**Joint Audit Committee**

31 July 2026

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| **Report Title** | Finance Audit Recommendations – Progress Report | |
| **Responsible Officer** | Jon Lee, CFO and Director of Resources | |
| **Report author** | Kirsty Toone, Head of Finance | |
| **Risk register reference** | not applicable | |
| **Previous papers to Committee** | Previous report present to the Joint Audit Committee on 26 February 2026 | |
| **Report summary** | This report updates members on progress in addressing high and medium priority audit recommendations within the financial business areas.<br>Recommendations arise from external audit, internal audit and HMICFRS activity. The overall position reflects strong progress, with the majority of actions now complete and only a small number of system-dependent or developmental items remaining. | |
| **Purpose of the report**<br>*Why is the report being presented to the Committee? (Tick all boxes that apply)* | Update/progress report | X |
| | Provide assurance | X |
| | Present audit findings | X |
| | Risk escalation | |
| | Policy/strategy review | |
| | Statutory requirement | |
| | Other *(please specify)* | |
| **Related Police and Crime Plan Pillar** | | |
| **Source(s) of assurance**<br>*(Tick all boxes that apply)* | Internal Audit | X |
| | External Audit | |
| | Internal management controls | X |

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| | Independent review | |
| | Inspection findings | |
| | Other *(please specify)* | |
| **Key issues, assurances and concerns** | **Key assurance(s):**<br>Good progress has been made overall in implementing agreed management actions, with high and medium priority actions either fully implemented or appropriately progressed. The majority of actions are now complete, and key control improvements are embedded or being strengthened through established governance routes. | |
| | **Significant concern(s):**<br>No new core finance audits have been reported since the last Committee. Remaining activity is limited to a small number of actions where completion is subject to external validation or dependent on system or wider programme changes, including receipt validation controls and longer-term finance system decisions. | |
| | **Mitigating action(s):**<br>Alternative system solutions are being explored for expense receipt controls; updates to the Force Financial Instructions are progressing; and Failure to Prevent Fraud work is being taken forward through existing governance, risk management and annual fraud reporting arrangements during 2026/27. | |
| **Action required**<br>*What is the Committee being asked to do? (Tick one box only)* | **Information** – *to note the contents of the report* | X |
| | **Assurance** – *to review and provide assurance that arrangements are adequate and effective* | |
| | **Recommendation** – *endorse a recommendation to the PCC or CC* | |
| | **Approval** – *approve a document, plan or approach where authority is delegated to JAC* | |
| | **Decision** – *make a decision wtihin the Committee's delegated authority* | |
| **Recommendation** | The Committee is asked to comment on and note the report. | |

## FINANCE AUDIT RECOMMENDATIONS – PROGRESS REPORT

### 1. Purpose

1.1 This report provides details of progress in addressing audit recommendations (high or medium) in the financial business areas.

The recommendations may arise from external audit, internal audit, or His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

### 2. Background

2.1 Monitoring of the recommendations from financial audit reports is undertaken by the Chief Finance Officer. Management responses are agreed with the Auditor and then monitored to ensure that they are dealt with within the timescales.

2.2 Financial activities are subject to significant audit scrutiny throughout the year. Timely implementation of recommendations is critical to maintaining a robust control environment and supporting reliance on internal audit work during the external audit of the accounts.

2.3 Recommendations are prioritised into high, medium, or low importance by the auditor. To indicate the extent that actions are on target for completion, each recommendation is colour coded (Red/Amber/Green) according to the following definitions:

- Red – recommendation posing significant risk or overdue
- Amber – progress has slipped or is at risk of delay
- Green – action in progress and on track
- Blue – action complete / recommendation implemented

### 3. Current Status

3.1 There have been no new core finance audits since the last Joint Audit Committee. However, a follow-up review (5.25/26) has been completed to assess progress against previously agreed management actions, alongside a separate advisory review in relation to Failure to Prevent Fraud requirements.

3.2 The follow-up review concluded that good progress has been made overall in implementing all agreed management actions, with all high and medium priority actions in scope either fully implemented or appropriately progressed, and low priority actions confirmed as complete through management assurance.

3.3 **Failure to Prevent Fraud (BCH Advisory Review – Audit Ref 1.25.26)**

Progress is being made against the recommendations arising from the Failure to Prevent Fraud review, with activity focused on strengthening and evidencing the existing control framework in line with the Economic Crime and Corporate Transparency Act requirements.

This includes activity to ensure that Chief Officers and senior management are aware of their responsibilities in relation to fraud prevention and the Failure to Prevent Fraud offence, supported through reporting to Force Executive Board and the annual fraud report.

A number of elements are already in place, including established fraud risk assessment processes, due diligence arrangements, and governance oversight through existing reporting routes. Current work is therefore focused on enhancing and refining these arrangements rather than introducing wholly new controls.

