

# Public Document Pack



To: All Members of the Audit Committee  
(and any other Members who may wish to attend)



R. Groves  
Monitoring Officer

Tel: 0151 296 4000  
Extn: 4124 Ally Kirby

Our ref AK/RG

Date: 18 September 2024

Dear Sir/Madam,

You are invited to attend a meeting of the **AUDIT COMMITTEE** to be held at **1.00pm** on **THURSDAY, 26TH SEPTEMBER 2024** in the Wirral Suite, Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

The meeting is webcast live to YouTube and is available at the following link:

<https://youtube.com/live/xFgXdwVQGRU?feature=share>

Yours faithfully,

*PP – A. Kirby*

Monitoring Officer

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**MERSEYSIDE FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**26 SEPTEMBER 2024**

**AGENDA**

**Members**

Cllr Jan Grace (Chair)  
Cllr Edna Finneran  
Cllr Barbara Murray  
Cllr Lynn O'Keeffe  
Cllr Andrew Makinson  
Cllr Sam Gorst  
Co-opted Member Anthony Boyle

**1. Apologies**

To consider any apologies for absence.

**2. Declarations of Interest**

To consider declarations of interest in relation to any item on the agenda.

**3. Minutes of the Last Meeting (Pages 5 - 8)**

To consider the minutes of the last meeting held on 6<sup>th</sup> June 2024.

**4. Forvis Mazars (MFRA External Auditors) Audit Strategy Memorandum 2023/24 (Pages 9 - 48)**

To consider a report of the External Auditors, Forvis Mazars (CFO/57/24).

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**MERSEYSIDE FIRE AND RESCUE AUTHORITY**  
**AUDIT COMMITTEE**  
**6 JUNE 2024**  
**MINUTES**

**Present:** Councillors Jan Grace (Chair), Sam Gorst, Barbara Murray and Lynne Thompson (Substitute for Pat Moloney)

**Also Present:**

Deputy Chief Fire Officer	Nick Searle
Director of Finance and Procurement	Mike Rea
Monitoring Officer	Ria Groves
Internal Audit (LCC)	Melanie Dexter
Internal Audit (LCC)	Johnathan Brookman
External Audit (Forvis Mazars)	Katie Kingston
External Audit (Forvis Mazars)	Karen Murray

**15. Apologies**

Apologies received from Councillors Pat Moloney, Susan Murphy, Edna Finneran, the Co-opted Member Anthony Boyle and the Chief Fire Officer Phil Garrigan.

**16. Declarations of Interest**

There were no declarations of interest received for any of the items on the agenda.

**17. Minutes of the previous meeting**

**RESOLVED** that the minutes of the previous meeting held on 8<sup>th</sup> February 2024 were agreed as an accurate record.

**18. Treasury Management 2023/24 Annual Report**

Mike Rea, Director of Finance and Procurement, presented the report which provided an overview of the Authority's treasury management performance against prudential indicators for 2023/24.

It was reported that treasury management activity for the year had been carried out in line with the agreed strategy and within borrowing and Treasury Management limits set by the Authority.

Members were advised that there had been no new borrowing arranged in the year, outstanding debt remained at £33.7million and investments reduced from £35.5million to £26.4million. Members were also advised that the Authority's treasury management services (provided by Liverpool City Council) had been recently audited.

Councillor Jan Grace asked for further information about the sterling overnight rate referenced in the report. It was explained that it was a benchmark overnight interest that the banks pay, to compare the Authority's return on investment against.

**RESOLVED** that Members noted the Treasury Management Annual Report 2023/24 (attached as Appendix A).

**19. Annual Governance Statement 2023-24**

Mike Rea, Director of Finance and Procurement, presented the Annual Governance Statement, outlining the key elements of governance and internal control systems within the Authority. The report considered the effectiveness of the controls in place and confirmed that the current arrangements were fit for purpose and the review provided an acceptable overall assurance of the effectiveness of the Authority's system of internal control. Members attention was drawn to the risks and challenges outlined in the report noting that the Authority felt there was sufficient financial resilience to meet those challenges.

