee on Standards in Public Life.

The PSAA Board

The Board as a whole is legally responsible for the management and stewardship of the company in the discharge of its purpose and powers. The Board alone is responsible for agreeing the company's strategy, and for determining its budget.

The Chair of the Board is a non-executive director appointed by the IDeA. Steve Freer stepped down in March 2024 and was replaced by Bill Butler for a three-year term. The

other five non-executive directors were appointed by the Chair, with the approval of the IDA.

The Chair is the leader of the Board and works closely with Board members, the Chief Executive and PSAA staff. Board members act collectively, and do not have individual executive authority.

Board members attended the following meetings during 2024/25:

Board members	Position	Board meetings
Bill Butler	Chair	6/6
Marta Phillips**	Non-executive director and Chair of the Audit Committee	5/6
Keith House	Non-executive director	5/6
Fraser McKinlay**	Non-executive director	6/6
Mike O'Donnell	Non-executive director	6/6
Alan Edwards*	Non-executive director	2/2
Liz Murrall*	Non-executive director	2/2
Irene Asare*	Non-executive director	2/2

*These directors were appointed from 1 February 2025.

**Fraser McKinlay's term of appointment ended on 28 February 2025. Marta Phillips' term of appointment ended on 31 March 2025.

Further information about our directors is available on our website at: [Board members – PSAA](#).

Audit Committee

During the year the Audit Committee was chaired by Marta Phillips. Membership comprised Fraser McKinlay, Mike O'Donnell, and Alan Edwards, an independent member. From 1 February 2025 Alan Edwards was appointed as a director and Adrian Lythgo was appointed as an independent member.

Alan Edwards was appointed as chair of the Committee on 1 April 2025. Committee membership from this date comprised of Mike O'Donnell and Liz Murrall with Adrian Lythgo as an independent member.

The Committee is responsible for keeping PSAA's governance arrangements under review, including the internal control framework and risk management arrangements. The Committee is required to oversee production of the annual accounts, consider

appointment and reports of the internal and external auditors, and to report annually to the Board on their work and any significant control issues which have emerged.

Procurement and Appointments Committee

The Procurement and Appointments Committee is responsible for overseeing procurements where the total order value is expected to be above £30,000, with the exception of insurance policy premiums where the cost remains within 25% of the previous year's premium, and the internal and external audit procurements. The Committee reports decisions to the Board for information.

During the year the Committee was chaired by Keith House. Membership comprised Bill Butler and Fraser McKinlay. On 1 March 2025 Liz Murrall replaced Fraser McKinlay at the end of his appointment.

People and Remuneration Committee

The People and Remuneration Committee was established in November 2024 to focus on staff related issues and support. The first meeting of the Committee was in April 2025. The Committee is chaired by Irene Asare and membership comprises Alan Edwards, and Keith House.

Chief Executive

The Board has delegated authority to the Chief Executive for the day-to-day management of PSAA, with responsibility for the overall organisation, management and staffing, and for its procedures including conduct and discipline. The Chief Executive ensures that the Chair and Board have timely, accurate and clear information to carry out their responsibilities.

The Chief Executive has authority to act in accordance with the arrangements set out in the scheme of delegation in the corporate governance framework. The Chief Executive receives assurance from senior managers on the correct operation of these arrangements, and aspects of the arrangements are subject to review by the internal and external auditors.

Details of PSAA's executive team are available on the website: [Executive team – PSAA](#)

Corporate governance framework

PSAA's corporate governance framework which sets out the arrangements for conducting our business is available on our website at: [PSAA Corporate Governance Framework - PSAA](#)

It includes details of which matters are delegated, and which are reserved to the Board, and incorporates the company's financial policies. The Board and Audit Committee keep the framework under regular review and also formally review the effectiveness of the Board and Committee decision making arrangements.

