

# Public Document Pack



To: All Members of the Audit Committee

R. Groves  
Monitoring Officer

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Our ref MG/RG

Date: 22<sup>nd</sup> June 2026

Dear All,

You are invited to attend a meeting of the **AUDIT COMMITTEE** of the **MERSEYSIDE FIRE AND RESCUE AUTHORITY** to be held at 13:00pm on **TUESDAY, 30TH JUNE, 2026** in the Liverpool 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/Lo5X9rGX510?feature=share>

*PP – M Griffiths*

Monitoring Officer

Encl.

**MERSEYSIDE FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**30 JUNE 2026**

**AGENDA**

**Members**

Councillor Lynn O'Keeffe (Chair)  
Councillor Dave Hanratty  
Councillor Chris Page  
Councillor Jerry Williams  
Councillor Andrew Makinson  
Councillor Nigel Brown  
Co-opted Member, Mr 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 meeting held on the 26<sup>th</sup> February 2026.
4. **Forvis Mazars Audit Strategy Memorandum 2025-26** (Pages 11 - 38)  
To consider the Forvis Mazars Audit Strategy Memorandum 2025-26 report (DFP/01/2627).
5. **Treasury Management 2025-26 Annual Report** (Pages 39 - 50)  
To consider the Treasury Management 2025-26 Annual Report (DFP/02/2627).
6. **2025/26 Internal Audit Plan** (Pages 51 - 72)  
To consider the 2025/26 Internal Audit Plan report (DFP/03/2627).
7. **2025/26 Annual Year End Internal Audit Report and Opinion** (Pages 73 - 88)  
To consider the 2025/26 Annual Year End Internal Audit Report and Opinion (DFP/04/2627).

8. **Changes to Accounting Policies 2025/26** (Pages 89 - 92)  
To consider the Changes to Accounting Policies 2025/26 report (DFP/05/2627).
  
9. **Annual Governance Statement 2025/2026** (Pages 93 - 114)  
To consider the Annual Governance Statement 2025/26 report (MO/12/2627).

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## MERSEYSIDE FIRE AND RESCUE AUTHORITY

### AUDIT COMMITTEE

26 FEBRUARY 2026

### MINUTES

**Present:** **Councillors** Jeanie Bell (Chair), Sam Gorst, Lynn O’Keeffe, Andrew Makinson, Grahame McManus, Chris Page and Co-opted Member, Anthony Boyle.

**Also Present:**

Deputy Chief Fire Officer	Dave Mottram
Assistant Chief Fire Officer	Ged Sheridan
Director of Finance and Procurement	Mike Rea
Monitoring Officer	Ria Groves
External Audit (Forvis Mazars)	Karen Murray
External Audit (Forvis Mazars)	Katie Kingston
Internal Audit (LCC)	Hayley Dickinson-Moore

#### 9. Apologies

There were no apologies received.

#### 10. Declarations of Interest

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

#### 11. Minutes of the Previous Meeting

**RESOLVED** that the minutes of the last meeting held on 2<sup>nd</sup> October 2025 be approved as an accurate record.

#### 12. 2024/25 Audit Completion Report

Director of Finance and Procurement, Mike Rea, introduced the report noting that the Auditor’s Completion Report confirmed that Forvis Mazars had completed the audit of the Authority’s financial statements. Mike Rea noted that Forvis Mazars anticipated issuing an unqualified opinion following this Audit Committee, confirming that the 2024-25 financial statements gave a true and fair view of the financial position of the Authority as of 31<sup>st</sup> March 2025.

Members noted that the Audit Completion Report identified internal control weaknesses within the production of the 2024-25 Statement of Accounts and Mike Rea confirmed that the team was committed to addressing this through targeted improvements in the 2025-26 production process, ensuring timely production and full compliance with the updated codes and regulations.

The report also identified several additional areas for attention and Members were aware of the significant team changes over the last 18 months. These,

alongside vacancies and long-term sickness impacted the 2024-25 production timeline and the team were working on forward planning to prevent future re-occurrence.

Members noted that Forvis Mazars identified no significant weaknesses regarding the Authority's value for money arrangements, specifically, the Auditors found the systems for securing economy, efficiency and effectiveness in the use of resources to be sufficient, requiring no formal recommendations. Mike Rea welcomed Audit Partner for Forvis Mazars, Karen Murray to present the Audit Completion Report.

Karen Murray was pleased to present the Audit Completion Report which concluded their work. She advised that she received the Authority's accounts on 2<sup>nd</sup> July, which was past the deadline of 30<sup>th</sup> June, however, this wasn't a particular concern. It was acknowledged that this audit had been much more difficult than in previous years and so, the Authority would receive more amendments in this set of accounts than usual. Concerns were raised about the quality of the accounts that were presented this year and the technical capacities in the team to support what was a very complex set of accounts, however, Karen recognised that there was a commitment to getting it right.

Karen Murray noted that four significant areas of risk had been identified in the Audit Strategy Memorandum. The first one was in respect of the management override of controls, and the risk was around matters where management could directly influence the accounts and make decisions that changed the figures within the accounts. Karen confirmed that this work had been completed with no problems identified.

The second area of significant risk was in relation to the Authority's pension scheme and the assets and liabilities that the Authority disclosed in respect of the two pension schemes. Karen confirmed that all the work had been completed. The only challenge was that updated information became available as time went on due to relying on work that the actuary does at a point in time. This resulted in some amendments to the accounts, however Karen reassured Members that it was very unlikely that there would ever be a situation that no amendments would ever be required in this area.

Karen Murray explained that the third area of significant risk related to the valuation of the Authority's land and building and some amendments were required within the accounts for this area.

The fourth and final area of significant risk was the implementation of IFRS 16. Karen explained that this was a change to the way the Authority accounted for leases and noted the biggest change to the Authority's accounts this year was that the draft accounts did not include the remeasurement of the PFI asset on the right basis under IFRS 16.

Members noted that there was a further issue around the rest of the asset register as some assets included in the Authority's asset register had been fully depreciated and had a net book value of nil but was still in use. Karen Murray advised that these assets should have had a residual value and indicated that

the depreciation had been applied too quickly, meaning that adjustments had to be made.

It was explained that Forvis Mazars intended to give an unqualified opinion on the Authority's accounts on receipt of the Authority's approved Statement of Accounts and signed Letter of Representation.

Karen closed with thanking the Authority's team for their hard work.

Councillor Chris Page thanked the team for a very helpful report and asked Karen whether she thought that working with Mike and his team, that the Authority would be in a better position to cope with the IFRS 16 this time next year. Karen clarified that IFRS 16 was new and particularly complex and she hoped these challenges would not arise in future years.

The Chair, Councillor Jeanie Bell, drew Members' attention to page 29 of the agenda which detailed misstatements, and she asked whether this would reduce going forwards. She also asked what the key drivers were behind those misstatements and asked if the issue around team capacity would be addressed and if there was any support required from the Authority.

The Director of Finance and Procurement advised the Chair that some of the misstatements were a result of reclassifying amounts between different lines within the accounts and that it was a change to the way the amounts had been reported for several years. Mike advised Members that the team had been through several changes over the last couple of years and was therefore a relatively new team, with staff turnover in the Accounting Team and Exchequer Services Team. He re-assured Members that the team were undergoing relevant training, with some courses already completed and others scheduled for the coming weeks. He added that himself and the Head of Finance were reassessing the capacity of the team.

The Chair thanked Mike for his response and added that this gave her a lot of confidence and reassurance. She drew Member's attention to page 31, where it mentioned the significant control deficiencies on fully depreciated assets, and it explained that there would be a new internal control to ensure that assets reaching the end of their predicted life were physically verified before being treated as nil value and that monitoring progress on the improvements would ensure that the financial reporting controls remained robust. She wondered how this would be reported to the Audit Committee in the year going forward and asked for assurance to prevent the reoccurrence of this in the 2025-26 audit.

Mike Rea explained that several vehicles, originally due for disposal based on their service life, have had their use extended. This decision followed lead-time delays for replacement vehicles and had allowed the Authority to achieve greater value for money from these assets. The team had met with the Fleet Manager to review existing assets and would continue these discussions over the coming weeks to plan for the next year. An update on this asset exercise would be brought back to the Audit Committee. Members also noted that the Authority was due to take delivery of several new vehicles over the next 12 months.

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

**13. Statement of Accounts 2024/25 Approval of Audited Statements**

Director of Finance and Procurement, Mike Rea, advised Members that the Authority was required to prepare a set of annual financial statements in a format that was set out under the relevant accounting code and standards which must be approved and signed off for publication by the Authority. Members were aware that the published statements of accounts must include an opinion from external auditors, 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 codes of practice.

Members' attention was drawn to paragraphs 10 - 25 on pages 67 - 72 of the agenda which provided background to the four financial statements in the statements of accounts. It was explained that these paragraphs summarised the 2024-25 movements in the statements and explained any significant changes from the previous year's figures.

Mike Rea advised Members that paragraph 20 outlined the Balance Sheet movements between 2023-24 and 2024-25, and the movements on the Authority's assets and liabilities. Members noted that the codes 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 the depreciation charge. It was explained that they were notional in nature, therefore, they did not form part of the cost that must be funded by the Authorities approved general fund budget.

It was acknowledged that as per paragraph 8 of the report, the budgeted outturn position had not changed to that report of the Policy and Resources Committee in July 2025. Mike Rea added that the report recommended that Members delegated Authority to the Chair of the Audit Committee and the Director of Finance and Procurement to sign the 2024-25 Statement of Accounts and approve for publication and note that the Director of Finance and Procurement would sign the Letter of Representation.

The Chair, Councillor Jeanie Bell, directed Members' attention to the information around the reduction in unusable reserves in paragraph 19, page 70 of the agenda and asked for clarification on what drove this reduction and whether it affected the financial resilience of the Authority going forwards. She also asked that given the volatility of pension liabilities, what actions were being taken to mitigate future functionalities in the unusable reserves.

Mike Rea referred Members to the table in paragraph 21, page 134 of the agenda which showed a further breakdown of the unusable reserves. He explained that Members could see the difference from one year to another and that the pensions reserve from one year had gone from £856m down to £775m. He added that this tended to have the greatest impact on the unusable reserves figure. These fluctuations in the pension reserve resulted from the actuarial

assumptions and demographics data used when performing the annual liability calculation.

Councillor Chris Page mentioned the statement on page 193 of the agenda addressing that no significant weaknesses were identified, and that the Authority had established specific reserves to cover the risk of variation. He asked whether there was anything further that the Authority needed to think about or whether this was sufficient.

Mike Rea reminded Members that the Authority was set to approve the Medium-Term Financial Plan at the upcoming Budget Meeting. The Medium-Term Financial Plan included several reserves, starting with the General Revenue Reserve, which represented approximately 5% of the net revenue budget and remained unallocated for future commitments. Additionally, various earmarked reserves were maintained for specific contingencies, such as an Inflation Reserve to mitigate fluctuations in pay and prices.

**RESOLVED** that:

- a) authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the S151 Officer, to sign the 2024/25 Statement of Accounts, attached as Appendix A to this report be delegated and for publication on the Authority's website be approved; and
- b) the Director of Finance and Procurement will sign the letter of representation in relation to the 2024/25 accounts, attached as Appendix B be noted.

**14. Internal Audit Progress Report April to January 2026**

The report was introduced by Director of Finance and Procurement, Mike Rea, who advised Members that three audits had been completed up to January 2026. Members noted that all three audits had been issued with a substantial audit opinion. He explained that the remaining audit work would be completed as planned in quarter four and this allowed the auditors to review how systems and controls had operated over the majority of the year. Mike added that the Year End Internal Audit Report would be reported back for Members' consideration in May. Members were aware that the internal audit services were provided by Liverpool City Council, and he welcomed Hayley Dickinson-Moore, Lead Audit Manager, to take Members through the progress report in more detail.

Hayley Dickinson-Moore advised Members that three reports were completed, all of which were given substantial assurance and had no recommendations. She explained that there was a further audit report in draft and two additional audits ongoing, however, these were all at the final stages so hoped to be finalised very quickly. The Authority's impressive work was commended as 22 recommendations had been closed and only 4 remained outstanding.

The Chair commented that it was a pleasing report and thanked all the team for the level of work that had gone into every piece of work on the agenda. She added that she could not wish for more information or transparency.

