

Audit, Standards & General Purposes Committee

Date: **23 June 2026**

Time: **4.00pm**

Venue: **Council Chamber, Hove Town Hall**

Members:

Councillors: West (Chair), Guilmant (Deputy Chair), Atkinson, Czolak, Helliwell, Hewitt, Loughran and Lyons

Co-optees: David Bradly (Independent Person) and Barbara Beardwell (Independent Person)

Contact: **Grace Leonard**
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Chief Executive
Hove Town Hall
Norton Road
Hove BN3 3BQ

Date of Publication - Monday, 15 June 2026

AGENDA

Part One

Page

1 PROCEDURAL BUSINESS

- (a) **Declarations of Substitutes:** Where councillors are unable to attend a meeting, a substitute Member from the same political group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
 - (a) Disclosable pecuniary interests;
 - (b) Any other interests required to be registered under the local code;
 - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

Note: Any item appearing in Part Two of the agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at Part 3E – Access to Information.

2 MINUTES

7 - 10

To consider the minutes of the meeting held on 21 April 2026.

Contact Officer: Grace Leonard

Ward Affected: All Wards

3 CHAIR'S COMMUNICATIONS

4 CALL OVER

- (a) Items (7-18) will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

5 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 10am on the 11 June 2026;
- (c) **Deputations:** to receive any deputations submitted by the due date of 10am on the 11 June 2026.

6 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

7	EXTERNAL AUDIT PLAN 2025/26	11 - 48
	<i>Contact Officer: Jane Strudwick</i>	<i>Tel: 01273 291255</i>
	<i>Ward Affected: All Wards</i>	
8	INFORMING THE AUDIT RISK ASSESSMENT 2025/26	49 - 70
	<i>Contact Officer: Jane Strudwick</i>	<i>Tel: 01273 291255</i>
	<i>Ward Affected: All Wards</i>	
9	INTERNAL AUDIT ANNUAL REPORT AND OPINION 2025/26	71 - 92
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10	COUNTER FRAUD ANNUAL REPORT 2025/26	93 - 106
	<i>Contact Officer: Carolyn Sheehan</i>	
	<i>Ward Affected: All Wards</i>	

- 11 COUNTER FRAUD STRATEGY 107 - 134**
Contact Officer: Carolyn Sheehan
Ward Affected: All Wards
- 12 FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 135 - 190**
2025-2026
Contact Officer: Rima Desai Tel: 01273 291268
Ward Affected: All Wards
- 13 STANDARDS UPDATE 191 - 198**
Contact Officer: Victoria Simpson Tel: 01273 294687
Ward Affected: All Wards
- 14 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 4 PROGRESS 199 - 220**
REPORT 2025/26
Contact Officer: Carolyn Sheehan
Ward Affected: All Wards
- 15 ITEMS REFERRED FOR COUNCIL**
(1) To consider items to be submitted to full Council for information.
- 16 ITEMS FOR THE NEXT MEETING**
- PART TWO**
- 17 PART TWO PROCEEDINGS**
To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.
- 18 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 4 PROGRESS 221 - 226**
REPORT 2025-26 (EXEMPT CATEGORY 3)
Contact Officer: Carolyn Sheehan
Ward Affected: All Wards

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fourth working day before the meeting.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

Infra-red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.

Further information

For further details and general enquiries about this meeting contact Grace Leonard, (01273 29 1065, email grace.leonard@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Therefore, by entering the meeting room and using the seats in the chamber you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured, they should sit in the public gallery area.

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- Visitors are admitted on condition that they allow themselves and their belongings to be searched.
- You will be asked to sign in upon arrival and may be asked to show proof of identity.

The following items are not permitted at any of our meetings which are held in public:

- Sharp items e.g. knives (including Swiss army knives) scissors, cutlery and screwdrivers;
- Paint spray or similar items;
- Padlocks, chains and climbing gear;

- Items that make a noise (e.g. whistles, loud hailers, mega phones); and,
- Banners, placards and flags or similar items.

Please restrict the size of bags brought to meetings as there are no facilities for storage of bags or other personal items – all bags will be searched upon entry. You may also be subject to secondary searches once inside the meeting.

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Councillors must be able to make themselves heard on behalf of those they represent.

The Mayor or the Chair will not allow behaviour that disrupts council business.

Under the Council's Constitution, Part 3A, Council Procedure Rules 16.2 -16.3, at any meeting of the Council, the Mayor/Chair has the power to order the removal of any member of the public who:

- interrupts the proceedings
- acts in a way that impacts the proper and orderly conduct of the meeting

In the interest of order during a meeting, the Mayor/Chair may suspend or adjourn a meeting for any length of time they decide.

You must follow the Mayor's/Chairs direction, including any requests to sit down or stop acting in a way that disrupts the Council business.

