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To: All Members of the Audit Committee

**R. Groves
Monitoring Officer**

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Our ref: MG/RG

Date: 18 June 2025

Dear All,

You are invited to attend the **AUDIT COMMITTEE** of the **MERSEYSIDE FIRE AND RESCUE AUTHORITY** to be held at **13:00hrs** on **Thursday, 26th June, 2025** in the Wirral Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

The meeting will be available to watch via YouTube on the following link:

<https://youtube.com/live/sLz1YsxKck8?feature=share>

Yours faithfully,

PP – M Griffiths

Monitoring Officer

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT

26 JUNE 2025

AGENDA

Members

Councillor Jeanie Bell (Chair)
Councillor Sam Gorst
Councillor Andrew Makinson
Councillor Grahame McManus
Councillor Lynn O'Keeffe
Councillor Chris Page
Co-opted Independent Member Anthony Boyle

1. Apologies for Absence

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 - 10)

To consider the minutes of the last meetings held on 25th February 2025.

4. Treasury Management 2024-25 Annual Report (Pages 11 - 22)

To consider the Treasury Management Plan 2024-25 Annual Report
(DFP/03/2526)

5. Annual Governance Statement 2024-25 (Pages 23 - 42)

To consider the Annual Governance Statement for 2024-25 (DFP/04/2526)

6. Forvis Mazars Audit Strategy Memorandum 2024-25 (Pages 43 - 80)

To consider a report of the External Auditors Forvis Mazars (DFP/05/2526)

7. 2024/25 Annual Year-End Internal Audit Report and Opinion (Pages 81 - 96)

To consider the Annual Year-End Internal Audit Report and Opinion for
2024/25 (DFP/06/2526)

8. 2025/26 Internal Audit Plan (Pages 97 - 118)

To consider the 2025/26 Internal Audit Plan (DFP/07/2526)

MERSEYSIDE FIRE AND RESCUE AUTHORITY

25 FEBRUARY 2025

MINUTES

Present: **Councillors** Janet Grace (Chair), Chris Page, Barbara Murray, Lynn O'Keefe, Andrew Makinson, Sam Gorst.

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

13. Chairs Announcement

Councillor Grace welcomed Councillor Page to his first Audit Committee.

It was proposed that Item 4 and 5 would be swapped for ease of reading, which was agreed by Members.

14. Apologies for Absence

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

15. Declarations of Interest

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

16. Minutes of the Last Meeting

RESOLVED that the minutes of the last meeting held on 26th September 2024 be agreed as an accurate record.

17. 2023/24 Audit Completion Report

Karen Murray, Audit Partner from Forvis Mazars introduced the Audit Completion Report, noting that it came out ahead of their audit completion. Members were advised that she expected to issue an unqualified opinion on the Fire Authority's accounts once the Committee had concluded and once the Chair of Audit Committee, Councillor Grace and the Director of Finance and Procurement, Mike Rea, had signed the accounts and Mike Rea had signed the letter of representation.

It was acknowledged that Forvis Mazars had received a good set of accounts and supporting working papers at the start of their audit. Members were also advised of the support and detailed work provided by the Authority's Finance Team throughout the course of the audit.

Members' attention was drawn to the table on page 145 setting out the status of the audit in red, amber and green. The areas that had been completed were testing on journals, National Resilience assets and the accounting treatment of them and issues relating to the derecognition of assets.

Karen Murray advised that all information for Firefighters pensions had been received which had been tested, however, they had not yet been formally reviewed due to them only being received prior to this meeting. Furthermore, the IT audit work had also been completed.

It was raised that a small number of changes had been made to the accounts in order to be compliant. Karen confirmed that her team would write to the Authority after this meeting for record purposes.

There were no changes in materiality as it remained at £1.5million. Members attention was drawn to the risks that were reported in the Audit Plan and Audit Strategy Memorandum on page 149, confirming that she now had the assurance needed.

Karen reassured Members that Management Override of Controls was a risk in all organisations and was nothing to be worried about. It was confirmed that a large amount of testing had taken place, and they were satisfied with the outcome.

It was mentioned that pensions liabilities and assets reported was a risk due to relying on the actuary to provide information. Karen stated that some errors had arisen and that one had been amended relating to the asset ceiling calculation. A risk that had not been amended was on page 156 relating to pension fund accounts and the Authority's share of that. Members were reassured that the Authority was not in control of this, meaning that no errors had taken place within the Service. She explained that these issues were as a result of pension fund accounts, timing issues and timing changes.

A risk which was mentioned at the planning stage was the valuation of property, plant and equipment which the Authority was reliant on valuers for in order to support their accounts. Karen advised that all work they had planned to do had been completed and she was comfortable with the assurance received.

As the Authority was the lead for National Resilience, Forvis Mazars looked at the treatment of National Resilience assets. It was explained that there had been an adjustment to the accounts due to the Authority not having these assets in its possession at year-end, therefore, this had been removed from the accounts. In terms of the income and expenditure position with National Resilience monies, it was agreed that the Authority was acting as a principle, rather than an agent, meaning that the Authority was responsible for that funding.

It was reported that four amendments had been made to the accounts on page 157 and Members were reassured that none of these changes were particularly significant as no errors had been made by the Authority.

Members were advised that when looking at value for money, Karen's team looked for three things – financial sustainability, governance and what measures were being implemented to improve services for the public or reduce their costs. It was acknowledged that no signs of weakness in the Authority's arrangements had been identified, which was positive for the Service.

Karen Murray concluded that whilst she believed that the Authority had arrangements in place to ensure financial sustainability, those arrangements in themselves did not make the Authority financially sustainable. This meant that it was the Authority's responsibility to deliver the financial plans in place to stick to the budget. Assurance was given that the plans were adequate and would keep the Authority financially sustainable.

Councillor Jan Grace thanked Karen Murray for the objective challenge and very detailed report.

RESOLVED that the contents of the Auditor's report be noted.

18. Statement of Accounts 2023/24 Approval of Audited Statements

Director of Finance & Procurement, Mike Rea, introduced the report, taking Members to page 41 showing the 'Balance Sheet' table, noting that the reference within the table to 'Pension Fund' had been requested to change to 'Pension Liability' following advice from External Auditors.

Members' attention was also drawn to page 43 of the agenda, under the 'Accounting Policies and Roman Numeral V Prior Period Adjustments, Changes in Accounting Policies and Errors'. It was proposed this be moved out of 'Accounting Policies' to Note 44 on pages 89 – 90 of the Statement of Accounts.

On page 47 under the 'Events after the Report Period' section, the paragraph starting 'The Court of Appeal has recently issued its judgement in the Virgin Media Case' was to be moved to Note 40 within the Statement of Accounts.

Members were advised the final changes were on page 70 under 'Financial Instruments'. The heading 'PFI liabilities at amortised cost' was to be removed and the totals updated. The balance for 'Creditors at amortised cost' was to be amended from £6,282 to £5,531 as of 31st March 2024. The 'Non-financial instruments' was amended from £7,029 to £7,780 as of 31st March 2024. It was explained that the figures at the end of 31st March 2023 was also to be restated to take into account these amendments. Confirmation was received that the overall totals had not changed. A copy of the updated Statement of Accounts with the proposed amendments was shared with Members.

Members were informed that the main financial statements in terms of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement had not changed as a result of these amendments.

Councillor Grace recommended the changes proposed by Mike Rea be adopted asked if Members agreed that the updated Statement of Accounts explained by Mike were to be reflected in the publicised Statement of Accounts. This action was seconded by Councillor Murray and agreed by Members.

The report was presented, noting that the Authority was required to prepare a set of annual financial statements in a format that was set out under the relevant Accounting Codes and Standards, which must then be approved and signed off for publication by the Authority.

Members were advised that the public Statement of Accounts must include any certificate or opinion entered by the External Auditor, Forvis Mazars, on whether the statements gave a true and fair view of the financial position of the Authority and had been prepared in accordance with the relevant Code of Practice.

The attention of Members was drawn to paragraphs 10 – 25 on pages 11 – 16 of the report which gave background to the four core financial statements in the Statement of Accounts and explained the changes from the figures in the previous year. It was also noted that paragraph 20 outlined the Balance Sheet movements between 2022-23 and 2023-24 and the movements on the Authority's assets and liabilities.

It was acknowledged that the Code and Regulations required a number of notional accounting entries and adjustments that were significant in value to be included in the Statement of Accounts, such as a depreciation charge. These were notional in nature so that they did not form part of the costs that must be funded by the Authority's approved general fund budget. Mike advised that the table on page 12 outlined the 2023-24 general fund outturn position.

Mike explained that the budgeted outturn position had not changed to that reported at the Policy and Resources Committee in July 2024. Furthermore, it was reported that Appendix B to the report showed the Authority's 'Letter of Representation' which set out assurances from the Authority to the Auditor that relevant accounting standards had been complied with and gave further assurances that the Authority had disclosed all the relevant information to support the financial statements.

The report was concluded by Mike advising Members that the accounting team was a new team, adopting new roles due to a number of retirements. He was pleased to see that an unqualified opinion on the account had been given. Mike gave his thanks to the Accounting Team and to the External Auditors for their advice they have given the Accounting Team.

Councillor Grace thanked Mike for his report and asked for clarity on page 37, paragraph 2 mentioning the local government pension scheme - 'Any shortfall on the Firefighter Pension Schemes is met by grant funding from Central Government and the Authority is only required to cover discretionary benefits when the pensions are actually paid'. She queried whether this was a huge help which Mike advised it was. He explained that a number of years ago, the pension scheme was fully funded by the Authority, through individual employee pension contributions and employers' pension contributions. Out of that, the

Authority had to pay the pensions and commutations of retired firefighters. Mike explained that as the number of firefighters reduced, and the number of pensioners increased, it became unaffordable for Fire and Rescue Services to maintain the pension scheme. It was advised that this was where the Government began subsidising Fire & Rescue Services with a pension grant. This allowed the Authority to continue to pay the pensions and commutations when employees left.

RESOLVED that:

- a) the amendments proposed by the Director of Finance and Procurement to be incorporated into the Statement of Accounts be approved;
- b) publication of the 2023/24 Statement of Accounts, attached as Appendix A along with the amendments to this report be approved;
- c) authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the s151 officer to sign the statement of accounts attached as Appendix A including the amendments be delegated; and
- d) authority to the Director of Finance & Procurement , as the s151 to sign the letter of representation in relation to the 2023/24 accounts, attached as Appendix B.be delegated.

19. Internal Audit Progress Report April to January 2025

Director of Finance and Procurement, Mike Rea, introduced the report, stating that three audits had been completed up to January 2025, one from the 2024-25 plan and two from the previous years' audit plans that were not finalised at the time of the annual audit opinion in September 2024. It was advised that the remaining work had commenced and would be completed as planned in quarter four. This would allow Internal Audit to review how systems and controls had operated over the majority of the financial year. Mike explained that the year-end Internal Audit Plan report would go to Members for their consideration in May.

Jonathan Brookman, the lead Internal Auditor, noted that section two on page 193 of the report detailed the audit work that had been completed up to January 2025. Members were advised that some work had taken place at the Training and Development Academy on the charging model, which was being reviewed. It was explained that the current auditing progress and work to be completed in the coming months was detailed in section three of the report which was on page 195. Jonathan noted that they were awaiting a date from payroll to commence the core financial systems reviews. The expenses audit was due to start in the coming weeks and it was confirmed that the working papers were set up.