**RESOLVED** that the contents of this report be noted.

Close

The date of next meeting will be after the Annual General Meeting.

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>DFP/01/2627</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT)</b>		
<b>TITLE OF REPORT:</b>	<b>FORVIS MAZARS (MFRA EXTERNAL AUDITORS) AUDIT STRATEGY MEMORANDUM 2025/26 DRAFT</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: FORVIS MAZARS AUDIT STRATEGY MEMORANDUM FOR YEAR ENDING 2025/26</b>
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## Purpose of Report

1. To present to Members Forvis Mazars Audit Strategy Memorandum that outlines the Auditor's approach to auditing the Authority's 2025/26 financial statements.

## Recommendation

2. It is recommended that Members note the contents of Forvis Mazars 2025/26 Audit Strategy Memorandum and the scope, approach and timeline of the Authority's 2025/26 audit of the financial statements.

## Introduction and Background

3. The Authority is required to prepare a set of financial statements each year in accordance with the relevant codes of practice and statutory regulations. For the 2025/26 financial year, the deadline for the production of the unaudited financial statements is 30 June 2026.
4. Once prepared, the financial statements must be audited by an independent external auditor, who is responsible for issuing an opinion on whether the statements present a true and fair view. Members will be aware that the Authority has opted into the Public Sector Audit Appointments (PSAA) national scheme for the appointment of its auditors. Through this arrangement, Forvis Mazars has been appointed as the Authority's external auditor.

5. Following a government consultation on proposed amendments to the Accounts and Audit Regulations 2015, changes have been introduced to help address the national backlog of unaudited local authority accounts in England. As part of these measures, statutory backstop dates have been set for the completion of audits for the financial years 2025/26 through to 2027/28. The deadlines introduced by government are 31 January 2027 for 2025/26, 30 November 2027 for 2026/27, and 30 November 2028 for 2027/28.
6. In addition, for the same period (2025/26 to 2027/28), the deadline for the Authority to publish its draft (unaudited) accounts has been revised. The publication date has moved from 31 May to 30 June following the end of the relevant financial year.
7. The Director of Finance and Procurement agreed to provide Members with an update on the progress of the 2025/26 fixed asset exercise in support of the preparation of the 2025/26 Statement of Accounts.
8. The Accounting Team has undertaken a comprehensive review of Property, Plant and Equipment (PPE), meeting with all officers responsible for these assets, including the Fleet Manager, to assess the appropriateness of asset valuations and useful economic lives. This work, incorporating the latest HM Treasury requirements in respect of the valuation of non-investment assets, has ensured that the Authority's asset base is accurately reflected and aligned with current operational use.
9. In parallel, the Financial Accountant has developed revised fixed asset registers and supporting working papers. These enhancements are intended to strengthen the quality and robustness of the underlying information supporting the preparation of the Statement of Accounts.
10. Members are asked to note Forvis Mazars Audit Strategy Memorandum as attached to this report as Appendix A.

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**Equality and Diversity Implications**

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

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**Staff Implications**

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

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**Legal Implications**

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13. The regulations require the unaudited financial statements for 2025/26 to be prepared by 30 June 2026, and the statements to be audited by 31 January 2027.

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**Financial Implications & Value for Money**

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14. The 2025/2026 external audit fee, £110,733 has been included within the budget.

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**Risk Management and Health & Safety Implications**

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

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**Environmental Implications**

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

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

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

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

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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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<b>MFRA</b>	<b>M</b> erseyside <b>F</b> ire and <b>R</b> escue <b>A</b> uthority
<b>PSAA</b>	<b>P</b> ublic <b>S</b> ector <b>A</b> udit <b>A</b> ppointments
<b>VFM</b>	<b>V</b> alue <b>F</b> or <b>M</b> oney

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# Audit Strategy Memorandum

## Merseyside Fire and Rescue Authority – Year ending 31 March 2026

June 2026

Dear Audit Committee Members,

I am pleased to present our Audit Strategy Memorandum (“ASM”) for Merseyside Fire and Rescue Authority for the year ending 31 March 2026. This document will be presented at the Audit Committee meeting on 25<sup>th</sup> June 2026. If you would like to discuss any matters in more detail, please contact me on 07721 234 043.

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of the audited entity this report also summarises our considerations and conclusions on our independence.

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

- reaching a mutual understanding of the scope of our audit and our respective responsibilities,
- sharing information to assist each of us with fulfilling our respective responsibilities,
- providing you with constructive observations arising during our audit, and
- ensuring that we gain an understanding of your attitude and views in respect of the risks facing the Authority which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have 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.

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.

During the meeting, we would be grateful for your views/ knowledge on the following specific matters:

- whether you have identified any other risks (business, laws & regulation, fraud, going concern, etc.) that may result in material misstatements in the financial statements.
- if there are any matters that you consider warrant particular attention during our audit and/ or any areas where you would like additional procedures to be undertaken.

Subject to our prior written agreement or as required by any applicable law or regulation, this report is considered confidential and is intended solely for the Audit Committee and should not be disclosed to any other party, used or quoted for any other purpose.

Yours faithfully,



Karen Murray  
**Forvis Mazars LLP**

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1. Your audit team
2. Audit scope, approach, and timeline
3. Audit risks and other significant matters
4. Materiality
5. Fees
6. Our independence
7. Value for money

## **Appendices**

- A - Other communications
- B - Current year updates, forthcoming accounting & other issues

# 1. Your audit team



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# 2. Audit scope, approach, and timeline

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# 3. Audit risks and other significant matters

## Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk	Description	Our planned response
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"> <li>• accounting estimates;</li> <li>• journal entries; and</li> <li>• significant transactions outside the normal course of business or otherwise unusual.</li> </ul>
Valuation of Land and Buildings	<p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.</p> <p>The valuation of property, plant &amp; equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>The Code has been amended in 2025/26 and now requires land and buildings to be valued once every five years with annual indexation applied to assets during the intervening years. CIPFA have not prescribed the index to be applied, and the Authority will apply judgement in relation to the appropriate indices to use based on asset type.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• assess the Authority’s valuers’ qualifications, objectivity and independence to carry out such valuations;</li> <li>• review the valuation methodology used for assets subject to revaluation in 2025/26, including testing the underlying data and assumptions;</li> <li>• gain an understanding of the indexation approach taken by the Authority; and</li> <li>• consider the reasonableness of the indices used by comparing them to market trends.</li> </ul>

# Audit risks and other significant matters

## Significant risks - Continued

Risk	Description	Our planned response
<p>Defined benefit pension liability valuation</p>	<p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Merseyside Pension Fund and the Firefighters pension scheme.</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 2025/26.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary;</li> <li>• obtain confirmation from the auditors of the Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>• evaluate and challenge the work performed by the Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Authority's share of Pension Fund assets;</li> <li>• review the actuarial allocation of Pension Fund assets to the Authority including comparing the Authority's share of the assets to other corroborative information;</li> <li>• review the appropriateness of the Pension Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office; and</li> <li>• agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.</li> </ul>

# Audit risks and other significant matters

## Enhanced risks

Risk	Description	Our planned response
IFRS 16	<p>The implementation of IFRS 16 in 2024/25 was a challenging area of accounting for the Authority and there were a number of audit adjustments required to the 2024/25 draft accounts.</p> <p>Due to the significant values involved, particularly in the Authority's PFI scheme, the complex nature of this accounting change and the issues identified in the prior year, we have identified this as an enhanced risk for the 2025/26 audit.</p>	<p>Our work will include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• reviewing the key judgements and estimates that management have made in respect of their IFRS 16 calculation;</li> <li>• review the PFI models and satisfying ourselves that appropriate inputs have been included; and</li> <li>• testing a sample of leases in place at the year end and ensuring appropriate disclosure in the accounts.</li> </ul>

## 4. Materiality

We consider that gross expenditure at surplus/deficit level to be the key focus of the users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set financial statement materiality as 2% of gross expenditure at surplus/deficit level.

Based on currently available information, the prior year audited accounts we anticipate setting our financial statement materiality and performance materiality at the levels set out in the table adjacent.

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

We will accumulate misstatements identified during our audit that are above the reporting threshold set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting threshold will be reported to you and management. Any misstatements that we identify that are below that amount would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (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 the financial statements and our audit opinion

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

We also consider whether there are any financial statement areas or disclosures where a misstatement of an amount lower than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. Our assessment of the financial statements and/or disclosures to which this applies and the specific materiality level we have set is included in the table below.

	2025-26 £'000s	2024-25 £'000s
Overall materiality	£3,000	£3,000
Performance materiality	£2,100	£2,400
Clearly trivial	£90	£90
Specific materiality – Senior Officers Remuneration	£5	£5

# 5. Fees

## Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT and disbursements) for the audit of the financial statements for the year ended 31 March 2026, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined in the table adjacent.

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

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA [website](#).

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Nature of service	2025-26 proposed fee	2024-25 actual fee (*)
Core Audit Work	£110,733	£107,717
Additional audit work relating to the pension asset ceiling	-	£7,500
Additional work required on prior period adjustment	-	-
Additional work in respect of the implementation of IFRS 16	-	£12,400
Additional work in respect of fully depreciated assets	-	£5,800
Additional work in relation to the quality and preparation of accounts including in relation to PFI remeasurement and the other amendments required to the draft financial statements	-	£68,100
<b>Total fees</b>	<b>£110,733</b>	<b>£201,517</b>

(\*) Subject to approval by PSAA.

## 6. Our independence

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 that 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 context of 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 and complete annual ethics training,
- All new partners and staff are required to complete an independence confirmation,
- Rotation policies covering audit engagement partners and other key members of the audit team, and
- 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 Forvis Mazars LLP, the engagement team and others in the firm as appropriate are independent and comply with relevant ethical and independence 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.**

We have not identified any threats to our independence in connection with the services we have provided to the Merseyside Fire and Rescue Authority. As indicated on the previous slide, we do not anticipate that we will be providing any non-audit services in the current audit period. We will update our independence assessment if this changes and inform you of the outcome as part of subsequent reporting to you.

# 7. 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.

We undertake our VFM work in accordance with the 2024 Code of Audit Practice (the Code). Our responsibility, under the Code, is 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.

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

# Appendix A: Other communications

## Audit scope and approach

### Audit scope

Our audit is designed to comply 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 the terms of our engagement. 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, and the nature, extent, and timing of our audit procedures are given primarily 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 identify.

If we conclude that 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 if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, 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 by UK auditing standards 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*' section of this report.

### Use of internal audit

Where possible, we will use the work performed by internal audit when designing the nature, extent, and timing of our audit procedures. We will discuss with internal audit the progress of their work and their findings prior to commencing our control evaluation procedures.

Where we intend to use the work of internal audit, we will evaluate the work performed by them and perform our own procedures to determine the adequacy of that work for our audit.

# Appendix A: Other communications

## Audit scope and approach

### 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/asset	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.

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### 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.

# Appendix A: Other communications

## Responsibilities

We are appointed to perform the external audit of Merseyside Fire and Rescue Authority (the Authority) for the year to 31 March 2026. 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 CIPFA 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 Chief Finance Officer 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 Chief Finance Officer’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.

