

Corporate governance framework

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Part 1 – Objects and accountability

Objects

- 1 The corporate governance arrangements of Public Sector Audit Appointments Limited (PSAA) (the Company) are critical in helping it to achieve its core objectives as set out in its Articles of Association, which are to:
 - a) perform and discharge the remaining functions delegated to it by the Secretary of State on a transitional basis, up to completion of audits of the accounts for 2017/18;
 - b) perform and discharge the functions of an appointing person specified by the Secretary of State, including:
 - to issue an invitation to all relevant principal authorities to become an opted-in authority;
 - to appoint the external auditor to all opted-in principal authorities after consultation;
 - to specify scales of fees for the audit of accounts of opted-in authorities, before the start of the financial year to which the scales relate, and after consultation;
 - to keep, and publish, a record of authorities that become opted-in authorities; to oversee issues of appointed auditor independence, monitor compliance, assist in the resolution of disputes or complaints; and deal with the removal of an appointed auditor;
 - c) take steps to ensure that public money is properly accounted for and protected;
 - d) oversee the delivery of consistent, high quality and effective audit services to relevant authorities;
 - e) ensure effective management of contracts with audit firms for the delivery of audit services to relevant authorities;
 - f) be financially responsible, having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies; and
 - g) lead its people as a good employer, ensuring that it continues to be fit-for-purpose; motivating and supporting its staff; and communicating with them in an open, honest and timely way.
- 2 The Board of PSAA and its staff will:
 - observe the highest standards of propriety, impartiality, integrity and objectivity in relation to the stewardship of public funds, the management of the Company and the conduct of its business;
 - maximise value for money by ensuring that the Company's work is performed in the most economical, efficient and effective way, within available resources;
 - be consultative in style, and open and responsive to all stakeholders; and
 - ensure that there is in place an effective system of internal control to enable the Company to meet its corporate objectives.
- 3 The Board will review its governance arrangements at intervals of no more than every 3 years to ensure that they remain fit for purpose and continue to reflect these values, aims and principles including best practice in corporate governance.

Accountability

4 PSAA demonstrates its accountability by:

- publishing its audited annual accounts in accordance with the requirements of the Companies Act 2006;
- complying with the Memorandum of Understanding with the Ministry of Housing, Communities and Local Government (MHCLG) and reporting to the Secretary of State and other ministers;
- informing the Secretary of State of any changes to the company's Articles of Association;
- the Chair and Chief Executive attending the IDeA Board twice a year to ensure that the parent Board is informed about PSAA activities;
- being as transparent as possible about its business, its finances, its statutory responsibilities and its governance including complying with the Local Government Transparency Code as amended from time to time by MHCLG, the Freedom of Information Act (2000) and the Environmental Information Regulations (2004);
- consulting on auditor appointment and fee scale proposals;
- publishing a clear complaints process;
- engaging with stakeholders to encourage feedback on its activities; and
- publishing an annual report on its activities.

5 PSAA has regard to the principles set out in the [Code of Conduct for Board Members of Public Bodies](#) (issued by the Cabinet Office) and in the UK Corporate Governance Code, to the extent this can be applied to a small company without shareholders. The principles, where applicable to PSAA, are reflected in the arrangements set out in this corporate governance framework and are summarised at Appendix 1.

Part 2 – PSAA Board Members’ roles and responsibilities

Public Sector Audit Appointments Limited

- 6 PSAA is a not-for-profit company limited by guarantee without share capital. The company is a subsidiary of the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). However, it is operationally independent of both organisations. The primary duty of the Company’s Board 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.
- 7 The non-executive Director who is to act as Chair of the Board is appointed by the IDeA. The other non-executive Directors are appointed by the Chair with the approval of the IDeA. The Articles of Association allow for a Board consisting of a non-executive Chair and up to six other non-executive Directors (Board members). Up to two non-Board members may be appointed to sit on PSAA’s Committees.
- 8 The Chair and the other non-executive Directors are each appointed for a term of office of no more than three years. Appointments may be renewed, subject to satisfactory assessment of performance. Any renewal taking a non-executive Director’s expected continuous service beyond six years will be contingent on a rigorous review process confirming highly satisfactory performance and taking account of the need for progressive refreshing of Board membership. In accordance with the Cabinet Office Governance Code on Public Appointments, the continuous service of a Director should not exceed ten years in total. The IDeA/LGA is responsible for nominating a person to conduct the annual appraisal and review of the performance of the Chair, and the Chair is responsible for appraisals of Board members. Resignations of Board or Audit Committee members should be confirmed in writing.

The Board

- 9 The Board as a whole is legally responsible for the management and stewardship of the Company in the discharge of its purpose and powers which are set out in its Articles of Association. The Board alone is responsible for agreeing the Company’s strategy, and for determining its budget.
- 10 The Board’s responsibility includes:
 - a) monitoring the Company’s performance;
 - b) ensuring that PSAA acts within its legal powers and remits;
 - c) ensuring that PSAA is properly managed, and remains independent from the leadership of the LGA;
 - d) ensuring that proper systems are maintained to ensure propriety and value for money; and that performance is monitored;
 - e) ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control;

- f) ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance; and
- g) approving the risk management strategy and setting the risk appetite.

11 The Company's powers and remit are set out in **Part 3 of this document**, which also describes those powers that are delegated from the Board to the Committees (Audit, Procurement and Appointments, and People and Remuneration) and the Chief Executive. The Chief Executive is authorised to delegate matters to other Company staff and these delegations are recorded in the Delegations Register. The following is a summary of the Company's main powers and remit:

- a) **Auditor appointments** – procurement to enable the appointment of external auditors to bodies subject to audit as defined in relevant legislation, including local authorities, police bodies, fire authorities, and other local government bodies.
- b) **Setting fees** – setting scales of fees to be paid by bodies subject to audit.
- c) **Managing the audit contracts** – overseeing the provision by appointed auditors of consistent, high-quality and effective external audit services to bodies subject to audit and ensuring effective management of contracts with audit firms for these external audit services.

The Chair

12 The Chair is the leader of the Board. The Chair will work closely with the Board, the Chief Executive, the Chief Operating Officer and Deputy Chief Executive, the Head of Transformation, Corporate Services, the Chief Finance Officer and the staff to provide:

- a) **Leadership** – to provide strategic leadership to ensure that the Company pursues its functions and objectives as set out in its Articles, complies with its governing documents, company law, any other relevant legislation or regulations and the principles of effective and efficient management of public money.
- b) **External communications** – to steer the Company's key relationships with appointed auditors, audited bodies, senior sector leaders in other organisations and the media; representing the views of the Board to the general public.
- c) **Corporate governance** – to deliver high standards of regularity and propriety and promote the efficient and effective use of staff and other resources throughout the Company. The Chair presides at Board meetings, ensures that these are held at regular intervals throughout the year and are accurately minuted. The Chair will ensure that all Board members are able to be involved fully in the work of the Board, and that they are fully briefed and well informed about the terms of their appointment and on their rights, duties and responsibilities. In accordance with best practice, the Chair will make arrangements for a review of the Board's effectiveness to be carried out at the end of each calendar year, and will also conduct annual appraisals to assess the performance of individual non-executive Board members and ensure regular dialogue about training and development needs.

In order to manage potential and actual conflicts of interest at PSAA relating to the Chair's appointment as LAO Chair, a compliance plan has been agreed with the Secretary of State which sets out how PSAA will identify and mitigate any conflict of

interest caused by holding the chair role at both organisations. The compliance plan is set out in a letter to the Minister of State for Local Government and Homelessness (Appendix 7).

- 13** In conducting Board members' annual appraisals, the Chair will seek views and invite inputs from other interested parties, including other Board members, the Chief Executive and representatives of the LGA and IDeA. In formulating any recommendations for renewal of Board members' terms of office, the Chair will have regard to the requirements set out in paragraph 8 and to the need to refresh Board membership from time to time while also maintaining a level of continuity. This will take account of the fact that the Company has two demanding business cycles - an annual cycle aligned to the annual audits for which it is responsible for making auditor appointments and setting scale fees, and typically a cycle linked to the term for which eligible bodies opt into the Company's Appointing Person scheme and the term of contracts let with audit firms. Recommendations which would have the effect of extending a Board member's expected continuous tenure beyond six years will be preceded by a rigorous appraisal confirming highly satisfactory performance to date.
- 14** Similar arrangements to those set out at paragraph 13 for non-executive Directors apply to appraisals of the Chair, which will be led by a person nominated by the IDeA/LGA.
- 15** The Chair agrees the objectives and undertakes appraisals of the Company's Chief Executive, following consultation with other non-executive Directors as appropriate.
- 16** In the absence of the Chair, a nominated deputy acts, as necessary, to ensure the continuity of Company business.
- 17** The overarching role of the IDeA, as founder of the Company, is to support PSAA in successfully discharging the functions delegated to it by the Secretary of State and achieving its objectives.
- 18** The IDeA acknowledges the independence of the Company and the responsibility for running the Company as that of PSAA and its Board.
- 19** The Chair of PSAA will:
 - a) report on the Company's activities to the Board of the IDeA at 6-monthly intervals; and
 - b) ensure that the IDeA receives copies of the Company's Annual Report and audited Financial Statements, and an annual report from the Chair of the Audit Committee.

Corporate responsibilities of the Board

- 20** The Board as a whole is legally responsible for the management and stewardship of the Company in the discharge of its functions and objectives and its powers are set out in its Articles.
- 21** The Board regulates its own proceedings and has approved Standing Orders for that purpose (see Appendix 2).
- 22** Board members act collectively: they do not have individual executive authority. The specific functions and decisions that are reserved to the Board are set out in Section 3.

Responsibilities of individual Board members

- 23** In addition to their duties under the Companies Act 2006 and the Company's Articles, individual non-executive Board members should at all times comply with the principles and responsibilities described in this document and in the [Code of Conduct for Board Members of Public Bodies June 2019](#) issued by the Cabinet Office in June 2011 and updated in June 2019. They should act in good faith and in the best interests of the Company and should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the 'Nolan Principles'). Those principles are set out in Appendix 1.
- 24** Board members must not use information gained in the course of their service to the Company for personal gain; nor seek to use the opportunity of their public service to promote their own, or other parties' private interests. They should not disclose information or documents obtained through their position as Board member without the consent of the Chair.
- 25** All Board members should ensure that they are familiar with the Company's rules and practices on declarations, and avoidance of conflicts of interests. Details of these, and the Company's rules on gifts and hospitality, are at Standing Orders 9-13.
- 26** In accordance with the provisions of the Companies Act 2006 and on grounds set out in the terms and conditions of appointment, a Board member may be removed by the Board in consultation with the IDeA if they are considered unable or unfit to discharge the functions of a member, including not meeting their obligations and responsibilities as described in this document.