In most meetings, there are no incidents and Council is not disturbed. We hope this continues so there is no need for the Mayor or any Chair of a meeting to take these actions.

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- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions; and
- Do not re-enter the building until told that it is safe to do so

BRIGHTON & HOVE CITY COUNCIL
AUDIT, STANDARDS & GENERAL PURPOSES COMMITTEE

4.00pm 21 APRIL 2026

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillor West (Chair) Loughran (Deputy Chair), Baghoth, Guilmant, Helliwell, Hewitt and Meadows

PART ONE

55 PROCEDURAL BUSINESS

55a Declarations of substitutes

55.1 There were none.

55b Declarations of interests

55.2 There were none

55c Exclusion of the press and public

55.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

55.4 **RESOLVED** - That the press and public are excluded from the meeting from items listed on Part 2 of the agenda.

56 MINUTES

56.1 **RESOLVED** – That the minutes of the previous meeting held on 27 January 2026 be approved and signed as the correct record.

57 CHAIR'S COMMUNICATIONS

57.1 The Chair provided the following communications:

I have received apologies from Councillor Atkinson, who is unwell I understand. I've wished him a speedy recovery and of course we'll miss his questions today. Since the last committee, members were invited to a training and engagement session organised by Internal Audit, which included discussing the draft Internal Audit Plan we have with us today. I was unfortunately unable to attend, but hopefully other members did and found that useful to informing the discussions today.

I'm pleased to say that since our last meeting in January, I have received my cochlear implant. I'm now getting used to my new hearing system. It's a long period of personal adjustment and tuning by the audiologist. While I'm feeling confident that I'll be able to hear you today, well I'll find out in a minute, won't I? And I'm beginning to be able to hear better than I was so I'm personally very pleased about that. When I was here last week I was having a bit of a struggle with the level of the induction loop. So I will try not to use that and I will see whether I can hear you through the sound system. So hopefully all will be well, but I know that you're all very understanding of the challenges I face with my disability so just bear with me and we'll see where we are thank you.

It's a relatively short agenda today. We were hoping to take a couple of reports from the external auditor, but I understand these are now expected to go to our meeting in June. So that's only another two months away, so we've got that to look forward to.

58 CALL OVER

- 58.1 The Democratic Services Officer called the agenda items to the committee. All items were reserved for discussion.

59 PUBLIC INVOLVEMENT

- 59.1 No public representations were received.

60 MEMBER INVOLVEMENT

- 60.1 No member representations were received.

61 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2026-27

- 61.1 The Committee considered the Internal Audit Strategy and Annual Internal Audit Plan for 2026/27, underpinning the work of the Internal Audit Service in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Strategy and Charter. These were presented alongside the Annual Internal Audit Plan for 2026/27 as good practice dictates that these should be updated and reviewed on an annual basis.
- 61.2 Councillors Baghoth, Guilman, Hewitt, Loughran, Meadows, and West asked questions and contributed to the debate of the report.
- 61.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee approves the Internal Audit Strategy and Internal Audit Plan and notes the Internal Audit Charter.

62 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 3 PROGRESS REPORT 2025/26

62.1 The Committee considered the Internal Audit and Counter Fraud Quarter 3 Progress Report. The report provided Members with an update on all internal audit and counter fraud activity completed during quarter 3 (2025/26), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit Service during the period.

62.2 Councillors Guilmant, Helliwell, Hewitt, Loughran, Meadows, and West asked questions and contributed to the debate of the report.

62.3 RESOLVED –

That the Audit, Standards, and General Purposes Committee note the report and consider the findings from Internal Audit activities in accordance with the Committee's terms of reference.

63 UPDATE ON REFERRALS UNDER THE COUNCIL'S WHISTLEBLOWING POLICY

63.1 The Committee considered the update on referrals under the Council's Whistleblowing report. The purpose of the report was to note the Whistleblowing referrals and outcomes since the last update to Committee in September 2025.

63.2 Councillors Guilmant, Loughran, Meadows, and West asked questions and contributed to the debate of the report.

63.3 RESOLVED –

That the Audit, Standards, and General Purposes Committee note the report, including the whistleblowing referrals and outcomes.

64 STANDARDS UPDATE

64.1 The Committee considered an update on Standards-related matters.

64.2 Councillors Guilmant, Loughran, Meadows, and West asked questions and contributed to the debate of the report.

64.3 RESOLVED –

That the Audit, Standards, and General Purposes Committee note this report.

65 ITEMS REFERRED FOR COUNCIL

65.1 No items were referred to Full Council for information.

66 ITEMS FOR THE NEXT MEETING

- 66.1 Councillor Loughran requested that the CIPFA report on the i360 be brought to a future meeting of the Audit, Standards, and General Purposes committee.
- 66.2 **RESOLVED** – Chair advised that the request will be considered. There were no reports agreed to be brought to the next meeting.