The Chair of the Audit Committee noted that there were no significant areas of weakness identified as part of the report and that risk management arrangements in place were effective.

**RESOLVED** that Members approved the 2023/2024 Annual Governance Statement.

**20. Mazars Audit Progress Report 2023-24**

The report outlined Mazars approach for 2023/24 and was presented by Karen Murray, Audit Partner, and Katie Kingston, Audit Manager.

Members were advised that Mazars had merged with Forvis to become Forvis Mazars. It was noted that the timetable in the report had been drafted before the general election was announced and as such it may change.

Members were advised that all auditors were asked to work towards a deadline of the 30<sup>th</sup> September to clear all pre 2022/23 audits. A further announcement was expected from the Department for Levelling Up, Housing and Communities after the general election. It was expected that the 2023/24 audit would begin in October with planning behind the scenes taking place beforehand. It was anticipated that an Audit Strategy Memorandum would be submitted to the next meeting of the Audit Committee.

**RESOLVED** that Members noted Mazars Audit Progress Report 2023/2024 and the timing of the Authority's 2023/2024 audit of the financial statements.

**21. 2023-24 Annual Year-End Internal Audit Report**

Mike Rea, Director of Finance and Procurement presented the report which summarised the outcome of the work undertaken by internal audit in 2023/24. It was explained that an Internal Audit opinion provided substantial assurance that

the systems of internal control in place at the Authority accorded with proper practice and Internal Audit were not aware of any control weaknesses.

Melanie Dexter, Liverpool City Council, outlined the opinion for 2023/24 which was a substantial opinion that the system of internal control was in accordance with good practice.

Members were advised that a new self-serve tool have been introduced and as such, time was needed to update the system and allow for the recommendations from the previous 12 months to be updated.

Councillor Dave Hanratty asked if there were any areas of concern that the Authority Members needed to scrutinise further. Members were assured that Internal Audit had not identified any areas of concern.

With regards to Service Instructions, Melanie Dexter explained that the recommendation had only been issued in the last 3-4 weeks and work was underway to make improvements as recommended.

Councillor Sam Gorst asked when the opinion on bullying and harassment would be finalised, and it was explained that could be expected in the next few weeks.

**RESOLVED** that Members noted the contents of the Internal Audit Report for 2023/2024.

## **22. Internal Audit Plan 2024-25**

Mike Rea, Director of Finance and Procurement, notified Members of the proposed Internal Audit Plan for 2024-25. It was explained that 40 audit days had been allocated to review fundamental financial systems and internal control process and 38 days had been allocated to cover 3 strategic areas.

Members discussed the new Training and Development Academy at Long Lane and Internal Audit's review of cost recovery arrangements. It was explained that the plan was for Internal Audit to work with the Authority on cost models given the interest from external parties in the UK and abroad to come and use the new facilities. Councillor Murray asked if a marketing plan for external training had been devised and it was explained that a manager had recently been appointed and part of their remit would be to create that marketing plan.

Councillor Barbara Murray also asked how long it would take the Authority to pay off the debt accumulated to build the new Training and Development Academy. Mike Rea explained that the additional borrowing to finance the new Training and Development Academy had not been taken out as the Authority was currently using internal cash to fund the build and reduce the level of borrowing. Members were advised that additional income generated would be used to enhance the training facilities and the Authority was assured that when the additional borrowing was taken out it would be financed using existing budget without the need to generate income.

With regards to the budget for the new Training and Development Academy, Mike Rea explained that there had been a slight overspend which would be reported back to the Authority for approval in due course.

**RESOLVED** that Members considered any comments or opinions they might have on the proposed audit plan and approved the 2024/25 Internal Audit Plan.

