

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

**Internal Audit**

**30 June 2026**



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**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>	-	<b>1</b>	<b>1</b>	<b>2</b>

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