

REVIEW AND COMMENT ON THE ADEQUACY OF PSALM'S MATERIAL CONTROLS (INCLUDING OPERATIONAL, FINANCIAL & COMPLIANCE CONTROLS)

As an integral part of the internal control system of PSALM, the Office of the Internal Audit (OIA) independently reviews the control procedures and processes implemented by the Management. It reports directly to the Board Audit Committee (“AuditCom”) which provides oversight to OIA. As such, the AuditCom oversees, monitors and evaluates the adequacy and effectiveness of the PSALM’s internal control system through the OIA. It reviews and approves the internal audit plan and ensures that Management is taking appropriate actions in a timely manner in addressing control issues and compliance with administrative and regulatory agencies. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Board Audit Committee. The PSALM Board Audit Committee had four (4) meetings in 2020. Pursuant to its mandate, it performed the following:

- Evaluated the effectiveness of the internal controls system of PSALM;
- Reviewed and assessed Management’s processes of monitoring compliance with laws, rules and regulations;-
- Approved the 2021 Internal Audit Work Plan;
- Discussed the audit results reported by the Internal Auditor;
- Issued policy directives resulting from Internal Audit reports;
- Monitored Management’s actions to address audit findings/observations; and
- Assessed Internal Audit’s performance.

After judicious review and evaluation, through the OIA, the PSALM Board Audit Committee finds that the system of internal controls established by PSALM Board and Management remains adequate.