Close

Date of next meeting Thursday, 26 September 2024



<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>26 SEPTEMBER 2024</b>	<b>REPORT NO:</b>	<b>CFO/57/24</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM</b>		
<b>TITLE OF REPORT:</b>	<b>FORVIS MAZARS (MFRA EXTERNAL AUDITORS) AUDIT STRATEGY MEMORANDUM 2023/24</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: FORVIS MAZARS AUDIT STRATEGY MEMORANDUM FOR YEAR ENDING 2023/24</b>
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### Purpose of Report

1. To present to Members Forvis Mazars Audit Strategy Memorandum that outlines the Auditor’s approach to auditing the Authority’s 2023/24 financial statements.

### Recommendation

2. It is recommended that Members note Forvis Mazars 2023/24 Audit Strategy Memorandum and the timing of the Authority’s 2023/24 audit of the financial statements.

### Introduction and Background

3. Merseyside Fire and Rescue Authority (‘the Authority’) is required to prepare a set of financial statements annually as required by the relevant codes and regulations. The deadline for the production of the 2023/24 unaudited financial statements was the end of May 2024.
4. The financial statements must then be audited by an independent auditor, who will then issue an opinion on the statements. Members will be aware that the Authority chose to opt into the Public Sector Audit Appointments (PSAA) national scheme for the appointment of the Authority’s Auditors. The PSAA awarded new contracts in 2022 to cover the financial years 2023/24 to 2027/28.
5. Forvis Mazars were appointed as the Authority’s Auditors to cover the period 2023/24 to 2027/28. A copy of their 2023/24 Audit Strategy Memorandum is contained within appendix A of this report for Members to note.

6. Between 8 February and 7 March 2024 the then Department for Levelling-Up Housing and Communities (DLUHC) consulted on amending the Accounts and Audit Regulations 2015 as part of measures to tackle the backlog of unaudited local body accounts in England. The proposals consulted upon included setting a statutory backstop date to clear the backlog of unaudited accounts up-to-and-including financial year 2022/23. They also included setting backstop dates for financial years 2023/24 to 2027/28 to enable the local audit system to recover.
7. Following the consultation, the government intends to set the following statutory deadlines for these years:
  - 2023/24: 28<sup>th</sup> February 2025
  - 2024/25: 27<sup>th</sup> February 2026
  - 2025/26: 31<sup>st</sup> January 2027
  - 2026/27: 30<sup>th</sup> November 2027
  - 2027/28: 30<sup>th</sup> November 2028

It is the aspiration of the government and key local audit system partners that, in the public interest, local audit recovers as early in this five-year period as possible.

8. For financial years 2024/25 to 2027/28, the date by which the Authority should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.

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### **Equality and Diversity Implications**

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9. There are no equality and diversity implications contained within this report.

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### **Staff Implications**

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10. There are no staff implications contained within this report.

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### **Legal Implications**

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11. The regulations require the unaudited financial statements for 2023/24 to be prepared by 31st May 2024, and the statements to be audited by 28th February 2025.

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### **Financial Implications & Value for Money**

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12. The 2023/2024 external audit fee, £97,117 has been included within the budget.

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**Risk Management and Health & Safety Implications**

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13. Failure to prepare the financial statements or have them audited within the statutory deadlines may have an adverse impact on the Authority's financial management reputation.

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**Environmental Implications**

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14. There are no environmental implications contained within this report.

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**Contribution to Our Vision: To be the best Fire & Rescue Service in the UK.**

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Our Purpose: Here to serve, Here to protect, Here to keep you safe.

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15. The achievement of sound financial administration and Value For Money arrangements is essential to achieve the Authority's vision.

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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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# Audit Strategy Memorandum

## Merseyside Fire and Rescue Authority – Year ending 31 March 2024

September 2024

Audit Committee  
Merseyside Fire and Rescue Service  
Fire Service Headquarters  
Bridle Road  
Bootle  
L30 4YD

Forvis Mazars  
One St Peters Square  
Manchester  
M2 3DE

Dear Audit Committee Members,

## Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Merseyside Fire and Rescue Service for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Merseyside Fire and Rescue Service which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0161 238 9248.