Personal liability of Board members

- 27** Although any legal proceedings initiated by a third party are more likely to be brought against the Company, in exceptional cases proceedings (civil or criminal) may be brought against the Chair or other individual Board members. For example, a Board member may be liable if he or she makes a fraudulent or negligent statement, which results in loss to a third party. A Board member who misuses information gained by virtue of his or her position may be liable for breach of confidence.
- 28** However, an individual Board member who acts honestly and in good faith should not normally incur any civil liability in an individual capacity, unless he or she has acted recklessly. The Company indemnifies its officers in such circumstances against any action taken or threatened against them (see article 42 of the Articles of Association) and may insure directors in respect of any relevant loss (see article 43 of the Articles of Association).
- 29** The Chair and Chief Executive of the Company will ensure that legal advice is provided to any Board members who want further clarification of their legal position.

Review of the Board's effectiveness

- 30** The Chair will facilitate a review of the Board's effectiveness.
- 31** A review will include consideration of the Board as a whole, the operation of any Committees and the contributions of individual Board Members.
- 32** A review will also take account of annual reports from each of the Committees which are submitted to the Board.

- 33 At the time of scoping the review, the Board will determine if an external independent review would be appropriate.

Committees

- 34 The Board may appoint Committees with such memberships and terms of reference as the Board deems appropriate. Committees exercise functions delegated to them, providing more detailed consideration of specific work areas and advising the Board accordingly.
- 35 The Procurements and Appointments Committee has delegated powers to make decisions on procurements and auditor appointments within parameters established by the Board (with the exception of the main audit services procurement) with follow-up reporting to the Board. The other Committees have powers to make recommendations to the Board for approval.

Complaints against PSAA and its staff

- 36 The Board approves, publishes and maintains a complaints procedure.
- 37 The Chief Executive reports annually to the Board about the nature and number of complaints and about the Company's handling of complaints. Complaints in relation to audit firms are dealt with under the contract monitoring arrangements.
- 38 The Chair is responsible for responses to complaints against Board members and the Chief Executive.
- 39 In the event of a complaint against the Chair personally, the Chair of the People and Remuneration Committee and the Company Secretary shall consider whether there is a sufficiently serious prima facie case, and if so, shall inform the IDeA, as founder of the company.

Audit Committee

- 40 Board members are formally Those Charged With Governance (TCWG) and have delegated some aspects of their responsibilities to the Audit Committee. The Scheme of Delegation reflects those delegated responsibilities where the Audit Committee acts in the capacity of TCWG. The Audit Committee will comprise no fewer than three members and will meet at least twice each year.
- 41 In discharging its responsibilities, the Audit Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. Audit Committee members have direct access to the Board Chair.

Audit Committee Purpose

- 42 The Audit Committee supports the Board in fulfilling its oversight responsibilities, to strengthen organisational integrity, accountability, and public trust, ensuring alignment with the organisation's objectives, by providing independent advice, guidance and assurance on the adequacy and effectiveness of the organisation's:
- Values and ethics.
 - Governance structure and arrangements.
 - Risk management.
 - Internal control framework.

- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

Composition and Quorum

- 43** The standard quorum is three Committee members. A quorum of **two members** is permitted solely in *exceptional circumstances* and only where doing so does not compromise decision-making quality or governance requirements.
- 44** The Committee's terms of reference are:
- to review the Company's annual accounts, specifically to consider whether appropriate accounting policies have been followed, and to recommend them to the Board for approval;
 - in respect of external audit:
 - to recommend to the Board the appointment of the Company's external auditors;
 - to review the results of the external audit, including the auditor's findings; and
 - to monitor the implementation of recommendations and the response by management.
 - to consider the effectiveness of the Company's risk management arrangements including reviewing the risk management policy and strategy to recommend to the Board for approval, and to review the corporate risk register at each meeting, seeking assurances that action is being taken on risk-related issues. For significant project work, for example the main audit services procurement, the Board may require that a project risk register (PRR) be created, maintained and reviewed by the Audit Committee at regular intervals;
 - on behalf of the Board, to scrutinise any aspect of the work of the Company against a benchmark of best practice and to report as appropriate. The Audit Committee will review, and challenge where appropriate;
 - the Company's suite of policies, procedures, codes, guidelines, practices and processes;
 - the Company's internal control systems, including those which relate to areas that have been outsourced; and
 - the arrangements for controlling and reporting Company expenditure.
 - to keep under review the Company's governance arrangements and consider the framework of assurance to ensure that it adequately addresses the Company's risks and priorities;
 - to be responsible for supporting the Board in overseeing delivery of workstreams of the closedown and transition programme throughout the transition to the Local Audit Office (LAO) and as required by the Board;

- vii) to report to the Board on assurances received, significant control issues, the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose;
- viii) to review annually the Company's treasury management policy, including the criteria used to define those bodies on the approved lending list, and to recommend this to the Board for approval;
- ix) to review at intervals of no more than 3 years the corporate governance framework (CGF) and recommend any necessary changes to the Board for approval;
- x) to oversee the quality, expertise, effectiveness, independence, and objectivity of the internal audit arrangements and evaluate ensuring alignment with the Global Internal Audit Standards:
 - a) to appoint the internal auditors and to approve any changes to the Company's internal audit arrangements and evaluate the adequacy of internal audit resources;
 - b) to approve the Internal Audit Charter, which includes the internal audit mandate, defining internal audit's purpose, authority and responsibility, scope and types of internal audit service;
 - c) to approve the risk based internal audit work plan and monitor its execution; and
 - d) to review internal audit reports and other internal audit communications to management and monitor implementation of recommendations and the responses of management.
- xi) to review the counter-fraud strategy and recommend to the Board for approval.
- xii) to produce an annual report to be presented to the Board summarising the work of the Committee.

45 The Audit Committee will present the minutes of its meetings to the Board as soon as possible after each Committee meeting. The Audit Committee will make recommendations to the Board as it considers appropriate.

46 The Chief Executive, the Chief Operating Officer and Deputy Chief Executive, Head of Transformation, Corporate Services, and Chief Finance Officer will attend Audit Committee meetings with other officers attending where appropriate.

Independent Committee members

47 Independent members are appointed for a term of no more than three years. Appointments may be renewed, subject to satisfactory assessment of performance. Any renewal taking an independent member's expected continuous service beyond six years will be contingent on a rigorous review process confirming highly satisfactory performance and taking account of the need for progressive refreshing of Committee membership. Continuous service should not exceed ten years in total.

48 The Chair of the relevant Committee is responsible for appraisals of independent members of the Committee in order to monitor performance and ensure a regular dialogue about training and development needs. In doing so the Chair will seek views and invite inputs from other interested parties including other members of the Committee and the Chief Executive. In

formulating any recommendations for renewal of independent members' terms of office, the Chair, in consultation with the Chair of the Company, will have regard to the requirements set out in paragraph 45 and to the need to refresh Committee membership from time to time while also maintaining a level of continuity.

- 49 Independent Committee members should at all times comply with the principles and responsibilities described in this document. They should act in good faith and in the best interests of the Company and should follow the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the 'Nolan Principles'). Those principles are set out in Appendix 1.
- 50 Independent Committee members must not use information gained in the course of their service to the Company for personal gain; nor seek to use the opportunity of the public service to promote their own, or other parties', private interests. They should not disclose information or documents obtained through their position as independent Committee members without the consent of the Chair of the Committee.
- 51 All independent Committee members should ensure they are familiar with the Company's rules and practices on declarations, and avoidance of conflicts of interests. Details of these, and the Company's rules on gifts and hospitality, are at Standing Orders 9-13.
- 52 An independent member of the Committee may be removed by the Chair of the Committee, in consultation with the other members of the Committee, if the independent member is considered unable or unfit to discharge their functions as a member of the Committee, including not meeting their obligations and responsibilities as described in this document.

Procurement and Appointments Committee

- 53 The remit of the Procurement and Appointments Committee is to:
 - a) Manage the main audit services procurement process, including market engagement and preparation for the appointing period, with exception reporting to the Board outside of thresholds and tolerances agreed by the Board at the start of each procurement/extension cycle. The Committee will make recommendations to the Board for approval of appointments.
 - b) Oversee auditor appointments which are complex or the result of a DPS procurement process. The Committee will report decisions to the Board for information.
 - c) Oversee all procurements where the total order value is expected to be above £30,000 as set out in PSAA's financial policies, 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 will report decisions to the Board for information.
- 54 Other exceptions may occur such as where there are unusual or novel circumstances or where a precedence may be set.
- 55 Prior to the commencement of each specific procurement (or within the Business Plan where the procurement need is able to be identified in advance), the Board will consider a report which sets out the process for conducting the procurement and will determine on a case-by-case basis the delegation of decision-making to the Procurement and Appointments Committee within agreed thresholds and tolerances.

- 56 The Committee shall comprise of at least three Board members and include PSAA's Chair, one of whom will be appointed to the role of Chair of the Committee.
- 57 The standard quorum is three Committee members. A quorum of **two members** is permitted solely in *exceptional circumstances* and only where doing so does not compromise decision-making quality or governance requirements. If a meeting is not able to achieve the quorum, the Chair may decide to conduct business items by correspondence where it is not practical to defer it to a future meeting of the Committee, noting that any decision-making must meet the requirements of the CGF.
- 58 Committee meetings will be held as required. The number and frequency of meetings in any year will be heavily influenced by the volume and timing of procurement activity.
- 59 Before each Committee meeting the agenda and papers of the meeting will be sent to every Committee member no less than 5 days in advance of the meeting.
- 60 The Committee is accountable to the Board and must act within the remit of these terms of reference. Decisions made by the Procurement and Appointments Committee will be reported to the next Board meeting.
- 61 The Procurement and Appointments Committee's terms of reference are as follows:
- i) to take appropriate decisions on behalf of the Board in areas where decision making powers are delegated to it by the Board. These decisions to be reported to the next Board meeting;
 - ii) to provide advice, guidance and recommendations on any area within its remit to the Board;
 - iii) to ensure robust procurement strategy, clear evaluation criteria, and an appropriate evaluation panel with non-conflicted subject matter experts in place;
 - iv) to ensure there is a clear procurement process in place that follows good practice and is proportionate to the complexity and cost;
 - v) to ensure that procurement risks have been considered;
 - vi) to ensure that services are procured free of bias and that procurement decisions are defensible from scrutiny and challenge;
 - vii) to provide oversight of compliance with the PSAA's financial procedures relating to procurement;
 - viii) to ensure that conflicts of interest are managed appropriately throughout the procurement lifecycle;
 - ix) to undertake an annual review of the Contracts Register and procurement activity pipeline;
 - x) to consider the implications for PSAA of any developments or changes arising from changes to the regulations that govern public sector procurement;
 - xi) to report annually to the Board on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose; and

- xii) to be responsible for supporting the Board in overseeing delivery of workstreams of the closedown and transition programme throughout the transition to the Local Audit Office (LAO) and as required by the Board.

- 62 The minutes shall be presented to the Board as soon as possible after each Committee meeting.
- 63 The Chief Operating Officer and Deputy Chief Executive and Procurement Manager will attend Procurement and Appointment Committee meetings, with other officers attending where appropriate.