### 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.

### 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.

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



# Appendix A: Other communications

## Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company's financial statement and the responsibilities of management and those charged with governance.	Audit Strategy Memorandum and engagement letter
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion,</li> <li>• The effect of uncorrected misstatements related to prior periods,</li> <li>• A request that any uncorrected misstatement is corrected, and</li> <li>• In writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• Inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the company,</li> <li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist, and</li> <li>• A discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at the Audit Committee meetings, audit planning meetings, and audit clearance meetings
Significant matters arising during our audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>• Non-disclosure by management,</li> <li>• Inappropriate authorisation and approval of transactions,</li> <li>• Disagreement over disclosures,</li> <li>• Non-compliance with laws and regulations, and</li> <li>• Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report

# Appendix A: Other communications

## Required communications

Required communication	Where addressed
<p>Significant findings from our audit, including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures,</li> <li>• Significant difficulties, if any, encountered during our audit,</li> <li>• Significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management,</li> <li>• Written representations that we are seeking,</li> <li>• Expected modifications to our auditor’s report, and</li> <li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those charged with governance in the context of fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during our 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 you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.	Audit Completion Report and Audit Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the company’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the event or condition constitutes a material uncertainty,</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements, and</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report

# Appendix A: Other communications

## Required communications

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Required communication	Where addressed
<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, key steps to assess and conclude on our firm’s system of quality management, including:</p> <ul style="list-style-type: none"> <li>• Ensuring there is an appropriate assignment of responsibilities,</li> <li>• Establishing and reviewing quality objectives each year, ensuring our firm’s quality objectives align with our strategies and priorities,</li> <li>• Identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.),</li> <li>• Identifying, designing, and implementing responses to strengthen our firm’s internal control environment and overall quality, and</li> <li>• Evaluating our quality responses and remediating control gaps or deficiencies.</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: <a href="https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports">https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports</a>.</p>	<p>Audit Strategy Memorandum (the communication adjacent satisfies this requirement)</p>
<p>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:</p> <ul style="list-style-type: none"> <li>• Significant delays in management providing information that we require to perform our audit.</li> <li>• An unnecessarily brief time within which to complete our audit.</li> <li>• Extensive and unexpected effort to obtain sufficient, appropriate audit evidence.</li> <li>• Unavailability of expected information.</li> <li>• Restrictions imposed on us by management.</li> <li>• Unwillingness by management to make or extend their assessment of the company’s ability to continue as a going concern when requested.</li> </ul> <p>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).</p>	<p>Audit Completion Report, discussion at Audit Committee meetings, and audit clearance meetings</p>

# Appendix A: Other communications

## Definitions

Term	Definition
Materiality	<p>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.</p> <p>We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. 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 you (reporting threshold). 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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Have a reasonable knowledge of business, economic activities, and accounts,</li> <li>• Have a willingness to study the information in the financial statements with reasonable diligence,</li> <li>• Understand that financial statements are prepared, presented, and audited to levels of materiality,</li> <li>• Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events, and</li> <li>• Will make reasonable economic decisions based on the information in the financial statements.</li> </ul> <p>We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. 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.</p> <p>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.</p>

# Appendix A: Other communications

## Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: <ul style="list-style-type: none"><li>• 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</li><li>• Risks relating to other assertions and arising from significant events or transactions that occurred during the period.</li></ul>
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.
Key audit matter	<p>A matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement (whether due to fraud or error) we identified, including those which had the greatest effect on our overall audit strategy, the allocation of resources in our audit, and directing the efforts of our engagement team.</p> <p>It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way it is described. This report highlights which of the significant and other risks are expected, at this stage, to be determined as key audit matters. It should be noted, however, that other audit areas may be determined as key audit matters during our audit.</p>

# Appendix A: Other communications

## Definitions

Term	Definition
Key audit partner	<ul style="list-style-type: none"> <li data-bbox="326 334 2430 396">(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm.</li> <li data-bbox="326 429 2461 529">(b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a 'material subsidiary' and who is designated as being primarily responsible for that audit.</li> <li data-bbox="326 562 1538 586">(c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.</li> </ul>

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

## HM Treasury changes to non-investment asset valuation

### Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the “Code”)

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.
- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

Whilst management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity’s circumstances, and to provide this evidence to the auditor.

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

## Effective for accounting periods beginning on or after 1 January 2027

### IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on the Merseyside Fire and Rescue Authority as and when detail is available as to when and how the standard is incorporated into the Code.

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.

#### ***New categories and subtotals for inclusion within the statement of profit or loss***

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

#### ***New reporting requirements on Management Performance Measures (MPMs)***

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
  - an explanation of why the MPM is reported, and
  - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

#### ***Enhanced requirements for aggregation & disaggregating information***

- Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
- New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

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<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>DFP/02/2627</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT), HEAD OF FINANCE, JAMES CAMPBELL</b>		
<b>TITLE OF REPORT:</b>	<b>TREASURY MANAGEMENT 2025/26 ANNUAL REPORT</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: TREASURY MANAGEMENT 2025/26 ANNUAL REPORT</b>
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### **Purpose of Report**

1. To advise Members of the activities of the Treasury Management function and actual performance against the agreed Prudential Indicators in 2025/26. 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 2025/26 (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 Authority has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities, with a Treasury Policy Statement incorporated within its Financial Regulations in accordance with the Code requirements. The arrangements for reporting Treasury Management activity to Members are as follows (a minimum of three reports each year):

- An Annual Treasury Strategy Report before the start of a financial year.
- An interim report during the second half of a financial year. (with additional interim reports prepared if necessary).
- An Annual Outturn Report, to be presented by 30th September following the end of the financial year to which it relates.

## **Annual Treasury Management Strategy**

5. The Authority determines, prior to the start of each financial year, a Treasury Management Strategy which sets the parameters and guidelines with which the treasury management function will operate. The 2025/26 – 2029/30 Budget and Financial Plan report (CFO/85/25), considered by Members at the Authority meeting on 27<sup>th</sup> February 2025, established the Authority's Treasury Management Strategy for 2025/26:

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

The strategy sets limits 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

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 minimise investments and where necessary, undertake borrowing on a short-term basis and potentially at variable rates. Interest rate movements were monitored throughout the year to identify any changes in market conditions that might require a review of the current strategy.

## **Interim Treasury Management Report**

7. The Interim Treasury Management Report, DFP/11/2526, was considered by Members at the Policy and Resources Committee on 11th December 2025. The report confirmed that, to the point, treasury management activity in 2025/26 had been conducted in compliance with the relevant Codes and Statutes, and within

the borrowing and treasury management limits set by the Authority under the Prudential Code.

### **Treasury Management Annual Report**

8. The Treasury Management Annual Report 2025/26 is attached as Appendix A to this report. It 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 delivered by Liverpool City Council.

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### **Equality and Diversity Implications**

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

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### **Staff Implications**

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

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### **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.

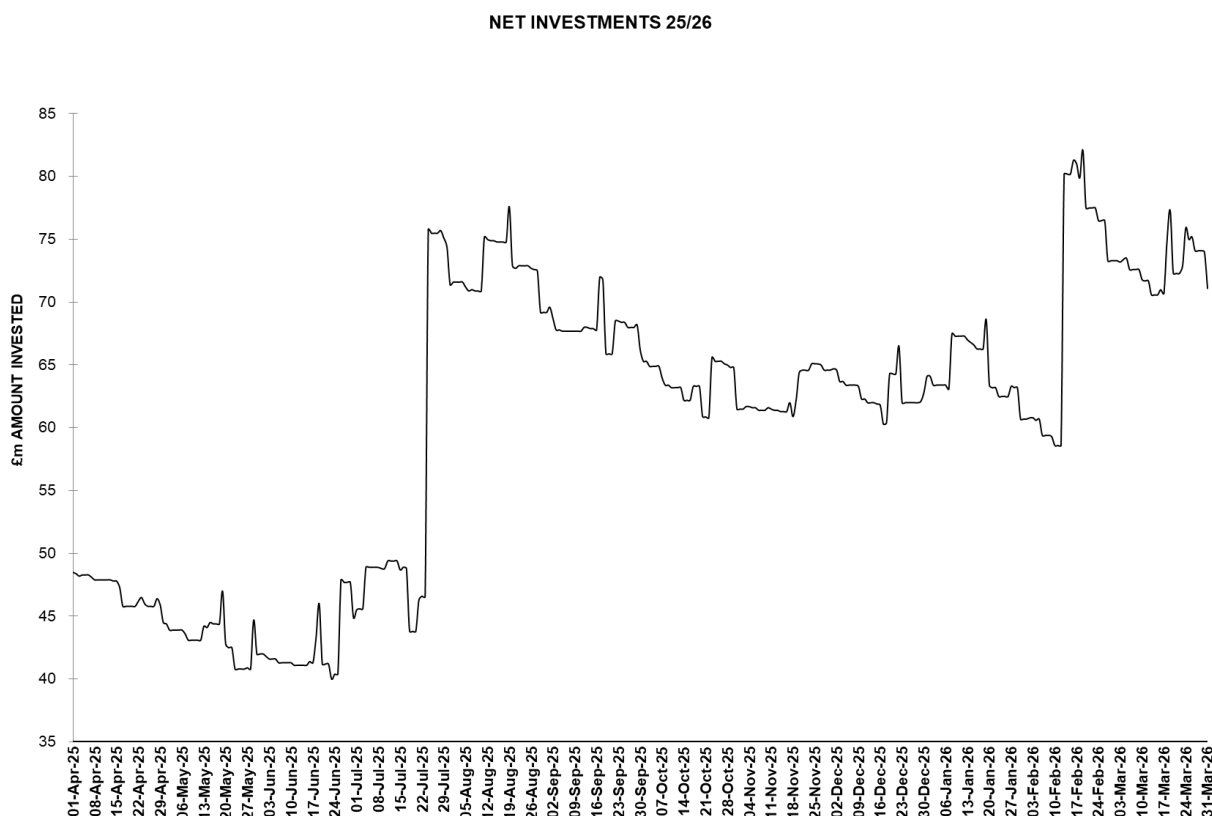
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### **Financial Implications & Value for Money**

13. The cost of Treasury Management Services in 2025/26 was £28,807, with the service provided by Liverpool City Council under a service level agreement.
14. The Authority's total external debt outstanding at the end of the financial year remained unchanged at £33.720m.
15. The Authority paid total interest of £1.715m on its debt during the year which was in line with the approved budget. No new loans were taken out during the year. This reflects the Authority's current strategy of utilising available cash balances to fund capital expenditure, rather than undertaking new borrowing, at a time when investment returns remain relatively low compared to borrowing costs.

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

Date	Investments (£m)
01/04/2025	£47.700
31/03/2026	£71.100



17. The increase in investment balances during the year reflects the timing of significant grant income received in advance of expenditure. For example:

- Firefighter pension grant of £29.1m received in July, with pension payments made throughout the year.
- National Resilience New Dimensions 2 grant of £18m received in February for expenditure to be incurred in 2026/27.

18. A combination of the grant funding received in advance (including MFRA and National Resilience grants) together with cash balances, resulted in total investments of £71.1m at the year end. Investments have been placed with counterparties in accordance with the approved Treasury Management Strategy.

19. Investment income for the year totalled £1.868m, which was £0.768m above the budgeted level. This reflects higher-than anticipated interest rates during the year, as well as increased investment balances.

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### **Risk Management and Health & Safety Implications**

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20. There are no health & safety implications contained within the report. Effective treasury management supports the robust management of the Authority's cash flows, investments and borrowing. This helps to minimise the risk of loss through poor investment security, ensures the availability of funds when required, and supports the achievement of optimal returns commensurate with an appropriate level of risk.

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### **Environmental Implications**

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

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

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

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22. A prudent and effective Treasury Management Strategy ensures that sufficient financial resources are available to support the approved Financial Plan. This underpins the delivery of operational services and contributes to the achievement of the Authority's vision and strategic objectives.

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### **BACKGROUND PAPERS**

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- CFO/85/25** MFRA Budget and Financial Plan 2025/26 - 2029/30, Authority 27th February 2025.
- DFP/11/2526** Interim Treasury Management Report, Policy & Resources Committee 11th December 2025.

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### **GLOSSARY OF TERMS**

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<b>CFR</b>	<b>Capital Financing Requirement</b>
<b>CIPFA</b>	<b>Chartered Institute of Public Finance and Accountancy</b>
<b>MPC</b>	<b>Monetary Policy Committee</b>
<b>PWLB</b>	<b>Public Works Loans Board</b>
<b>SONIA</b>	<b>Sterling Overnight Index Average</b>

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**TREASURY MANAGEMENT ANNUAL REPORT 2025/26**

**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 2025/26.
2. The strategy for the year was identified in the Treasury Management Strategy Statement 2025/26. 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 2025 was 2.6% and the most recently reported level for March 2026 was 3.3%. The onset of conflict in the Middle East in March 2026 prompted concern over the potential for disruption to global trade, with knock on effects for inflation levels. The extent to which the conflict remains ongoing will be a key influence for economic performance and stability over the next twelve months.
4. The Bank of England reduced the Bank Rate from 4.5% at the start of the year to 3.75% by the end of the financial year, with cuts of 0.25% at the May, August and December 2025 meeting of the Monetary Policy Committee (MPC). At the meeting in February 2026, members of the MPC voted 5-4 to hold the bank rate demonstrating the close debate over further rate cuts. Market commentators had anticipated further cuts throughout 2026, but this forecast reversed with the onset of the war in Iran. To date the MPC has held rates unchanged but future monetary policy will largely be influenced by the duration of the conflict and the extent to which disruptions to markets filter through to a higher rate of inflation for goods and services.
5. Public Works Loan Board (PWLB) rates and gilt yields saw volatility over the course of the financial year, with long term PWLB rates varying from a low of 5.45% to a peak of 6.23%. At the start of the financial year long term PWLB rates were 5.62%

and finished the financial year higher at 6.07%. The short end of the curve reached its low point of the year in early March before the onset of conflict in the Middle East, after which short term rates increased by over a full percentage point.