Yours Faithfully,

Karen Murray  
Forvis Mazars

# Contents

<b>01</b>	Engagement and responsibilities summary
<b>02</b>	Your audit engagement team
<b>03</b>	Audit scope, approach and timeline
<b>04</b>	Significant risks and other key judgement areas
<b>05</b>	Value for money arrangements
<b>06</b>	Audit fees and other services
<b>07</b>	Confirmation of our independence
<b>08</b>	Materiality and misstatements
<b>A</b>	Appendix A – Key communication points
<b>B</b>	Appendix B - Current year updates, forthcoming accounting and other issues

Page 15

## Engagement and responsibilities summary



# Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Merseyside Fire and Rescue Service for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of consultations in place that could impact upon both the Authority's financial statements and the work we are required to undertake, further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Committee in due course.

# Engagement and responsibilities summary

## Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit Committee as Those Charged With Governance, of their responsibilities.

The Director of Finance & Procurement is responsible for the assessment of whether it is appropriate for the Authority to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Director of Finance & Procurement's use of the going concern basis of accounting in the preparation of the financial statements.

Page 18

## Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management [include Internal audit, other key individuals where relevant] as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



## Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Merseyside Fire and Rescue's internal control.

## Wider reporting and electors' rights

We report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Authority and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

## Value for money

We are also responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

# 02

Your audit engagement team

## Your audit team



**Karen Murray**

**Partner**

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**Katie Kingston**

**Manager**

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**Assistant Manager**

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# 03

Audit scope, approach, and timeline

# Audit scope, approach, and timeline

## Audit scope

Our audit is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based. The nature, extent, and timing of our audit procedures is primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

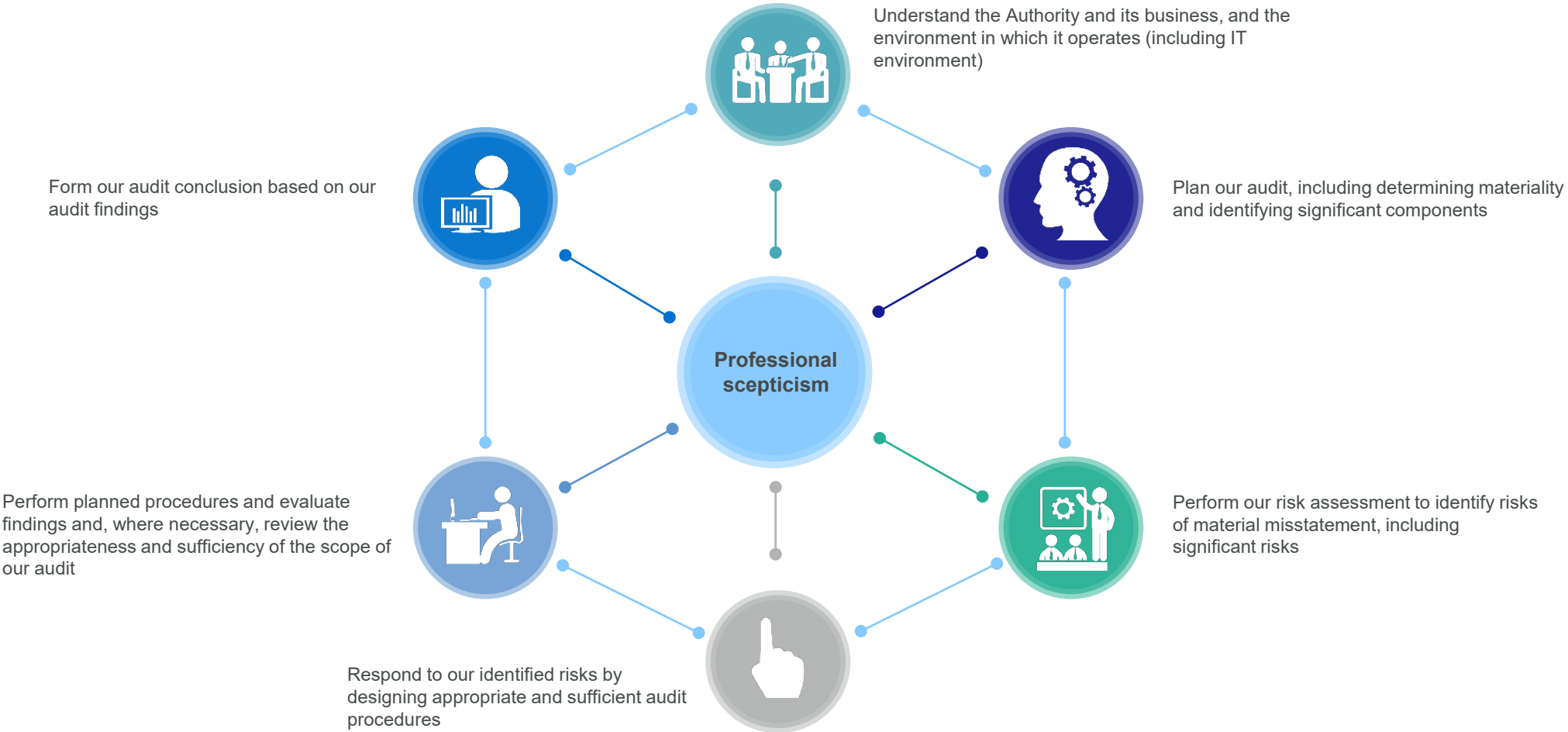
Page 22  
If we conclude appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