The meeting concluded at 5.50pm

Signed

Chair

Dated this

day of

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 7

Subject: External Audit Plan 2025/26

Date of meeting: 23 June 2026

Report of: External Auditor, Grant Thornton UK LLP

Contact Officer: Name: Jane Strudwick
Email: jane.strudwick@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 Grant Thornton's audit plan sets out an overview of the planning scope and timing of the council's statutory external audit for the financial year ending 31 March 2026. The audit plan ("BHCC External Audit Plan 2025-26") is attached at Appendix 1. The audit plan sets out, for example, the significant risks identified ahead of the main audit work (pages 6-10), levels of materiality for the financial statements (pages 13-14) and the proposed audit fees for 2025/26 (page 25)
- 1.2 The external auditors are responsible for forming and expressing an opinion on the council's financial statements and for considering whether there are sufficient arrangements in place at the council for securing economy, efficiency, and effectiveness in its use of resources (Value for Money arrangements).

2. Recommendations

- 2.1 That Committee agrees to note the external audit plan document, having considered whether to notify the external auditor if there are any additional matters that it considers may also impact on the planned audit work and context for the financial year ending 31 March 2026.

3. Context and background information

- 3.1 External audit is an annual statutory requirement for local authorities. Appendix 1 sets out the background and context of the external auditors' audit plan for 2025/26 in detail.

4. Analysis and consideration of alternative options

- 4.1 Along with every other council in England, the council elected to join the sector-wide procurement of external audit and is therefore bound by the terms negotiated by Public Sector Audit Appointments Ltd (PSAA). Under

this arrangement, Grant Thornton are the appointed external auditor for Brighton & Hove City Council. The authority has recourse to PSAA, who perform a contract monitoring role, if it is dissatisfied with the performance of the external auditor in the delivery of the contract.

5. Community engagement and consultation

5.1 Not applicable.

6. Financial implications

6.1 The proposed audit fee (subject to the normal review and moderation by Public Sector Audit Appointments, PSAA) is £462,710, an increase in the scale fee of 2.8% from 2024/25 as set out on page 25 of Appendix 1. The fee is set in accordance with the sector-wide re-procurement of external audit by Public Sector Audit Appointments Ltd, a public sector body set up by the Local Government Association to undertake the procurement on behalf of local government.

6.2 The current contract commenced in 2023/24 and was put in place for a five year period.

Name of finance officer consulted: Haley Woollard

Date consulted: 09/06/26

7. Legal implications

7.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council.

Name of lawyer consulted: Victoria Simpson

Date consulted: 08/06/26

8. Risk implications

8.1 A significant backlog within local government external audit prompted the implementation of statutory backstop dates for published accounts, with the intention of clearing of the audit backlog. The statutory backstop for the publication of 2025/26 accounts is 31 January 2027. A delay in the external audit process and / or any inability for the external auditors to obtain sufficient evidence that the council's accounts represent a true and fair view by the backstop date could impact on the audit opinion of the 2025/26 accounts.

9. Equalities implications

9.1 There are none identified.

10. Sustainability implications

10.1 There are none identified

11. Conclusion

11.1 This report and appendix 1 outlines the external auditor's plan for auditing the authority's 2025/26 accounts. The report is for noting unless the Committee has additional issues to raise (as set out under section 2 Recommendations).

Appendices

1. BHCC External Audit Plan 2025-26



The Audit Plan for Brighton and Hove City Council

Year ending 31 March 2026

March 2026

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Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Brighton and Hove City Council (“the Council”) for those charged with governance.

Respective responsibilities

The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council’s financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit, Standards & General Purposes Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit, Standards & General Purposes Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net asset/ liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £21.2m (PY £19.6m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Clearly trivial has been set at £1,060k (PY £980k) for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability – we identified a significant weakness in arrangements in 2024/25 relating to the Council's financial sustainability and recommended the Council implement step changes in transformational planning to improve its corporate grip over its significant financial sustainability challenge. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.
- Governance – we identified a significant weakness in arrangements in 2024/25 relating to the Council's arrangements for governance over Environmental Services and whilst recognising the progress made during 2024/25, we recommended the Council should continue to formally, consistently, and transparently track and report on the implementation of the KC recommendations to members, ensuring progress is monitored to completion. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.
- Improving Economy, Efficiency and Effectiveness: we identified a significant weakness in arrangements in 2024/25 relating to the Council's compliance with the Social Housing Regulator standards. We recommended Council should complete outstanding actions to achieve full compliance with the Social Housing Regulator's standards by December 2026. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.