6. The table below details the rates available from PWLB throughout the year:

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
Low	4.25%	4.56%	5.13%	5.78%	5.45%
Date	27/02/26	02/03/26	02/03/26	04/04/25	04/04/25
High	5.28%	5.47%	5.88%	6.43%	6.23%
Date	23/03/26	23/03/26	31/03/26	27/03/26	27/03/26
Average	4.51%	4.81%	5.38%	6.06%	5.80%

## **CAPITAL BORROWINGS AND DEBT RESCHEDULING**

7. The borrowing requirement comprises the expected movements in the Capital Financing Requirement 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 2025/26 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 were this is possible. Market conditions continued to be unfavourable for any debt rescheduling.

## **ANNUAL INVESTMENT STRATEGY**

8. The investment strategy for 2025/26 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.
9. 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 2025/26 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 2025/26 was 4.47%. This compares with an average Sterling Overnight Rate (SONIA) of 4.01%. 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 2025/26 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£66 million
Operational boundary for external debt:	£61 million

Against these limits, the maximum amount of debt reached at any time in the financial year 2025/26 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 (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) 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.

13. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

	<b>31 March 2025</b>	<b>31 March 2026</b>	<b>31 March 2027</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Capital Financing Requirement	51.7	58.3	63.1
Less: PFI	(17.7)	(17.1)	(16.4)
Less: MRD	(0.0)	(0.0)	(0.0)
<b>Borrowing CFR</b>	<b>34.0</b>	<b>41.2</b>	<b>46.7</b>
Existing Debt Portfolio	33.7	33.7	33.7
<b>Over(-)/Under borrowing</b>	<b>0.3</b>	<b>7.5</b>	<b>13.0</b>
<b>Borrowing as a % of CFR</b>	<b>99.1%</b>	<b>81.8%</b>	<b>72.2%</b>

#### **TREASURY MANAGEMENT PRUDENTIAL INDICATORS**

14. The treasury management indicators of prudence for 2025/26 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 2025/26 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 2025/26 was as follows:

<b>Maturity Period</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Maximum Actual</b>	<b>Minimum Actual</b>
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 2025/26. No investments longer than 365 days were arranged during 2025/26.

## **PERFORMANCE INDICATORS**

15. 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.
16. 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 2025/26.

Investments – Internal returns compared to the average Sterling Overnight Rate (SONIA). The return in the financial year 2025/26 was 0.46% above the benchmark.

## **TREASURY MANAGEMENT ADVISORS**

17. 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 include 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.
18. 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**

19. 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.
20. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20<sup>th</sup> December 2021. The key changes in the two codes

are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

21. 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.
22. 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**

23. Treasury Management activity in 2025/26 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.

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>DFP/03/2627</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT), HEAD OF FINANCE, JAMES CAMPBELL, HEAD OF INTERNAL AUDIT, CAROL MCDONNELL, LEAD AUDIT MANAGER, HAYLEY DICKINSON MOORE</b>		
<b>TITLE OF REPORT:</b>	<b>2026/27 INTERNAL AUDIT PLAN</b>		
<b>APPENDICES:</b>	<b>APPENDIX A:</b>	<b>2026/27 INTERNAL AUDIT PLAN</b>	
	<b>APPENDIX B:</b>	<b>INTERNAL AUDIT SERVICE CHARTER</b>	

## **Purpose of Report**

1. To inform Members of the proposed Internal Audit plan for 2026/27 and to seek Members comments and approval on the plan.

## **Recommendation**

2. It is recommended that Members:
  - a) consider the proposed Internal Audit Plan for 2026/27; and
  - b) approve the Plan, subject to any agreed amendments.

## **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 maintain an adequate and effective system of Internal Audit covering its accounting records and control systems (Accounts and Audit Regulations 2015). To fulfil this requirement, the Authority has entered into a contract with Liverpool City Council’s Internal Audit Service (LCC IAS). LCC IAS operates in accordance with an Internal Audit Charter (IAC) and a Quality Assurance

and Improvement Programme (QAIP), ensuring compliance with the Global Internal Audit Standards (GIAS) and delivery of a high-quality service to the Authority.

5. Each year, Internal Audit submits a proposed work plan following consultation with the Strategic Leadership Team, including the Director of Finance and Procurement, the Head of Finance, and other key officers.
6. The plan is developed based on an assessment of risks, previous audit findings and coordination with External Audit work. The proposed plan is considered sufficient to support the Head of Internal Audit. The two main strategic areas of work are:
  - a. a review of core financial systems and processes, and
  - b. specific strategic reviews proposed by Internal Audit or requested by the Service.
7. The proposed 2026/27 internal audit plan is attached as Appendix A to this report. Members are asked to consider the plan and provide any comments or views. Subject to any amendments, Members are requested to approve the 2026/27 Internal Audit Plan.
8. Arrangements are in place to monitor progress against the plan throughout the year and to manage any ad hoc audit work requirements as they arise.
9. The Internal Audit Service Charter, attached as Appendix B, sets out the Internal Audit function's mandate, independence, organisational position, reporting relationships, skills, Audit Committee interaction, resourcing, quality standards and roles and responsibilities.
10. The Charter ensures that the Authority's Internal Audit function complies with the mandatory requirements of the Global Internal Audit Standards (GIAS).

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#### **Equality and Diversity Implications**

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

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#### **Staff Implications**

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

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#### **Legal Implications**

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

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

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

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**Risk Management and Health & Safety Implications**

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15. 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.

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**Environmental Implications**

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

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

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

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17. 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.

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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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

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## INTERNAL AUDIT PLAN 2026/27

Area of Focus	Audit Days	
<b>Core Financial Systems</b> <ul style="list-style-type: none"> <li>• Payroll</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Treasury Management</li> <li>• General Ledger</li> <li>• Budgetary Control</li> <li>• Medium Term Financial Planning</li> <li>• Capital Programme</li> </ul>		<b>40</b>
<b>Strategic Reviews / Client Directed / Ad Hoc Reviews</b>		
<b>1 Workforce Planning, Capacity and Organisational Resilience</b> Review the Authority's strategic workforce planning, capacity and organisational resilience to gain assurance over sustainability of workforce arrangements and resilience of service delivery.	10	
<b>2 Technology Governance, Cyber Security and ICT Resilience</b> Review the Authority's technology governance, cyber security and ICT resilience to gain assurance over cyber resilience and technology control maturity.	10	
<b>3 Data Protection, Information Governance and Security Compliance</b> Review the Authority's data protection, information governance and security compliance to gain compliance-focused assurance over the information governance framework and security responsibilities.	10	
<b>4 Asset Management and Maintenance Assurance (Vehicles)</b> Review the Authority's Assurance asset management and maintenance assurance for Vehicles to gain assurance over fleet maintenance governance, compliance and long-term vehicle sustainability.	10	
Strategic Reviews / Client Directed / Ad Hoc Reviews		<b>40</b>
<b>Contingency</b> – responsive, advice and assistance		<b>5</b>
<b>Action Tracking</b> – follow up on the implementation of agreed actions		<b>4</b>
<b>Audit Management</b> – audit planning and reporting, contract management		<b>6</b>
<b>Total Planned Days</b>		<b>95</b>

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Merseyside Fire & Rescue Authority  
Internal Audit Service  
**Internal Audit Charter**

**2026/27**

## 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 in the 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 in the UK PS***

The GIAS in the UK PS consists of:

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

### ***Commitment to Adhering to the GIAS in the UK PS***

The MFRA's internal audit function will adhere to the GIAS in the UK PS. The Director of Audit & Corporate Assurance (Chief Audit Executive (CAE)) will report regularly to the Audit Committee regarding the internal audit function's conformance with the GIAS in the UK PS, which will be assessed through a Quality Assurance and Improvement Programme (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 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 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 fulfil 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 in the 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 in the 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 in the 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 in the 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 in the 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 in the 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 in the UK PS and fulfil 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 in the 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 in the 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 in the 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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<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>DFP/04/2627</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT), HEAD OF INTERNAL AUDIT, CAROL MCDONNELL</b>		
<b>TITLE OF REPORT:</b>	<b>2025/26 ANNUAL YEAR-END INTERNAL AUDIT REPORT AND CONCLUSION</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: 2025/26 ANNUAL INTERNAL AUDIT REPORT AND CONCLUSION</b>
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### **Purpose of Report**

1. To present to Members the Annual Internal Audit Report and Conclusion for 2025/26.

### **Recommendation**

2. It is recommended that Members note the contents of the 2025/26 Annual Internal Audit Report and Conclusion.

### **Introduction and Background**

3. Internal Audit provides independent and objective assurance on the adequacy and effectiveness of the Authority's internal control environment.
4. The Authority is required, under the Accounts and Audit Regulations 2015, to maintain an adequate and effective system of Internal Audit.
5. This requirement is delivered through a service arrangement with Liverpool City Council's Internal Audit Service. The 2025/26 Internal Audit Plan was approved by the Audit Committee on 26 June 2025 (DFP/07/2526) and was developed based on risk assessment and previous audit findings.
6. The Annual Internal Audit Report and Conclusion for 2025/26 is attached as Appendix A. The Chief Audit Executive overall conclusion based on the work completed in 2025/26:

*Is that MFRS has a generally sound system of governance, risk management and internal control, which is operating effectively in most areas and supports the achievement of the Authority's objectives.*

*Therefore, based on the Internal Audit work undertaken in compliance with Global Internal Audit Standards in the UK Public Sector in 2025/26, we can provide Substantial assurance, with improvement required in control consistency and operational application.*

7. During the year, Internal Audit have completed eight 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 summarises the audit reviews and findings:

<b>Audit Title</b>	<b>Audit Opinion</b>
Medium Term Financial Plan	Substantial
General Ledger	Substantial
Treasury Management	Substantial
Budgetary Control	Substantial
Accounts Receivable	Ongoing
Accounts Payable	Ongoing
Payroll	Ongoing

<b>Audit Title</b>	<b>Audit Opinion</b>
Business Continuity - Review the Authority's business continuity arrangements	Reasonable
Training and Development Academy – Review procedures for recovering costs	Ongoing
Stores - Review Stock Inventory Management Process	Reasonable
Foreign, Commonwealth & Development Office – Grant Funding Assurance	Substantial
ISAR Cash Management – Review cash management process	Substantial

8. 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.

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#### **Equality and Diversity Implications**

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

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**Staff Implications**

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

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**Legal Implications**

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11. The 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)).

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**Financial Implications & Value for Money**

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12. The estimated cost of the Internal Audit Service from Liverpool City Council in 2025/26 is £45,125. The Authority had made adequate budget provision in 2025/26 to pay for these audit services.

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**Risk Management and Health & Safety Implications**

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

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**Environmental Implications**

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

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

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

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15. The 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.

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**BACKGROUND PAPERS**

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**DFP/07/25/26** 2025/26 Internal Audit Plan, Audit Committee 26<sup>th</sup> June 2025.