People and Remuneration Committee

- 64 The remit of the People and Remuneration Committee is to assist the Board with staff related matters, to determine the Company's remuneration policy and to make recommendations to the Board on general pay and conditions issues, senior salaries and appointments and HR performance.
- 65 The Committee shall comprise of at least three Board members, one of whom will be appointed to the role of Chair.
- 66 The standard quorum is three Committee members. A quorum of **two members** is permitted solely in *exceptional circumstances* and only where doing so does not compromise decision making quality or governance requirements. If a meeting is not able to achieve the quorum, the Chair may decide to conduct business items by correspondence where it is not practical to defer it to a future meeting of the Committee, noting that any decision-making must meet the requirements of the CGF.
- 67 Committee meetings will be held as required and will meet at least once a year.
- 68 Before each Committee meeting the agenda and papers of the meeting will be sent to every Committee member no less than 5 days in advance of the meeting.
- 69 The Committee is accountable to the Board and must act within the remit of these terms of reference. Decisions made by the People and Remuneration Committee will be recommended to the Board for approval.
- 70 The People and Remuneration Committee's terms of reference are:
 - i) to consider and recommend the annual pay award for the Chief Executive;
 - ii) to consider and recommend the parameters for the annual staff pay award with consideration of benchmarking data;
 - iii) to consider and recommend the annual review of the Directors' remuneration;
 - iv) to consider and recommend appointments to Senior Management Team posts;
 - v) to consider and recommend the Company's arrangements for staff pensions;
 - vi) to approve the rate of employer and employee contributions into the pension scheme;
 - vii) to provide advice, guidance and recommendations on HR issues within its remit to the Board including:
 - employee development
 - fostering a positive workplace culture

- promoting diversity and inclusion
- aligning HR strategies with the organisation's overall goals;

viii) to advise the Board on the appointment of non-executive directors;

ix) to be responsible for supporting the Board in overseeing delivery of workstreams of the closedown and transition programme throughout the transition to the Local Audit Office (LAO) and as required by the Board; and

x) to report annually to the Board on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

- 71** The Chief Executive, Chief Operating Officer and Deputy Chief Executive, Head of Transformation, Corporate Services and the Chief Finance Officer will attend People and Remuneration Committee meetings.
- 72** The minutes shall be presented to the Board as soon as possible after each Committee meeting.

PSAA Chief Executive

- 73** The Company's Chief Executive has executive responsibility to the Board for the work of the Company and for its staff, and ensures that the Chair and Board have timely, accurate and clear information, as required, to carry out their responsibilities.
- 74** The Board has delegated authority to the Chief Executive for the day-to-day management of the Company, with responsibility for the overall organisation, management and staffing and for its procedures including conduct and discipline.
- 75** The Chief Executive is authorised to delegate matters to other Company staff. The Company's powers are set out in Part 3 with the Scheme of Delegation.
- 76** The Chief Executive's responsibilities in respect of HM Treasury's publication [Managing Public Money](#) are set out in more detail in the Financial Policies at Appendix 4.
- 77** In the absence of the Chief Executive, the Chief Operating Officer and Deputy Chief Executive automatically assumes the role of Chief Executive as set out in this document.

The Company as employer

- 78** The Company will seek to set an example of best practice as an employer and is committed to offering all staff equality of opportunity. It will ensure that its employment practices are designed to promote diversity and to treat all individuals equally.
- 79** The Company will ensure that it employs suitably qualified staff who will discharge their responsibilities in accordance with the highest professional standards. All staff will be made aware of the Company's plans and objectives, and all relevant internal management and control systems relating to their field of work.
- 80** The Company has a Code of Conduct for staff, and maintains and publishes a 'whistleblowing' procedure, to ensure that concerned staff have a formal means through which their concerns can be voiced.

Part 3 - The Company's business and delegated powers

- 81** Part 3 describes the roles and powers reserved for the Board in relation to the activities and statutory functions of PSAA and those delegated to the Chief Executive – referred to as the Company's delegated powers. The Board may choose to delegate to the Chief Executive specific matters that would otherwise be reserved to the Board under Part 3.
- 82** The Board has delegated to the Chief Executive responsibility for the day-to-day management of the Company. Where a matter is not specifically reserved to the Board in the Scheme of Delegation, the Chief Executive has authority to act, in accordance with the arrangements set out in the Corporate Governance Framework, including the Company's financial policies (Appendix 4). In addition, the Board authorises the Chief Executive to nominate an appropriate PSAA staff member to act on his/her behalf in relation to the responsibilities delegated to the Chief Executive in the Scheme of Delegation. References in these arrangements to the Chief Executive include any person to whom the Chief Executive has delegated his/her authority. Any delegation by the Chief Executive must be made in writing, must be in accordance with arrangements agreed by the Board, and must be copied to the company secretary who will maintain a register of delegations and will report to the Board on such matters periodically.
- 83** In a number of places the arrangements set out in the Scheme of Delegation use a test of significance to differentiate between matters which may be dealt with by the Chief Executive or other officers, and those which must be dealt with by the Board. Initially it is for the Chief Executive, in consultation with the Chair, to assess whether in the relevant circumstances any particular matter is significant and should be dealt with by the Board. The financial, legal, risks to achievement of business objectives, reputational or other implications for the Company should be considered. The Board has the final authority in any case as to whether or not a matter is significant for the purposes of these arrangements. The financial policies set specific requirements in relation to the Chief Executive's responsibilities and the limits of his/her authority for delegation to appropriate PSAA staff.
- 84** The risk management strategy sets out the criteria for the Board to be made aware of fundamental risks which could result in:
- risk of death and serious injury
 - costs > £500k
 - breaking the law
 - critical effect on reputation

Scheme of Delegation

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
Corporate governance and internal control framework	Consideration and approval of the Corporate Governance Framework (at intervals of at least once every three years), including Delegated Powers, Standing Orders and Financial Policies. Approval of significant changes to PSAA HR policies.	To maintain the system of internal control and the assurance framework; to provide the Board and Audit Committee with assurance on the system's ongoing effectiveness and appropriateness; and to advise the Board and Audit Committee as to material changes. To review PSAA HR policies and procedures at intervals of at least once every three years, reporting in summary the results of the review to the Board. The Chief Executive can delegate authority to other PSAA staff and will maintain a comprehensive record of delegation for the Company. Delegations are reflected in roles set out in job descriptions.	Audit Committee: Review governance framework arrangements. Review the CGF at intervals of at least once every three years and make recommendations to Board for approval.
Corporate strategy	Consideration and approval of PSAA's Business Plan and objectives.	Preparation of PSAA's Business Plan setting out corporate objectives.	
Annual Report and Accounts	Approval of the Annual Report and the Accounts.	Preparation of the Annual Report and the Accounts for Audit Committee consideration and Board approval.	Audit Committee Review annual accounts and consider appropriate accounting policies and arrangements for reporting company expenditure have been followed. Recommend to Board for approval.

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
Memorandum of Understanding with third parties	Consideration and approval of the Memorandum of Understanding with third parties such as MHCLG.	Monitoring PSAA's compliance with the Memorandum of Understanding and preparing a draft of any amendments for Board consideration and approval.	
External audit arrangements	Appointment of the Company's external auditors.	Consideration of tenders for external audit services. Monitoring of contracts for provision of external audit services.	Audit Committee Recommend to Board appointment of external auditors. Review results of PSAA's external audit. Monitor response to and implementation of recommendations. Review external audit effectiveness.
Internal audit arrangements		Consideration of tenders for internal audit services. Monitoring of contracts for provision of internal audit services.	Audit Committee Appoint the internal auditors. Approve and monitor the internal audit plan. Review internal audit reports. Monitor implementation of recommendations. Review internal audit effectiveness.
Risk management	Ensuring that effective arrangements are in place to provide assurance on risk management, and that the risks PSAA faces are dealt with in an appropriate manner. Setting PSAA's risk appetite. Approval of the risk management strategy. Consideration of risk reports and updates of the Audit Committee.	Manage risks and maintain the corporate risk register, advising the Board and Audit Committee on the status of PSAA's risks. Develop and maintain the risk management strategy and policy.	Audit Committee Review and challenge PSAA's assessment and management of risk. Recommend risk management strategy to Board for approval. Review corporate risk register at each meeting seeking assurances that action is being taken on risk related issues. Review project risk registers at each meeting

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
Corporate and financial performance management	Approval of performance management arrangements and consideration of regular monitoring reports.	To keep the Board informed of any significant variance from the business plan and budget (one-off expenditure of 3% or more of the budget or recurring expenditure of 3%), and of progress in achieving objectives. To report significant successes or failures and internal issues of significance, including senior appointments, structural changes and accommodation changes.	
Treasury Management	Approval of the treasury management policy.	To invest PSAA's funds in line with the treasury management policy. To review annually PSAA's treasury management policy. Where job titles change within the Finance Team, the CE has delegated authority to revise the TM policy without revising the overall number within the Finance Team	Audit Committee: Review treasury management policy annually and recommend to the Board for approval.
MTFP	Approval of a financial plan.	Preparation of a financial plan.	
Budgetary control	Variations to the approved budget where the variation would have a significant impact on the overall approved levels of income and expenditure.	Variations to the approved budget where the variation would not have a significant impact on the overall approved levels of income and expenditure. In any event, a financial variation shall be treated as significant if it involves incurring one-	

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
		off expenditure of 3% or more of PSAA's budget, or recurring expenditure of 3% or more per annum.	
Procurement	For the main audit services procurement and other significant procurements as determined by the Board, as a minimum: • Approval of the procurement strategy for each procurement • Contract award decision • Approval of the Lessons learned review report	To ensure that all procurements are carried out in accordance with PSAA's detailed financial procedure including approval of single source supply. For all procurements of £30,000 or less: agree the procurement approach and contract award. To maintain and publish a quarterly contract register. The CFO is also able to approve single supply.	Procurement and Appointments Committee For all procurements over £30,000 where the Board has delegated responsibility to the Procurement and Appointments Committee, as a minimum: • Approval of the procurement strategy for each procurement • Carrying out procurement appraisals objectively and fairly, seeking good value for the public sector as a whole • Contract award decision • Approval of the Lessons learned review report Audit Committee In the procurement of PSAA's external auditor and internal audit service, as a minimum: • Approval of the procurement strategy for each procurement • Contract award decision • Approval of the Lessons learned review report

