

MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

26 JUNE 2025

MINUTES

Present: **Councillors Jeanie Bell (Chair)**, Sam Gorst, Andrew Makinson, Grahame McManus, Lynn O'Keeffe and Chris Page

Also Present: Chief Fire Officer Nick Searle
Director of Finance and Procurement Mike Rea
Monitoring Officer Ria Groves

1. Apologies for Absence

Apologies for absence were received from Co-opted Member, Mr Anthony Boyle.

2. Declarations of Interest

There were no declarations of interest in relation to any item on the agenda.

3. Minutes of the Last Meeting

RESOLVED that the minutes of the last meeting held on 25th February 2025 be agreed as accurate record.

4. Treasury Management 2024-25 Annual Report

Director of Finance and Procurement, Mike Rea introduced the report, informing Members of the activities of the Treasury Management operations and actual performance against the agreed Prudential Indicators in 2024/25.

Members noted that the Treasury Management Strategy as part of the 2024/25 Budget and Medium-Term Financial Plan was approved during the Authority Budget meeting held in February 2024.

Mike Rea highlighted that Members had received consistent updates regarding the Treasury Management performance against the strategy, as part of the quarterly financial reviews and the interim Treasury Management reports throughout 2024/25. The report also informed Members of the outturn position for Treasury Management operational activities and its performance for 2024/25.

Members' attention was drawn to paragraph 8, page 13 of the report where it was verified that the Treasury Management for the year had adhered with the

approved strategy and remained within the borrowing and Treasury Management limits set by the Authority at the beginning of the year.

Members were drawn to Appendix A, pages 17-22, which summarised the Treasury Management activity for 2024/25. Mike Rea confirmed that there was no new borrowing arranged within the year. The outstanding debt remained at £33.7 million and that the Authority's investments rose from £26 million to £47 million.

Mike Rea confirmed that all Treasury Management activities had been executed in accordance with the applicable Codes and Statutes, and within the borrowing and Treasury Management limits set by the Authority under the prudential code.

Councillor McManus queried whether the Authority's outstanding debt was a rolling debt. Mike Rea stated that it was a long-term debt that would not be completely paid off for a further 10 years. It was noted that the Finance department had looked into restructuring the debt to a lower interest rate, but since the debt was with the Public Works Loan Board, the payments to settle the debt would stay just as high for the current interest charges under the agreement.

RESOLVED that the Treasury Management Annual Report 2024/25 (attached as Appendix A) be noted.

5. Annual Governance Statement 2024-25

Director of Finance and Procurement, Mike Rea introduced the report, advising Members that the Authority was required to produce an Annual Governance Statement reviewing the governance arrangements and systems of internal control for the reporting year. Attention was drawn to the Statement (Appendix A) noting that the requirement had been met.

Mike Rea highlighted Section 3.0 (pages 30 to 33) which outlined key elements of the governance and internal control systems and processes that were in place, while Section 4.0 (pages 33 to 39) considered the effectiveness of these systems and processes.

Members noted that the year-end review confirmed that the current governance and internal control arrangements continued to be regarded as fit for purpose and in accordance with the governance framework highlighting assurance overall of the effectiveness of the Authority's system of internal control.

Councillor Bell drew attention to page 31, where the People Plan 2024-27 was detailed and it was requested for the plan to be recirculated to Members.

RESOLVED that the 2024/25 Annual Governance Statement be approved.

6. Forvis Mazars Audit Strategy Memorandum 2024-25

Director of Finance and Procurement, Mike Rea introduced the report noting its purpose to present to Members the Forvis Mazars Audit Strategy Memorandum,

which outlined the auditing approach to the Authority's 2024/25 Financial Statements.

It was advised that the plan considered the risks, materiality and other matters Forvis Mazars had identified in their audit planning process, and the value for money work to be carried out.

Katie Kingston, Senior Audit Manager at Forvis Mazars, presented the draft Audit Strategy Memorandum for 2024/25 to Members which outlined the external auditor's risk-based planning approach. Members noted that it was still in draft form pending a few planning confirmations. It was highlighted that there were no significant changes expected before the final version would be issued.

Highlighting that the plan was risk based, it was confirmed that initial planning had begun, with main audit fieldwork scheduled from October 2025 and the audit opinion expected before year-end, ahead of the statutory deadline for the Authority to publish the audited accounts, February 2026.

Katie Kingston noted that the materiality had been provisionally set at £2.5 million (1.8% of the Authority's gross revenue expenditure), based on prior year figures, which may be adjusted once updated financial data was received from officers.

Members were advised that three areas of significant audit risks had been identified: the presumed risk of management override of controls, and the valuations of both the defined benefit pension scheme and valuation of property plant and equipment. There were highlighted as areas which involved high value figures, that required complex judgement.