# Audit scope, approach, and timeline

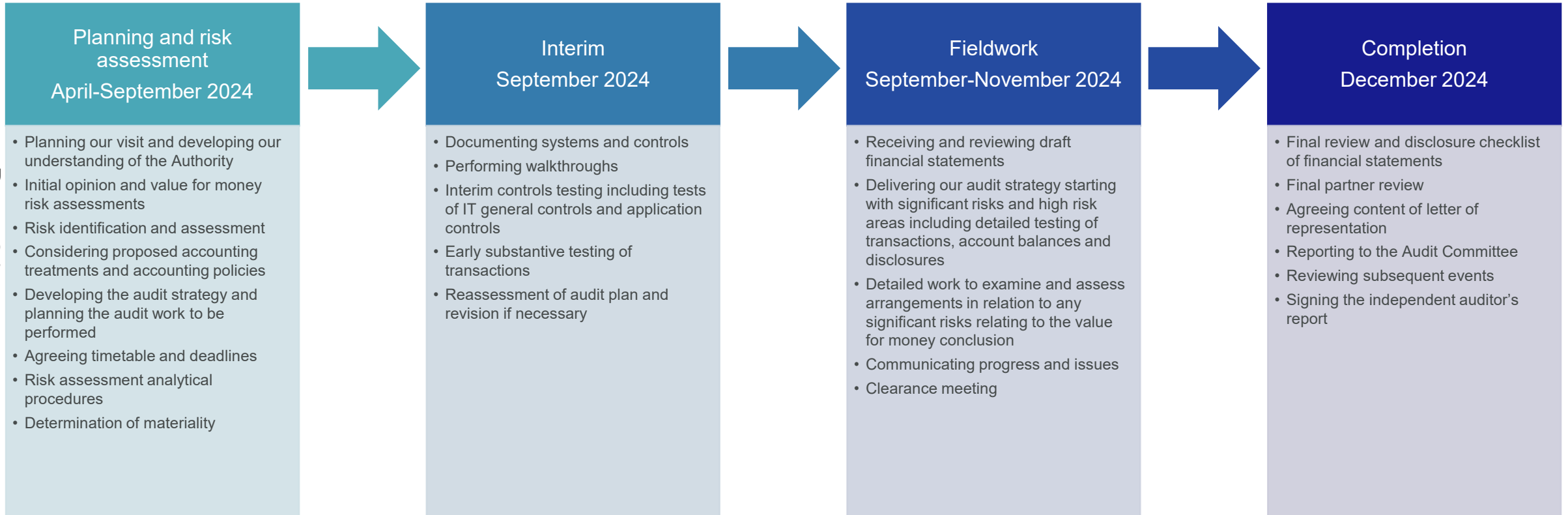
## Risk-based approach



# Audit scope, approach, and timeline

## Audit timeline

Page 24





# Audit scope, approach, and timeline

## Management's experts and our experts

Management makes use of experts in specific areas when preparing the Authority's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Pension liability	Mercers/GAD	PwC as the NAO's consulting actuary.
Property, plant and equipment valuations	MC & Co Chartered Surveyors	We have the option of engaging our internal property valuation expert to support our work on the valuation of property, plant and equipment.  At this stage we do not plan to engage our internal property valuation expert. However, we will revise our approach should we determine it to be appropriate to engage our expert.