Our internal auditors, TIAA Limited, perform an annual work programme, which covers key systems and aspects of the control framework. The 2024/25 internal audit annual report, presented to the audit Committee in April 2025, provided substantial assurance on financial transactions compliance and treasury and cashflow arrangements.

By order of the Board



Bill Butler

Chair

26 November 2025

Annual Accounts

Financial statements

for the year ended 31 March 2025

Profit and loss account

		Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Turnover	4	126,160	52,079
Cost of sales (based on forecast to be finalised)	5	(123,823)	(50,630)
Gross Profit		2,337	1,449
Administrative expenses	6	(2,772)	(1,795)
Loss on ordinary activities before interest and taxation		(435)	(346)
Interest receivable and similar income		435	322
Profit on ordinary activities before taxation		0	(24)
Tax on profit on ordinary activities	8	0	24
Profit for the financial year		0	0

Statement of comprehensive income

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Profit for the year	-	-
Total comprehensive income for the year	-	-

Balance Sheet

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Current assets		
Debtors	9	5,301
Accrued income	10	9,659
Short term investments	11	10,464
Fixed term deposits	11	0
Cash at bank and in hand		10
	25,434	15,170
Creditors - amounts falling due within one year		
Trade and other payables	12	(6,516)
Deferred income	13	(1,026)
	(7,542)	(2,224)
Net current assets	17,892	12,946
Creditors – amounts falling due after more than one year		
Deferred income	13	(17,892)
	(17,892)	(12,946)
Net liabilities	-	-

The notes on pages 35 to 43 are an integral part of these financial statements.

The financial statements on pages 32 to 43 were authorised for issue by the Board of Directors on 26 November 2025 and were signed on its behalf.



Bill Butler

Chair

Public Sector Audit Appointments Limited

Registered no. **09178094**

Statement of changes in reserves

	Retained Earnings £'000	Retained Earnings £'000
Balance as at 1 April 2023	-	-
Reserves for the period	-	-
Balance at 31 March 2024	-	-
Balance as at 1 April 2024	-	-
Reserves for the period	-	-
Balance as at 31 March 2025	-	-

Statement of cash flows

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Net cash inflow / (outflow) from operating activities	14	355
Taxation paid	0	24
Net cash generated from / (used in) operating activities	355	2,694
Cash flow from financing activities		
Interest received	435	322
Fixed maturity deposits	1,500	0
Net cash generated from financing activities	1,935	322
Net increase / (decrease) in cash at bank and in hand	2,290	3,016
Cash and cash equivalents at the beginning of the year	8,184	5,168
Cash and cash equivalents at the end of the year	10,474	8,184
Cash and cash equivalents consists of:		
Cash at bank and in hand	10	10
Short term deposits	10,464	8,174
Cash and cash equivalents	10,474	8,184

Note that as PSAA entity does not have any debt, an analysis of net debt has not been produced.

Notes to the financial statements

1. General Information

PSAA is responsible for appointing auditors to local government, fire and police bodies and for setting fees.

The company is registered in England and Wales, is limited by guarantee and has no share capital. The members of the company are set out in Note 15.

The company is incorporated and domiciled in the UK. The address of its registered office is: Local Government House, Smith Square, London, SW1P 3HZ.

2. Statement of compliance

The individual financial statements of PSAA have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006, under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). We qualify for Small Company exemptions; however, we have adopted this approach for the purpose of transparency.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

b) Public benefit entity

Under FRS102, PSAA qualifies as a public benefit entity and therefore the special provisions of section 34 of FRS 102 are applicable. These provisions have been reviewed and are not relevant to this financial year and prior accounting periods, as PSAA did not make any business combinations and did not receive any concessionary loans. The provisions will be kept under review.

c) Going concern

These financial statements have been prepared on a going concern basis in accordance with the requirements of FRS 102. Our disclosure following our assessment of going concern is included within the Directors' report on page 22. While PSAA is expected to close as part of a planned transition to the LAO, the exact closure date has

not yet been confirmed but may fall around October 2026. This means that closure could occur either just within or shortly after the 12-month period from the expected date of approval of these financial statements on 12 November 2025.