Councillor Murray queried whether the charging model was used to calculate how much the Authority charged external bodies to use the facilities. Jonathan confirmed that this was correct and explained that the costs recovery model was being reviewed to ensure all costs relevant had been captured.

RESOLVED that the contents of this report be noted.

Close

Date of next meeting Thursday, 26 June 2025

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 JUNE 2025	REPORT NO:	DFP/03/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	TREASURY MANAGEMENT 2024/25 ANNUAL REPORT		

APPENDICES:	APPENDIX A: TREASURY MANAGEMENT 2024/25 ANNUAL REPORT
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Purpose of Report

1. To advise Members of the activities of the Treasury Management operation and actual performance against the agreed Prudential Indicators in 2024/25. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Recommendation

2. It is recommended that Members note the Treasury Management Annual Report 2024/25 (attached as Appendix A).

Introduction and Background

3. Treasury management is defined as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
4. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority and a Treasury Policy Statement incorporated in Financial Regulations in accordance with the requirements of the Code. The arrangements for reporting Treasury Management activities to Members are that a minimum of three reports are presented to members: -
 - An Annual Treasury Strategy Report before the start of a financial year.

- An interim report during the second half of a financial year. Other interim reports will be prepared if necessary.
- An annual outturn report by 30th September following the financial year to which it relates.

Annual Treasury Management Strategy

5. The Authority determines before the start of each financial year an agreed treasury management strategy to set certain parameters and guidelines around which the treasury management function will operate. The 2024/25 – 2028/29 Budget and Financial Plan report, CFO/13/24, considered by Members at the Authority meeting on 29th February 2024, set the Authority's treasury management strategy for 2024/25:

The strategy sets limits for the next three years on:-

- overall Level of External Debt
- operational Boundary for External Debt
- upper limits on fixed interest rate exposure
- upper limits on variable rate exposure
- limits on the maturity structure of debt
- limits on investments for more than 365 days

The strategy covers:

- prospects for interest rates;
 - capital borrowing and debt rescheduling;
 - annual investment strategy;
 - external debt prudential indicators;
 - treasury management prudential indicators;
 - performance indicators;
 - treasury management advisors
6. As short-term interest rates were expected to be lower than long term borrowing rates the Authority, as part of its approved Treasury Management Strategy, agreed to reduce investments and borrow for short periods and possibly at variable rates when necessary. The interest rate market was monitored throughout the year for any changing circumstances requiring a review of the current strategy.

Interim Treasury Management Report

7. The interim treasury management report, CFO/68/24, was considered by Members at the Policy and Resources Committee on 12th December 2024. The report confirmed that to date treasury management activity in 2024/25 had been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code.

Interim Treasury Management Report

8. The Treasury Management Annual Report 2024/25 is attached as Appendix A to this report and demonstrates that treasury management activity has been carried out in-line with the approved Treasury Management Strategy and therefore within the borrowing and treasury management limits set by the Authority throughout the year. Treasury Management practices have maintained full compliance with the relevant Codes and Statutes.
9. The Authority's Treasury Management function is carried out by Liverpool City Council via a service level agreement.

Equality and Diversity Implications

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

Staff Implications

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

Legal Implications

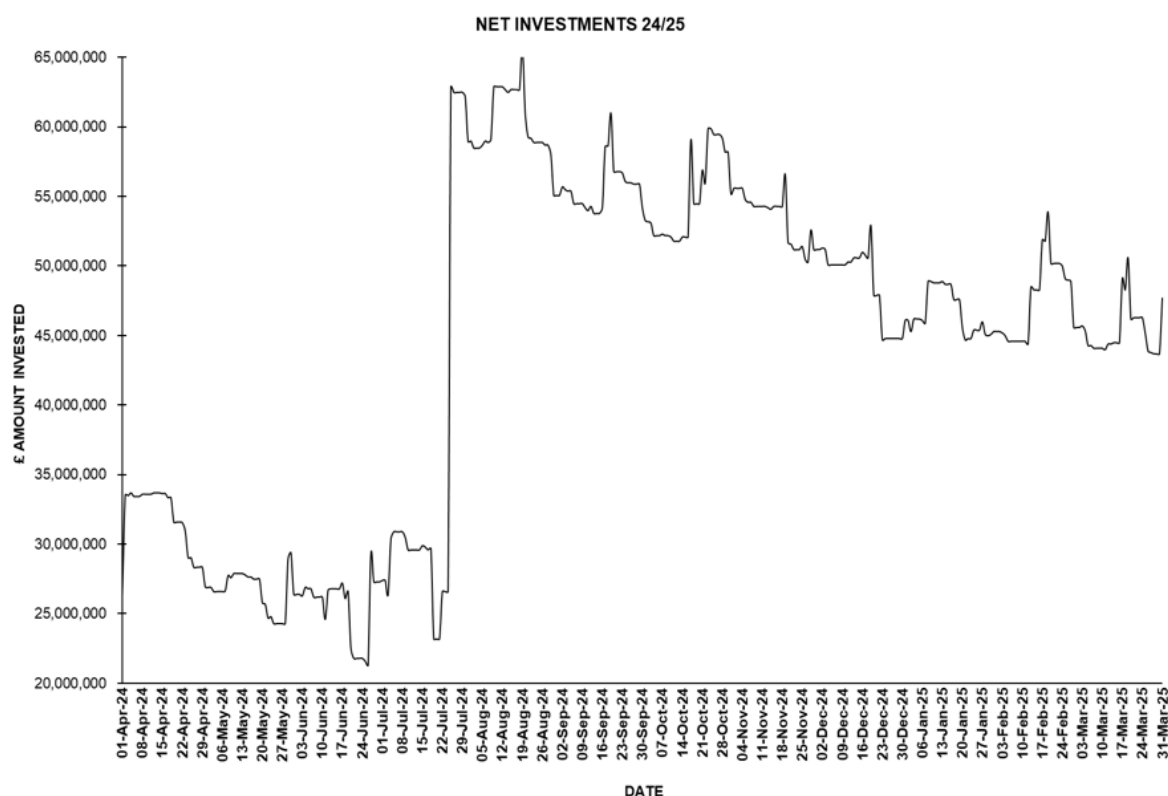
12. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003 are no legal implications directly related to this report.

Financial Implications & Value for Money

13. The cost of Treasury Management Services was £27,914 in 2024/25 and was provided by Liverpool City Council.
14. The Authority's overall debt outstanding at the end of the financial year remained the same as at the start at £33.720m.
15. The Authority paid total interest of £1.715m on all the debt during the year which was consistent with the budget. The reason for no new loans being taken out in the year (and as a consequence lower interest payments) is due to the current strategy of using available cash to fund capital investment rather than seek new loans while investment interest rates are so low.

16. The movement on the level of opening and closing investments is summarised below:

	£'m
01/04/2024	26.350
31/03/2025	47.700



17. The reason why the level of investments increased in the year is that the Authority receives significant grant income in advance of actual expenditure. For example, the firefighter pension grant of £36.3m was paid in July but actual pension payments are spread throughout the year.
18. A combination of the Authority grants received in advance of expenditure, Home Office grants for National Resilience received in advance and the cash available as a consequence of the current reserve strategy meant the Authority had £47.700m of investments at the year-end.
19. The investments are held in institutions that reflect the approved investment strategy. The table overleaf outlines the £47.700m of investments held as at 31st March 2025.

ANALYSIS OF INVESTMENTS END OF QUARTER 4 2024/25							
Institution	Credit Rating	MM Fund*	DMADF	Bank / Other	Building Society	Local Authority	Average Interest
		£		£	£	£	%
Aberdeen Liquidity	AAA	3,000,000					4.95
Blackrock Heritage	AAA	1,000,000					4.94
CCLA	AAA	3,000,000					4.95
Federated Investors	AAA	2,200,000					4.95
Legal & General	A+	3,000,000					4.95
HSBC (MFRS Deposit Account)	A			100,000			1.90
Lloyds Call Account	A			400,000			4.79
Basildon Borough Council						3,000,000	5.65
Blackpool Council						3,000,000	5.05
Bradford Metropolitan District Council						3,000,000	5.13
Dundee City Council						3,000,000	5.80
Eastleigh Borough Council						3,000,000	5.50
Gloucester City Council						3,000,000	5.60
Great Yarmouth Borough Council						3,000,000	5.60
Leeds City Council						3,000,000	5.33
Mid Suffolk DC						3,000,000	5.00
Peterborough City Council						3,000,000	4.75
Reading Borough Council						2,000,000	4.75
Uttlesford District Council						3,000,000	4.95
Totals		12,200,000	0	500,000	0	35,000,000	4.98
Total Current Investments						47,700,000	

20. Income earned on investments was £1.640m, which was £1.190m above the amount budgeted for, reflecting the increase in interest rates during the year.

Risk Management, Health & Safety, and Environmental Implications

21. Robust management of the Authority's cash, investments and loans reduces the risk of poor security of investments, the lack of availability of funds when required, and a poor return on investments.

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

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

22. A good Treasury Management Strategy ensures that funds are available to meet the approved financial plan and therefore the delivery of services required to achieve the Authority's vision.

BACKGROUND PAPERS

- CFO/13/24** MFRA Budget and Financial Plan 2024/2025 - 2028/2029, Authority 29th February 2024.
- CFO/68/24** Interim Treasury Management Report, Policy & Resources Committee 12th December 2024.

GLOSSARY OF TERMS

- CFR** Capital Financing Requirement
- CIPFA** Chartered Institute of Public Finance and Accountancy (CIPFA)

MPC	Monetary Policy Committee
PWLB	Public Works Loans Board
SONIA	Sterling Overnight Index Average

TREASURY MANAGEMENT ANNUAL REPORT 2024/25

INTRODUCTION

1. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority. The Code requires that Treasury Management activities are subject to regular reports to Members. This report represents the final report on Treasury Management for 2024/25.
2. The strategy for the year was identified in the Treasury Management Strategy Statement 2024/25. The strategy covers the following areas:
 - (a) prospects for interest rates;
 - (b) capital borrowing and debt rescheduling;
 - (c) annual investment strategy;
 - (d) external debt prudential indicators;
 - (e) treasury management prudential indicators.
 - (f) performance indicators;
 - (g) treasury management advisors

PROSPECTS FOR INTEREST RATES

3. The UK economy over the past 12 months has been characterised by sluggish economic growth, with inflation remaining above target, but down from the very high levels of recent years. CPI inflation in March 2024 was 3.2% and the most recently reported level for March 2025 was 2.6%. In the latter half of the financial year, elevated tensions in the Middle East and protectionist trade policies from the new American administration prompted concern over the potential for disruption to global trade, with knock on effects for inflation levels. Despite these tensions, global central banks were generally cutting benchmark interest rates throughout 2024/25, as part of the transition to a more accommodative monetary policy.
4. The Bank of England reduced the bank rate from 5.25% at the start of the year to 4.5% by the end of the financial year, with cuts of 0.25% at the August, November and February 2025 meeting of the Monetary Policy Committee (MPC). At the meeting in February 2025, members of the MPC voted 7-2 to cut the bank rate. Market commentators speculate that there could be three further rate cuts during 2025, however this will be influenced by the path of inflation over coming months.
5. PWLB rates and gilt yields saw volatility over the course of the financial year, with long term PWLB rates varying from a low of 4.87% to a peak of 5.87%. At the start of the financial year long term PWLB rates were 5.06% and finished the financial year higher at 5.65%.
6. The table below details the rates available from PWLB throughout the year:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.77%	4.31%	4.52%	5.08%	4.87%
Date	26/02/25	17/09/24	17/09/24	17/09/24	17/09/24
High	5.61%	5.34%	5.71%	6.18%	5.87%
Date	29/05/24	14/01/25	13/01/25	13/01/25	13/01/25
Average	5.14%	4.86%	5.07%	5.56%	5.31%

CAPITAL BORROWINGS AND DEBT RESCHEDULING

- The borrowing requirement comprises the expected movements in the Capital Financing Requirement (CFR) and reserves plus any maturing debt which will need to be re-financed. The Authority did envisage that there would be new long-term borrowing in 2024/25 driven by the financing need of the capital programme, however, no new long-term borrowing was arranged given the unfavourable environment. In the current conditions it is intended to reduce investments and defer new long-term borrowing where this is possible. Market conditions continued to be unfavourable for any debt rescheduling.