Katie Kingston highlighted that no risks of significant weaknesses had been identified in relation to value for money work, which was now required to be completed by the end of November 2025. It was noted that the timeline preceded the completion of the financial audit publishing, but it was emphasised that it was not expected to cause any issues.

Katie Kingston noted that an increase to the core audit fee had been proposed to reflect recurring additional work. It was highlighted that the remainder of the report contained standard content required under auditing standards.

Councillor Page referred to the risk-based approach diagram on page 55 and queried whether the identified key risk areas, beyond the standard risk of management override, were informed by findings specific to Merseyside Fire and Rescue Authority (MFRA), whether these were prescribed risks common across the Fire and Rescue Services or if they reflected in generic risk categories.

Katie Kingston explained that the audit team at Forvis Mazars held regular discussions with Officers to identify any changes or new developments throughout the year. Members were advised that the key risks identified remained consistent with the previous year. While management override was a standard presumed risk, the other risks relating to the valuation of the defined

benefit pension scheme and property, plant, and equipment were not prescribed but were common across the sector. It was noted that the plan remained risk-based and would be adjusted if new information emerged.

Councillor Bell asked whether Mike Rea and his team were confident they had mitigated the risks identified in the audit document, particularly regarding potential delays in providing information. Councillor Bell referred specifically to the section on page 67 and requested a brief overview.

In response, Mike Rea confirmed that the Finance Team had updated the year end process as part of the Finance Functional Plan. It was noted that the format and presentation of the Statement of Accounts had been revised, along with improvements to the supporting working papers. Members noted that the Chief Accountant of Finance, had prepared comprehensive working papers to be shared at the start of the audit and would address all other requests for information in a timely manner. Mike Rea also highlighted an application which was used within the Finance Department to manage audit requests and responses, allowing for clear tracking and prompt communication throughout the process in a timely manner. Katie Kingston clarified that the wording on the referenced page indicated that any issues arising during the audit would be reported to Members. She confirmed that this did not imply any past issues with the Authority, stating clearly that no such issues had been experienced.

RESOLVED that the Forvis Mazars 2024/2025 Audit Strategy Memorandum and the timing of the Authority's 2024/2025 audit of the financial statements be noted.

7. 2024/25 Annual Year-End Internal Audit Report and Opinion

Director of Finance and Procurement, Mike Rea, introduced the report providing Members with the Annual Year-End Internal Audit Report and Opinion for 2024/25. Members were reminded that the internal audit function was provided by Liverpool City Council. It was noted that Internal auditors had been on site in recent months completing the planned audits.

Jonathan Brookman, the lead Audit Manager, from Liverpool City Council presented the Internal Audit Annual Report. It was noted that the overall opinion, detailed on page 88 confirmed substantial assurance that systems of internal control within the Authority were operating effectively for 2024/25.

Members were drawn to page 90, which highlighted the fundamental system audits, including areas such as payroll and creditors. It was noted that the results of two strategic audits were also detailed within the report.

Jonathan Brookman noted that page 92 displayed five new recommendations, which would be followed up as they became due, and that 21 recommendations from previous audits remained outstanding and would be actively followed up over the next year.

It was highlighted that the Internal Audit Charter had been revised to reflect new global internal auditing standards effective from 1 April 2025, which was outlined on pages 103 of the report.

Councillor Bell discussed the internal audit opinion on page 88, welcoming positive progress in standard reporting, incident management, and resource use. However, Councillor Bell explained that further attention was needed on enforcement powers, embedding values and behaviours across all levels, and improving leadership, values and diversity. Councillor Bell queried how these issues would be addressed and how feedback would be used to support continuous improvement.

The Chief Fire Officer, Nick Searle discussed culture within the sector and emphasised that the Authority had implemented significant changes over the past 12 months. It was noted that these changes were driven by the Authority's Cultural Action Plan which was informed by HMICFRS's Misconduct in the Fire Service Report

Chief Fire Officer, Nick Searle highlighted that the Service was actively addressing room for improvement and that the Authority took the approach to culture seriously. Members' attention was drawn to notable improvements implemented in recruitment, training, and the review of disciplinary and grievance procedures.

Councillor Bell sought clarification on the Authority's use of enforcement powers. Monitoring Officer, Ria Groves advised that the Authority were utilising the powers from the Fire Safety Order to review all enforcement of premises. Members were advised that a review of processes had been undertaken, and Members were assured that if efforts failed to ensure fire safety the Authority had processes in place to prosecute those responsible.

Monitoring Officer, Ria Groves reminded Members that Culture and Enforcement and Prosecution were part of the Scrutiny Forward Work Plan 2025-26 and would be scrutinised effectively.