The closure is part of a Government led managed, structured programme, and PSAA will continue to operate during this time, delivering statutory responsibilities, managing contractual obligations, collecting fees and supporting transition planning.

The Board has assessed that PSAA has sufficient resources to meet its obligations as they fall due throughout the going concern period. On this basis, the Board has a reasonable expectation that PSAA will continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

As a result, the Board has concluded that it remains appropriate to prepare the financial statements on a going concern basis. There are no material uncertainties related to going concern as defined by FRS 102.

d) Revenue recognition and the treatment of surplus funds

Revenue and associated costs are recognised, excluding VAT, in the accounting period in which the services are rendered, when the outcome of contracts can be estimated reliably. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

PSAA sets the fee scale annually and publishes the scale fee for each individual audited body. If the auditor subsequently considers that additional work is required that is not provided for in the scale fee for an individual body, a fee variation proposal can be submitted to PSAA. This is set out in the legal framework for audit fees and variations, in the Regulations. Regulation 17(2) provides for the auditor to propose to PSAA (as the Appointing Person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale.

Revenue and associated costs in relation to fee variations are recognised as follows:

Fee variation status	Calculation of revenue and associated costs
Fee variation proposals submitted by firms by 31 March and approved by PSAA	The amount of approved fee variations
Fee variation proposals submitted by firms by 31 March and are being considered by PSAA	Fee variation submitted by firms multiplied by previous year's approval rate*
No fee variation proposals submitted by firms by 31 March, audits are delivered, and fee variations are expected from firms for all audits.	Scale fee multiplied by average % of fee variations submitted by firms for the audit year** multiplied by the previous year's approval rate*

No fee variation proposals submitted by firms by 31 March and work in progress is 90%*** and above.	Scale fee multiplied by average level of fee variations submitted by firms for the audit year** multiplied by the previous year's approval rate* multiplied by % of work in progress
No fee variation proposals submitted by firms by 31 March and work in progress is below 90% except for where the percentage of Value For Money work can be separately identified.	0% or VFM additional fee multiplied by % of VFM work completed.

*Unmodified audits - approval rate for audit year 2019/20 is 80.0% (previously 77.6%), 2020/21 is 77.7% (previously 83.1%), 2021/22 is 82.4% (previously 83.9%), 2022/23 is 84.5% and 2023/24 is 90.3%.

**Unmodified audits - average level of firms' fee variation submissions for audit year 2019/20 is 75.9% (previously 53.0%), 2020/21 is 108.4% (previously 79.2%), 2021/22 is 105.4% (previously 78.7%), 2022/23 is 73.0% and 2023/24 is 12.9% of scale fees

**Disclaimed audits - average level of firms' fee variations submissions for audit year 2019/20 is 54.5%, 2020/21 is 29.1%, 2021/22 is -20.9%, 2022/23 is -27.2% and 2023/24 is 1.6% of scale fees

***audits where the % of work complete are 90% and above are considered near completion.

Scale fees belong to and are set by PSAA. For administrative convenience, PSAA requires audit firms to bill opted-in bodies on its behalf and to act as its agents to collect fees. PSAA invoices firms at the scale fee adjusted for the firms' agreed remuneration. Firms are required to update quarterly work in progress returns with the amount of work they have completed in the quarter to establish the percentage complete. The revenue received by PSAA is to cover directly the costs of the auditors and the operating expenses of PSAA. If at the end of the period there is a remaining surplus or a shortfall, as a result of expenses being over or under-estimated, revenue is adjusted to the actual amount receivable from the opted-in bodies and payable by PSAA in total. Surplus funds are repaid to the opted-in bodies the surplus was generated from; however, the repayment date and method are to be determined by the Board. Until a decision is made to return specific funds, all potential surplus funds are shown as a liability in the form of deferred income, as PSAA has a constructive obligation to repay the funds. Once a decision is made by the Board to return specific funds the amount outstanding at the year-end is shown as creditors.

