

Audit Committee

Annual Report

2023/24

A note from the Chair

This Annual Report highlights the work of the Committee for 2023/24 in order to achieve its Terms of Reference and provides assurance to the Board that it has done so. It also includes a brief look ahead covering possible areas of development.

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

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

I would like to thank Committee members, officers, the internal and external auditors for their input and support for the work of the Committee.

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

Marta Phillips

PSAA Audit Committee Chair

17 June 2024

The role of the Audit Committee

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

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

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

To help ensure that the Committee has the appropriate knowledge to meet its responsibilities each year, members are provided with access to the LGA e-learning platform.

During 2023, the Committee discussed with the internal auditors (TIAA) and external auditors (MHA) the overall scope and plans for their respective audits. The Committee also met with the auditors, with and without officers present, and discussed the results of their work and evaluations of the internal control environment and the overall quality of PSAA's financial reporting.

MHA had no matters of concern to raise with the Committee and are proposing an unqualified audit opinion on the financial statements. They confirmed the accounting policies selected by PSAA were appropriate.

The internal auditors provided substantial assurance for the areas reviewed (data security and financial compliance) for 2023/24.

The approach for assessing the effectiveness of internal and external audit is based on a review of Audit Committee members' and officers' views. This year the views were captured via a survey. Committee members assessed the results during a private session which confirmed that the external and internal audit functions are performing well overall. The Committee sought assurances from the external auditor (MHA) that their engagement with staff for the 2023/24 audit would be more efficient following some issues in their first year. The Committee will follow up on the outcome. There is general satisfaction with the internal auditor (TIAA).

The Committee reviewed and discussed the Annual Report and Accounts for 2023/24, including the appropriateness of the accounting policies proposed, the reasonableness of significant judgements and estimates and the clarity of disclosures made.

At each meeting the Committee considered the effectiveness of the Company's risk management arrangements, including reviewing the risk management policy and strategy and the corporate risk register. The Committee sought assurances that action was being taken on risk-related issues. However, the Committee recognised that due to the nature of the local audit environment, several risks have become issues, and actions to address these are outside of PSAA's remit and control.

The Committee has:

- Received assurances from the Chief Executive about the operation of internal controls, including those that inform the Annual Report and Accounts.
- Reviewed PSAA's corporate governance framework.
- Overseen PSAA's risk management arrangements and reviewed treasury management performance/policy on behalf of the Board.
- Recommended PSAA's Annual Report and Accounts to the Board for approval.
- Received assurances from the external auditor (MHA) confirming independence from PSAA. The Board has a policy of not buying non-audit services from its external auditor except for work on 'tagging' the accounts for tax return purposes. This policy has been adhered to.
- Completed an annual effectiveness survey. The results of the survey showed consistently positive responses, with all scores being either 'strongly agree' or 'agree'.

In summary, the Committee has met its Terms of Reference and the above points confirm that the Audit Committee is effective.

Full details of the [Audit Committee's Terms of Reference](#) can be found on our website.

Meetings and membership

The Audit Committee met on three occasions: in April, June and October 2023. The meeting comprised of the Chair, two members and one independent member. All members of the Committee attended all meetings and membership has been stable throughout the year.

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

Member	Date appointed to Committee	April 2023	June 2023	October 2023
Marta Phillips - Chair	1 April 2022	✓	✓	✓
Fraser McKinlay - Member	1 June 2022	✓	✓	✓
Mike O'Donnell - Member	1 April 2022	✓	✓	✓
Alan Edwards - Independent Member	1 April 2021	✓	✓	✓

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

- Tony Crawley (PSAA Chief Executive)
- Sandy Parbhoo (PSAA Chief Finance Officer)

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

- Martin Phillips (PSAA Finance and Contract Manager)
- Julie Sharp (PSAA Governance and Contract Manager)
- Sean Marshall (PSAA Procurement and Project Manager)
- Ashley Norman (Director of Audit, TIAA)
- Sudhir Singh (Partner, MHA MacIntyre Hudson)

Development areas for 2024/25

The Committee's annual effectiveness survey 2023 highlighted the value in carrying out a skills assessment of the Committee members to identify any training needs in addition to the basic governance e-learning modules which are accessible to Committee members. This request will be considered and will be developed over the next 12 months in conjunction with the Chair and Committee members if appropriate.

The Audit Committee will continue to comment on the scope of the internal audit (quantum and depth of review). In 2023/24 the internal auditor carried out specific work on data security following a request from the Committee. The option to increase internal audit days continues to be available or to commission appropriate reviews into areas where it is felt that assurance is required.

Conclusion

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

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