Councillor O'Keeffe highlighted the outstanding 21 recommendations on page 92, from past years. She queried what the timeline was for these recommendations and if it was usual to carry 21 over to the next year. Johnathan Brookman clarified that specific recommendations were assigned to individual Officers including, consumable stores orders, change of Officers and a restructure within the Finance department.

Mike Rea mentioned that the Authority had performed well in past audits. However, some recommendations may not be relevant as processes change, for example changes had been made regarding the store's audit, highlighting that several recommendations were implemented during COVID-19. It was reported that the Authority had held a surplus of stock for various reasons, which was why an adjustment had been made to this year's audit plan to review it and Members noted that many processes had been put into action as per the recommendations.

Councillor Bell requested clarification of the sanction outlined in section 3.8, stating that it was not easily understood. She requested a simplified explanation, assurance on how the matter was being addressed, and what measures were in place. Mike Rea clarified that section 3.8 related to an expenses audit and noted that the current Service Instruction (SI) for claiming expenses lacked detail on the consequences of noncompliance with procedure.

Members noted that the risk identified was that failure to follow the SI could lead to procedural breaches. The recommendation was to revise the SI to include a clear statement that non-compliance may result in disciplinary action, and that deliberate falsification of claims or supporting evidence would be treated as gross misconduct. Mike Rea advised Members that internal management accepted the recommendation, and that the SI would be updated within the current financial year.

Mike Rea focused on another recommendation regarding instances where scale rate allowances were exceeded without recorded justification. It was suggested that this raised a risk that value for money may not be obtained. It was reported that the recommendation outlined that Officers should be reminded to provide clear justification whenever a claim exceeds the standard scale rate.

It was reported that internal management accepted the recommendation and that where scale rates were exceeded, employees would be required to support their claims with receipts.

RESOLVED that the contents of the Internal Audit report for 2024/25 be noted.

8. 2025/26 Internal Audit Plan

Director of Finance and Procurement, Mike Rea introduced the report and presented the Internal Audit Plan for 2025/26.

Members were advised that the report included a review of fundamental financial systems to provide assurance to the Authority, the Director of Finance & Procurement, and the External Auditors that appropriate financial administration and internal control standards had been met. It was noted that 40 audit days had been allocated to complete this work.

Additionally, it was reported that a further 38 audit days had been assigned to five strategic reviews for 2025/26 which had been agreed by Internal Audit and the Strategic Leadership Team (SLT). Members noted that the remaining audit days would cover contingency work, including investigations, advice and assistance, a follow-up of previous audit recommendations, and audit management.

Councillor Page referred to Appendix A and raised the importance of Business Continuity, questioning whether it was subject to regular minor reviews in addition to the proposed Audit plan scheduled for next year, which would scrutinise the Authority's Business Continuity. Chief Fire Officer, Nick Searle, clarified that the current audit focused on internal Business Continuity. He confirmed that in the event of an incident, such as a loss of power at Service

Headquarters, a Business Continuity team was in place, with departmental champions who regularly conducted exercises. Members were advised that Business Continuity arrangements were subject to ongoing scrutiny across all departments.

Councillor Makinson referred to Item 5 in Appendix A, questioning the need for continued focus on cash management processes, given the limited extent of cash handling within the Service. Mike Rea explained that this was a new area of focus following the Service's lead role in International Search and Rescue (UKISAR) deployments with the Foreign, Commonwealth & Development Office. In such deployments, cash would be provided in advance, requiring the establishment of new processes and secure storage. Mike Rea assured Members that Internal Audit would review the internal controls to ensure proper oversight of cash inflows and outflows.

The Chief Fire Officer added that, as lead for UKISAR, the Service may be deployed anywhere globally, often requiring the use of US dollars or other local cash equivalents, making robust cash management essential.

Councillor McManus queried the inclusion of a section on the implementation of previous audit recommendations in Appendix A, asking whether this was a new addition and expressing concern about not having previously been aware of any backlog. Mike Rea clarified that previous audit recommendations were reviewed on an ongoing basis. It was noted that the accounting team regularly contacted audit leads for updates, which were then shared with Internal Audit for verification. It was highlighted that this process covered both current and prior year recommendations.

Jonathan Brookman, the lead Internal Auditor advised that some recommendations were closed throughout the year following assessment of the information submitted by managers. It was also noted that Internal Audit determined whether the action taken was sufficient to close the recommendation or if further work was required.

Councillor Bell requested that, when reporting back on the year-end report, reference to be made regarding the standards set out by the Fire Standards Board under Audit and Governance to demonstrate compliance.

RESOLVED that Members;

- a) any comments or opinions they might have on the proposed audit plan be considered; and
- b) the 2025/26 Internal Audit Plan be approved.

Close

Date of next meeting, Thursday, 2 October 2025.