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
HR issues	Approval of the appointment of the Senior Management Team and decisions relating to their contract terms and remuneration.: Chief Executive Chief Operating Officer Head of Transformation, Corporate Services Approval of the structure of the Senior Management Team. Approval of the overall staff establishment. Approval of significant changes to overall staff terms and conditions of employment. Approval of annual pay increases.	Approval of the appointment of the Chief Finance Officer and the Chief of Staff. Approval of the staffing structure including the structure of the Operations Management Team. Approval of appointments at Operations Management Team level – Chief Finance Officer and Chief of Staff and decisions on remuneration, within the agreed establishment and pay scales. All appointments and other HR issues below the level of the Operations Management Team, within the agreed establishment and pay scales. Under guidance from the Chair, ensuring necessary resources and facilities are available to enable Board members to develop and maintain the knowledge necessary to enable them to discharge their duties.	People & Remuneration Committee Consider and recommend: Appointment of the Senior Management Team positions: - Chief Executive, Chief Operating Officer and Head of Transformation, Corporate Services and decisions relating to their contract terms and remuneration. To provide advice, guidance and recommendations on HR issues within its remit to the Board, including: • Employee development • Fostering a positive workplace culture • Promoting diversity and inclusion • Aligning HR strategies with the organisation's overall goals. Parameters for the annual staff pay award. Annual review of Directors' remuneration For the above, decisions made to be recommended to the Board for approval.
Audit contract matters	Oversight and any necessary approval of PSAA's contracts with its appointed auditors. Approval of the fees strategy and setting the scales of fees annually. In the event of	To report to the Board matters of significance arising from the work of appointed auditors. Subject to consultation with the Chair, approval of the audit firm for	Procurement and Appointments Committee Manage the main audit services procurement process, including market engagement and preparation for the appointing period, with exception reporting to the Board outside of

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
	surplus funds, approval of the level of distribution of the surplus to audited bodies and the formulae to be used to do that. Approval of the audit firm for auditor appointments at audited bodies following the bulk procurement of audit services, and for ad hoc appointments where the Chair considers approval should be reserved to the Board. Approval of changes to auditors' overall terms of appointment. Consideration of significant contract delivery issues arising from the work of appointed auditors.	ad hoc auditor appointments at audited bodies outside of the bulk procurement process; the exercise of this delegation is to be informed by a range of considerations including: • the health of the supply market; • the result of a Dynamic Purchasing System (DPS) competition; • the reasons for appointing ahead of the next Board meeting; • the inclusion of the appointment within an existing contract where a logical case exists e.g. predecessor auditor, geographical location; • the need for variation to an existing contract in exceptional circumstances to facilitate appointment, e.g. out of area and no alternative. The Chair may veto exercise of this delegation for an appointment if the Chair considers that the appointment should be reserved for Board approval. Appointments made to be reported to the next Board meeting.	thresholds and tolerances agreed by the Board at the start of each procurement/extension cycle. The Committee will make recommendations to the Board for approval of appointments. Oversee auditor appointments which are complex or the result of a DPS procurement process. The Committee will report decisions to the Board for information.

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
Next Appointing Period and design of national Appointing Person scheme	Approval of the strategic direction of the project, including making key decisions: • approval of project governance documentation; • setting the duration of the appointing period; • approval of the prospectus consultation, and pre-market engagement with current and potential suppliers; • approval of opt-in invitation approach and documentation; • approval of procurement strategy; • approval of key procurement documentation; • approval of form of audit services; contract and terms of appointment; • award of contracts; • approval of auditor appointment strategy and consultation proposals for the appointment of auditors; and • approval of auditor appointments.	To provide regular updates to the Board including developing issues, options, and opportunities.	Audit Committee: Review of project risk register.
Communication issues	Approval of communications strategy. Approval of communication plans in respect of matters that are of public, political or reputational significance.	The Chief Executive and the Chair to liaise on the sign-off of all press releases and public statements.	

Subject	Reserved to the Board	Delegated to/responsibility of the Chief Executive	Delegated to a Committee
Company administration	The cycle of Board meetings, the composition of Board agendas and approval of minutes of Board meetings.	Ensuring the Board can function properly through appropriate support arrangements, working with the company secretary as required. Making recommendations for the cycle of Board and Committee meetings, and for the composition of agendas for meetings. Preparing draft minutes and maintaining efficient overall operational arrangements for the administration of PSAA.	
Legal matters	Approval of decisions on litigation.	Informing the Board about litigation or potential litigation, working with the company secretary or the appointed external legal advisers.	
Company pension scheme		To make appropriate arrangements in line with Board decisions.	People & Remuneration Committee Approval of the Company's arrangements for staff pensions. Approval of the rate of employer and employee contributions into the scheme. <i>(Note: employee contributions are a matter for each employee)</i>

Appendix 1 – Principles underpinning PSAA's corporate governance framework

PSAA has regard to the principles set out in the [Code of Conduct for Board Members of Public Bodies](#) and in the [UK Corporate Governance Code](#), to the extent this can be applied to a small company without shareholders.

Code of conduct for board members of public bodies (Cabinet Office, 2011, updated November 2019)

All holders of public office are expected to work to the highest personal and professional standards. In support of this, all non-executive board members of UK public bodies are required to abide by the principles set out in the Code of Conduct issued by the Cabinet Office.

The Code is based on the seven principles of conduct underpinning public life:

- **Selflessness:** holders of public office should act solely in terms of the public interest.
- **Integrity:** holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- **Objectivity:** holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability:** holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness:** holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty:** holders of public office should be truthful.
- **Leadership:** holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

The UK Corporate Governance Code (Financial Reporting Council, 2024)

The main principles of the UK Corporate Governance Code dated January 2024 relevant to PSAA are set out below. This version of the Code applies to accounting periods starting on or after 1 January 2025. PSAA's aim is to have regard to the intent of these principles, to the extent that they can be applied to a company without shareholders.

1. Board Leadership and Company Purpose

- A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company contributing to wider society. The Board should ensure that the necessary resources, policies and practices are in place for the company to meet its objectives and measure performance against them.
- B. The Board should establish the purpose, values and strategy, and satisfy itself that these and its culture are all aligned. All directors must act with integrity, lead by example and promote the desired culture.
- C. Governance reporting should focus on board decisions and their outcomes in the context of the company's strategy and objectives. Where the board reports on departures from the UK Corporate Governance Code's provisions, it should provide a clear explanation.
- D. In order for the company to meet its responsibilities to stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- E. The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

2. Division of Responsibilities

- F. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
- G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.
- H. Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
- I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

3. Composition, Succession and Evaluation

- J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion and equal opportunity.
- K. The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

- L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

4. Audit, Risk and Internal Control

- M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.
- N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.
- O. The Board should establish and maintain an effective risk management and internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

5. Remuneration

- P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.
- Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established.
- R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Appendix 2 – Standing Orders

1 Introduction

- 1.1 Standing Orders, together with delegated powers and financial policies, provide a procedural framework within which the Company discharges its business. They deal with the business of the Company, procedure at meetings of the Board and any Committees, delegation of powers, declaration of interests and standards of conduct.
- 1.2 The delegated powers and financial policies have effect as if incorporated into the Standing Orders. Board members (the Directors) and members of staff should be aware of the existence of these documents and, where necessary, be familiar with their detailed provisions.

2 Place of business

- 2.1 The principal place of business of PSAA Limited is 18 Smith Square, London SW1P 3HZ.

3 Meetings of the Board

Calling meetings

- 3.1 As set out in the Company's Articles, any Board member may call a Board meeting by authorising the Senior Manager Governance (working with the company secretary) to give notice of the meeting to directors.

Notice of meetings

- 3.2 Notice of a Board meeting must be given to each director but need not be in writing.
- 3.3 Notice of the meeting must indicate: the proposed date and time of the meeting, where it is to take place (in person or online), and the communication arrangements for directors who are not able to attend the meeting.
- 3.4 The accidental omission to give notice to, or the non-receipt of notice by, any Board member will not invalidate the proceedings of the meeting. However, failure to serve such a notice on more than three members will invalidate the meeting.

Business to be transacted

- 3.5 The Chair draws up the meeting agendas, in consultation with the Board and the Chief Executive.
- 3.6 No business other than that specified in the meeting notice will be transacted at a meeting unless the business is of an urgent nature or is required by statute to be transacted and at least two-thirds of the Board members present decide that the business shall be transacted.
- 3.7 A Board member wishing a matter to be included on an agenda should send a request in writing to the Chair at least 10 clear days before a meeting. Requests made less than 10 days before a meeting may be considered for inclusion at the Chair's discretion.

3.8 Declarations of interest will be a standing item on every agenda.

Quorum

3.9 At any meeting of the Board, the quorum will be three members.

3.10 If a Board member has been disqualified from participating in a discussion or resolution to be taken because of declaration of a conflict of interest (see SO 12.1), he/she shall no longer count towards the quorum. If a quorum is then not available for the discussion or resolution to be taken about any matter, that matter may not be subject to a decision. The Chief Executive shall ensure this situation is recorded in the minutes of the meeting.

Record of attendance

3.11 The Chief Executive shall ensure that a record of the names of all members present at a meeting of the Board is captured in the minutes of the meeting.

Chairing of meetings

3.12 The Chair presides at all Board meetings. In his/her absence, a nominated deputy presides. The Chair determines the detailed procedure for the conduct of business at meetings of the Board and the Chair's decision on questions of order will be observed at the meeting, subject to the provisions of Standing Orders.

Voting

3.13 Unless these Standing Orders provide otherwise, any question arising before the Board will be determined by a majority of the members present. A member absent at the time of the vote may not vote by proxy. In the event of an equality of votes, the Chair will have a second or casting vote.

3.14 The procedure for voting will be a matter for the Chair at the meeting, subject to any decision of a majority of the Board to the contrary, including:

- the form that voting shall take, whether by a show of hands, or by some other means; and
- any question whether or not to record the voting in the minutes to show how each Board member present voted or abstained.

3.15 Board members may ask for their dissenting views on any matters to be recorded in the minutes.

Adjournment

3.16 Any meeting of the Board may be adjourned at the discretion of the Chair. Reasonable notice will be given, where practicable, of the date and time of the reconvening of the adjourned meeting, if the Board considers it necessary. Otherwise the Chair will decide which agenda items will be carried forward to the next ordinary Board meeting.

Minutes

- 3.17** Draft minutes of each Board meeting will be drawn up under arrangements put in place by the Chief Executive. They will be submitted to the Chair for comment and subsequently placed on the following Board agenda for approval by the Board. There will be no discussion of the minutes except on their accuracy, or on matters arising from them.
- 3.18** Minutes will be circulated and published as directed by the Board.

4 Delegation of powers

- 4.1** The Company has specified those matters that are reserved to the Board for decision, and those matters that may be delegated to the Chief Executive. The Chief Executive may, in turn, delegate any matter within his/her authority to another Company member of staff. Any person to whom a matter is delegated by the Chief Executive, or under arrangements approved by him/her, will carry the authority of the Company in respect of the matter so delegated.
- 4.2** The Board will review and approve the delegations as part of the Corporate Governance Framework at least once every three years.