PSAA accounts for and reports on the transitional arrangements and appointing person separately.

PSAA will account for and report on each appointing period separately to enable PSAA to return surplus funds back to the bodies that opted in for the particular appointing period. The opted-in bodies may vary from one period to another, and the distribution will match the opt-in period. If a body ceases to exist, then the appropriate share of the distribution may be due to a specific successor body(ies) in which case it will be paid to the body(ies) concerned. If a new body is created within an appointing period, the

amount due to it will be based on the proportion of the appointing period for which the body existed.

e) Corporation tax and deferred tax

The company is liable for corporation tax on its profits, but it will not have any trading profits as it accounts for its trading activities on a no profit/no loss basis. As a consequence, there is no deferred tax in the financial year. The company is liable to corporation tax on investment income.

f) Provisions

Provisions are recognised when PSAA has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

g) Employee benefits

PSAA provided a range of benefits to employees including paid holiday arrangements and a defined contribution pension plan.

i) Short term benefits

Short term benefits including holiday pay and other non-monetary benefits are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension plan

PSAA operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid, PSAA has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

h) Financial instruments

Financial instruments are shown as follows:

- i) trade and other receivables at their nominal amount;
- ii) deferred income at nominal amount. Amounts falling due after more than one year mainly represent potential surplus fees to be repaid to opted-in bodies at a future date. The potential surplus fees will be repaid in accordance with a formula which will be agreed by the Board, therefore deferred income falling due after more than one year is also reported at nominal amount;
- iii) trade and other payables at their nominal amount; and
- iv) short-term financial assets, cash and cash equivalents are held by the LGA on PSAA's behalf in line with PSAA's treasury management policy. These balances are deposited in accordance with the PSAA's investment strategy. These are stated at their nominal value, which approximates to fair value because of their short maturity period of the assets.

i) Contingent Liabilities

PSAA indemnifies appointed auditors for legal costs they incur when carrying out their special legal functions that are otherwise irrecoverable. The amount incurred in any one year from this indemnity depends on the progress of individual cases and so cannot be predicted or quantified until any liabilities crystallise. The indemnity under the Appointing Person arrangements is capped at £50,000. The indemnity under the transitional arrangements is not capped.

4. Turnover

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Audit fee income local government - principal bodies	126,160	52,079
	126,160	52,079

5. Cost of sales

Analysis of cost of sales

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Bought in services local government - principal bodies	123,823	50,630
	123,823	50,630

6. Administrative expenses

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Salaries and wages	1,745	1,063
Social security	165	123
Pension	150	90
Board members and non-Board members	77	64
Training	20	16
Rent and rates	26	26
Bad Debt	0	0
Supplies & services	67	51
Travel & subsistence	20	11
Insurance	53	47
Legal and professional fees	287	165
Audit fees	30	21
Non-Audit Fees	2	2
Shared services	119	105
Subscriptions	11	11

Total administrative expenses	2,772	1,795
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7. Directors, independent member of Audit Committee and employees

The average monthly number of persons employed by the company during the year was:

	2025	2024
Directors	5	5
Independent member of Audit Committee	1	1
Employees	21	14

The directors' emoluments were as follows:

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Aggregate emoluments	77	64
Key management compensation		
Salaries and other short-term benefits	687	608

8. Taxation

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Current tax		
UK Corporation tax on profits for the current period	83	61
Total tax charge	83	61

The charge for the year can be reconciled to the profit and loss as follows:

Profit before taxation	0	(24)
Expected tax charge based on a corporation tax rate of 19% (2024 – 19%) on Interest receivable and similar income	0	(5)
Non-trade loan relationship credits	83	61
Trading losses / Brought forward / Carried forward loss relief	(83)	(81)
Tax expense for the year	0	(24)

9. Debtors

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Trade Debtors	4,730	2,212
Prepayments	571	122
Total debtors	5,301	2,334

10. Accrued trade income

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Local government	9,659	3,152
Total accrued trade income	9,659	3,152

This note provides an analysis of the accrued trade income (work completed but not yet billed) shown in PSAA's Balance Sheet.