Activity is focused on strengthening and evidencing existing arrangements, including:

- **Fraud Risk Assessment:** The existing fraud risk register will be extended to more explicitly identify risks where the Force may act as a beneficiary, with ongoing review and oversight built into established governance cycles.
- **Prevention Framework:** Existing financial controls, procurement processes and policy frameworks are being reviewed and aligned to ensure they remain proportionate to the risks identified and collectively form a clear fraud prevention framework.
- **Due Diligence:** Current arrangements relating to employees, suppliers and third parties are being consolidated and clearly articulated to demonstrate how the Force manages risks associated with “associated persons”.
- **Training and Awareness:** Existing fraud awareness training is in place, with further work underway to ensure coverage of the Failure to Prevent Fraud offence and related legislative requirements.
- **Monitoring and Reporting:** Performance measures, including training completion, fraud risk indicators and leadership awareness, are being developed for periodic reporting through the annual fraud report and governance structures.
- **Policy Alignment:** The Combined Financial Regulations will be updated to explicitly reference the Economic Crime and Corporate Transparency Act to ensure alignment with legislative expectations.

These actions are being progressed through 2026/27 and are largely developmental, strengthening an already established control framework. Delivery is aligned to existing governance, risk management and reporting arrangements, and will be evidenced through the annual fraud report.

3.4 The majority of actions have now been completed following the latest follow-up review. Remaining activity is limited to a small number of actions where either:

- Completion is subject to external validation/sign-off; or
- Delivery is dependent on system or wider programme changes.

The key remaining actions are:

**Fraud** (Audit Ref 4.22.23 – Action 2)
Processes are embedded as business-as-usual and the action is complete, with formal sign-off confirmed through the follow-up audit.

**Payroll & Expenses** (Audit Ref 3.24.25 – Action 5)
System controls to prevent claims without receipts remain in progress, as current system limitations prevent implementation within iTrent. Alternative system solutions are being explored and the action has been re-raised through audit follow-up.

**Payments & Creditors** (Audit Ref 1.25.26 – Action 1)
Progress has been made through updates to the Force Financial Instructions, strengthening approval controls, documentation requirements and segregation of duties. Any further enhancements are now linked to longer-term finance system decisions.

**Payments & Creditors** (Audit Ref 1.25.26 – Action 3)
This action is now substantially complete, with updated Financial Instructions drafted to clearly document authorised BACS approvers, pending final publication.

3.5 A summary of progress against the remaining actions is shown in Appendix A, with detailed commentary aligned to both the internal action tracker (Appendix B) and the latest internal audit follow-up review.

## 4. Recommendation

4.1 The Committee is recommended to note the report.

**APPENDIX A**

| Area | Audit Ref | Total Actions | Completed | Outstanding | RAG Status | Summary Position |
|---|---|---|---|---|---|---|
| Fraud | 4.22.23 | 2 | 2 | 0 | Blue | All actions have been fully implemented, including the introduction of targeted fraud awareness training and strengthened processes for reviewing business interests against supplier data. These controls are now embedded within business as usual activity and were confirmed as complete through the follow up audit. |
| Fixed Assets | 7.23.24 / 5.24/25 | 1 | 1 | 0 | Blue | Procedural guidance has been formalised with clear review cycles introduced. This ensures that key financial procedures remain up to date and subject to routine oversight. |
| MTFP | 2.24.25 | 1 | 1 | 0 | Blue | A structured lessons learned process has been established following completion of the financial planning cycle, supporting continuous improvement across revenue, capital and supporting processes. |
| Budgetary Control | 3.24.25 | 4 | 4 | 0 | Blue | All actions completed, including the introduction of standardised templates, improved reconciliation controls, enhanced variance reporting thresholds, and strengthened governance around budget virements and approvals. |
| Payroll & Expenses | 3.24.25 | 6 | 5 | 1 | Green / Blue | Significant improvements have been implemented across payroll governance, including strengthened reconciliation processes, formalised approval controls, clearer guidance and improved compliance with expense policies. One action remains in progress relating to automated system controls for receipt validation, which is currently constrained by system capability; alternative solutions are being explored with extended delivery timeframe. |

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| Payments & Creditors | 1.25.26 | 3 | 2 | 1 | Green / Blue | Key control improvements have been delivered through updates to the Force Financial Instructions, strengthening approval processes, documentation requirements and segregation of duties. The remaining action relates to longer term system changes aimed at reducing reliance on off system approvals, aligned to future finance system decisions. |
| General Ledger | 2.25.26 | 1 | 1 | 0 | Blue | Action completed with strengthened controls to ensure timely removal of system access for leavers and improved oversight of user access management. |
| Failure to Prevent Fraud (Advisory) | 1.25.26 BCH | n/a | Ongoing | Ongoing | Green | Work is progressing to further develop and evidence the existing fraud prevention framework in line with legislative requirements. This includes ensuring senior management awareness and oversight in line with audit recommendations, with delivery evidenced through the annual fraud report and reporting to Force Executive Board. |

*Red = Overdue, Amber = due within 1 month, Green = due more than one month in future and on track for delivery, Blue = completed*

*Where both Green and Blue are shown, this reflects a mix of completed and in-progress actions within the audit area.*