5 Urgent business

- 5.1** Urgent business is deemed to be any matter requiring a **Board decision** before the date of an ordinary, or extraordinary, Board meeting. In such cases, the Chief Executive, working with the company secretary where appropriate, should take all practicable steps to consult with the Chairman, his/her nominated deputy, and as many other Board members as the Chief Executive considers appropriate (and, if at all possible, no fewer than three Board members). The Chief Executive should seek Board members' views as to:
- the urgency of the matter requiring decision;
 - the possibility of holding a Board meeting to consider it; and
 - the action to be taken, which may include a written resolution.
- 5.2** The Chief Executive should decide, in the light of Board members' views, what action to take; should notify as many Board members as practicable (and in any event no fewer than three) of the proposed action; and should allow as much time as he/she considers reasonable in the circumstances for Board members to comment on the proposals. The Chief Executive should then act as he/she considers appropriate.
- 5.3** The exercise of such powers will be included in the Chief Executive's report to the next meeting of the Board, which will consider whether further action is required.
- 5.4** The Chief Executive may give notice of a proposed written resolution, together with any necessary explanation and information, to all members of the Board in writing.
- 5.5** A resolution under SO 5.4 shall be valid and effective without a meeting of the Board provided that all Board members agree. Such a resolution will be reported to the next meeting of the Board

- 5.6** In the event of such disagreement, the matter shall be referred to the next meeting of the Board for decision.

6 Non-contentious business

- 6.1** The Board can consider non-contentious items using the ten-day rule. Using this mechanism reports are circulated to the Board for approval between Board meetings. If a Board member has a concern, they can request to the Chair that the report be brought to the next Board meeting. However, if the Board agree by majority the report within the ten working day period, the report recommendations are agreed. Decisions made will be reported to the Board in the Chief Executive's report at the next meeting. There will be an agreed schedule of dates when papers can be issued which defaults to the second and fourth Wednesday of each month, unless the Board decides otherwise.

7 Committees

- 7.1** The Board may establish standing or ad hoc Committees, consisting of such numbers and for such purposes as the Board may determine.
- 7.2** The provisions of these Standing Orders shall apply where relevant to the operation of all Committees, unless these Standing Orders specify otherwise.

8 Membership of Committees

- 8.1** Committees are established and appointed by the Board.
- 8.2** A person who is not a member of the Board may participate in a Committee discussion and advise but may not take part in any decision on the exercise of any Company functions unless the Board so determines, and unless the Board members form a majority of those present.
- 8.3** Dates and venues of ordinary Committee meetings will be set in advance and circulated as directed by the Committee Chair. Such meetings shall be known as ordinary Committee meetings. An extraordinary Committee meeting may be called at any time by the chair of the Committee in accordance with SO 3, as if the references there to the Chair were to the Chair of the Committee, and the references to the Board were to the Committee. Details of all business to be transacted at Committee meetings shall be sent to any Board member who has specifically requested them. Any Board member can attend, as an observer, any Committee meeting of which he/she is not a member.

Quorum

- 8.4** Unless a quorum is specifically set down in this framework for a Committee, the quorum of members who must be present either in person or online, at any meeting of a Committee will be half the voting membership of that Committee (rounded up in the case of odd numbers of members). The Board may set a higher quorum for individual Committees.

Reporting

- 8.5** The Chair of the Committee shall report the minutes of Committee meetings to the next appropriate meeting of the Board.

9 Declaration of interests

- 9.1** Board members are required to declare any interests that are relevant and material to the Company and which they might reasonably be expected to know about. All members should declare such interests on appointment, as soon as they arise, or as soon as they become aware of them. Directors reaching the end of their tenure will be required to provide an up-to-date declaration of interests. Declarations of interest will be a standing item on all Committee agendas.
- 9.2** Interests that should be regarded as 'relevant and material' are circumstances in which there is a real possibility of bias, including those in which a Board member or his/her close family or any nominee:
- is a paid employee, partner, director or proprietor of a company or other body with which the Company has, is entering into or is proposing to enter into, a contract;
 - is a trustee or on the management Committee, or other controlling body, of a non-profit making organisation with which the Company has significant dealings;
 - has a controlling interest or has shares or securities with a nominal value of more than £25,000 or one-hundredth of the total issued share capital in a company or organisation with which the Company has, is entering into or proposing to enter into a contract; and/or
 - has a direct interest in any land or property that is used by the Company.
- 9.3** Certain disclosures must be published in the annual accounts. These are disclosures relating to Board members and staff who are in a position of influence resulting from being elected to, receiving remuneration from, or being appointed to any organisation:
- where the Company appoints the auditor;
 - that is a central government department; and/or
 - that is a provider or receiver of significant services to, or from, the Company.
- 9.4** In the case of persons living together as a family, the interest of one shall, if known to the other, be deemed for the purpose of these Standing Orders to be also an interest of the other.

10 Exemptions

- 10.1** SO 9 above does not apply to an interest in a contract, proposed contract or other matter which a member has as a council tax payer of a local authority.
- 10.2** A Board member will not be treated as having a pecuniary interest in any contract, proposed contract or other matter by reason only of an interest of his/hers or of any company, body or person with which he/she is connected as mentioned in SO 8 above, which is so remote or insignificant that it cannot be reasonably regarded as likely to influence a member in the consideration of, or in voting on, any question with respect to that contract or matter.

11 Register of interests

- 11.1** A general notice given in writing to the Chief Executive by a Board member to the effect that he/she or his/her spouse or nominee has a relevant and material interest as defined in SO 9 above shall, unless and until the notice be withdrawn, be deemed to be a sufficient disclosure of his/her interest in any contract, proposed contract or other matter that may be the subject of consideration after the date of the notice.
- 11.2** Particulars of any disclosure made under the foregoing provisions shall be recorded. This register will include details of all relevant and material interests as defined in SO 9 above. These details will be updated annually and any changes to interests declared during the previous twelve months will be included in the register, which will be published on the Company's website.

12 Procedure at meetings

- 12.1** If any Board member has a direct or indirect interest (as defined in SO 9 above) in any contract, proposed contract or other matter and is present at a meeting of the Board or a Committee at which the contract or other matter is the subject of consideration, he/she shall, at the meeting and as soon as possible after its commencement, disclose the fact. The Board member will not take part in the consideration or discussion of the contract or other matter or vote on any question with respect to it unless, exceptionally, the Board considers the interest to be of a nature which brings no risk of a real or perceived conflict of interest. Where, in accordance with the above, a member does not participate in the consideration of a matter, he or she shall normally withdraw from the meeting during that item of business, unless the Chair deems it unnecessary. All disclosures of interest will be recorded in the minutes of the meeting.
- 12.2** If any Board member:
- a) is a member or an elected mayor of an opted-in authority, or is an opted-in police and crime commissioner, or has held any such office within the previous three years; or
 - b) is an employee of an opted-in authority or has been such an employee within the previous three years; or
 - c) is a director, partner or senior manager of an entity which, or an individual who, carries out work or provides services or supplies goods to an opted-in authority, or receives funding from an opted-in authority, or has done so within the previous three years; or
 - d) is engaged in business with a member or an elected mayor of an opted-in authority or an opted-in police and crime commissioner or an employee of an opted-in authority, or is a director, partner or senior manager of the entity carrying on that business; or
 - e) has made an objection to the auditor at an opted-in authority within the past three years
- (each such opted-in authority being referred to in relation to the Board member as the 'Relevant Body' in the remainder of this SO)

and is present at a meeting of the Board or a Committee, the Board member will not take part in the consideration or discussion of or vote on any question with respect to the following matters:

- (i) the appointment or removal or performance of the auditor for that Relevant Body;
- (ii) the appointment or removal or performance of the auditor for an opted-in authority working in partnership or collaboration with that Relevant Body in a manner that may impact on audit responsibilities; and
- (iii) the setting or variation of the fee for the audit of the accounts of that Relevant Body (but not the specification of the scale of fees for opted-in authorities generally);

and shall withdraw from the meeting declaring that this Standing Order applies to him or her unless, exceptionally, the Board considers the interest to be of a nature which poses limited risk of a real or perceived conflict of interest in which case it may exercise discretion about whether the Director concerned may be present and/or may participate in the discussion and/or may vote in relation to the relevant matter.

13 Standards of conduct

13.1 Board members are required to comply with the standards of conduct set out in this framework. Company staff are required to comply with the standards of conduct set out in the Company's staff terms and conditions and human resources policies.

Use of information

13.2 No Board member shall use information gained in the course of their duty for personal gain nor seek to use the opportunity of the public service to promote their own or other parties' private interests. Members should at all times avoid behaving in a manner which might bring the Company into disrepute.

Gifts and hospitality

13.3 No member may corruptly solicit or accept any gift or consideration as an inducement for doing or refraining from doing or showing favour or disfavour to any person in an official capacity.

13.4 Members should exercise the utmost care in accepting hospitality or gifts where there could be a real or perceived conflict with their official duties at PSAA. Modest gifts up to a nominal value of £30, such as inexpensive items of equipment, pens, diaries or promotional material bearing the giver's insignia may be accepted. All offers of gifts or hospitality should be declared and recorded in the hospitality register (whether accepted or not). The hospitality register will be maintained by the Chief Executive. Details of items with a value greater than £30 will be published on the Company's website. An annual report will be presented to the Board.

Appointments

- 13.5** No Board member shall solicit any employment by the Company for any person with intent to bypass due process. This Standing Order shall not preclude a member from giving written testimonial of a candidate's ability, experience or character for submission to the Company.

Relatives of Board members

- 13.6** Board members shall disclose to the Chief Executive any relationship with a candidate for a staff appointment of whose candidature he/she is aware. The Chief Executive shall report to the Board any such disclosure made.
- 13.7** On appointment, Board members should disclose to the Chief Executive whether they are related to any other Board member or holder of any office under the Company.

14 Indemnity

- 14.1** Provided that a member has acted honestly and in good faith, the Company will indemnify him/her against any civil liability that may be incurred by him/her in the execution or purported execution of Board functions, save where the member has acted recklessly.

15 Suspension and amendment of standing orders

Suspension of standing orders

- 15.1** At any meeting the Board may, by a majority of not less than two-thirds of those present and voting, resolve to suspend these Standing Orders for the duration of the meeting or of any item of business to be transacted at the meeting, provided that:
- suspension of Standing Orders does not contravene any statutory provisions or directions;
 - any decision to suspend Standing Orders is recorded in the minutes; and
 - a separate record of matters discussed during the suspension is kept.

Amendment of standing orders

- 15.2** These Standing Orders may be amended by alteration, addition or deletion, provided that:
- amendment or variation of the standing orders does not contravene any statutory provisions or directions;
 - at least five days' notice shall be given of the proposed amendment; and
 - the amendment shall be approved by a majority of not less than two-thirds of the Board members present and voting at the meeting in which it is moved.
- 15.3** The Board will review the Standing Orders as part of the Corporate Governance Framework. The review will include all other documents having effect as if incorporated into Standing Orders.