Accounts & Audit (England) Regulations 2015

Code of Practice for Internal Audit in Local Government, CIPFA 2003

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**GLOSSARY OF TERMS**

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**CAATS** Computer **A**ssisted **A**udit **T**echniques

**CAE** Chief **A**udit **E**xecutive

**CIPFA** Chartered Institute of **P**ublic **F**inance and **A**ccountancy

<b>CSO'S</b>	<b>Contract Standing Orders</b>
<b>EQA</b>	<b>External Quality Assessment</b>
<b>GIAS</b>	<b>Global Internal Audit Standards</b>
<b>HMICFRS</b>	<b>His Majesty's Inspectorate of Constabulary and Fire &amp; Rescue Services</b>
<b>LCC</b>	<b>Liverpool City Council</b>
<b>MFRA</b>	<b>Merseyside Fire &amp; Rescue Authority</b>
<b>MFRS</b>	<b>Merseyside Fire &amp; Rescue Service</b>
<b>PSIAS</b>	<b>Public Service Internal Audit Standards</b>
<b>QAIP</b>	<b>Quality Assurance &amp; Improvement Programme</b>

# Merseyside Fire & Resue Service Annual Internal Audit Report and Conclusion 2025/26

Internal Audit

30 June 2026



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**Prepared by:** Head of Internal Audit

**On behalf of:** Director of Audit & Corporate Assurance (Chief Audit Executive)

# 1 Introduction

This report summarises the work that Internal Audit has undertaken across Merseyside Fire & Rescue Service (MFRS) during the 2025/26 financial year, the service for which is provided by Liverpool City Council (LCC).

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.

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 Standards

Standards for Internal Audit in the Public Sector in 2025/26 are set out in the Global Internal Audit Standards (GIAS) in the UK Public Sector (PS). The GIAS in the UK PS represent mandatory best practice for all internal audit service providers in the public sector.

The GIAS in the UK PS:

GIAS 11.3 (*Communicating Results*) references the possibility that a CAE may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. In the UK PS, a CAE must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.

The CAE must also report annually on the results of quality assessment carried out under GIAS 12.1 (*Internal Quality Assessment*), including progress against action plans to address instances of non-conformance.

The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government must also be included in the CAE's annual internal quality assessment for report to the audit committee.

The audit committee must support internal audit's independence by reviewing the effectiveness of safeguards at least annually.

At Liverpool City Council, the CAE is the Director of Audit & Corporate Assurance.

## 3 Annual Conclusion

### 3.1 Overall Conclusion Statement

#### Chief Audit Executive Annual Conclusion 2025/26

Based on the work completed in 2025/26, the overall conclusion is that MFRS has a generally sound system of governance, risk management and internal control, which is operating effectively in most areas and supports the achievement of the Authority's objectives.

This conclusion is informed by the outcomes of internal audit work completed during the year where most audits resulted in substantial assurance, with two areas receiving reasonable assurance, and no limited or no assurance opinions identified.

Therefore, based on the Internal Audit work undertaken in compliance with GIAS in the UK PS in 2025/26, we can provide **Substantial** assurance, with improvement required in control consistency and operational application.

In giving an overall conclusion, it should be noted that assurance can never be absolute. The overall conclusion does not imply that Internal Audit have reviewed all risks and assurance relating to MFRS. The purpose of the overall conclusion is to contribute to the assurances available to MFRS, which underpin the MFRS's own assessment of the effectiveness of the organisation's governance, risk management, and internal controls.

## 4 Basis of the Annual Conclusion

### 4.1 Scope of the Conclusion

The annual conclusion is based on the work completed by Internal Audit in relation to the 2025/26 Internal Audit Plan.

Results of completed audit assignments is contained in Section 5. This provides sufficient coverage of core financial systems, governance arrangements and operational controls to support the annual conclusion.

## 4.2 Key Strengths Identified

Internal audit work identified a number of consistent strengths across MFRS.

- Strong financial governance and planning
- Effective financial systems and core controls
- Strong compliance and governance culture

## 4.3 Key Areas for Improvement

While overall assurance is strong, a small number of cross-cutting themes were identified.

- Business continuity and organisational resilience
- Segregation of duties and control design in operational areas
- Asset control, stock management and information security
- Documentation and process maturity
- Consistency and embedding of control arrangements

## 4.4 Overall Assessment

Considering the results of all audits completed during 2025/26:

- Most reviews provided substantial assurance, supported by strong evidence across financial governance, systems and compliance
- Two areas provided reasonable assurance, highlighting improvement needs in operational control application and resilience
- No fundamental or systemic control failures were identified

MFRS has an effective and reliable system of governance, risk management and internal control, with arrangements operating effectively in most areas.

However, further work is required to ensure controls are consistently designed, documented and applied across all operational areas, particularly in relation to segregation of duties, asset control and business continuity.

## 4.5 Limitations of the Conclusion

There were no limitations of the conclusion.

## 4.6 Other Factors

Wider sources of assurance available to MFRS include the following.

### 4.6.1 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection

The results of HMICFRS inspections on the service's effectiveness and efficiency and how well it looks after its people. The most recent HMICFRS inspection was published in March 2026. HMICFRS graded MFRS as outstanding in one area, good in eight areas and adequate in one area.

While the service remains effective overall, its grades for preventing fires and other risks and making best use of resources have moved from 'outstanding' to 'good'. This highlights that the service needs continued focus on prevention strategies and making the best use of its resources to maintain value for money and community safety. The service had made progress since the last inspection in May 2023. The main findings were:

- The service continues to provide effective emergency response and maintains strong protection work for businesses and high-risk premises.
- Prevention activity remains good, but the service should demonstrate greater innovation and consistency to regain its previous outstanding performance.
- Financial planning is sound, but the service needs to make further efficiencies to assure long-term sustainability and value for money.

The inspection also found that leadership in the service is generally strong, the service is improving its processes to identify and develop high-potential staff, and overall MFRS performs well, but it must demonstrate continual improvement in prevention and resource management.

### 4.6.2 External Audit

Assurance is provided by Forvis Mazars LLP as the Authority's external auditor.

During 2025/26, Forvis Mazars presented its 2024/25 Audit Completion Report to the Authority's Audit Committee. The most recently published Auditor's Annual Report shows that the auditor:

- Issued an unqualified audit opinion on the financial statements
- Did not identify any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## 5 Summary of Internal Audit Work

### 5.1 Delivery of the Audit Plan

#### 5.1.1 Internal Audit Assignments

The 2025/26 Internal Audit Plan was approved by the Audit Committee on 26 June 2025. An update on progress with the delivery of the audit plan and the risks, conclusions and assurances arising from internal audit work was provided to Audit Committee in February 2026.

Internal Audit provides 'assurance' on the governance, risk management and internal control environment for all audit reviews undertaken. These are taken into consideration when forming the annual conclusion.

Internal Audit undertakes individual assignments 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.

This conclusion is based solely on the matters that came to Internal Audit's attention during assignments and is not an opinion on all elements of the governance, risk management, control processes of MFRS.

Internal Audit provides an overall assurance opinion for each assignment and certain responsive work; the definitions are located at **Appendix 1**. The table below summarises the opinions given on internal audit work in 2025/26.

Table 1 Summary of Conclusions Provided in 2025/26

Assurance Opinion	Audits Completed
Substantial	6
Reasonable	2
Limited	-
No	-
<b>Total</b>	<b>8</b>

## 5.2 Core Financial Systems

The conclusion is informed significantly by the results of audits of MFRS's core financial systems. These are the major systems which underpin the system of internal control and financial reporting.

No significant issues were identified during the core financial 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 Table 2.

Table 2 Core Financial Systems Audits Completed in 2025/26

Audit	Assurance	Recommendations			
		E/S	H	M	Total
Treasury Management	Substantial	-	-	-	-
General Ledger	Substantial	-	1	1	2
Budgetary Control	Substantial	-	-	-	-
Medium Term Financial Plan	Substantial	-	-	-	-
<b>Total</b>		-	1	1	2

In each of these core financials we were able to provide substantial assurance. No significant control weaknesses were identified, and a strong control environment continues to be maintained.

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.

CAAT applied to the General Ledger provided full-population assurance over transaction integrity, confirming no evidence of duplicate, missing or anomalous activity.

Work is ongoing in relation to:

- Payroll
- Accounts Payable
- Accounts Receivable

### 5.3 Other Strategic/Client Directed Audits

As part of the Internal Audit Plan, we also complete specific assignments on other strategic/client directed audits. A summary of the outcomes of the audits for these systems for the year is set out below in Table 3.

Table 3 Other Strategic/Client Directed Audits Completed in 2025/26

Audit	Assurance	Recommendations			
		E/S	H	M	Total
Business Continuity	Reasonable	-	4	1	5
Foreign, Commonwealth & Development Office Grant	Substantial	-	-	-	-
UK ISAR Cash Management	Substantial	-	-	-	-
Stores	Reasonable	-	4	-	4
	<b>Total</b>	-	<b>8</b>	<b>1</b>	<b>9</b>

Work is ongoing in relation to:

- Training and Development Academy

## 6 Recommendation Implementation

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.

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.

It was reported to the Audit Committee in June 2025 that:

- Five recommendations were made in 2024/25
- 21 recommendations remained outstanding from previous years

Seven recommendations have been made during 2025/26.

At the time of reporting, there are eight recommendations that remain outstanding:

- Seven from 2025/26
- One from previous years

Therefore, significant progress has been made with implementing recommendations, with 25 recommendations marked as implemented during 2025/26.

## 7 Internal Audit Quality and Conformance

### 7.1 Conformance Statement

The CAE can confirm that Internal Audit generally conforms with the GIAS in the UK PS.

### 7.2 Quality Assurance

It is a requirement of GIAS in the UK PS for the CAE to communicate the results of the Quality Assurance and Improvement Programme (QAIP), with the results and progress against any improvement plans being reported in the annual report. The QAIP is made up of internal and external assessments.

#### 7.2.1 Internal Assessment

Based on the results of the internal assessment we can conclude that Internal Audit complied with the main requirements of the standards.

## 7.2.2 External Quality Assessment

An External Quality Assessment (EQA) is required to be undertaken at least every five years. Bristol City Council completed the last peer review with the results reported to the Audit Committee in July 2022. All areas for improvement were completed.

# 8 Independence and Objectivity

The GIAS in the UK PS requires the CAE to confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The arrangements in place to ensure organisational independence of Internal Audit are outlined in the Internal Audit Charter.

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.

### **Declaration of Independence**

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels.

Nothing has occurred during the year that has impaired my personal independence or objectivity.

**Director of Audit & Corporate Assurance (Chief Audit Executive)**

## Appendix 1: Assurance and Ratings Definitions

Overall Assurance	Definition
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the areas audited.
<b>Reasonable</b>	There is generally a sound system of governance, risk management, and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses, or non-compliance were identified. Improvement is required to the system of governance, risk management, and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Rating	Definition
<b>Essential / Strategic</b>	Absence or failure of fundamental control where there is no compensating control, failure or absence of a control which would probably result in a direct risk of serious injury to staff, customers or third parties, any illegal operation, any failure to comply with regulatory requirements, any national reputation impact
<b>High</b>	A weakness in fundamental control, absence or failure of key controls e.g. orders not authorised, no review of bank reconciliation, failure or absence of a control which would possibly result in a direct risk of serious injury to staff, customers or third parties, widespread non-compliance with policy, absence of procedure notes, absence of clear organisation policy, any local reputation impact
<b>Medium</b>	General weakening of the control environment, failure or absence of a control which would possibly result in an indirect risk of serious injury, localised failure of a control which would possibly result in a direct risk of serious injury to staff, customers or third parties, localised non-compliance with policy, procedure notes not updated, other actions which will improve operational efficiency

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>DFP/05/2627</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT), HEAD OF FINANCE, JAMES CAMPBELL, FINANCIAL ACCOUNTANT, NEIL BUSHELL</b>		
<b>TITLE OF REPORT:</b>	<b>CHANGES TO ACCOUNTING POLICIES 2025/26</b>		

<b>APPENDICES:</b>	<b>NONE</b>
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### **Purpose of Report**

1. To present to Members the accounting policy change that will apply to the 2025/26 Statement of Accounts.

### **Recommendation**

2. It is recommended that Members approve the accounting policy amendment that will apply in the 2025/26 Statement of Accounts.

### **Introduction and Background**

3. In preparing the annual Statement of Accounts, the Authority follows the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting in the UK (the Code). The Code is based upon International Financial Reporting Accounting Standards (IFRS) and provides guidance on how local authorities should account for all financial transactions and measure the value of assets, liabilities, and reserves held on the Balance Sheet.
4. Accounting policies are the specific principles and rules applied in the production and presentation of the Statement of Accounts. They determine how income, expenditure, assets and liabilities are recognised and measured.
5. The Director of Finance and Procurement reviews the accounting policies to assess the impact of any changes on the production of the statement of accounts. Accordingly, this report is presented to the Audit Committee in accordance with best practice principles.