ANNUAL INVESTMENT STRATEGY

- The investment strategy for 2024/25 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with central government regulations and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list and for a maximum of one-year duration.
- Extreme caution was taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with high rated or nationalised banks and AAA rated money market funds has enabled reasonable returns which were able to benefit in a rising interest rate environment. The credit ratings and individual limits for each institution to be used by the Authority in 2024/25 are outlined below:

UK Government (including gilts and the DMADF)	Unlimited
UK Local Authorities (each)	Unlimited
Part Nationalised UK banks	£4m
Money Market Funds (AAA rated)	£3m
Enhanced Money Market (Cash) Funds (AAA rated)	£3m
UK Banks and Building Societies (A- or higher rated)	£2m
Foreign banks registered in the UK (A or higher rated)	£2m

The average rate of return achieved on average principal available in 2024/25 was 5.07%. This compares with an average Sterling Overnight Rate (SONIA) of 4.90%. Deposits that were placed for extended terms during the year tended to average returns above that of overnight returns. In an interest rate environment in which short term rates have been declining, duration acted as a boost to

returns. It remains prudent to maintain a balanced investment portfolio and not have all investments placed in overnight instruments

10. The Investment Strategy specified that investments are only made with banks with a high credit rating. UK banks must have at least an “A” long term rating for inclusion on the Authority’s counterparty list. The money markets are continually monitored for information regarding the creditworthiness of financial institutions and notifications are received of any changes to credit ratings made by any of the rating agencies. An institution is immediately suspended from the Authority’s list of institutions should any doubt arise about its financial standing regardless of whether its credit rating is downgraded.

EXTERNAL DEBT PRUDENTIAL INDICATORS

11. The external debt indicators of prudence for 2024/25 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£71 million
Operational boundary for external debt:	£66 million

Against these limits, the maximum amount of debt reached at any time in the financial year 2024/25 was £33.7 million.

12. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Authority’s gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

	31 March 2024	31 March 2025	31 March 2026
	Actual	Actual	Estimate
	£'m	£'m	£'m
Capital Financing Requirement	61.3	51.8	58.4
Less: PFI	(15.8)	(15.2)	(14.6)
Less: MRD	(0.1)	(0.1)	-
Borrowing CFR	45.4	36.5	43.8
Existing Debt Portfolio	33.7	33.7	38.7
Over(-)/Under borrowing	11.7	2.8	5.1
Borrowing as a % of CFR	74.23%	92.2%	88.3%

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

13. The treasury management indicators of prudence for 2024/25 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures:	100%
Upper limit on variable interest rate exposures:	50%

The maximum that was reached in the financial year 2024/25 was as follows:

Upper limit on fixed interest rate exposures:	100%
Upper limit on variable interest rate exposures:	0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit at any time in the financial year 2024/25 was as follows:

Maturity Period	Upper Limit	Lower Limit	Maximum Actual	Minimum Actual
Under 12 months	50%	0%	0%	0%
12 months and within 24 months	50%	0%	0%	0%
24 months and within 5 years	50%	0%	0%	0%
5 years and within 10 years	50%	0%	0%	0%
10 years and above	100%	0%	100%	100%

c) Total principal sums invested for periods longer than 365 days

The limit for investments of longer than 365 days was set at £2 million for 2024/25. No investments longer than 365 days were arranged during 2024/25.

PERFORMANCE INDICATORS

14. The Code of Practice on Treasury Management requires the Authority to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

15. The indicators for the treasury function are:

Borrowing - Average rate of long term borrowing for the year compared to average available. No new long-term borrowing was arranged in 2024/25.

Investments – Internal returns compared to the average Sterling Overnight Rate (SONIA). The return in the financial year 2024/25 was 0.17% above the benchmark.

TREASURY MANAGEMENT ADVISORS

16. The treasury management service is provided to the Authority by Liverpool City Council. The terms of the service are set out in an agreed Service Level Agreement. The Council employs treasury management advisers appointed under a competitive procurement exercise who provide a range of services which include: -

- Technical support on treasury matters, capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service comprising the three main credit rating agencies.

17. Whilst Liverpool City Council and its advisers provide the treasury function, ultimate responsibility for any decision on treasury matters remains with the Authority.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

18. In August 2021, HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

19. In 2021 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code . The key changes introduced in the two codes were around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
20. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
21. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

CONCLUSION

22. Treasury Management activity in 2024/25 has been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code.

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 JUNE 2025	REPORT NO:	DFP/04/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	THE ANNUAL GOVERNANCE STATEMENT 2024/2025		

APPENDICES:	APPENDIX A: 2024/2025 ANNUAL GOVERNANCE STATEMENT
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Purpose of Report

1. The purpose of this report is to present to Members the Authority's Annual Governance Statement. This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

Recommendation

2. It is recommended that Members approve the 2024/2025 Annual Governance Statement.

Introduction and Background

3. The Annual Governance Statement (AGS) is the formal statement that recognises, records, and publishes a Local Authority's governance arrangements. Attached as Appendix A to this report is the 2024/2025 AGS for Merseyside Fire and Rescue Authority, which explains the processes and procedures in place to enable the Authority to carry out its functions effectively. The AGS also links into the Annual Statement of Assurance by providing assurance about the Authority's governance framework.
4. The CIPFA/SOLACE – Delivering Good Governance in Local Government Framework, is deemed to represent best practice in relation to governance and the internal control systems and processes. The CIPFA/SOLACE framework recommends that a review of the effectiveness of the system of internal control should be reported as part of the AGS. A review of the effectiveness of the Authority's 2024/2025 internal control system has been undertaken and, in accordance with the CIPFA guidance, incorporated in the attached AGS. The

AGS identifies the ways in which the Authority has ensured that its control mechanisms are adequate during the year, including the work undertaken by internal and external audit. The overall conclusion of the AGS is that the system of internal control is adequate (any control system can provide only reasonable assurance and not absolute assurance).

5. Members are asked to approve the 2024/2025 AGS attached as Appendix A to this report.

Equality and Diversity Implications

6. Good governance and sound internal control includes having effective practices to manage equality and diversity issues.

Staff Implications

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

Legal Implications

8. Regulation 6(1) of the Accounts and Audit (England) Regulations 2015 requires that the relevant body must conduct a review at least once a year of the effectiveness of its system of internal control and to prepare an annual governance statement. Regulation 6(2) require that the findings of a review of an organisation's system of internal control is to be considered by a committee of the relevant body, or by members of the body meeting as a whole, once a year. The AGS fulfils that obligation.

Financial Implications & Value for Money

9. A sound system of internal control is essential for the overall control of the Authority's finances. There are, however, no direct financial implications arising from the Statement.

Risk Management and Health & Safety Implications

10. Good governance and sound internal control arrangements will ensure the Authority's policies, procedures and objectives are being fulfilled.

Environmental Implications

11. There are no Environmental Implications contained within this report.

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

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

12. Good governance and sound internal control arrangements will ensure the Authority's vision is known by all and drives and directs the Service outcomes.

13. Merseyside communities are safer and the firefighters who serve Merseyside are safer and more effective because the Authority has effective leadership and makes decisions that deliver strong financial management and efficient and effective service delivery. Robust and comprehensive governance arrangements are integral to this performance.

BACKGROUND PAPERS

CFO/020/17 Code of Corporate Governance, Policy and Resources Committee 23rd March, 2017.

Delivering Good Governance in Local Government – Guidance Notes for English Authorities, C.I.P.F.A. (2016)

Delivering Good Governance in Local Government – Framework, CIPFA/SOLACE (2016)

Account and Audit (England) Regulations 2015

GLOSSARY OF TERMS

AGS Annual Governance Statement

CIPFA Chartered Institute of Public Finance and Accountancy

MFRA Merseyside Fire & Rescue Authority

SOLACE Society of Local Authority Chief Executives and Senior Managers

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Merseyside Fire & Rescue Authority

Annual Governance Statement 2024/25

Annual Governance Statement 2024/25 Merseyside Fire and Rescue Service

1. Scope of Responsibility

Merseyside Fire & Rescue Authority (the Authority) has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Strategic Leadership Team (SLT) and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Delivering good governance is a process of continuous review and improvement.

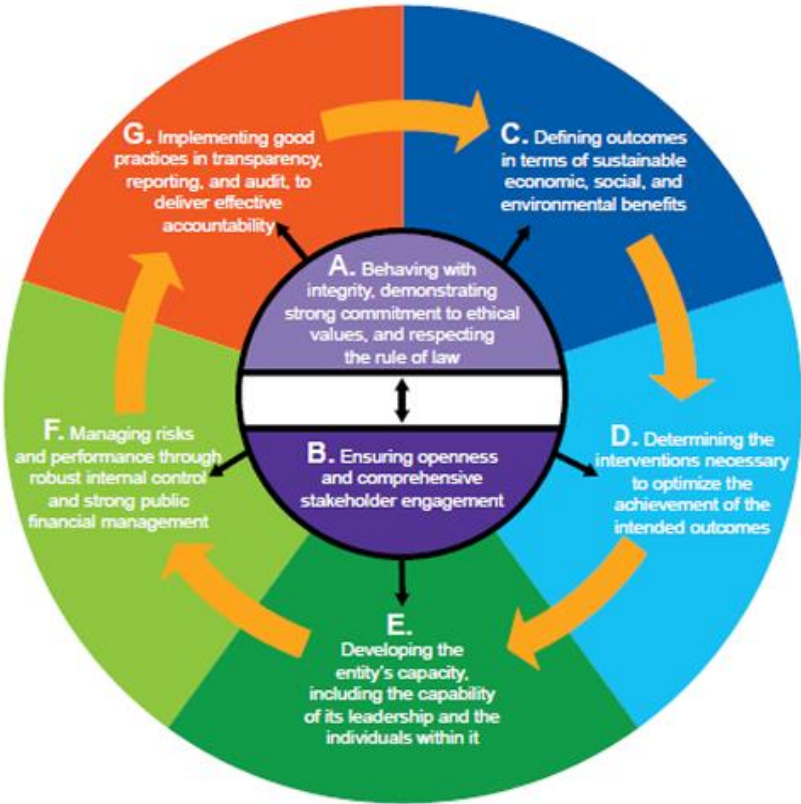
In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, delivering its functions, and arrangements for the management of risk.