Page 25

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to Merseyside Fire and Rescue Service that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Authority and our planned audit approach.

Item of Account	Service organisation	Audit approach
Treasury Management/Internal Audit Services	Liverpool City Council	Sufficient and appropriate audit evidence will be obtained from records held by the Authority.

## Significant risks and other key judgement areas

# Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

## Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

Page 27

• Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and

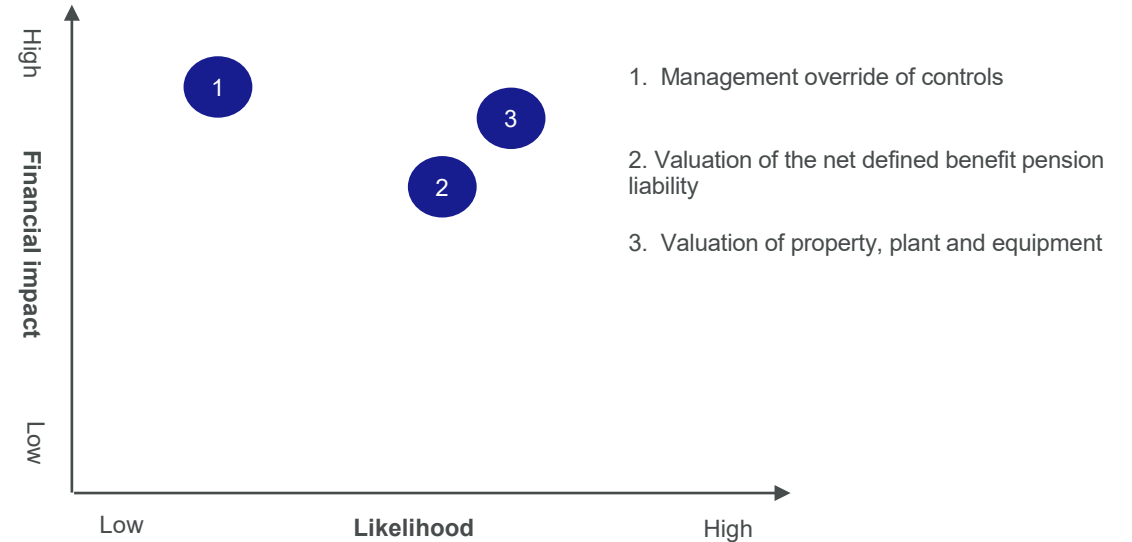
Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

## Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Authority. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk ● Enhanced risk / significant management judgement

# Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee

### Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates;</li> <li>• journal entries; and</li> <li>• significant transactions outside the normal course of business or otherwise unusual.</li> </ul>

Page 28

# Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit pension liability valuation</b></p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Merseyside Pension Fund, which had its last triennial valuation completed as at 31 March 2022.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Authority's pension obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2023/24.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary;</li> <li>• obtain confirmation from the auditors of Merseyside Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>• evaluate and challenge the work performed by the Merseyside Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Authority's share of Pension Fund assets;</li> <li>• review the actuarial allocation of Pension Fund assets to the Authority including comparing the Authority's share of the assets to other corroborative information;</li> <li>• review the appropriateness of the Pension Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office; and</li> <li>• agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.</li> </ul>

# Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Valuation of Land and Buildings</b></p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.</p> <p>The valuation of property, plant &amp; equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to three years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• assess the Authority’s valuers’ qualifications, objectivity and independence to carry out such valuations;</li> <li>• review the valuation methodology used for assets subject to revaluation in 2023/24, including testing the underlying data and assumptions;</li> <li>• review the approach the Authority has adopted to address the risk that those assets not subject to valuation in the 2023/24 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and,</li> </ul>