6. The accounting policy change affecting the 2025/26 Statement of Accounts relates to the revaluation of assets.

### **Change in Accounting Policy – Revaluation of Assets**

7. For 2025/26, the most significant change relates to the measurement of Property, Plant and Equipment (PPE) on the Balance Sheet. For the Authority, this applies only to land and buildings, as all other categories of assets are held at cost and are depreciated on a straight-line basis.
8. Previously the regulations required the Authority to ensure that asset valuations were undertaken frequently so that carrying values were not materially different to the current value. The Authority adopted a rolling programme whereby approximately 20% of its portfolio was subject to full revaluation each year, with remaining properties subject to a desktop revaluation.
9. Under the 2025/26 Code changes, all assets must now be revalued every five years, with annual indexation applied in the intervening years. Where no suitable index is available, a desktop valuation may be undertaken in year three instead of indexation.
10. These changes aim to simplify reporting, improve the consistency of asset valuations, and reduce the audit burden. The changes are applied prospectively and there is no requirement to restate prior year figures.

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### **Equality and Diversity Implications**

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

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### **Staff Implications**

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

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### **Legal Implications**

13. It is a requirement of the Local Government Act 2003 and the Accounts and Audit Regulations 2015 (as amended) that the Statement of Accounts is prepared in accordance with proper accounting practices. These include compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

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### **Risk Management and Health & Safety Implications**

15. Failure to prepare the financial statements or obtain audit approval within statutory deadlines may adversely impact on the Authority's financial management reputation.

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**Environmental Implications**

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

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

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

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

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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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<b>CIPFA</b>	Chartered Institute of <b>P</b> ublic <b>F</b> inance and <b>A</b> ccountancy
<b>PPE</b>	<b>P</b> roperty, <b>P</b> lant and <b>E</b> quipment
<b>VFM</b>	<b>V</b> alue <b>F</b> or <b>M</b> oney

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<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>30 JUNE 2026</b>	<b>REPORT NO:</b>	<b>MO/12/2627</b>
<b>PRESENTING OFFICER</b>	<b>MONITORING OFFICER, RIA GROVES</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>MONITORING OFFICER RIA GROVES, DIRECTOR OF FINANCE AND PROCURMENT MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>MONITORING OFFICER, RIA GROVES</b>
<b>OFFICERS CONSULTED:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA DIRECTOR OF STRATEGY AND PERFORMANCE, DEB APPLETON STRATEGIC LEADERSHIP TEAM (SLT)</b>		
<b>TITLE OF REPORT:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2025/2026</b>		
<b>APPENDICES:</b>	<b>APPENDIX A:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2025/2026</b>	

### **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 2025/2026 Annual Governance Statement.

### **Introduction and Background**

3. The Annual Governance Statement is the formal statement that recognises, records, and publishes a Local Authority's governance arrangements.
4. The Annual Governance Statement also links into the Annual Statement of Assurance by providing assurance about the Authority's governance framework.
5. 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 Annual Governance Statement.

6. A review of the effectiveness of the Authority's 2025/2026 internal control system has been undertaken and, in accordance with the CIPFA guidance, incorporated in the Annual Governance Statement.
7. The Annual Governance Statement for 2025/26 is contained in Appendix A to this report which details the outcome of that review. It focuses on key developments in the Authority's governance arrangements during the year and identifies areas where arrangements can be further strengthened.
8. The Annual Governance Statement 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 Annual Government Statement is that the system of internal control is adequate (any control system can provide only reasonable assurance and not absolute assurance).
9. Members are asked to approve the 2025/2026 Annual Government Statement attached as contained in Appendix A to this report.

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#### **Equality and Diversity Implications**

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

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#### **Staff Implications**

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11. There are no staff implications arising from this report.

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#### **Legal Implications**

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12. 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.
13. The Regulations require that the findings of a review as contained in an annual governance statement are considered by Members.

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

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14. There are, however, no direct financial implications arising from the report however the annual governance statement provides further assurances as to the sound systems of internal control and measures in place to ensure good governance of the Authority's financial position.

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#### **Risk Management and Health & Safety Implications**

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15. Good governance and sound internal control arrangements will ensure the Authority's policies, procedures and objectives are being fulfilled and any risks identified can be mitigated accordingly.

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**Environmental Implications**

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16. There are no environmental implications arising from this report.

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**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.*

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17. Ensuring good governance and transparency of the same allows the Authority to deliver a robust and effective service to its community whilst remaining accountable for the measures it puts in place to deliver it.

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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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<b>AGS</b>	Annual Governance Statement
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>MFRA</b>	Merseyside Fire & Rescue Authority
<b>SOLACE</b>	Society of Local Authority Chief Executives and Senior Managers

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# MERSEYSIDE FIRE AND RESCUE AUTHORITY



## ANNUAL GOVERNANCE STATEMENT 2025/26

Introduction

Merseyside Fire and Rescue Authority ('the Authority') is required by statute to review its governance arrangements at least once per year.

This statement explains how the Authority has complied with its Code of Corporate Governance, how the governance framework has operated during 2025/26 and the outcome of the review of effectiveness.

The Authority's Code of Corporate Governance is consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) and is reviewed annually. The Authority holds itself accountable for its actions and those actions are transparent in how it is delivering a service as a fire and rescue service to its community of Merseyside.

### **Scope of Responsibility**

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this responsibility, the Authority is responsible for putting in place proper governance arrangements and a sound system of internal control, including arrangements for the management of risk.

### **The Purpose of the Governance Framework**

The governance framework comprises of the systems and processes, through which engages with is accountable to, the community.

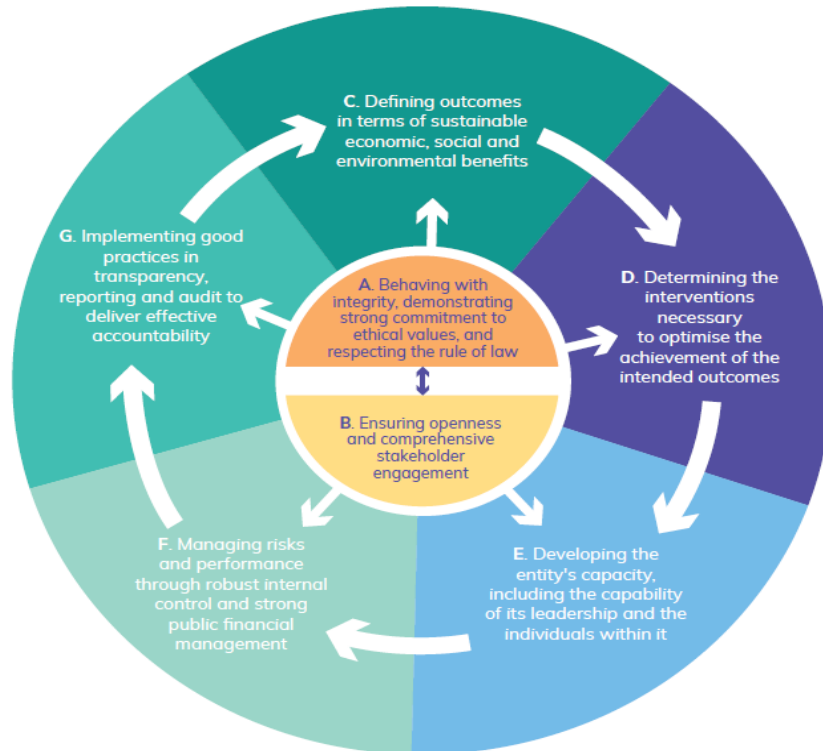
It enables the Authority to:

- Define and deliver strategic outcomes;
- Exercise effective leadership;
- Exercise effective and efficient use of resources;
- Manage risks proportionately and transparently;
- Maintain high standards of conduct and ethical behaviour; and
- Ensure accountability to stakeholders.

The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

### **The Governance Framework**

The Authority’s governance arrangements are structured around the seven core principles of good governance as detailed below:



Reproduced from ‘Delivering Good Governance in Local Government (CIPFA and Solace, 2016); framework 2016 published by CIPFA \ The Chartered Institute of Public Finance and Accountancy

**Principle A: Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law**

Ethical Values, Integrity and Leadership

The Authority maintains high standards of ethical conduct through established Member and Officer Codes of Conduct. These include the adoption of the Core Code of Ethics for Fire and Rescue Services (England) into both Codes of Conduct.

The Authority adheres to the National Fire Standards as set by the National Fire Chiefs Council. One of the Fire Standards is the Code of Ethics with reports brought before Strategic Leadership (SLT) and Members to scrutinise progress and ensure compliance.

The Authority has a strong commitment to embedding its ethical values. Training has been delivered (and continues to be delivered) across the organisation on the Core Code of Ethics and values and expectations set by the Authority. Members also receive annual training on their Code of Conduct.

Robust arrangements for managing conflicts of interest, declarations, and gifts and hospitality are in place. The Monitoring Officer undertakes an annual review of gifts and hospitality and conflicts of interests declared.

The Authority maintains a Whistleblowing (Confidential Reporting) Policy, which provides formal procedures for reporting concerns and enables disclosures to be made confidentially and without fear of reprisal. This policy forms a key part of the Authority's overall internal control and governance framework.

Whistleblowing is supported by related policies and standards, including Anti-Fraud and Corruption Policy, Employee Code of Conduct and a confidential anonymous reporting line Safecall.

The arrangements allow concerns to be reported through defined internal channels and escalated where necessary to senior management or appropriate Committees. This ensures issues are properly considered, investigated, and addressed. Together, these establish a culture of integrity, openness, and accountability, encouraging staff to speak up about wrongdoing.

The Audit Committee is the Standards Committee within the structure of the Authority. The Committee has responsibility for determining allegations under the Member Code of Conduct, and acting as the Investigatory and Disciplinary Committee for Relevant Officers. This ensures that ethical standards are actively monitored and enforced, with clear accountability.

There were no complaints made against the Members or relevant officers that related to their conduct in 2025/26.

The Authority extends its commitment to embedding integrity and ethical behaviour to its external service providers through its procurement, governance, and control frameworks, aligned with its overarching principles of openness, accountability, and integrity.

The Authority operates within a structured Procurement Strategy and Contract Standing Orders, embedded in the Constitution, which set clear expectations for fairness, transparency, and compliance with legislation (including the Procurement Act 2023) and ensures suppliers are selected through controlled, accountable processes. These frameworks require external providers to adhere to defined standards of conduct and probity as part of contractual arrangements.

Supplier and partnership risks are incorporated into the Corporate Risk Register, ensuring identification and assessment of risks associated with external providers, ongoing monitoring and mitigation through SLT and Audit Committee oversight. This ensures that ethical and governance risks linked to third parties are actively managed.

Senior leadership and Members demonstrate a clear commitment to ethical governance by setting expectations, leading by example, and maintaining strong oversight arrangements. The SLT, supported by statutory officers, actively embeds ethical standards within organisational culture, decision-making, and performance management.

This leadership is demonstrated in practice through senior officers and Members ensuring that all Committee reports include explicit legal, financial, and vision implications, with statutory officer sign-off providing assurance that decisions are lawful, transparent, and aligned with organisational values. The Monitoring Officer or their representative attends all Authority and Committee meetings, advising on legality and ethical considerations and constructively challenging proposals where required to uphold governance standards.

SLT and senior managers promote the importance of raising concerns through leadership messaging and engagement, ensuring staff feel safe and supported in doing so. Ethical and governance risks, including those linked to partnerships and external providers, are routinely reviewed by SLT and the Audit Committee via the Corporate Risk Register, demonstrating leadership accountability in regards to maintaining standards.

#### Respecting and complying with the rule of law

The Authority operates under a written Constitution which sets out how decisions are made, defines procedures to ensure decisions are efficient, transparent, and accountable.

Full reports are produced for Committee decisions and decisions are only made in accordance with the scheme of delegation and as such have to be signed off by statutory officers. The reports contain legal implications to ensure that all proposals are legally compliant. The Authority's Monitoring Officer and s.151 Officer (Director of Finance and Procurement) are also members of the Strategic Leadership Team which allows for early participation and direction setting for the organisation in a legally compliant and financially stable manner.