Corporate Governance is a phrase used to describe how organisations are directed, controlled, led and held to account. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government” (2016). The key principles of the Authority’s Code of Corporate Governance are outlined below;

Three high level principles underpin Corporate Governance:-

- Openness and inclusivity
- Accountability
- Integrity

These high-level principles are supported by seven detailed principles of good governance which are:



This statement also fulfils the Authority’s statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

The results of the effectiveness of the governance framework (as set out in the following pages) have been considered by the Strategic Leadership Team and the Audit Committee who have determined that the Authority’s governance arrangements are effective in delivering against the seven principles of Good Governance and supporting the delivery of sustainable outcomes.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, for the direction and control of the Authority and its activities through which it is accountable to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2025 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

Summarised below are some of the key elements of the systems and processes that underpin the Authority's governance arrangements:

3.1 Identifying and Communicating the Authority's Vision and outcomes for public and service users:

The Authority's Vision reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's Vision is; **To be the best Fire & Rescue Service in the UK, (One team, putting its communities first)**. To deliver this, the Authority has established four key corporate aims:

- **Protect**
We protect people from harm, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.
- **Prevent**
We are there for you. We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.
- **Prepare**

We will always be the best that we can be by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.

- **Respond**

We will be there when you need us most, pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.

The Vision is focused upon outcomes related to operational preparedness, operational response, prevention (of fires and other incidents) and protection (legislative fire safety). It is very important that the organisation's priorities are unambiguous and easily understood by members of the Authority, staff, communities and other stakeholders. In particular, it is essential that the safety and effectiveness of firefighters is seen as a fundamental factor in the achievement of serving, protecting and keeping the public of Merseyside safe.

The Authority aims to deliver its Vision through the delivery of its three corporate plans; the Community Risk Management Plan, People Plan and Medium Term Financial Plan. The People Plan, the Community Risk Management Plan (CRMP) and the Medium-Term Financial Plan (MTFP) complement each other and provide the key strategic building blocks. Together these three plans detail how we will achieve our strategic ambitions and how we will measure our progress.

After consulting with the public of Merseyside and other stakeholders, assessing risk, demand, vulnerability and service priorities, the Authority prepares a Community Risk Management Plan (CRMP) that sets out the Vision, aims and service objectives for the organisation. The Authority approved a new CRMP in 2024 that extends to 2027 and established the service's priorities for that period.

The People Plan 2024-2027 was approved by the Authority in June 2024. It focuses on five key themes; attract and retain the best people; developing exceptional people and their leaders; promote holistic wellbeing; deliver sector leading performance and embedding equality, diversity and inclusion.

The proposals in the CRMP and the People Plan will be scrutinised to ensure the delivery of any such action remain aligned to the Authority's Medium Term Financial Plan.

3.2 Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:

The CRMP and other service projects are incorporated each year into one document – the Service Delivery Plan. There is an ongoing system of monitoring, management and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Strategic Leadership Team and Community Safety and Protection Committee (or any other committee if applicable) . Station Community Risk Management Plans also give details of the activities taking place throughout Merseyside. The reporting process applies traffic light status for each performance indicator in the Service Delivery Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Delivery Plan and performance updates can be found on the Authority's website.

3.3 The Internal Control Environment

The Authority's internal control mechanism comprise of many systems, policies, procedures and operations, however the system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority where possible eliminates the risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

Policy and decision-making process

The Authority has meaningful democratic control over its activities via an approved committee structure with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting (AGM). The Authority has a written Constitution that was reviewed in 2024/25 and approved by the Authority at its meeting on 13th June 2024 (CFO/42/24), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution was updated and approved by the Authority on the 27th February 2025, to include amendments to the Contract Standing Orders section following new procurement legislation, namely the Procurement Act 2023. The Constitution is reviewed every year by the Authority at its AGM.

The Authority meet with Strategic Managers and other stakeholders as required to consider the strategic vision and instigate future plans/targets for the Authority.

The Authority also runs member away-days and "learning lunches" to help Members discuss issues in more detail and in an informal environment.

Management Structure

The Authority has a clear management structure with defined roles and responsibilities. The Authority has an approved Scheme of Delegation within its Constitution that is reviewed by members on an annual basis which details powers delegated to key officers by the Authority. A Strategic Leadership Team (SLT) led by the Chief Fire Officer, meet on a fortnightly basis to review and agree on issues that arise during the year. SLT have established strategic boards to feed into SLT, the role of each board is to consider any issues associated with that board's remit and if necessary make a recommendation on the matter for SLT to consider. A reporting system is used to identify the benefits, risks, legal and financial implications when considering issues

Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations and National Fire Standards. Information regarding policies and procedures is held on the intranet, and these are continuously enhanced and developed through the introduction of new policies and procedures as and when required. The Authority carries out an annual review of standing orders, financial instructions and the scheme of delegation which clearly define how decisions are taken and the processes and controls required to manage risks. The list below outlines some of the key policies and processes in place to enhance the internal control system that are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Constitution including Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti-Fraud & Corruption Policy
- Whistleblowing/Confidential Reporting Policy
- Employee Code of Conduct Policy including the Core Code of Ethics
- Complaints Procedure
- Equality, Diversity and Inclusion Policy
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline process, through to performance development reviews
- Information Governance and Security – Policies and Service Instructions to protect the Authority's information, data, and assets
- National Fire Standards
- The Authority has its own Ground Rules and Leadership Message

SLT carries out a continuous assessment of the implementation of policies, procedures and national fire standards throughout the organisation, including following up on progress against the action plans.

Internal Audit Function

The Authority has a strong Internal Audit function arrangement with Liverpool City Council and has well-established protocols for working with External Audit.

Risk Management Strategy

The Authority has a well-established and embedded risk management strategy. The Audit Committee has corporate ownership of the risk register and receives regular updates on any new risks or changes to risks. All Authority and Service reports to SLT have a standing section on risk this allows SLT an opportunity to regularly consider new and updated risks facing the Service at their fortnightly meetings.

Financial Management

The Authority produces a five-year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management. Financial management in the Authority and the reporting of financial standing is undertaken through a comprehensive Finance system including a general ledger, accountancy and budgeting. Monthly budget statements are sent out to all cost centre managers and the Authority receives regular comprehensive financial review reports to update members on the current and anticipated year-end financial performance.

4. Review of Effectiveness

Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal Audit

The Authority and Its Committees

The Authority

The Authority considered at its Annual General meeting on 13th June 2024 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows:

- **The Authority** – Considers variations to standing orders and financial regulations, the revenue budget and capital plan, levying or issuing of a precept or borrowing. Adopting a member's allowances scheme, Appointing the Chair and Vice Chairs of the Authority and the Chairs of the Committees and any Sub-Committees of the Authority. Approves new policies or substantive changes in policy relating to the development and delivery of services appropriate to the Authority. Has oversight of the preparation of the Authority's Strategic and Community Risk Management Plan. Determines the Authority's precept and approves the Authority's budget and the delegated powers to officers. Maintain an overview of the effectiveness of the Constitution. Any other matters which by law must be reserved to the Authority itself.
- **The Policy and Resources Committee** – Under delegated powers, determine new policies or substantive changes in policy relating to the development and delivery of Services appropriate to this Committee. Oversees the Authority's Communication and Consultation Strategy and receives related reports. Considers all matters related to the management of the Authority's assets including buildings, land, ICT and other assets. Exercises financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position.
- **The Community Safety and Protection Committee** – Under delegated powers, determine new policies or substantive changes in policy relating to the development and delivery of Services appropriate to this Committee. Consider all matters related to the delivery of Services to the diverse communities of Merseyside and the development, promotion and delivery of a co-ordinated strategy for developing and maintaining safer communities. This includes matters relating to: Operational Preparedness; Operational Response; Prevention and Protection. Consider any matters relating to the provision of Services to the diverse communities of Merseyside and the development, promotion and where appropriate, determine all matters relating to Fire Safety Legislation.
- **The Scrutiny Committee** – To review and/or scrutinise the objectives of the Authority's Community Risk Management Plan (CRMP) and performance against these objectives. To carry out joint member/officer pre and post-implementation scrutiny of any major

project, scheme, or key decision taken by the Authority or its standing committees. To make recommendations to the Policy and Resources Committee and/or the Community Safety and Protection Committee and/or Authority arising from the outcome of the scrutiny process and how any improvements can be made. To agree and action a scrutiny forward work plan throughout the year and from meeting to meeting that includes matters relating to the performance of the Authority against the CRMP or any such issues referred to by the full Fire Authority and report back. To participate in, determine and undertake a task and finish group as appropriate with a view to effecting continuous improvements in the way Services are delivered, having regard to a combination of economy, efficiency and effectiveness.

- **The Audit Committee** – To consider the internal audit’s annual report and opinion, and a summary of internal audit activity and the level of assurance it can give the Authority’s corporate governance arrangements. To consider and approve summaries of specific internal audit reports as requested. To consider reports dealing with the management and performance of the providers of internal audit services. To consider the external auditor’s annual letter, relevant reports and the report to those charged with governance. To comment on the scope and depth of external audit work and to ensure it gives value for money.

To maintain an overview of the Authority’s constitution in respect of contract procedure rules, financial regulations and codes of employee conduct and behaviour. To monitor the effective development and operation of risk management and corporate governance in the Authority.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority. To consider the external auditor’s report to those charged with governance on issues arising from the audit of accounts and approve the audited Statement of Accounts.

To determine allegations made under the Member Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the Authority’s Appeals Committee. To act as the Investigating and Disciplinary Committee where an allegation is made against the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Monitoring Officer or the Director of Finance and Procurement (Treasurer) in line with the Authority’s policy for Discipline Procedures for Statutory Officers.

- **The Joint Police & Fire Collaboration Committee** – To act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- **The Appeals Committee** – To consider and determine appeals referred from the Audit Committee in relation to the Members Code of Conduct. Consider and, if appropriate, determine any other matters which may be referred to the Committee by the Authority, or any committee. In making decisions to have full regard to the Authority's public equality duties and its duties under Health and Safety and Environmental and other legislation.
- **The Appointments Committee** - To consider and determine for appointment to the posts and offices of the Chief Fire Officer, Deputy Chief Fire Officer, Director of Finance & Procurement (Treasurer), Monitoring Officer and any other posts referred to the committee for consideration.
- **Member Development & Engagement Group** - To promote the continuous development of Members of the Authority and consider proposals and options for arrangements in respect of Members' training and development.
- **Local Pension Board (Firefighters' Pension Scheme(s))** - To assist the Authority in its role as 'Scheme Manager' for the Firefighters' Pension Scheme(s), as required by the Pension Scheme (Amendment) (Governance) Regulations 2015 Regulation 4A.

Lead Members were also introduced into key areas that focus on the corporate plans to allow for greater scrutiny and transparency between Members and Officers in the delivery of its services to the community.

Management Review

Included in the day-to-day management of the organisation there are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems. The Head of Internal Audit, procured via the service level agreement with Liverpool City Council, provides some assurance on the adequacy of the Authority's internal control arrangements and also plays a key role in promoting good corporate governance. The Head of Internal Audit (HIA) plays a critical role in delivering the Authority's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2024/25 Service Delivery Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against performance indicators throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Committee. SLT received regular updates from managers on the delivery of services against targets throughout the year and this allowed senior management an opportunity to scrutinise progress. Performance against Local Performance Indicators is considered in depth each month by the Performance Management Group.

