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MERSEYSIDE FIRE AND RESCUE AUTHORITY

2 OCTOBER 2025

AUDIT COMMITTEE

MINUTES

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

Also Present:	Chief Fire Officer	Nick Searle
	Assistant Chief Fire Officer	Ged Sheridan
	Director of Finance and Procurement	Mike Rea
	Monitoring Officer	Ria Groves
	Audit Partner for Forvis Mazars	Karen Murray

9. Chairs Announcement

The Chair opened the meeting by sending well wishes to all blue light responders involved in the Manchester incident, to the victims' families and all those affected.

10. Apologies

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

11. Declarations of Interest

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

12. Minutes of the Last Meeting

RESOLVED that the minutes of the last meeting held on 26th June 2025 be approved as an accurate record.

13. Forvis Mazars (MFRA External Auditors) Audit Strategy Memorandum 2024/25

Director of Finance and Procurement, Mike Rea, introduced the report and reminded Members that they were presented the draft Audit Strategy Memorandum for the audit of the 2024/25 Statement of Accounts in June 2025. He invited the Audit Partner for Forvis Mazars, Karen Murray, to take Members through the report.

Karen Murray explained that there were some changes to the report since the last meeting which were primarily cosmetic changes with the exception of one being a newly identified significant risk. She informed Members that there had

been a change in their team, with a new Assistant Manager joining to help with workload.

It was noted that Forvis Mazars received the Authority's draft account at the end of June in line with the statutory timetable and after reassessing materiality, the expenditure had increased. She explained that the team set materiality based on expenditure.

Members were advised that there had been a new significant risk in the Authority's accounts in respect of lease accounting as there had been a change in the accounting standard. She also advised that it was a risk as the amount could possibly change by a material value. Karen stated that she was not confident that the calculation was correct so was in conversations with the Authority's Finance Team.

Karen confirmed that work was underway in terms of audit delivery and commended the Finance Team for being so helpful in the sample testing process.

The Chair, Councillor Jeanie Bell, thanked Karen for the excellent report and made reference to the amount of information surrounding significant risk and planned response.

Councillor Andrew Makinson queried the materiality threshold increase, noting that it had risen by 20% on the previous year's levels, which was a significant amount and wanted to understand what the benefit was to the Authority and the taxpayer in increasing materiality by that amount.

Karen clarified that materiality was an accounting audit concept representing the threshold of error that could mislead a user of the accounts. The level was set to reflect the scale and context of the organisation. She reassured Members that Forvis Mazars applied an industry standard of 1-2% and due to the Authority's strong control environment, solid arrangements and good track record, the higher end of the range was applied.

Members noted that these levels allowed auditors to test to a lower threshold to identify errors that may become material when aggregated. Karen confirmed that lower specific materiality was set for areas of high public interest. Karen explained that any errors exceeding performance materiality were raised with the Finance Team for correction; failure to amend the accounts would prevent the accounts from being signed off.

Karen noted that while errors below performance materiality may be left as unadjusted (provided they were not cumulatively material or indicative of fundamental issues), she expected the Authority to amend the Accounts, as that was what they had always done to maintain transparency.

Councillors were assured that anything above trivial would be reported to the Authority, however, anything below wouldn't usually be reported but could be if requested.

Councillor Chris Page queried whether the change in materiality was usual compared to other organisations. Karen explained that materiality was set on a range from 1-2% typically and it rarely exceeded 2% which was the standard industry benchmark. Members noted that other organisations that had materiality set at 2% had the strongest control environments, the best arrangements in place, operated effectively and therefore could place reliance on the information coming from their systems. The organisations that had the most challenges in terms of operating their control environment, would have a materiality set at a lower end of the percentage. Karen reassured Members that from her experience, a lot of public bodies tended to be at the higher end of the 2% range which was an indication that arrangements worked well.

Karen added that her team used the expenditure as the measure, so the more money spent, the higher the absolute number would be, which was why it had risen. This was also due to the scale and size of operations.

Councillor Chris Page drew Members' attention to page 19 of the Audit Strategy Memorandum (page 32 of the agenda) and asked if this could be explained more. Director of Finance and Procurement, Mike Rea, explained that this related more to firefighters' pensions which was an unfunded pension scheme, meaning that it was a liability that was calculated by the Government Actuarial Department. It was also the Authority's liability for the future based on current and retired firefighters, future recruitment and retirement rates. It was explained that this was a forecast given by the Government Actuarial Department to put into the accounts and it was offset within the balance sheet by an unusable reserve.

It was explained by Karen that some staff were in the Local Government Pension Scheme (LGPS) and a similar amount of work was done. She added that the amount of information put into the Authority's accounts was provided by the actuaries whose job it was to calculate the assets and liabilities. Members were advised that it was the Government Actuarial Department for the Firefighters' Pension Scheme (FPS) and Mercers for the LGPS.

It was noted that the information used in LGPS often shifted due to changes in the value of assets which impacted the value of the liability. Members could expect some adjustments in the accounts next year if movements were material. Karen noted the importance of making Members aware that this would not impact the income and expenditure position.

Councillor Chris Page raised concerns around the uncertainty of the valuation on the Merseyside Pension Fund due to it last taking place in March 2022. Director of Finance and Procurement, Mike Rea, advised that the valuation for the LGPS was based on a three-year actuarial review, whilst the FPS was every four years. He reassured Members that the actuarial review for the LGPS was ongoing, the fund was in surplus, and it was expected to continue in surplus. He added that the outcome would be reviewed later this year. Karen noted that this could potentially change the Authority's employer's contribution rate going forward depending on if it was in surplus or not.

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

Close

The date of next meeting will be 26th February 2026.