# Significant risks and other key judgement areas

## Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to Audit Committee which we will obtain prior to completing our audit

## Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to Audit Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

# 05

Value for money arrangements



# Value for money arrangements

## The framework for value for money work

We are required to form a view as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority arrangements in the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

Page 33

1. **Financial sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	<p>Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none"><li>• NAO guidance and supporting information;</li><li>• information from internal and external sources including regulators;</li><li>• knowledge from previous audits and other audit work undertaken in the year; and</li><li>• interviews and discussions with officers and Members.</li></ul>
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"><li>• significant weaknesses identified and our recommendations for improvement; and</li><li>• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.</li></ul>

# 06

Audit fees and other services

# Audit fees and other services

## Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Merseyside Fire and Rescue Service for the year ended 31 March 2024 are outlined below.

## Fees for work as the Authority's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Authority by PSAA.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee (Grant Thornton)
Code Audit Work	£97,117	£30,392
Additional work for Value for Money under the new NAO code	-	£8,000
Increased audit requirement of revised ISA 540	-	£1,800
Enhanced audit procedures on journals testing	-	£2,000
Enhanced audit procedures on payroll	-	£500
Increased audit requirement of revised ISA 315 and ISA 240	TBC	£2,000
<b>Total fee</b>	<b>£97,117</b>	<b>£44,692</b>

07

Confirmation of our independence

# Confirmation of our independence

	<b>Requirements</b>	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	<b>Compliance</b>	We are not aware of any relationship between Forvis Mazars and Merseyside Fire and Rescue Service that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of Merseyside Fire and Rescue Service and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	<b>Non-audit and Audit fees</b>	We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to Merseyside Fire and Rescue Service in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP [and, when applicable, Forvis Mazars' member firms] are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with the Authority in the first instance.

Prior to the provision of any non-audit services, Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

# 08

## Materiality and misstatements

# Materiality and misstatements

## Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

## Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

# Materiality and misstatements

## Materiality (continued)

We consider that gross revenue expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 1.8% of gross revenue expenditure.

As set out in the table below, based on currently available information we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £2.5m and performance materiality to be in the region of £1.5m

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Initial materiality thresholds	2023/24 £'000s
Overall materiality	£2,500
Performance materiality	£1,500
Clearly trivial	£75
Specific lower materiality – Senior Officer Remuneration	£5

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £75k, based on 3% of overall materiality. If you have any queries about this, please raise these with Karen Murray.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

## Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



# Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

# Appendix A: Key communication points

We value communication with the Audit Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

# Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion;</li> <li>• The effect of uncorrected misstatements related to prior periods;</li> <li>• A request that any uncorrected misstatement is corrected; and</li> <li>• In writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• A discussion of any other matters related to fraud.</li> </ul>	Audit completion Report and discussion at Audit Committee Audit planning and clearance meetings

Page 43

# Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management;</li> <li>• Inappropriate authorisation and approval of transactions;</li> <li>• Disagreement over disclosures;</li> <li>• Non-compliance with laws and regulations; and</li> <li>• Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• Significant difficulties, if any, encountered during the audit;</li> <li>• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• Written representations that we are seeking;</li> <li>• Expected modifications to the audit report; and</li> <li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>

# Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and the Audit Committee meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty;</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> <li>• Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership</li> <li>• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities</li> <li>• Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.)</li> <li>• Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality</li> <li>• Evaluate responses to identify and remediation process / control gaps</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website <a href="#">here</a>.</p>	Audit Strategy Memorandum

Page 45

# Appendix B: Current year updates, forthcoming accounting & other issues

## New standards and amendments

### Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

### Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

### Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

### Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

# Appendix B: Current year updates, forthcoming accounting & other issues

## New standards and amendments (continued)

### Effective for accounting periods beginning on or after 1 January 2023

#### Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

#### Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

#### IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

#### Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

# Contact

## Forvis Mazars

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73