The Monitoring Officer confirms no actions of the Authority were deemed ultra vires in 2025/26 so far as is known by the Monitoring Officer. The Head of Legal Services fulfils this role, is a qualified and experienced lawyer, and is supported by a legal team.

Internal Audit provides independent assurance on effectiveness of controls and compliance with proper practice. The Authority procured its internal audit service 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 2025/26, prioritised a combination of the key internal controls, assessment and review on the basis of risk, which 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 in 2025/26, their overall conclusion is that MFRS has a generally sound system of governance, risk management and internal control, which is operating effectively in most areas and supports the achievement of the Authority's objectives, based on the Internal Audit work undertaken in compliance with GIAS in the UK PS in 2025/26, they can provide Substantial assurance, with improvement required in control consistency and operational application..

The Authority adopts a culture of continuous review and improvement, where lessons learned are used to update policies, procedures, and controls. SLT monitors implementation and ensures organisational learning is embedded.

The absence of unlawful actions and significant control weaknesses, alongside audit assurance, indicates that these arrangements are operating effectively.

## **Principle B: Ensuring Openness and Comprehensive Stakeholder Engagement**

The Authority operates a transparent governance model supported by a formal committee structure.

The Authority ensures decisions are made in the public interest and properly documented through a combination of transparent constitutional arrangements, democratic committee oversight, structured reporting including risks and implications, legal and financial scrutiny, robust policies and audit processes.

Committees such as the Authority, Policy and Resources Committee, Community Safety and Protection Committee, and Audit Committee consider and approve policies, budgets and strategic plans, provide democratic oversight and scrutiny. The Scrutiny Committee reviews performance and makes recommendations to improve outcomes. Together, these mechanisms ensure that decisions are justified, recorded, transparent and accountable to the public.

It ensures the Local Government Transparency Regulations are complied with and publishes the required information on its website.

The Authority publishes its three key corporate plans; Community Risk Management Plan, Medium Term Finance Plan and People Plan following approval by Members on its website. Stakeholder engagement and consultation are carried out when we prepare our Community Risk Management Plan and at a midway point during the life of the plan. The results of that engagement and consultation inform the development and delivery of the CRMP and are part of the approval process.

The CRMP was approved in June 2024 with a mid-term consultation conducted in 2025 and feedback provided to Members accordingly. The People Plan was also approved in June 2024 with an update being published in 2025 and the Scrutiny Committee focusing in on the culture plan updates. Lead Members were also introduced this year to allow for greater scrutiny and engagement with senior officers on the delivery of the CRMP and People Plan.

The Authority is also inspected by the His Majesty Inspectorate Constabulary of Fire and Rescue Services (HMICFRS) and Office for Standards in Education, Children's Services and Skills

(Ofsted) with the outcomes of the inspection being reported back via SLT and to Members. It also publishes details of actions resulting from inspections by HMICFRS and regular updates are provided thereafter.

The Authority has a Communications and Engagement Strategy and a policy that sets out how we consult with stakeholders.

The Authority also consults separately on changes that have a major impact on our communities (for example the closure of a fire station or the opening of a new fire station).

The results of these consultations are reported back in full to the Authority to support decision making. The Authority carries out several different types of engagement and consultation activities such as externally facilitated focus groups, public meetings, community engagement meetings, online surveys, written correspondence with stakeholders and social media posts.

The Authority continues to demonstrate a commitment to open staff and Member engagement. Members engage in station visits and staff engagement sessions based at its Service Headquarters. A

pulse survey regarding Member engagement was undertaken to plan for greater ways of positive engagement in the future.

The Principal Officers undertake briefings across the organisation to speak directly with staff, along with regular feedback from SLT being provided to managers, departmental meetings and engagement with the staff networks. All MFRS briefing emails are issued to cascade key information and the Authority's Hot News magazine is published monthly to update staff on activities within the organisation.

The Authority operates a biennial staff survey with the next survey being conducted in 2026. All feedback from staff surveys are communicated with each department to engage in further communication and strategies to address the responses the Authority wishes to improve upon.

The Authority continues to lead successful partnership working with its external stakeholders and partners. The Authority has a very strong and positive relationship including partners in Education, Health Sector, Ministry of Housing, Communities and Local Government (MHCLG) and other government departments, Local Authorities in Merseyside, Combined Authority, Kings Trust, National Fire Chief Council (NFCC), Blue Light Services and community sector partners to promote the safety of the residents of Merseyside within the scope of its powers. The Authority remains part of a collaboration forum with Merseyside Police and is an active partner of the Local Resilience Forum.

### **Principle C: Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits**

The Authority's strategic objectives are defined through its Leadership Message which sets out its Purpose: Here to Serve, Here to Protect, Here to Keep you safe, and 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 Authority is under a legal requirement to set a Community Risk Management Plan. A working group is set up to review and analyse potential risks to include within the Community Risk Management Plan (CRMP) and a strategy day held with Members. In 2025/26 a Strategy Day was held to focus on the proposed budget and consider the financial implications against the ambitions of the Authority including to continue to deliver the CRMP 2024-27.

The CRMP 2024-27, was approved in June 2024. The Plan sets out the foreseeable risk in Merseyside, considering the demand for our services and the vulnerability of our communities. The CRMP therefore captures actions for the three years of the plan that will improve community safety in Merseyside. The actions focus on prevention of fires and other emergencies, ensuring that property owners abide by the laws related to fire safety, preparing for emergencies and delivering an effective emergency response. The CRMP is underpinned by the Service Delivery Plan and Functional Plans which can include outcomes and activities directly from the CRMP with regular updates on the progress of the actions within the organisation, Members and the public.

The Authority also has a statutory duty to ensure services are delivered with economy, efficiency and effectiveness, and to drive continuous improvement.

A five-year Medium Term Financial Plan aligns resources with strategic priorities (CRMP, People Plan and the Service Delivery Plan), ensuring affordability and sustainability. Robust budget setting and monitoring (including monthly financial reports and funds management controls) ensures spending is controlled.

The Scrutiny Committee reviews performance and decisions set out in the Scrutiny Forward Work Plan for 2025/26, helping ensure continuous improvement and best value outcomes. The 2025/26 Scrutiny Forward Work Plan scrutinised by Members included an update on the pathway to net zero for its fleet, enforcement and prosecution update, operational response times, health safety and welfare and culture.

The Authority ensures fair access to services by embedding inclusivity into its governance principles, consulting with communities, targeting vulnerable groups, applying equality policies, and continuously monitoring performance. This ensures services are accessible, equitable and responsive to the diverse needs of the public.

Under its “Prevent” corporate aim, the Authority works with partners to protect the most vulnerable and actively seeks to reduce inequalities. The Community Safety and Protection Committee considers how services are delivered to the diverse communities of Merseyside, ensuring inclusivity in service provision.

Fair access is supported by a performance management framework, including Service Delivery Plans and performance reporting. This allows the Authority to identify and address any gaps in service access or delivery.

The Authority works closely with partners to deliver priorities, particularly through prevention, protection, and community safety activities. Activities and collaborative arrangements are monitored through performance management systems, regular reporting, and scrutiny by Committees, ensuring outcomes are achieved and continuously improved.

#### **Principle D: Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes**

The Authority ensures effective delivery through integrated service and financial planning frameworks, clear alignment between corporate plans and operational delivery and regular performance monitoring and reporting to SLT and Members.

The Authority has a well-established approach to strategic planning that includes annual departmental plans (known as Functional Plans), a published Service Delivery Plan that includes the more strategic annual objectives from the Functional Plans and the three corporate plans which set out the medium-term strategic objectives.

The Authority has a set of Planning Principles that have been created through stakeholder engagement and are detailed in our CRMP.

Budgets and resource strategies are tightly aligned with strategic objectives through integrated planning, multi-year financial forecasting, robust monitoring, and clear governance, ensuring resources are effectively directed to deliver the Authority's priorities.

The five-year Medium Term Financial Plan (covering revenue, capital, reserves, and treasury management) aligns financial resources with long-term objectives, ensuring sustainability and prioritisation of key activities. The Authority approves the annual budget and capital programme. Monthly budget monitoring and regular financial reports track performance against plans. Funds management controls prevent overspending and ensure resources are used as intended.

The Director of Finance and Procurement ensures budgets are realistic, affordable, and aligned to priorities, supported by compliance with the CIPFA Financial Management Code.

The Service Delivery Plan translates strategic objectives into projects and activities, each with identified resources and lead officers, ensuring clear accountability for delivery.

In 2025/26, new service improvement, action tracking and project management processes were introduced that will standardise the Authority's approach to the development of objectives for the future and the management of projects. These new developments help us achieve an area for improvement in our 2025 inspection report (published in March 2026).

The Authority considers the performance of the Service against its objectives every quarter. The reports that are considered by the Authority are produced following performance management of those objectives by the Service's Performance Management Group and Performance Board, but other strategic Boards and their subgroups will also consider performance during each quarter.

In addition, all staff receive an annual performance appraisal to discuss their individual performance.

The Authority achieves social value through an integrated approach where procurement and commissioning are aligned to strategic objectives, community needs, ethical standards, and partnership working, supported by strong governance and oversight to ensure wider social, economic, and community benefits are delivered.

### **Principle E: Developing the Entity's Capacity, Including the Capability of its Leadership and Individuals**

The Authority maintains organisational capacity through:

A clearly defined governance structure and Scheme of Delegation;

Strong leadership by the Strategic Leadership Team (SLT);

Member development arrangements, including learning sessions and away days;

Workforce planning aligned to strategic priorities;

Performance management, appraisal, and development frameworks;

Ongoing investment in leadership development.

Clarity over roles and responsibilities is achieved through a well-defined Constitution, clear committee structure, formal Scheme of Delegation, strong management hierarchy, and supporting policies, ensuring effective separation of duties, accountability, and robust governance between Members and officers.

The Constitution is reviewed annually, which sets out how the Authority operates, how decisions are made and the procedures to ensure transparency, accountability, and efficiency. It also details the terms of reference for each Committee to identify the roles and responsibilities of each Committee.

The Scheme of Delegation defines the powers delegated to officers and explicitly those powers which cannot be delegated. This ensures clarity between Member responsibilities (strategic oversight) and officer responsibilities (operational delivery). The Scheme of Delegation focuses on the three statutory officers posts.

The Authority has appointed all required statutory officers in line with legislative and professional requirements. The Head of Paid Service (Chief Fire Officer)– responsible for ensuring the organisation is properly resourced and that staffing arrangements are sufficient to deliver statutory functions efficiently and effectively and the day to day running of the Service. The Monitoring Officer (Head of Legal Services) – a qualified and experienced lawyer responsible for ensuring the legality of actions and decisions, supporting proper decision-making processes, confirming that no actions taken were ultra vires (outside legal powers). The Chief Financial Officer (Director of Finance and Procurement) – a qualified and experienced accountant responsible for ensuring proper financial administration.

These statutory officers are key members of the Strategic Leadership Team (SLT), ensuring governance, legal compliance and financial management are embedded in strategic decision-making. SLT meets regularly and considers legal, financial, and risk implications for all major decisions, ensuring compliance with governance standards.

Together, these arrangements ensure that the Authority has the people, structure and capacity required to deliver its statutory responsibilities effectively.

The Authority applies the Code of Practice on Good Governance for Statutory Officers by ensuring that statutory roles are clearly defined, professionally qualified and effectively resourced. These officers are integral to leadership and decision-making by applying strong legal, financial and ethical standards. Such standards are consistently maintained by seeking independent assurance and undertaking regular reviews to support ongoing compliance. This ensures lawful, effective, transparent and accountable governance across the organisation.

The People and Organisational Development Directorate support the capability of its leadership and individuals through robust arrangements for workforce planning across the organisation. All Members of SLT and other senior management undertook 360 reviews along with all staff engaging in the appraisal process. Succession planning identifies critical roles including leadership positions and provides structured development plans for our people to progress and develop into leadership roles. The Authority has adopted reverse mentoring for Members of its leadership team and is aligned with the NFCC development leadership programmes.

## **Principle F: Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management**

The Authority's approach to risk management is strategic and embedded within governance and operational processes, supported by a formal risk management strategy and corporate risk register, overseen by Audit Committee and SLT, and subject to continuous monitoring and annual review. This ensures risks are systematically identified, assessed, managed, and reviewed, supporting effective decision-making and achievement of strategic objectives.