11. Current asset investments

Surplus cash balances are placed with financial institutions on the brokers' approved counterparty list maintained by the broker, Arlingclose Limited, and with non-English local authorities. Investments are typically for periods not exceeding twelve months and as such the loan amount is a reasonable assessment of fair value. The counterparty list is currently restricted to financial institutions and local authorities that meet agreed credit ratings criteria and subject to the cash limits (per counterparty) as shown in PSAA's Investment Strategy agreed by the PSAA Board. PSAA's Investment Strategy strictly applies credit limits for all financial institutions on the approved counterparty list to ensure that investments are diversified. No credit limits were exceeded during the year and PSAA does not expect any losses on short term investments.

12. Trade and other payables

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Amounts owed to group undertakings	(54)	(29)
Accrual for holiday entitlement not yet taken	(99)	(61)
Corporation tax payable	0	24
Other taxation and social security	(1,263)	(381)
Accruals	(5,100)	(1,127)
Total Trade and other payables	(6,516)	(1,574)

13. Deferred income

Deferred income represents invoices raised in advance for work the firms have yet to deliver and surplus fees to be paid to opted-in bodies at a future date.

Deferred income due within 1 year includes work in progress of £1.026m in relation to the arrangements under the Appointing Persons regime.

£1.746m of the £17.892m deferred income falling due after more than 1 year relates to the transitional arrangements and £16.146m relates to the Appointing Persons regime. Once it is clear the money is not required to meet PSAA costs the funds will be returned to opted-in bodies, in accordance with a formula to be agreed by the Board (as explained in note 3d above).

Deferred income - falling due within 1 year

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Local government	1,026	650
Total deferred income	1,026	650

Deferred income - falling due after more than 1 year

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Local government	17,892	12,946
Total deferred income	17,892	12,946

14. Cash flow

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Operating loss	(434)	(346)
Working capital movements		
Increase in debtors	(9,474)	868
Increase / (decrease) in payables	10,263	2,148
Net cash flow from operating activities	355	2,670

15. Related party transactions

Public Sector Audit Appointments Limited (PSAA) is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations. PSAA's financial statements are not consolidated into the LGA's as neither the IDeA nor the LGA exercise control over PSAA or benefit from its results and financial performance.

The IDeA and the LGA are treated as related parties in these accounts. During the year PSAA received services from the LGA, such as IT, HR finance support and accommodation. The total value of these services was £232,218 (2024: £166,756).

There were no transactions between PSAA and the key management personnel other than the compensation and expenses set out in the Remuneration Report.

16. Contingent liabilities

At the end of 31 March 2025, PSAA had no contingent liabilities (31 March 2024 nil).

Auditor's report

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PUBLIC
SECTOR AUDIT APPOINTMENTS LIMITED FOR THE YEAR ENDED 31 MARCH
2025**

Opinion

We have audited the financial statements of Public Sector Audit Appointments Limited (the 'company') for year ended 31 March 2025 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of changes in reserves, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of its business plan, budgets and forecasts provided.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt

on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance concerning actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Challenging assumptions and judgements made by management and Directors on significant accounting estimates;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

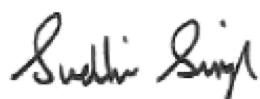
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditors/audit-assurance-ethics/auditors-responsibilities-for-the-audit

This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of

MHA

Statutory Auditor

London, United Kingdom

Date: 11 December 2025

MHA are eligible to act as auditors in terms of section 1212 of the Companies Act 2006. MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542).