The Corporate Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. The Register considers the Authority's tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

The Authority employed appropriate professional staff:

- A Head of Paid Service (Section 4 of the Local Government Housing 1989) responsible for ensuring that the staffing needs of the organisation are adequate to perform the Authority's statutory functions efficiently and effectively. The Chief Fire Officer fulfils this role, is a qualified and experienced Chief Fire Officer within Merseyside Fire and Rescue Service. The Chief Fire Officer is supported by Principal Officers.
- A Statutory Monitoring Officer (Section 5 Local Government and Housing Act 1989) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. The Head of Legal Services fulfils this role, is a qualified and experienced lawyer, and is supported by a legal team. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with so far as is known by the Monitoring Officer.
- A Responsible Finance Officer, in line with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and Section 73 Local Government Act 1985, to ensure the proper and effective administration of the financial affairs of the Authority. The Director of Finance and Procurement fulfils this role and is a qualified and experienced accountant. The Director of Finance and Procurement is supported in this role by a Head of Finance and Finance Team that includes a number of professionally qualified and experienced finance staff. The Director of Finance and Procurement ensures the Authority has an approved, realistic and affordable five-year financial plan for revenue and capital expenditure which links to the CRMP and the Service Delivery Plan. The financial planning process is well embedded and understood across the Authority by staff and members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

The above statutory posts are key members of SLT.

Budget monitoring remained robust at strategic and service levels via the production of monthly financial monitors for cost centre managers. The "funds management" system prevents orders being raised against accounts with insufficient budget and provides an affective enhancement to the budget control process.

The Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed its guidance and issued the 'Financial Management Code.' This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability. The Financial Management Code is based on six core principles:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** as its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The Director of Finance and Procurement has carried out an assessment of the Authority's conformity to the CIPFA Statement of Principles of Good Financial Management. No significant areas of weakness have been identified.

Forvis Mazars approved an unqualified Statement of Accounts for 2023/24 and it is anticipated the Authority will receive an unqualified opinion for 2024/25. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's website to ensure the outturn position is communicated effectively to all stakeholders.

Internal Audit

The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The internal audit plan for 2024/25, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports are submitted to the relevant managers as appropriate and the Director of Finance and Procurement. An interim and year-end Internal Audit Plan reports are submitted to the Audit Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. Based on Liverpool City Councils Internal Audit work undertaken in compliance with PSIAS in 2024/25, their opinion provided:

- substantial assurance that the system of internal control in place at Merseyside Fire & Rescue Service accords with proper practice, and

- the work on fundamental systems audits completed have shown a substantial level of compliance, and they are not aware of any significant control weakness, which impact on the Annual Governance Statement.

External Review

External audit services are carried out by Forvis Mazars. The scope of the work undertaken by External Audit is;

- The audit of the financial statements
- To reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money (VFM) conclusion)
- To work on the whole of government accounts return.

External Audit will comment upon the Authority's 2024/25 statutory financial statements and make a VFM conclusion during the 2025/26 financial year in the Annual Audit Findings report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts. During 2024/25 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2023/24 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2023/24 financial statements.

Year-end Review

Current governance and internal control arrangements continue to be reviewed and refined on an ongoing basis and that they continue to be regarded as fit for purpose in accordance with the governance framework. This review provides an acceptable overall assurance of the effectiveness of the Authority's system of internal control.

5. SIGNIFICANT GOVERNANCE ISSUES

The CIPFA guidance suggests that the following criteria should be applied when judging what may constitute a significant control issue:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

Whilst no significant weaknesses have been identified in control systems at present, the assumptions made in the Medium Term Financial Plan (MTFP), particularly around inflation, pay awards, pensions and future government grants (whilst based on the best information

available) are subject to potential change. The Director of Finance and Procurement will ensure that any variation to the assumptions made in the MTFP are identified at the earliest possible time, and, reported to Members' through the quarterly financial review reports. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP and these reserves would allow the Authority time to approve structural changes to deliver the required permanent savings over the longer term.

The 2017 Policing and Crime Act places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority continues to maintain ongoing discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration.

Certification

To the best of our knowledge, the governance arrangements, as outlined in this Annual Governance Statement, have been operating during the year, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified above or that materialise in the year.

Signed.....
Cllr. J. Bell
Chair of Audit Committee

Signed.....
N. Searle
Chief Fire Officer

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 JUNE 2025	REPORT NO:	DFP/05/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	FORVIS MAZARS (MFRA EXTERNAL AUDITORS) AUDIT STRATEGY MEMORANDUM 2024/2025 DRAFT		

APPENDICES:	APPENDIX A: FORVIS MAZARS AUDIT STRATEGY MEMORANDUM FOR YEAR ENDING 2024/25 DRAFT
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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 2024/2025 financial statements.

Recommendation

2. It is recommended that Members note Forvis Mazars 2024/2025 Audit Strategy Memorandum and the timing of the Authority's 2024/2025 audit of the financial statements.

Introduction and Background

3. 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 2024/25 unaudited financial statements is the end of June 2025.
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 the Authority chose to opt into the Public Sector Audit Appointments (PSAA) national scheme for the appointing of the Authority's Auditors. Forvis Mazars were appointed as the Authority's Auditor.
5. 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 2024/25 to 2027/28 to enable the local audit system to recover.

6. Following the consultation the government set the following statutory deadlines for these years:
 - 2024/25: 27th February 2026
 - 2025/26: 31st January 2027
 - 2026/27: 30th November 2027
 - 2027/28: 30th 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.

7. For financial years 2024/25 to 2027/28, the date by which MFRA should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.
8. Members are asked to note Forvis Mazars Audit Strategy Memorandum Report as attached to this report as Appendix A.

Equality and Diversity Implications

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

Staff Implications

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

Legal Implications

11. The regulations require the unaudited financial statements for 2024/25 to be prepared by 30th June 2025, and the statements to be audited by 27th February 2026.

Financial Implications & Value for Money

12. The 2024/2025 external audit fee, £107,717 has been included within the budget.

Risk Management and Health & Safety Implications

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.

Environmental Implications

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

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

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

15. The achievement of sound financial administration and VFM arrangements is essential if the Service is to achieve the Authority's vision.

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

DLUHC Department for Levelling Up, Housing and Communities

MFRA Merseyside Fire and Rescue Authority

PSAA Public Sector Audit Appointments

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Audit Strategy Memorandum - Draft

Merseyside Fire and Rescue Authority– Year ending 31 March 2025

June 2025

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

Forvis Mazars
One St Peters Square
Manchester
M2 3DE

26 June 2025

Dear Audit Committee Members,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Merseyside Fire and Rescue Authority for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that 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 Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit.

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.

This report was prepared solely for the use and benefit of the members of the Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully



Karen Murray

Forvis Mazars

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07	Audit fees and other services
08	Confirmation of our independence
	Appendix A – Key communication points
	Appendix B – Current year updates, forthcoming accounting and other issues

This document is to be regarded as confidential to Merseyside Fire and Rescue Authority. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Merseyside Fire and Rescue Authority (the Authority) for the year to 31 March 2025. 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: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). 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 below.

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 the Audit Committee, as those charged with governance, of their responsibilities.

The Director of Finance & Procurement is responsible for the assessment of Merseyside Fire and Rescue Authority's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

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

Internal control

Management is responsible for such internal control as they determine 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 Authority's internal control.

Whole of Government Accounts

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



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 you and management. This includes establishing and maintaining internal controls over asset protection, 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 inquire of you and key management personnel on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

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 the 'Value for Money' section of this report.

Wider reporting and electors' rights

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.

02

Your audit team

Your audit team

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach



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 methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business 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 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 are 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 inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

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 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 has been planned and will be performed to provide reasonable assurance that 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 the *'Materiality and misstatements'* section of this report.

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

Management's 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.

Audit scope, approach, and timeline

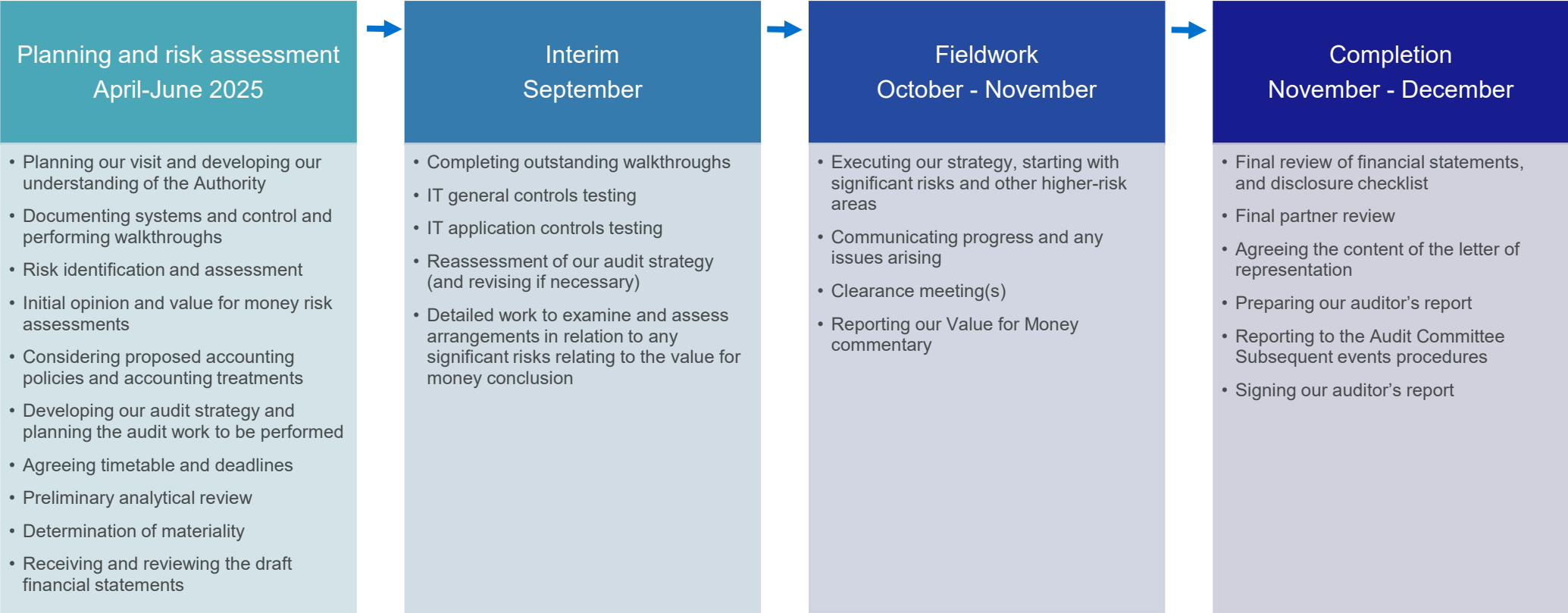
Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority 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	Liverpool City Council	Sufficient and appropriate audit evidence will be obtained from records held by the Authority.

Audit scope, approach, and timeline

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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 provides 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 expenditure at surplus/deficit level 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 at surplus/deficit level.

As set out in the table below, based on currently available information (prior year audited accounts) we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £2.5m (£2.5m in the prior year), and performance materiality to be in the region of £1.5m (£1.5m in the prior year).