Risk management is integral to the system of internal control, which identifies and prioritises risks to achieving objectives, evaluates likelihood and impact, and establishes controls to manage risks effectively, efficiently and economically. Risk management is also embedded within project management processes and decision-making processes, where all reports to the SLT include a standing section on risk.

Risks are subject to continuous review and updating, including regular reassessment of existing risks and identification of new risks during the year and updates to the Corporate Risk Register. The overall governance framework, including risk management, is reviewed annually as part of the Authority's effectiveness review, supported by internal audit assurance, confirming the adequacy of risk management and control system.

The Authority's assurance framework aligns clearly with the three lines model:

1. Management controls, performance monitoring, and operational oversight
2. Risk management, governance structures, and compliance functions
3. Independent assurance from Internal Audit, supported by External Audit

Together, these provide the leadership team with robust, multi-layered assurance that governance, risk management, and internal controls are effective and operating as intended.

### Management assurance.

Operational management and internal controls form the first line of defence. This includes day-to-day management by officers and the SLT, and delivery against the Service Delivery Plan with clear ownership of objectives. This also includes performance management systems, including regular monitoring and reporting using performance indicators and traffic light status and established policies, procedures and regulations (for example, financial regulations, Contract Standing Orders, Codes of Conduct). SLT receives regular updates from managers, enabling oversight of performance, risk, and service delivery.

### Risk management, governance and compliance.

The Authority has a well-established risk management framework, including a regularly reviewed Corporate Risk Register, mandatory inclusion of risk considerations in all reports to SLT and Committees and ongoing identification, assessment, and mitigation of risks.

Governance and compliance arrangements include a robust Constitution, Scheme of Delegation, and policy framework, oversight by Authority Committees such as the Audit Committee and Scrutiny Committee and monitoring by statutory officers (Head of Service, Monitoring Officer and Director of Finance and Procurement) to ensure legality and proper financial management.

The establishment of the internal Board structure ensures risk is managed appropriately from the ground up within the organisation.

SLT meets regularly to review performance, risks, and key decisions, ensuring constructive challenge at senior management level. SLT continuously reviews compliance with policies, procedures, and national standards.

A scrutiny forward work programme is maintained, allowing for planned, systematic review of key issues and flexibility to examine emerging risks or priorities. The Committee can establish task and finish groups to undertake detailed reviews, supporting focused and in-depth scrutiny activity.

The Authority has Asset Management Plans for its ICT, Estates and Fleet that sets out the way in which its resources are delivered and managed in accordance with its Medium-Term Financial Plan.

In addition, policies, procedures (including business continuity arrangements), guidance and training set out in more detail how the Authority manages these assets (and data) and the responsibilities of staff in accordance with relevant legislation such as the Data Protection Act 2018.

Performance against the Authority's objectives and projects relating to these assets are managed by the relevant Departmental Board and reported to Strategic Leadership Team and Authority in accordance with the Authority's constitution.

The Authority's procurement and contract management arrangements are structured, well-governed, and regularly reviewed, ensuring compliance with regulations, clear accountability, effective oversight, and the delivery of value for money and organisational objectives.

Procurement activity is governed by a Procurement Strategy, Financial Regulations, and Contract Standing Orders, all contained within the Constitution and reviewed annually. These set out clear rules for tendering, purchasing, and contract management, including updates to reflect legislation such as the Procurement Act 2023 which was incorporated into the Contract Standing Orders after coming into force.

Procurement decisions are subject to formal Authority Committee oversight and SLT review, with reports identifying financial, legal, risk, and benefit implications, ensuring robust and informed decisions.

Procurement arrangements support the Authority's duty to achieve economy, efficiency, and effectiveness, ensuring contracts deliver value for money and contribute to service objectives.

Procurement and contract management are subject to internal audit review, external audit scrutiny and providing assurance that controls are effective and compliant.

#### Independent assurance (Audit).

The Authority has an independent Internal Audit function, provided by Liverpool City Council, who deliver a risk-based audit plan approved by the Authority, provide independent assurance on governance, risk management, and internal controls, issue reports with findings and action plans, monitored for implementation and produces an annual opinion, which for 2025/26 provided substantial assurance with no significant control weaknesses. The Head of Internal Audit plays a key role in promoting good governance and providing objective, evidence-based assurance to SLT and the Audit Committee.

The Authority's internal audit arrangements conform to Global Internal Audit Standards (GIAS) principles and CIPFA's Code of Practice by ensuring independence and professional delivery of audit services, a risk-based audit plan aligned to organisational priorities, robust reporting, monitoring, and governance oversight via the Audit Committee, an objective annual assurance opinion and a proactive role in enhancing governance, risk management, and internal control. These arrangements provide strong, standards-compliant assurance to the Authority and its leadership.

The Internal Audit Plan is developed using a risk-based approach, focusing on key systems, controls, and areas of greatest risk and is approved by the Authority, demonstrating governance oversight and alignment with organisational priorities. This approach reflects good practice under GIAS and CIPFA guidance, ensuring audit resources are directed effectively.

Internal Audit provides interim and annual reports to the Audit Committee which include a summary of audit activity, findings, and implementation of recommendations.

All internal audit reviews include an assessment of internal control effectiveness and provide prioritised recommendations and action plans where improvements are required. Progress against agreed actions is monitored, supporting continuous improvement and accountability.

The Head of Internal Audit provides an annual opinion on Governance, Risk management and Internal control. For 2025/26, the overall conclusion is that MFRS has a generally sound system of governance, risk management and internal control, which is operating effectively in most areas and supports the achievement of the Authority's objectives, based on the Internal Audit work undertaken in compliance with GIAS in the UK PS in 2025/26, they can provide Substantial assurance, with improvement required in control consistency and operational application.

Additional assurance from External Audit (Forvis Mazars) who audits the financial statements of the Authority and provides a value for money (VFM) conclusion have provided unqualified opinions. This reinforces assurances over financial reporting and governance. Audit Committee oversight, which reviews internal and external audit, reports and monitors risk management and governance arrangements.

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) and to work on the whole of government accounts return.

During 2025/26, the Auditor's Annual Audit Findings Report and Audit Annual Letter the Authority received an unqualified opinion on the 2024/25 financial statements.

HMICFRS contribute additional independent challenges and feedback on performance and governance.

The Authority has established and maintains robust counter fraud and anti-corruption arrangements that align with the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). The Authority has a formal Anti-Fraud and Corruption Policy in place, supported by Employee Code of Conduct and Whistleblowing (Confidential Reporting) Policy. These policies promote a clear zero-tolerance approach to fraud and corruption and set expected standards of

behaviour. Counter fraud arrangements are embedded within the Constitution, Financial Regulations, and Contract Standing Orders, which are reviewed annually.

Clear roles and responsibilities, supported by the Scheme of Delegation, ensure accountability for preventing and managing fraud risks. Fraud risk is managed as part of the Authority's corporate risk management framework, including the Corporate Risk Register and regular review by the Audit Committee and SLT. This ensures fraud risks are identified, assessed, and mitigated effectively. A strong internal control environment includes financial systems and budget monitoring controls (e.g. funds management system preventing overspending), procurement and contract controls and segregation of duties and clear procedures. These controls reduce opportunities for fraud and support compliance with proper practices.

The Authority has assessed itself against the requirements of the national Internal Governance and Assurance Fire Standard using the National Fire Chiefs Council gap analysis tool. In 2025/26 there were 14 criteria where the Authority considered it had a "substantial" level of assurance and 9 criteria where it assessed itself as having a "reasonable" level of assurance. There were no areas of "limited" assurance. The Authority has taken steps to improve on the limited assurance areas and new developments such as the Service Improvement and project management processes are expected to lead to a substantial level of assurance in a number of areas when the gap analysis is reviewed during 2026/27.

#### **Principle G: Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability**

The Authority ensures accountability through:

- Effective engagement with Internal Audit, External Audit (Forvis Mazars), and HMICFRS;
- Timely response to audit findings and implementation of action plans;
- Oversight by the Audit Committee;
- Publication of the annual Statement of Assurance;
- Structured performance and governance reporting.

The Authority welcomes external challenge and uses findings to drive continuous improvement and strengthen governance.

The Authority ensures timely response and support to audit and inspection activity through formal protocols and structured engagement with internal and external auditors, prompt reporting and action planning for audit findings. This includes strong oversight by the Audit Committee and SLT, integration of findings into performance management and risk frameworks and a culture of continuous improvement informed by external challenge. These arrangements ensure that audit and inspection activity is effectively supported, acted upon, and contributes to strengthening governance and control.

A risk-based audit plan is approved annually, ensuring alignment with organisational priorities. Audit findings are reported promptly to relevant managers and the Director of Finance and Procurement and accompanied by prioritised action plans.

Progress on recommendations is monitored and reported via interim and annual Internal Audit reports, oversight by the Audit Committee, ensuring timely follow-up and implementation.

The Authority maintains well-established protocols for working with External Audit (Forvis Mazars). External audit work is supported by the provision of timely, accurate financial information and documentation and presentation of clear and comprehensive reports, including the Statement of Accounts. The Authority's consistent unqualified audit opinions demonstrate effective cooperation and responsiveness.

The Audit Committee plays a central role in ensuring all audit and inspection findings are considered, challenged, and acted upon. The implementation of agreed recommendations is monitored and audit work provides value for money and effective assurance.

The Authority's governance framework incorporates feedback from internal auditors, external auditors and HMICFRS. Findings from these bodies inform the annual review of effectiveness and are used to drive continuous improvement.

A strong performance management framework enables monitoring of actions arising from audit and inspection and reporting of progress to SLT and Members.

The Authority publishes its Statement of Assurance in December each year in accordance with the requirements of the National Framework for Fire and Rescue Services

The Authority also develops plans for responding to national actions impacting the sector such as those resulting from the Grenfell Tower and Manchester Arena Inquiries.

Those action plans are managed by officers as part of the Service's performance management processes and progress is reported to Authority.

Areas of learning and improvement are typically picked up and actioned through the Service's strategic Board structure and SLT for areas of general organisational learning.

Specific operational learning (both internal and external) is identified through processes managed within our operational departments. During 2026/27 the implementation of our Service Improvement process will lead to an alignment of these approaches.

### **Review of Effectiveness**

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 is informed by:

- The work of Internal Audit and the Head of Internal Audit's annual opinion;
- Reports from External Audit;
- Oversight and challenge provided by the Audit and Scrutiny Committees;
- The work of the Strategic Leadership Team;
- Performance management frameworks and risk monitoring;
- Governance self-assessment, including compliance with national fire sector standards.

The Director of Finance and Procurement has confirmed no significant weaknesses in compliance with these principles.

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) and to work on the whole of government accounts return.

During 2025/26 the Auditor’s Annual Audit Findings Report and Audit Annual Letter the Authority received an unqualified opinion on the 2024/25 financial statements.

### **2025/26 Review and Significant Governance Issues**

The Authority’s review of effectiveness for 2025/26 has not identified any significant governance failings or issues that require formal disclosure.

However, consistent with a commitment to continuous improvement and strong governance maturity, the review has highlighted a small number of areas where further development and strengthening of arrangements will support the Authority in maintaining resilience and transparency in an evolving operating and financial environment.

These areas are not considered to represent weaknesses in control but rather opportunities to enhance existing arrangements. They include:

- Further embedding of programme and project governance disciplines, particularly in relation to service improvement activity, to ensure consistency of approach, benefits realisation, and clear audit trails.
- Ongoing development of risk management practices, including ensuring clear alignment between strategic risks, operational risks, and performance reporting.
- Continued strengthening of performance reporting clarity, ensuring that outcomes, risks, and resource implications are consistently integrated and clearly articulated for Members.

The Authority has already initiated work in these areas through existing governance and improvement frameworks, overseen by the Strategic Leadership Team and reported, where appropriate, to the Audit Committee.

The Authority is satisfied that these actions will further strengthen its governance framework and support the delivery of its strategic objectives.

### **Certification**

**To the best of our knowledge, the governance arrangements as outlined in this Annual Government Statement, have been operating during the year, providing an effective framework for identifying governance issues and taking mitigating actions. 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 .....

**Name .....**

**Chair of the Audit Committee**

**Signed.....**

**Name .....**

**Chief Fire Officer**

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