Appendix 3 – Summary of the statutory framework for the Company

Administrative law

- 1 As a private limited company, PSAA Limited is subject to provisions of the Companies Act 2006. The Company must act reasonably (in the sense that it should not act in a manner in which no reasonable body such as PSAA would act) and should base its decisions on relevant considerations, disregarding irrelevant factors. The Company, and the Board, should be objective and impartial and bear in mind that the Company is an independent body with delegated statutory responsibilities under the Local Audit and Accountability Act 2014, and not part of government.

Statutory functions

- 2 PSAA is constituted under the Companies Act 2006 and is subject to the principle that it can only do the things which are contained in its Articles and Memorandum of Association. It must be possible, in relation to any act or decision of the Company, to identify the legal authority on which the Company is relying.

The Local Audit and Accountability Act 2014

- 3 The Local Audit and Accountability Act 2014, and for audits of the accounts of relevant authorities up to 2017/18 any provisions saved from the Audit Commission Act 1998 delegated to the Company on a transitional basis, are the principal sources of legislation relating to the Company's functions.
- 4 The Company was created by the Local Government Association (LGA) on 15 August 2014. The delegated functions for which it is responsible were conferred by the Secretary of State following a Commencement Order initially dated 23 March 2015, updated on 27 June 2016 and again on 17 December 2020. Letters of delegation from the Secretary of State set out the details of the transitional delegations. These arrangements will cease on 31 December 2028.
- 5 The Company was specified as an appointing person for principal local government bodies on 18 July 2016, under the provisions of the Local Audit and Accountability Act 2014 and supporting Regulations, for audits from 1 April 2018.
- 6 The functions of the company are rooted in the Local Government Finance Act 1982, as amended by the Audit Commission Act 1998 and subsequently by the Local Government Act 1999, the Local Government Act 2003, the Health and Social Care Act 2003, the Public Audit (Wales) Act 2004, the Children Act 2004, the Fire and Rescue Services Act 2004, the Local Government and Public Involvement in Health Act 2007, the Serious Crime Act 2007, the Housing and Regeneration Act 2008, the Local Democracy, Economic Development and Construction Act 2009, the Localism Act 2011 and the Local Audit and Accountability Act 2014.

Appointment of auditors

- 7** PSAA was created by the LGA to be independent of local public bodies, central government and the LGA. A letter of delegation from the Secretary of State sets out, on a transitional basis, the delegated responsibility under saved provisions from the Audit Commission Act 1998, to appoint auditors to audit the accounts of specified bodies.
- 8** For audits from 2018/19 PSAA has been specified to appoint auditors under provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 to principal local government and police bodies which elect to opt into PSAA's national scheme.

Code of Audit Practice (the Code)

- 9** The Local Audit and Accountability Act 2014 (LAAA 2014) requires the Comptroller and Auditor General to prepare a code of audit practice which prescribes the way local auditors are to carry out their functions.
- 10** It embodies what the Comptroller and Auditor General considers to be the best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. Auditors of bodies covered by the Act are required to comply with the Code. Guidance Notes on the application of the Code which auditors must have regard to are issued by the National Audit Office.

The statutory audit

- 11** Auditors appointed by PSAA have a range of functions not normally associated with the conventional audit of accounts. They have to satisfy themselves that the audited body 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'; they have a power to issue a public report, and in some circumstances they can intervene or take a local authority to court to challenge an authority's decision or failure to act where they reasonably believe this would affect the accounts of that authority.
- 12** The organisations for which the Company has responsibility for appointing the auditors pre-date the Company's creation and are the subject of considerable case law. The audit of accounts for some audited bodies to which the Company appoints the auditors is further regulated from 1 April 2015 by the Accounts and Audit (England) Regulations 2015 (SI 2015 No.234).

The Company is not the auditor

- 13** The Company appoints the auditor. The Company itself does not have the functions of the appointed auditor. In practice this means that the Company cannot direct an auditor as to the decision he or she should reach and cannot substitute its own judgement for that of the auditor. With the power to appoint auditors comes, by implication, the power to consider whether to re-appoint or to remove an auditor.

Statutory scales of fees

- 14** The Company has a duty to prescribe a scale or scales of fees for the audit of the accounts of relevant authorities. The Company must consult before prescribing a fee scale.

Restriction on Disclosing Information

- 15** Under Section 36 and schedule 11 of the 2014 Act, information relating to a particular body or person and obtained by the Company or an auditor in the course of carrying out their functions may only be disclosed in specified circumstances.
- 16** Unless covered by paragraphs 17 or 18 below, disclosure in any other circumstance is a criminal offence.

Governance and proceedings

- 17** A Memorandum of Understanding between the Ministry of Housing, Communities and Local Government, the LGA, the IDeA and the Company sets an agreed framework for collaboration between the MHCLG and PSAA in the period ahead of the transition of its Appointing Person functions to the LAO.

UK GDPR, the Data Protection Act 2018 and the Data Use and Access Act 2025 (DUAA)

- 18** The Company and its appointed auditors are 'data controllers' under data protection legislation. This provides a framework to ensure that personal information is handled properly and gives individuals the right to know what information is held about them. As data controllers, the Company and its appointed auditors must ensure that they process personal information in accordance with individuals' rights under the legislation and respond to requests for personal information within the statutory time limits.

Freedom of Information Act 2000

- 19** The Company is subject to the Freedom of Information Act 2000 as amended (FoIA), following changes to the legal status of the LGA from 1st April 2019 as an unlimited company under the Companies Act 2006, resulting in the IDeA becoming subject to FoIA. The Company is required to comply with requests for information unless a defined exemption applies. However, the Company's appointed auditors exercise separate statutory powers to the Company and are not subject to FoIA.
- 20** The post of Chief Executive is authorised to act as a 'Qualified Person' for the purposes of applying Section 36 of the FoIA.

Environmental Information Regulations 2004

- 21** The Company is required to comply with requests for environmental information unless a defined exception applies.

- 22** The definition of 'environmental information' is wide and covers elements of the environment, such as land, water, biological organisms, but also measures any activities that may affect these, including economic analysis of such measures and activities.

Appendix 4 – Financial policies

Background

- 1 The Company's core objectives include a commitment to being financially responsible and safeguarding fees charged to audited bodies. This document sets out the Company's arrangements for meeting that objective.
- 2 The Company's financial policies set out the high-level financial controls for securing value for money for the taxpayer. They also set out the role and responsibilities of the Board, the Chief Executive, the Head of Transformation, Corporate Services and the Chief Finance Officer.
- 3 The Company's financial policies form part of the Company's Corporate Governance Framework. The Board is responsible for approving the financial policies or any changes as recommended by the Audit Committee.
- 4 The Company's financial procedures set out the day-to day arrangements and delegated responsibilities for implementing the financial policies. The Audit Committee reviews the Company's financial procedures once a year and reports to the Board on amendments.
- 5 The Company's financial policies and financial procedures are consistent with the relevant sections of the Companies Act 2006 and the principles of HM Treasury's [Managing Public Money](#) where appropriate.

Responsibilities for financial management

The Board

- 6 Part 3 of the Corporate Governance Framework sets out the roles and powers reserved to the Board on financial management.

The Chief Executive

- 7 The Chief Executive has overall executive responsibility for the effective delivery of the Company's strategic and day-to-day financial affairs. He/she must advise the Board on the legal obligations set out in the Companies Act 2006 and the principles set out in HM Treasury's Managing Public Money.
- 8 The Chief Executive role carries with it personal responsibility to ensure that appropriate advice is given to the Company on all matters relating to financial propriety and regularity, for keeping proper accounts, and for the efficient and effective use of resources.
- 9 In line with the principles set out in Managing Public Money, the Company's Chief Executive has the following specific responsibilities that he/she cannot delegate to another officer:
 - a) Ensuring that the Company operates effectively and to a high standard of probity.

- b) Ensuring that the Company has effective internal control systems for financial procedures, governance, risk and performance management.
 - c) Maintaining the Company's financial policies including:
 - (i) **Annual review.** Completing a review and reporting proposed changes to the Audit Committee for recommendation to the Board for approval as part of the Company's Corporate Governance Framework.
 - (ii) **Ongoing review.** Keeping the financial policies up-to-date as the Company's circumstances change and reporting proposed amendments to the Audit Committee for recommendation to Board for approval.
 - d) Approving and maintaining the financial procedures setting out the delegations and detailed arrangements for implementing the Company's financial policies including:
 - (iii) Providing the Audit Committee with a copy of the financial procedures for scrutiny as it considers the report on the annual review of financial policies.
 - (iv) Advising the Chair of the Audit Committee on any changes to the financial procedures required between annual reviews.
- 10** In line with the principles set out in Managing Public Money, the Chief Executive also has overall responsibility for all other aspects of financial management. He/she may formally delegate these responsibilities, but not the accountability for them, to other Company officers in line with the requirements set out in these financial policies and through the Company's detailed financial procedures.
- 11** The Chief Executive's overarching financial management accountabilities and responsibilities are:
- a) Ensuring the Company uses its resources efficiently, economically and effectively, avoiding waste and extravagance.
 - b) Ensuring the provision of effective financial advice to the Board and Audit Committee.
 - c) Planning and delivering the financial framework agreed with the Board.
 - d) Carrying out project appraisals objectively and fairly, seeking good value for the public sector as a whole.
 - e) Using management information systems to secure assurance about value for money and the quality of delivery and making timely adjustments.
 - f) Ensuring the Company avoids undue compliance costs, either on its own staff or on its customers and stakeholders.
 - g) Using internal and external audit to improve internal controls and performance.

The Head of Transformation, Corporate Services and the Chief Finance Officer

- 12** The Head of Transformation, Corporate Services and the Chief Finance Officer are key members of the management team (SMT or OMT).
- 13** Together they must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
- 14** To deliver these responsibilities the Head of Transformation, Corporate Services and the Chief Finance Officer must be professionally qualified and suitably experienced. He/she must work closely with the Chief Executive at all times, leading on his/her behalf on financial issues at Board and Audit Committee meetings.
- 15** In line with the principles set out in Managing Public Money, the Head of Transformation, Corporate Services and the Chief Finance Officer have the following financial management responsibilities:
 - a) Providing financial advice to the Board at both a strategic and operational level.
 - b) Setting standards, leading, motivating and developing awareness of the finance function within the Company.
 - c) Providing sound financial advice, especially on affordability and value for money, to support effective decision making on all proposals with a significant financial implication.
 - d) Coordinating the planning and budgeting processes applying discipline in financial management, including managing debt and cash flow, with appropriate segregation of duties.
 - e) Leading on the preparation of the annual report and accounts.
 - f) Preparing timely monthly management accounts.
 - g) Reporting on compliance with financial delegations, policies and procedures.
 - h) Leading on day-to-day liaison with the external auditor and internal auditor on behalf of the Chief Executive.
 - i) Leading on review of financial policies and procedures on behalf of the Chief Executive.

Other Company staff

- 16** All members of staff have a general responsibility for safeguarding public money and ensuring value for money. The Company's financial procedures describe other staff members' specific financial management responsibilities.