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

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£2,500	£2,500
Performance materiality	£1,500	£1,500
Clearly trivial	£75	£75
Specific materiality – Senior Officers Remuneration	£5	£5

Misstatements

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 you 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 me.

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 you 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 qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

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

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

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out 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. As required by auditing standards, a fraud risk is always assessed as a significant risk.

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:

- 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.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to the Audit Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls (a mandatory significant risk for all entities).	●	○	●	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. You should assess this risk as part of your oversight of the financial reporting process.	<p>In line with our methodology, we plan to address the management override of controls risk by performing audit work over:</p> <ul style="list-style-type: none">• accounting estimates;• journal entries; and• significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks - continued

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Defined benefit pension liability valuation 2023/24 – £856,086k	○	●	●	<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 2024/25.</p>	To address this risk, we will: <ul style="list-style-type: none"> • obtain an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary; • 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; • 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; • review the actuarial allocation of Pension Fund assets to the Authority including comparing the Authority's share of the assets to other corroborative information; • 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 • 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.

Significant risks and other key judgement areas

Significant risks - continued

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	Valuation of Land and Buildings 2023/24 - £146,024k	○	●	●	<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 & 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">• assess the Authority’s valuers’ qualifications, objectivity and independence to carry out such valuations;• review the valuation methodology used for assets subject to revaluation in 2024/25, including testing the underlying data and assumptions;• review the approach the Authority has adopted to address the risk that those assets not subject to valuation in the 2024/25 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and• consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other matters – IFRS16, Leases

The Authority is required to account for leases in accordance with IFRS16 for the first time this year. We will review the way in which the Authority has identified leases and applied the new accounting standard. However, this is not expected to have a material impact on the Authority's financial statements.

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ 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 Merseyside Fire and Rescue Authority 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 the Audit Committee which we will obtain prior to completing our audit.

- 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).

Internal audit function

We do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit, to determine whether any findings will have an impact on our risk assessment and planned audit procedures.

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 you 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.

06

Value for Money

Value for money

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.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 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 auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings up to that point (and since the issue of our previous Auditor's Annual Report). Further information will be provided in Appendix A.

Specified reporting criteria

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

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 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	<p>Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
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 which forms part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement; and• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

Audit fees and other services

Audit fees and other services

Fees for work as the Authority’s appointed auditor

Our fees (exclusive of VAT and disbursements) as the Authority’s appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£107,717	£97,117
Increase in audit requirement of revised ISA 315 and ISA 240		£7,058
Additional audit work relating to the pension asset ceiling		£7,500
Additional work required on prior period adjustment		£3,800
Additional work in respect of National Resilience		£8,000
Total fee	TBC	£123,475

Confirmation of our independence

Confirmation of our independence

Requirements

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 Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Merseyside Fire and Rescue Authority that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Merseyside Fire and Rescue Authority and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Merseyside Fire and Rescue Authority, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC’s Revised 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 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 me in the first instance.

Prior to the provision of any non-audit services, I 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 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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 is at the heart of our client service commitment. The Code of Audit Practice as well as 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 matters with you. We meet these requirements, principally, through presenting the following documents to you:

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

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

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

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.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor’s Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor’s Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor’s Annual Report. In such instances, we will issue an Interim Auditor’s Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or Value for Money arrangements work, we will re-issue the Auditor’s Annual Report which will include an updated commentary on Value for Money arrangements.

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 (UK) 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">• Uncorrected misstatements and their effect on our audit opinion;• The effect of uncorrected misstatements related to prior periods;• A request that any uncorrected misstatement is corrected; and• In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• Inquiries with the Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity;• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• A discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

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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"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • 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 Authority or the Audit Committee in the context of fulfilling your responsibilities. 	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
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 inquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
<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"> Whether the events or conditions constitute a material uncertainty; Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and The adequacy of related disclosures in the financial statements. 	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management:</p> <ul style="list-style-type: none"> Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) Identify, design, and implement responses as part of the process to strengthen our firm’s internal control environment and overall quality Evaluate responses and remediate control gaps or deficiencies <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 here.</p> <p>The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

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

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Authority are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

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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 under reference number C001139861. VAT number: GB 839 8356 73

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 JUNE 2025	REPORT NO:	DFP/06/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	2024/25 ANNUAL YEAR-END INTERNAL AUDIT REPORT AND OPINION		

APPENDICES:	APPENDIX A: 2024/2025 ANNUAL INTERNAL AUDIT REPORT AND OPINION
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Purpose of Report

1. To present to Members the Annual Internal Audit Report and Opinion for 2024/25.

Recommendation

2. It is recommended that Members note the contents of the Internal Audit report for 2024/2025.

Introduction and Background

3. Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources (Source: Code of Practice for Internal Audit in Local Government).
4. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems (Accounts and Audit Regulations 2015).
5. In order to fulfil these functions, the Authority buy-in Internal Audit services from Liverpool City Council. Each year Internal Audit submit a plan for their work following consultation with the Director of Finance and Procurement, and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The 2024/25 plan was considered by the Audit Committee on 6 June, 2024 (CFO/32/24).

6. The Annual Internal Audit report and opinion for 2024/25 is attached as Appendix A. On the basis of the reviews undertaken Internal Audit have concluded that;

It is our opinion that we can provide substantial assurance that the system of internal control in place at MFRS accords with proper practice. This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year and includes consideration of the wider sources of assurance provided to the Authority..... Based on the audit work carried out in 2024/25 we are not aware of any significant control weaknesses, which impact on the Annual Governance Statement.

7. During the year Internal Audit have completed nine audits. No significant issues were identified in the course of the fundamental systems audits. The audit coverage during the year has provided sufficient evidence that controls in place to govern the core financial systems are sound and that they are substantially adhered to. No significant control weaknesses were identified and a strong control environment continues to be maintained.

Appendix A provides more details on the audit reviews. The tables below summarise the audit reviews and findings:

Audit Title	Control Environment	Compliance	Corporate Impact
Medium Term Financial Plan	Substantial	Substantial	Minor
General Ledger	Substantial	Substantial	Minor
Debtors	Substantial	Substantial	Minor
Treasury management	Good	Good	Minor
Budgetary Control	Substantial	Substantial	Minor
Creditors	Substantial	Substantial	Minor
Payroll	Substantial	Substantial	Minor

Audit Title	Control Environment	Compliance	Corporate Impact
Expenses	Good	Good	Minor
Procurement Governance and Compliance	Good	Good	Minor

8. An advisory review of the arrangements to recover costs for training courses and use of the training facilities at the Training and Development Academy by external organisations was completed. Advice was given on what costs to include and how the costing schedule should be laid out. Further work on this will be completed in 2025/26.

9. Copies of any audit report can be made available to any member of the committee should they wish to review the contents and recommendations in greater detail.

Equality and Diversity Implications

10. There are no equality or diversity Implications contained within this report.

Staff Implications

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

Legal Implications

12. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015 s.5(1)).

Financial Implications & Value for Money

13. The cost of the Internal Audit Service from Liverpool City Council in 2024/25 was £40,375. The Authority had made adequate budget provision in 2024/25 to pay for these audit services.

Risk Management and Health & Safety Implications

14. There are no risk management and health & safety implications contained within the report.

Environmental Implications

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

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

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

16. The Authority is committed to ensuring strong internal control processes are in place to ensure all information and services delivered are transparent and fair and all audit requirements are adhered to.

BACKGROUND PAPERS

- CFO/32/24** 2024/25 Internal Audit Plan, Audit Committee 6th June 2024.
Accounts & Audit (England) Regulations 2015
Code of Practice for Internal Audit in Local Government, CIPFA 2003
-

GLOSSARY OF TERMS

CAATS	Computer Assisted Audit Techniques
CAE	Chief Audit Executive
CIPFA	Chartered Institute of Public Finance and Accountancy
CSO'S	Contract Standing Orders
EQA	External Quality Assessment
GIAS	Global Internal Audit Standards
HMICFRS	His Majesty's Inspectorate of Constabulary and Fire & Rescue Services
LCC	Liverpool City Council
MFRA	Merseyside Fire & Rescue Authority
MFRS	Merseyside Fire & Rescue Service
PSIAS	Public Service Internal Audit Standards
QAIP	Quality Assurance & Improvement Programme



Liverpool
City Council

Internal Audit Service

Merseyside Fire & Rescue Service -
Annual Internal Audit Report and Opinion
2024/25



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1 Introduction

- 1.1 This report summarises the work that Internal Audit has undertaken across Merseyside Fire & Rescue Service (MFRS) during the 2024/25 financial year, the service for which is provided by Liverpool City Council (LCC), Internal Audit.
- 1.2 The purpose of the Annual Internal Audit Report is to meet the Chief Audit Executive's (CAE) (the Head of Internal Audit) annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Role of the Head of Internal Audit' also requires that an annual report is produced by the CAE on the work undertaken by Internal Audit during the year. It sets out the requirement for the CAE to report to senior officers and the Audit Committee to help inform their opinions on the effectiveness of the framework of governance, risk and control in operation within the Authority. The PSIAS requirements are that the report must incorporate:
- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
 - a summary of the audit work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme (QAIP).
- 1.3 The plan is designed to give reasonable assurance that controls are in place and working effectively. Opinions are formed in respect of each individual audit and the audit opinion is separated between control environment (the controls in place) and compliance (whether or not the controls have been adhered to) so it is easier to identify where corrective action is needed.
- 1.4 It is not the intention of this report to give detailed information on audits. This report provides a summary of the work done, the main issues that have arisen and the overall opinion on the Authority's control environment.
- 1.5 We would like to thank those officers throughout the Authority who provided their assistance and cooperation in the course of our work throughout the year.

2 Internal Audit Opinion 2024/25

- 2.1 The plan is designed to give reasonable assurance that controls are in place and working effectively. Based on the Internal Audit work undertaken in compliance with the PSIAS in 2024/25, it is our opinion that we can provide substantial assurance that the system of internal control in place at MFRS accords with proper practice. This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year and includes consideration of the wider sources of assurance provided to the Authority.
- 2.2 The priority work on fundamental systems audits completed have shown a substantial level of compliance. Based on the audit work carried out in 2024/25 we are not aware of any significant control weaknesses, which impact on the Annual Governance Statement.
- 2.3 Wider sources of assurance available to the Fire Authority include the results of HMICFRS inspections on the effectiveness and efficiency with which MFRS prevents and protects the public and responds to fires and other emergencies. The most recent HMICFRS inspection was published in October 2023. HMICFRS graded MFRS as outstanding in three areas and good in five others and the service has made progress since its last inspection. The principal findings were as follows:
- The service is outstanding at preventing fires and other risks. It carries out a high number of home fire safety checks and safe and well visits (SAWVs) and gives priority to those most at risk in the community.
 - The service is outstanding at responding to major and multi-agency incidents. It is well prepared to respond to these types of emergency incidents, and it works well with partners to make sure that there is an effective response.
 - The service is outstanding at making best use of its resources. It has comprehensive financial and resourcing plans aligned with its strategic priorities and sustainability strategies that are achieving value for money for the public.
 - The service should use its enforcement powers in a more proportionate way.
 - The service needs to do more to make sure its values and behaviours are demonstrated at all levels of the organisation and diversify its future and current leaders.
- 2.4 Assurance was also provided by Forvis Mazars as the Authority's external auditor. In February 2025, Forvis Mazars confirmed they had substantially completed the audit of the Authority's financial statements and subject to outstanding queries being resolved. Forvis Mazars anticipated issuing an

unqualified opinion, confirming that the 2023/24 financial statements give a true and fair view of the financial position of the Authority's income and expenditure for the year and have been prepared in accordance with the relevant local authority accounting Code(s) and standards.

