

Merseyside Fire & Rescue Authority
Internal Audit Service

Internal Audit Charter

2025/26

Internal Audit Charter for Merseyside Fire & Rescue Authority

Purpose

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

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

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

MFRA's internal audit function is most effective when:

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

GIAS UK PS

The GIAS UK PS consists of:

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

Commitment to Adhering to the GIAS UK PS

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

Mandate

Authority

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

Internal Audit

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

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

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

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

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

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

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

Independence, Organisational Position, and Reporting Relationships

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

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

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

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

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

CAE Skills, Removal, Remuneration and Performance

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

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

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

Changes to the Mandate and Charter

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

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

Audit Committee Interaction

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

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

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

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

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

Resources

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

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

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

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

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

Quality

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

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

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

External Quality Assessment

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

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

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

Director of Audit Roles and Responsibilities

Ethics and Professionalism

The CAE will ensure that internal auditors:

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

Objectivity

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

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

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

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

Internal auditors will:

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

Managing the Internal Audit Function

The CAE has the responsibility to:

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

Communication with the Audit Committee and SLT

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

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

Quality Assurance and Improvement Program (QAIP)

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

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

Scope and Types of Internal Audit Services

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

Governance

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

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

Risk Management

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

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

Control

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

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

Advisory

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

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

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

Fraud

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

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

Engagements

Internal audit engagements may include evaluating whether:

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