Status and scope of the Company's financial policies

- 17** Board members and all employees must comply with the Company's financial policies. Any member of staff failing to comply with the financial policies may be subject to disciplinary

action under the Company's disciplinary policy. The Chief Executive will report any significant breaches of Company financial policies to the Audit Committee.

- 18** Members of the management team are responsible for making sure their staff have read the Company's financial policies and financial procedures and that their staff understand and comply with their financial management responsibilities.
- 19** The Company's financial policies are consistent with the Company's policies for ICT and HR and employees should read them in parallel.

Amendment of the Company's financial policies

- 20** The Audit Committee is responsible for reviewing changes to the financial policies proposed by the Chief Executive and making recommendations for change to the Board.

The financial policies

Capital investment and asset management

- 21** The Company will make any decision to buy, lease or dispose of assets on a case-by-case basis.

Treasury management and banking

- 22** The Company will seek to ensure the security of its deposits over maximising investment income. The Company will keep enough liquidity (through cash, cash equivalents, short-term investments or overdraft) to meet its current commitments.
- 23** The Company will make investments in line with the treasury management policy. The Local Government Association will provide administrative services. The Audit Committee will review these arrangements annually and any amendments will be recommended to the Board for approval.

Trade receivables

- 24** The Company normally expects debtors to pay trade receivable invoices within 30 days of the date of the invoice. Considering the costs and benefits of recovery, the Company will seek recovery of sums still owing after this period.

Procurement

- 25** The Company will ensure all purchases comply with relevant legislation and government directions. Purchases must be for essential goods and services only.

Trade payables

- 26** The Company will comply with agreed payment terms and will aim to pay 80 per cent of undisputed trade invoices within 10 days of the invoice date.

Taxation

- 27** The Company will seek to ensure it identifies and pays its tax liabilities on time.

Business and financial planning

- 28** The Company will review and update its medium-term financial plan as often as necessary to reflect changing strategic assumptions. The medium-term financial plan will support the Company's strategy.

Budgetary control

- 29** The Company will ensure its budget setting procedures are efficient and effective and will hold managers to account for their budget responsibilities.

Authorisation of expenditure

- 30** Items of expenditure up to £100,000 will be authorised by the Chief Executive, or a Senior Management Team member. Expenditure above this limit requires authorisation by the Chief Executive and a Senior Management Team member.
- 31** Expenditure must be within the approved budget and will not be authorised without a valid purchase order. Any exceptions will require prior approval from the CFO. Purchase orders will only be allocated by the Chief Finance Officer or the Finance Manager or the Financial Accountant. To maintain segregation of duties, these staff cannot authorise expenditure.
- 32** Distribution of surplus income to audited bodies, as agreed from time to time by the Board, will be made by BACs payments. The payment instructions will be calculated and set up with Barclays bank (through the LGA) by the Chief Finance Officer. The Chief Executive and a nominated management team member (not the CFO) will review the payment instructions by checking the accuracy of the amounts to be refunded and by verifying a sample of the audited bodies' bank details to confirmations received directly from the bodies.

33

Amount of purchase order	Purchase order approved by
£0 - £100,000	Chief Executive or Senior Management Team member or Operational Management Team member excluding CFO
Above £100,000	Chief Executive and a Senior Management Team member or Operational Management Team member * excluding the CFO

- 34** *If either of these officers is not going to be available in sufficient time then the other officer will consult with the Chair. The Chair will have discretionary power to authorise a Senior Management Team member (excluding the CFO) to be the second authoriser. The Chair will consult with the rest of the Board if he/she considers it to be appropriate to do so.

Risk management and insurance

- 35** The Company will ensure it identifies, evaluates and manages risks. The Company will evaluate insurable risks and maintain a suitable insurance strategy.
- 36** The Company will manage risks in accordance with the risk management strategy and policy.

Internal control

- 37** The Company will put in place an effective internal control environment with controls providing reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and policies.

Internal audit

- 38** The Audit Committee will review the effectiveness of the internal audit function annually.

External audit

- 39** The Audit Committee will review the external audit function annually to ensure it remains independent and effective.

Annual statutory accounts

- 40** The Company will produce an annual report and accounts on time, following FRS102, other relevant accounting standards and the other requirements of the Companies Act 2006.

Claims and litigation

- 41** The Company will put arrangements in place to ensure that it handles all claims and existing or potential litigation properly. These will reflect the Company's statutory functions, the need to achieve value for money, and relevant commercial principles.

Fraud

- 42** The Company requires all staff always to act honestly and with integrity, and to safeguard the public assets for which they are responsible. The Company will not tolerate any fraud perpetrated against it by its staff or any third party and will actively follow up any loss suffered. The Company's financial procedures set out the requirement to have a fraud response plan and to comply with money laundering legislation.

Fees and charging

- 43** The Company will review scales of fees annually so it can meet its statutory responsibilities for setting such fees.

Audit contracts management

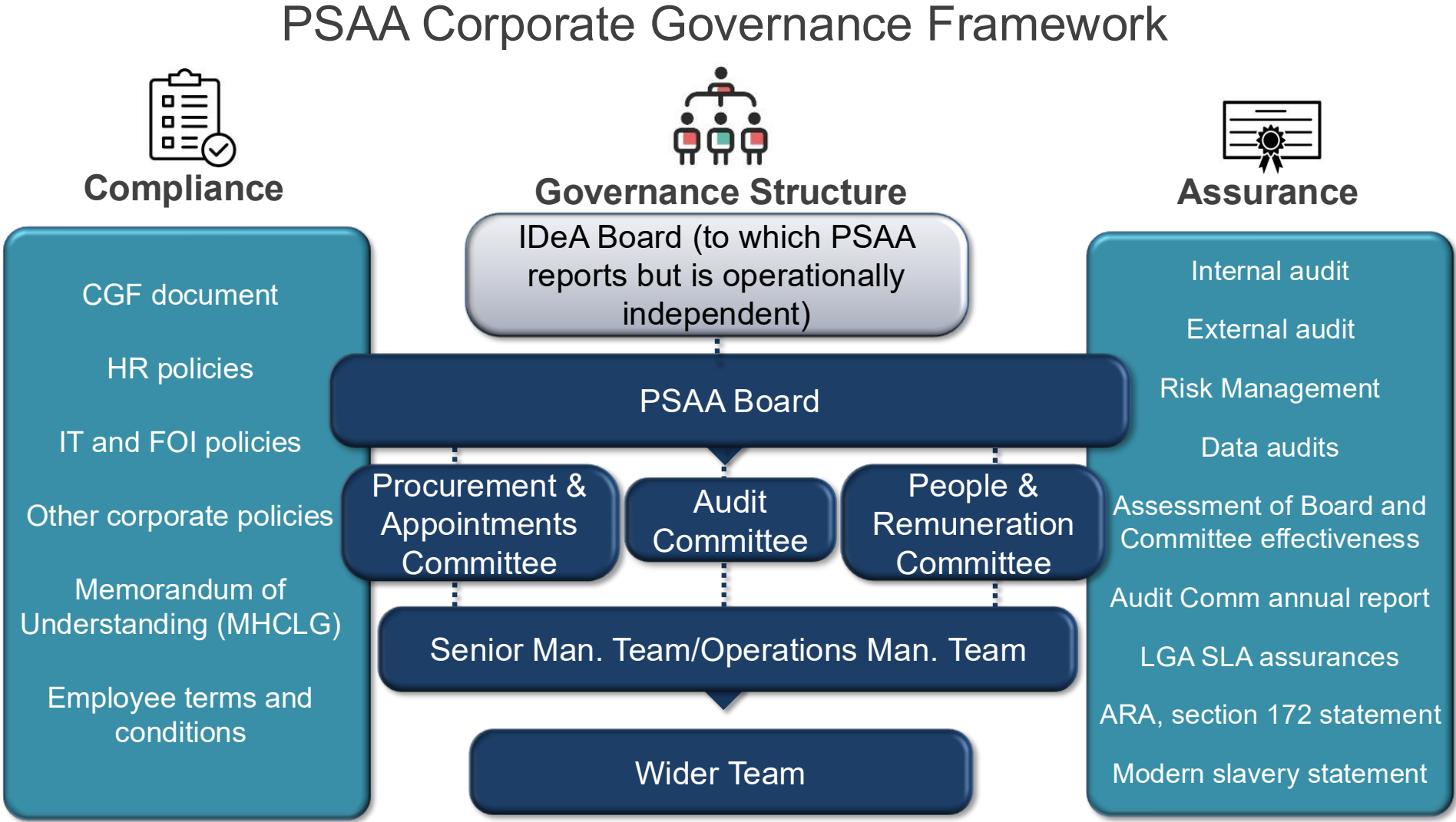
- 44** The Company will only approve payments to, or invoices for payments from, accounting firms under its audit contracts on receipt of properly validated quarterly data returns from the firms. The Company will check on a cyclical basis that the firm's processes and controls regarding the quarterly data returns are operating effectively.
- 45** Invoices to firms for payments will be raised by the Chief Finance Officer or the Finance Manager or Financial Accountant and will be authorised by the Chief Executive or the nominated Senior Management Team member (not the CFO).

Expenses

- 46** The Company will reimburse reasonable out-of-pocket expenses properly incurred while on authorised business. It is the employee's and Board member's responsibility to ensure that costs are reasonable. The Company reserves the right not to pay back expenses where a claim is not compliant with the expenses policy, including submission of claims made after the period specified in the Company's financial procedures and expenses policy. The

Company will discipline any employee that knowingly claims expenses in breach of this policy or makes a false claim.

Appendix 5 – Overview of PSAA’s governance framework



Appendix 6 – Internal Audit Charter

Approved by: Audit Committee

Effective Date: 13 April 2026

Review Frequency: Annually (or sooner if warranted)

1. Purpose

The purpose of the internal audit function is to strengthen PSAA's ability to create, protect, and sustain value by providing the Audit Committee (AC) and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances PSAA's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

PSAA's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhere to the Global Internal Audit Standards

The PSAA's internal audit function will adhere to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive (CAE) will report to the AC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Commitment to Adhere to Statutory, Sector and UK Corporate Governance requirements, standards and guidance

Internal Audit will comply with relevant statutory / sector guidance and where applicable, reference UK Corporate Governance expectations proportionate to PSAA's size and complexity.

2. Authority

PSAA's internal audit function is mandated within PSAA's Corporate Governance framework.

The internal audit function's authority is created by its direct reporting relationship to the AC. Such authority allows for unrestricted access to the AC.

The AC authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of PSAA and other specialised services from within or outside PSAA to complete internal audit services.

All employees are expected to cooperate with IA. Third parties/suppliers shall provide access where stipulated in contracts or via rights of audit provisions.

3. Independence, Organisational Position, and Reporting Relationships

The CAE will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The CAE will report functionally to the AC, administratively to the Head of Transformation Corporate Services (HoTCS) as the senior manager with overall responsibility for internal audit, and for vendor management to the Procurement Manager. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the AC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The CAE will confirm to the AC, annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the CAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE will disclose to the AC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

4. Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the CAE, AC and the HoTCS on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the CAE, Board, AC, and/or senior management.

- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

5. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all PSAA's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the AC and management on the adequacy and effectiveness of governance, risk management, and control processes for PSAA.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of PSAA's strategic objectives are appropriately identified and managed.
- The actions of PSAA's officers, directors, management, employees, and contractors or other relevant parties comply with PSAA's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact PSAA.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

The scope includes, but is not limited to:

- **Governance:** roles, oversight, decision-making, policies, and culture.
- **Risk Management:** identification, assessment, mitigation, and reporting.
- **Internal Control:** design and operating effectiveness across financial, operational, compliance, IT, cyber/data protection (including UK GDPR and DUAA2025), and ESG controls proportionate to the business.
- **Fraud & Financial Crime:** adequacy of prevention, detection, and response frameworks.
- **Information Security & Data Protection:** access controls, confidentiality, integrity, availability, and regulatory compliance.
- **Projects & Change:** key initiatives, system implementations, post-implementation reviews.
- **Third Parties:** supplier risk, contract management, and right-to-audit clauses.
- **LAO transitioning support**

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. Advisory work (e.g., policy refresh, controls design input) may be undertaken where it does not impair independence and is pre-agreed with the AC.

6. AC Oversight

To establish, maintain, and ensure that PSAA's internal audit function has sufficient authority to fulfil its duties, the AC will:

- Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the CAE has unrestricted access to and communicates and interacts directly with the AC, including in private meetings without senior management present.
- Discuss with the CAE and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the CAE and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually or as considered required with the CAE to consider changes affecting the organisation, such as the employment of a new CAE or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Provide input to the internal audit function’s human resources administration and budgets.
- Review the internal audit function’s expenses.
- Provide input to senior management on the appointment and removal of the CAE, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the CAE’s performance.
- Receive communications from the CAE about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

7. CAE Role and Responsibilities

Ethics and Professionalism

The CAE will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for PSAA or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any PSAA employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAE, AC, Chief Finance Officer, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Quality Assurance and Improvement Programme

The CAE will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAE will communicate with the AC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside PSAA; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Managing the Internal Audit Function

The CAE has the responsibility to:

- a) Develop a **risk-based Internal Audit Plan (IAP)** annually, that considers the input of the Board / AC and senior management informed by the corporate risk register and prior audits. Discuss the plan with the AC and senior management and submit the plan to the AC for review and approval.
- b) Communicate the impact of resource limitations on the internal audit plan to the AC and senior management.
- c) Review and adjust the internal audit plan, as necessary, in response to changes in PSAA's business, risks, operations, programs, systems, and controls.
- d) Communicate with the AC and senior management if there are significant interim changes to the internal audit plan.
- e) Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations, reporting **clear, concise findings** with risk ratings, root causes, and practical recommendations.
- f) Follow up on engagement findings and confirm the implementation of recommendations or action plans, tracking remediation to closure and reporting overdue actions.
- g) communicate the results of internal audit services to the AC and senior management (at least quarterly) on plan delivery, key findings, themes, and emerging risks and for each engagement as appropriate.
- h) Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.

- i) Identify and consider trends and emerging issues that could impact PSAA and communicate to the AC and senior management as appropriate.
- j) Consider emerging trends and successful practices in internal auditing.
- k) Establish and ensure adherence to methodologies designed to guide the internal audit function.
- l) Ensure adherence to PSAA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the AC and senior management.
- m) Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the AC.
- n) Coordinate with **External Audit** to minimise duplication and share insights where appropriate.
- o) Escalate significant control weaknesses, suspected fraud, or legal/regulatory non-compliance promptly to the **Head of Transformation, Corporate Services** in the first instance, and subsequently to the **AC Chair** and **CE**.

Communication with the AC and Senior Management

The CAE will report annually to the AC and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the AC that could interfere with the achievement of PSAA's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond PSAA's risk appetite.

8. Planning & Engagement Protocols

- **Annual Plan:** Drafted by IA following consultations with AC and senior management and approved by the AC. Includes resource hours, audit universe, risk rationale, and contingency.
- **Engagement Terms:** Each audit will have a brief **Terms of Reference (ToR)** confirming objectives, scope, timing, and key contacts.

- **Fieldwork:** Evidence-based testing with proportionate samples; maintain working papers.
- **Closing Meeting:** Discuss findings and agree actions/owners/dates.
- **Reporting:** In line with the timelines set out within the contract.
- **Rating Scale:** Excellent, Substantial, Adequate, Limited, Poor which inform RAG rated risk ratings High/Medium/Low.
- **Stakeholder feedback surveys:** used after each engagement to feed continuous improvement.

9. Third-Party/Internal Audit Service Provider Arrangements

Because IA is outsourced to KOSI Corporation Ltd (KOSI):

- **Contract & SLAs:** Defined KPIs/SLAs govern timeliness, quality, and stakeholder satisfaction.
- **Right to Substitute/Named Team:** The provider will supply suitably qualified staff (CMIIA/IIA/CCAB/CISA as appropriate) and notify material team changes.
- **Independence Safeguards:** The provider will disclose conflicts and not provide services that impair IA independence without AC approval.
- **Security:** Provider adheres to PSAA's security requirements, including confidentiality, secure file transfer, and data minimisation.
- **Right to Audit Provider:** PSAA reserves the right to audit the provider's delivery relating to this engagement.

10. Coordination with External Assurance

IA will coordinate with:

- **External Audit** to align on key risks and avoid duplication.
- **Regulators/Assurance providers** (e.g., cyber specialists, Payment Card Industry (PCI), ISO auditors) to leverage assurance where appropriate and use reliance judiciously.
- **LGA Internal Auditors** to share assurances over services provided under the SLA.

11. Resourcing & Budget

- The AC approves the annual IA budget and plan hours.
- Any material out-of-scope or unplanned work requires AC Chair preapproval (or between-meeting-approval via the Chair and reported at next AC).
- The provider will ensure competence consistent with the Standards and the complexity of the audit universe.

12. Performance Measurement

- IA performance will be monitored using periodic stakeholder feedback.
- Delivery against the plan, implementation of agreed actions, and value add-insights will be reported to the AC.

13. Charter Review and Approval

This Charter will be reviewed annually by the CAE, the AC and senior management, and be presented to the AC for approval. Interim updates may be required if organisational or regulatory changes occur.

Sign-off

- **Audit Committee Chair:** Alan Edwards
Date: 13 April 2026
- **Head of Transformation, Corporate Services:** Chris Reilly
Date: 13 April 2026
- **Chief Audit Executive (KOSI Corporation Ltd):** Sinead Spencer
Date: 13 April 2026

Appendix 7 – Managing potential and actual conflicts of interest at PSAA relating to Bill Butler’s proposed appointment as LAO Chair



23 June 2026

Alison McGovern MP	Email	
Minister of State for Local Government and Homelessness	Phone	
MHCLG	Our reference	BB-LAO&PSAA

Dear Minister

Managing potential and actual conflicts of interest at PSAA relating to Bill Butler’s proposed appointment as LAO Chair

I understand that your approval of Bill Butler’s appointment as Local Audit Office (LAO) Chair is subject to Public Sector Audit Appointments (PSAA) Limited providing a full plan setting out how we will identify and mitigate any conflict of interest caused by him holding the chair role at both organisations. Specifically, this includes Bill’s formal recusal from all PSAA board level and executive level matters that relate to the transfer of functions to the LAO.

I have set out below the plan that the PSAA Board has approved yesterday, which they consider will provide you with the assurance framework that you seek. Similarly, it will enable them to assure other stakeholders, and indeed themselves, that appropriate arrangements are in place. These arrangements have been shared previously with your officials.

Consideration of the risk of a conflict – Board meetings

Every Board paper will contain a standard paragraph on the requirement to consider if there is a conflict within the paper, and the need to be alert to any potential conflict arising during discussion.

PSAA Director Liz Murrall has agreed to take active responsibility for monitoring the risk of a conflict arising and to assess the acceptability for any mitigation. The standard paragraph will state that any Director, Thelma Stober as Company Secretary, or any other officer must raise any concerns either prior to (with Liz directly) or at any point during a Board meeting. Any concern must be appropriately resolved, and the mitigation must be minuted. Bill would not be present for the discussion to resolve the concern. Where a conflict is agreed (rather than a common interest), resolution may include Bill recusing himself from the discussion on the item itself.

In addition to PSAA Directors and officers having the right to raise concerns, the Board

recognises the right of MHCLG officials to raise concerns about any potential conflict. For practical purposes this would be with me as Chief Executive.

Dealing with a clear conflict - Board meetings

If a clear conflict is identified, then Bill would recuse himself from the item, and would not be present for the discussion. It would be permissible for the Board to clarify a factual matter with Bill prior to him recusing himself. Examples of items that are clear conflicts include the destination of PSAA residual balances and TUPE arrangements. Our Corporate Governance Framework (CGF) currently states that *'In the absence of the Chair, a nominated deputy acts, as necessary, to ensure the continuity of Company business.'* The Board has agreed that its default position will be to nominate Adrian Lythgo as the Deputy Chair for any item that involves a conflict in relation to Bill's dual role. If Adrian is not available, then Liz would be the alternative default nomination.

Potential conflicts at Committee

The arrangements for consideration of potential conflicts at Board also apply to PSAA Committee business, albeit noting that Bill does not chair any Committee and so the deputy Chair arrangements do not apply.

Bill is a member of the Procurement and Appointments Committee and attends the People and Remuneration Committee and the Audit Committee on invitation only. The Chairs of these Committees have taken responsibility (alongside Bill and officers) for being alert to any potential conflict and for managing them appropriately. Any Committee member or officer may raise a concern, with the resolution being minuted.

Potential conflicts during day-to-day business

I host an informal monthly on-line call with the Board, and I have regular contact with Bill in-between them and our Board and Committee meetings. We have already implemented practical actions to cover these less formal discussions. For example, Bill recused himself from the June Board call for my update on MHCLG's plan to consult the sector on the destiny of any remaining PSAA reserves after all liabilities have been covered. Going forward Bill and I will be alert to any potential conflict and agree the way forward. We consider that as with Board and Committee discussion, clarification of purely factual matters is acceptable.

Risk appetite for potential conflicts

The Board recognises that there are very significant positives of Bill holding both Chair posts, and in order to help preserve this position it has adopted a "fail safe" approach whereby they and officers will assume there is a likely risk of conflict for any potential item identified unless agreed otherwise.

I hope that this plan provides you with sufficient confidence in PSAA's arrangements for addressing Bill's proposed dual role, but I would of course be happy to provide you with further detail or to discuss any aspect if that would be helpful.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Tony Crawley'. The signature is fluid and cursive, with a long horizontal stroke at the beginning and a series of loops and curves that form the rest of the name.

Tony Crawley Chief Executive
Public Sector Audit Appointments Limited