- 2.5 We undertake individual internal audits with the overall objective of providing members, the Chief Fire Officer, the Director of Finance and Procurement and other officers with reasonable, but not absolute, assurance against material misstatement or loss and, accordingly, this opinion does not provide such an absolute assurance.
- 2.6 This opinion is based solely on the matters that came to our attention during the course of our internal audit reviews and is not an opinion on all elements of the risk management, control and governance processes of the Service.
- 2.7 Internal Audit uses an overall opinion grading for audits and certain responsive work which is based on the ratings of the audit recommendations being made and is explained in more detail in section 8. The table below summarises the opinions given on internal audit work in 2024/25.

Fig 1 Summary of Opinions provided in 2024/25

Assurance Level	Control Environment	Compliance	
Substantial	6	6	
Good	3	3	
Acceptable / Limited / None	-	-	
Audits not yet reported	-	-	
Total Audits Completed	9	9	
Total Planned Audits			9

3 Summary of Audit Work Completed

- 3.1 The opinion of the CAE is informed significantly by the results of audits of the Authority's fundamental systems. These are the major systems which underpin the system of internal control and financial reporting.
- 3.2 No significant issues were identified in the course of the fundamental systems audits. The audit coverage during the year has provided sufficient evidence that controls in place to govern the core financial systems are sound and that they are substantially adhered to. A summary of the outcomes of the audits for these systems for the year is set out below in Fig 2.

Fig 2 Completed fundamental systems audits in 2024/25

Audit Title	Control Environment	Compliance	Corporate Impact
Medium Term Financial Plan	Substantial	Substantial	Minor
General Ledger	Substantial	Substantial	Minor
Debtors	Substantial	Substantial	Minor
Treasury management	Good	Good	Minor
Budgetary Control	Substantial	Substantial	Minor
Creditors	Substantial	Substantial	Minor
Payroll	Substantial	Substantial	Minor

Fundamental Systems

- 3.3 In our audit of each of these key financials we were able to provide positive opinions for all of these reviews. No significant control weaknesses were identified and a strong control environment continues to be maintained.
- 3.4 As standard practice, we made use of Computer Assisted Audit Techniques (CAATs) when performing a number of these audit reviews to confirm the accuracy and completeness of the information held on the systems. The controls within these systems contribute significantly to mitigating risks and reducing errors.
- 3.5 These reviews included examining whether the Authority's medium-term financial position continues to reflect savings requirements and that appropriate proposals have been developed to achieve them.
- 3.6 A service level agreement exists between the Fire Authority and Liverpool City Council covering the provision of treasury management services. We therefore place assurance on the audit work undertaken of the LCC Treasury Management system where the systems overlap. Sample testing is also performed of MFRS transactions and documentation as part of the audit.

Fig 3 Other Strategic/Client directed audits in 2024/25

Audit Title	Control Environment	Compliance	Corporate Impact
Expenses	Good	Good	Minor
Procurement Governance and Compliance	Good	Good	Minor

- 3.7 **Expenses** – The objective of this audit was to provide an opinion on the effectiveness of the arrangements in place for claiming and monitoring expenses. Testing established procedures for claiming expenses are comprehensive, generally complied with and expense claims are suitably

monitored for excessive or duplicate claims.

- 3.8 Improvements could be made with regard to updating the service instruction to detail the consequences of non-compliance with procedure. It was also noted, no justification has been provided when the scale rate allowance for subsistence claims have been exceeded, however receipts were provided.
- 3.9 **Procurement Governance and Compliance** – The aim of this review was to provide assurance that goods/services are procured in accordance with procedures and the requirements of the Procurement Regulations 2024 have been identified and an action plan has been put in place to ensure compliance.
- 3.10 Testing established that contracts had been procured in accordance with the current Contract Standing Orders (CSO's). In terms of the preparing for the Procurement Regulations 2024, there was evidence that actions are being completed to ensure the service is fully compliant, however it was not fully completed at the time of the audit. The introduction of the new Procurement Regulations will likely increase the administrative burden on the Procurement Team which may require them to recruit additional officers. This has not yet been planned for.

Contingency/Responsive/Advice and Assistance

- 3.11 **Training and Development Academy** – A review of the arrangements to recover costs for training courses and use of the training facilities by external organisations was completed. Advice was given on what costs to include and how the costing schedule should be laid out. Further work on this will be completed in 2025/26.

4 Recommendation Implementation

- 4.1 Where applicable, Internal Audit reports will include action plans detailing recommendations for improvement supported by agreed management actions. An officer is nominated with responsibility for each recommendation and an implementation date agreed.
- 4.2 Audit recommendations are graded as medium, high or essential/strategic with the latter being the most critical and indicating, for example, an absence or failure of a fundamental control where there is no compensating control. Internal Audit aims to follow up all essential / strategic recommendations within a month of their target implementation date, and all high and medium recommendations within three months.
- 4.3 Completing the 2024/2025 audit plan, Internal Audit made the audit recommendations identified in Figure 4 below.

Fig 4: Recommendations made while completing the 2024/25 audit plan (Essential/ Strategic (E/S) High (H) and Medium (M)).

Audit Area	Ongoing Recommendations			Total
	E/S	H	M	
Payroll			1	1
Expenses		1	1	2
Procurement Governance and Compliance		1	1	2
Total	0	2	3	5

- 4.4 There are a further 21 recommendations for previous years audits that have gone past their implementation date but not been implemented. Progress of implementation against target dates will be tracked and reported via Internal Audit Reports presented to Audit Committee.

5 Quality Assurance and Improvement Programme (QAIP)

- 5.1 It is a requirement of PSIAS for the CAE to develop and maintain a QAIP that covers all aspects of internal audit activity.
- 5.2 The QAIP is made up of internal and external assessments and it is a requirement of the PSIAS for the results of assessments against the QAIP to be reported in the Annual Report.
- 5.3 Based on the results of the internal assessments we can conclude that Internal Audit complied with the main requirements of the standards.
- 5.4 In accordance with the PSIAS the Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years. An external peer review against the PSIAS was undertaken by Bristol City Council between December 2021 and March 2022 as part of this five yearly cycle. Following the assessment, a number of recommendations were made; the Internal Audit Service is working towards addressing these.
- 5.5 The annual review of the Charter has taken place and takes account of the change in internal audit standard from PSIAS to GIAS (Global Internal Audit Standards) for 2025/26. The Charter is attached in an Appendix.

5.6 Based on the results of the QAIP for 2024/25 the Head of Internal Audit can confirm that internal audit activity generally conforms to the International Standards for the Professional Practice of Internal Auditing and with the requirements of PSIAS and the Code of Ethics.

Compliance with professional standards

Internal Audit employ a risk-based approach in planning and conducting audit assignments. Work is performed in accordance with PSIAS

Conflicts of Interest

There have been no instances during the period which have impacted on Internal Audit's independence

Internal Audit Quality Assurance

To ensure the quality of the work performed, Internal Audit have a programme of quality measures which includes:

- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular networking with professional / technical bodies and peers

Performance Measures

- Percentage delivery of audit plan (target 100%), actual - 100% ●
- Delivery of audits within agreed timescales (target 100%) actual – 100% ●
- Delivery of an annual audit plan in good time to advise the Annual Governance Statement – Annual indicator ●
- Auditees confirmation that audit reports address the key issues – ●

6 Organisational Independence

- 6.1 PSIAS require the CAE to confirm to the Audit Committee the organisational independence of the internal audit activity.
- 6.2 The arrangements in place to ensure organisational independence of the Internal Audit Service are outlined in the Internal Audit Charter. The Charter establishes the framework within which Liverpool City Council's Internal Audit Service operates to best serve MFRA and to meet its professional obligations under applicable professional standards.
- 6.3 Underpinning the Internal Audit Charter, operational procedures are in place to govern day-to-day audit activity and this includes arrangements to ensure independence and objectivity.

7 Statement of Conformance with PSIAS

- 7.1 The external peer review confirmed there is general compliance with the PSIAS.

8 Definitions of audit assurance

- 8.1 Internal Audit uses an overall opinion grading for audits and some responsive work. Where no issues surrounding the control environment are found, a substantial level of assurance will be given on the controls tested. However, where weaknesses with controls have been identified, depending on the potential impact of those weaknesses, a lower graded assurance level will be given.
- 8.2 The grades, which are summarised in the table below, are based on the ratings of the audit recommendations being made. The corporate impact rating sets the audit findings in context based on the overall risk to the Service.

Control Environment Assurance – Opinion on the design and suitability of the current internal controls.	
Level	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Acceptable	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment
None	There are fundamental control weaknesses that present unacceptable level of risk to the control environment
Compliance Assurance – Opinion on the level of compliance with current internal controls.	
Level	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been detected
Acceptable	The control environment has mainly operated as intended although errors have been detected
Limited	The control environment has not operated as intended. Significant errors have been detected
None	The control environment has fundamentally broken down and is open to significant error or abuse
Organisational impact – The potential impact on the organisation if the recommendations are not implemented.	
Level	Definition
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to moderate risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to a low level of risk. If the risk materialises it would have a minor impact on the organisation as a whole.

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 JUNE 2025	REPORT NO:	DFP/07/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	2025/26 INTERNAL AUDIT PLAN		

APPENDICES:	APPENDIX A: 2025/26 INTERNAL AUDIT PLAN
	APPENDIX B: INTERNAL AUDIT CHARTER

Purpose of Report

1. To notify Members of the proposed Internal Audit plan for 2025/26 and to seek comments from Members on the plan.

Recommendation

2. It is recommended that Members:
 - a) consider any comments or opinions they might have on the proposed audit plan, and
 - b) approve the 2025/26 Internal Audit Plan

Introduction and Background

3. The purpose of Internal Audit is defined as follows:

“Internal auditing strengthens the organisation’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.” (Source: Global Internal Audit Standards).
4. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems, (Accounts and Audit Regulations 2015). In order to fulfil this statutory requirement, the Authority has entered into a contract with Liverpool City Council’s Internal Audit Service. The Authority has utilised Liverpool City Council’s Internal Audit Service (LCC IAS) since 1986. LCC IAS has established an Internal Audit Charter (IAC) and

Quality Assurance & Improvement Programme (QAIP) to ensure compliance with the Global Internal Audit Standards (GIAS) and that LCC IAS delivers to the Authority an effective high-quality service.

5. Each year Internal Audit submit a work plan following consultation with the Strategic Leadership Team including the Director of Finance and Procurement, along with the Head of Finance and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The two main strategic areas of work are:
 - a. A review of fundamental financial systems and processes, and
 - b. Specific project reviews requested by the Service.
6. The proposed 2025/26 internal audit plan is attached as Appendix A to this report and Members are asked to consider the plan and provide any comments or opinions they might have on the proposed plan, and subject to any proposed amendments approve the 2025/26 Internal Audit Plan.
7. Arrangements have been set in place for monitoring progress against the plan on an ongoing basis and for closely managing any ad hoc work requirements during the year.
8. Attached as Appendix B to this report, is the “Internal Audit Service Charter” that defines Internal Audit function’s mandate, independence, organisational position, reporting relationships, qualifications & experience, resourcing and quality of internal audit services. The Charter ensures that the Authority receives an internal audit function in accordance with the mandatory requirements of the Global Internal Audit Standards (GIAS).

Equality and Diversity Implications

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

Staff Implications

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

Legal Implications

11. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015).

Financial Implications & Value for Money

12. The annual cost of the audit is £45,125 and is contained within the approved budget for audit services.

Risk Management and Health & Safety Implications

13. There are no health & safety implications contained within this report. The scrutiny provided by Internal Audit as part of the work to be undertaken on the proposed plan, will assist the Authority in assuring itself any necessary procedures and risk management processes are already in place or will be implemented as a result of the audit.

Environmental Implications

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

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

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

15. Internal Audit assists in the evaluation and enhancement of sound internal control arrangements that contribute towards ensuring the Authority's Vision and approved policies and plans continue to drive decision making within the service.

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

AGS	Annual Governance Statement
CAE	Chief Audit Executive
IAC	Internal Audit Charter
GIAS	Global Internal Audit Standards
LCC IAS	Liverpool City Council's Internal Audit Service
MFRA	Merseyside Fire & Rescue Authority
QAIP	Quality Assurance & Improvement Programme
SLT	Strategic Leadership Team

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INTERNAL AUDIT PLAN 2025/26

		Audit Days	
	Fundamental Financial Systems (general ledger, payroll, creditors/debtor systems etc)		40
	Strategic Reviews / Client directed / Ad hoc reviews		
1	Business Continuity – Review the Authority's business continuity arrangements to ensure MFRS has the ability to continue operations during and after a disruption. This includes assessing the adequacy of the plan, its effectiveness, and adherence to standards.	10	
2	Training and Development Academy – Review procedures for recovering costs for use of the training facilities by external organisations and ensure costs are recovered in accordance with the procedures.	8	
3	Stores – Review Stock Inventory Management Process – including internal controls, provisioning, stock management, inventory forecasting and re-ordering.	8	
4	Foreign, Commonwealth & Development Office – Grant Funding Assurance that FCDO funds have been used for the intended purposes.	8	
5	ISAR Cash Management – Review cash management process.	4	
	Strategic Reviews / Client directed / Ad hoc reviews		38
	Contingency – Investigations/Responsive / Advice & Assistance		3
	Follow up on implementation of previous audit recommendations.		6
	Audit Management		8
	Total Planned Days		<u>95</u>

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Merseyside Fire & Rescue Authority
Internal Audit Service
Internal Audit Charter

2025/26

Internal Audit Charter for Merseyside Fire & Rescue Authority

Purpose

The purpose of the internal audit function is to strengthen Merseyside Fire & Rescue Authority's (MFRA) ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function is provided by Liverpool City Council and enhances MFRA:

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

MFRA's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Global Internal Audit Standards in the UK Public Sector (GIAS UK PS), which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

GIAS UK PS

The GIAS UK PS consists of:

- The [Global Internal Audit Standards](#) of the Institute of Internal Auditors (IIA)
- Chartered Institute of Public Finance and Accountancy (CIPFA) [Application Note: Global Internal Audit Standards in the UK Public Sector](#)
- CIPFA's [Code of Practice for the Governance of Internal Audit in UK Local Government](#)

Commitment to Adhering to the GIAS UK PS

The MFRA's internal audit function will adhere to the GIAS UK PS. The Director of Audit (Chief Audit Executive (CAE)) will report regularly to the Audit Committee regarding the internal audit function's conformance with the GIAS UK PS, which will be assessed through a quality assurance and improvement program (QAIP).

Mandate

Authority

The MFRA's internal audit function mandate is found in the Accounts and Audit Regulations 2015, which states:

Internal Audit

5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

The internal audit function's authority is created by its direct reporting relationship to the Audit Committee, as the body charged with overall responsibility for governance within the MFRA. Such authority allows for unrestricted access to the Audit Committee.

The MFRA's Constitution, Financial Regulations and Procedures, sets out the wider statement of internal audit's authority, as approved by the MFRA, including:

- Internal Audit is independent in its planning and operation and determines its own priorities in providing unrestricted coverage of the MFRA's operations
- The CAE has direct access to the Chief Fire Officer and all levels of management and members
- The internal auditors comply with the global international audit standards.

Independence, Organisational Position, and Reporting Relationships

The CAE is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

On behalf of those charged with governance, SLT needs to establish and safeguard Internal Audit's independence. These arrangements must include:

- Ensuring internal audit's access to staff and records, operates freely and without any interference to its scope, performance of engagements or communication of results.
- Ensuring that the CAE reports to the Audit Committee on the work of internal audit.
- Providing opportunities for the CAE to meet with the Audit Committee without SLT present. At least one such meeting must be held each year.
- Where there are actual or potential impairments to the independence of Internal Audit, SLT should work with the CAE to remove or minimise them or ensure safeguards are operating effectively.
- Recognise that if the CAE has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of Internal Audit. The impact must be discussed with the CAE and the views of the Audit Committee sought. Where needed, appropriate safeguards must be put in place by SLT to protect the independence of Internal Audit and support conformance with GIAS in the UK PS.

The CAE will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the Director Finance and Procurement. This positioning provides the organisational authority and status to bring matters directly to SLT and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

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

CAE Skills, Removal, Remuneration and Performance

The CAE will have sufficient skills, experience, and competencies to work with SLT and the Audit Committee, and to influence the governance, risk management, and internal control of the MFRA.

The CAE will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership.

The Audit Committee should provide feedback on the operation of the contract for internal audit services.

Changes to the Mandate and Charter

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

- A significant change in the GIAS UK PS.
- A significant reorganisation within the organisation.
- Significant changes in the CAE, Audit Committee, and/or SLT.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New legislation or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Interaction

To ensure there is good interaction between the Audit Committee and internal audit, the CAE will present the Audit Committee with a Work Programme for agreement, to ensure that there is appropriate coverage of internal audit matters within the Audit Committee agendas. The Audit Committee Work Programme will include:

- Internal Audit Charter (including the Mandate)
- Internal Audit Plan
- Internal Audit Progress Reports (including engagement reporting and actions tracking)
- Internal Audit Annual Report (including conclusions and quality reports)

The Audit Committee must familiarise itself with the MFRA's assurance framework and approach to governance, risk management and internal control arrangements to fulfil the wider Audit Committee Terms of Reference.

SLT should update the Audit Committee on significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The Audit Committee should have oversight of the Annual Governance Statement (AGS) before final approval.

Where Internal Audit consider the management of risk or proposed actions in response to audit engagements represent an unacceptable level of risk to the authority, the Audit Committee must review the matter. The Audit Committee should make their recommendation to either management or those charged with governance as necessary.

Resources

The Audit Committee and SLT must engage with the CAE to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS UK PS. As the internal audit function is outsourced, the focus should be on the budgeted contract.

Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the AGS.

Decisions on internal audit resourcing by SLT and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of

the authority and internal audit's role in supporting those objectives. The long-term viability of the internal audit function must be considered.

Where there are temporary resource constraints, SLT must work with the CAE to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the Audit Committee must review the results of the CAE's assessment of conformance against GIAS UK PS, including any action plan.

The Audit Committee must review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. The Audit Committee should review in-year updates and make appropriate enquiries if there are concerns about internal audit performance.

To meet the requirements of the Mandate for internal audit, the Audit Committee must satisfy itself on the effectiveness of internal audit. They should take into account conformance with the GIAS UK PS, interactions with the Audit Committee, performance and feedback from CLT. Their conclusions should be reported to those charged with governance, as part of the Audit Committee's Annual Report.

External Quality Assessment

On behalf of those charged with governance and the Audit Committee, SLT must ensure that Internal Audit has an external quality assessment (EQA) at least once every five years of its conformance against GIAS UK PS. SLT should discuss the CAE's plan for the review and report the options, suggested timing and their recommendation to the Audit Committee.

Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the Audit Committee for agreement.

The Audit Committee must receive the complete results of the assessment and consider the CAE's action plan to address any recommendations. Progress should be monitored by the Audit Committee.

Director of Audit Roles and Responsibilities

Ethics and Professionalism

The CAE will ensure that internal auditors:

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

Objectivity

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

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

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

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

Internal auditors will:

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

Managing the Internal Audit Function

The CAE has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and SLT. Discuss the plan with the Audit Committee and SLT and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and SLT.
- Review and adjust the internal audit plan, as necessary, in response to changes in the MFRA's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and SLT if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS UK PA and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and SLT periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS UK PS and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the MFRA and communicate to the Audit Committee and SLT as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the MFRA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS UK PS. Any such conflicts will be resolved or documented and communicated to the Audit Committee and SLT.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to SLT and if necessary escalated to the Audit Committee.

Communication with the Audit Committee and SLT

The CAE will report periodically to the Audit Committee and SLT regarding:

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

Quality Assurance and Improvement Program (QAIP)

The CAE will develop, implement, and maintain a QAIP that covers all aspects of the internal audit function. The QAIP will include external and internal assessments of the internal audit function's conformance with the GIAS UK PS, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

As the internal audit function is a contracted out service the CAE will only communicate with the Audit Committee and SLT about the internal audit function's QAIP if request to do so or if there are concerns the CAE considers relevant. This includes reporting the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

Scope and Types of Internal Audit Services

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

Governance

Internal Audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of the organisation.
- Co-ordinating the activities of and communicating information among the Audit Committee, External and Internal Auditors and management.

Risk Management

Internal Audit will evaluate the effectiveness and contribute to the improvement of risk management processes by assessing that:

- Organisational objectives support and align with the organisation's vision.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.

Control

Internal Audit will assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The Internal Audit activity will evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations, and information systems regarding the:

- Achievement of the organisation's strategic objectives.
- Reliability and integrity of financial and operational information.
- Economical, effective and efficient use of resources.
- Effectiveness and efficiency of operations and programmes.
- Safeguarding the MFRA's assets and interests from losses of all kinds, including those arising from fraud, irregularity, corruption or bribery.
- Compliance with laws, regulations, policies, procedures, and contracts.

Advisory

Internal Audit may provide, at the request of management, an advisory service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the Internal Audit Plan to allow for management requests and advisory work.

The CAE must consider the effect on the opinion work before accepting advisory work or management requests over and above the contingency allowed for in the Audit Plan. If the proposed work may jeopardise the delivery of the annual conclusion, the CAE must advise the Section 151 Officer before commencing the work. The CAE must consider how the advisory work contributes towards the overall annual conclusion.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Fraud

Internal Audit will assess and make appropriate recommendations for improving the corporate anti-fraud framework in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation.
- Significant fraud risks are identified and assessed.
- Appropriate fraud risk responses are selected that align fraud risks with the organisation's fraud risk appetite.
- Relevant fraud risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.
- Communicating fraud risk and control information to appropriate areas of the organisation.
- Safeguarding the MFRA's assets and interests from losses of all kinds, including those arising from fraud, irregularity, corruption or bribery.
- Compliance with laws, regulations, policies, procedures, and contracts.

Engagements

Internal audit engagements may include evaluating whether:

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

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