See information on page 20-23 for further details of this risk.

Introduction and headlines (continued)

Audit logistics

We started our risk assessment and planning procedures in February 2026 and our interim visit took place in March and our final visit will take place between June to September 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £462,710 (PY: £463,457) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design and implementation effectiveness of management relevant controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.



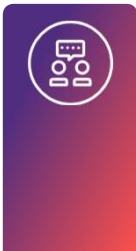
“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula-based income from central government and taxpayers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have identified from our experiences as auditor from the previous years, and through our understanding of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. 	<p>Where the risk has been rebutted we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate</p>

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Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all material expenditure streams for the Council. We have considered the risk expenditure may be misstated due to the improper recognition for all expenditure streams and concluded that there is not a significant risk as;</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment and understanding of your business processes) is considered to be in line with our expectations for an Authority of this size and complexity of operations; - We have not found significant issues, material errors or fraud in expenditure recognition in the prior year audits; and - Our view is that there is little incentive to manipulate expenditure recognition. <p>Given the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year. Furthermore, we considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls as set out on page 5.</p>	<p>We do not consider this to be a significant risk and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and Building (including council dwellings) and investment properties</p> <p>The authority revalue its land and buildings on a rolling five-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date.</p>	<p>The valuation represents a significant estimate by management in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p> <p>We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach.</p> <p>In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations, corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluate the completeness and accuracy of source data provided directly from the Council. We will then complete analytical procedures on the valuation reports, with reference to external market data, to identify those assets at greater risk of material misstatement.</p> <p>The code now (25/26) requires indexation in the intervening years between revaluations. The Council will be adopting this for the first time and applying indexation to property plant and equipment.</p> <p>The valuation method of Council dwellings and investment properties remain unchanged.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of management's expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • evaluate the consistency of the disclosure with the valuation report; • evaluate the basis on which the valuations have been carried out; • evaluate the information and assumptions used by the valuer; • evaluate the accounting entries for the valuation; • obtain and agree the indices applied to supporting source data; • understand the underlying source data, assumptions and judgements made in selection of the appropriate index used; • recalculate the index movement; • reperform the application of movement to assets; and • for all assets not formally revalued, evaluate the judgement and the indices used by management or others in determination of current value of these assets.

Significant risks identified (continued)


Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation	<p>The valuation of the pension fund net asset/ liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p> <p>We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • evaluate the competence, capabilities and objectivity of management's expert; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • evaluate the consistency of the disclosure with the actuarial report; • evaluate the reasonableness of the assumptions used to form the estimate by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtain assurances from the auditor of East Sussex Pension Fund on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate; and • where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Equal Pay Claim	<p>The council has received around 1,063 equal pay claims citing a number of areas of potential gender pay inequality. The council has a job evaluation scheme against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. The council does not therefore currently have any reliable data upon which to make any financial assessment or judgement for inclusion in the statement of accounts, and therefore has disclosed this issue as a contingent liability.</p>	<p>We will</p> <ul style="list-style-type: none"> • Update our knowledge of the current status of the issue; • Discuss the issue further with management, and obtain any further evidence that we need in order to conclude on whether it is reasonable to disclose this as a contingent liability as opposed to a IAS37 provision.

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“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”
(ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Headline Materiality for financial statements	21,200,000	<p>The benchmark is determined a percentage of the Council's prior year gross expenditure (2024/25), which has been set at approximately 2% for the Council. We have considered the following factors when determining the thresholds:</p> <ul style="list-style-type: none"> • The financial information available at the time of drafting this report • Our understanding of the internal controls in place. • Our review of prior year's auditors' reports
Performance Materiality	14,840,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We have set this level at 70% of our headline materiality</p> <p>In determining performance materiality the main considerations are our view and understanding of the Council control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified.</p>
Triviality	1,060,000	<p>The following factors were considered when determining the triviality for the council:</p> <ul style="list-style-type: none"> • The size and significance for the error in relation to the overall financial statements. • The frequency of error • The nature of the error and its impact on the financial statements. <p>We have set this threshold at 5% of headline materiality.</p>
Materiality for specific transactions, balances or disclosures - Officers' Remuneration Disclosures	30,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> • The expectations of users of the financial statements and the audit requirements/quality standards.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council’s financial statements, which resulted in 5 recommendations being reported in our 2024/25 Audit Findings Report. As part of the 2025/26 fieldwork audit, we will follow-up on the progress of the prior year recommendations and report in our findings in the Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In Progress	<p>While performing our work on IFRS-16 , we noted the detailed calculations relating to transitioning into IFRS 16 have been completed by the Principal Accountant. However, there has been no review of the assessments and calculations by the more senior suitably qualified individual in the finance team.</p> <p>We also noted that there were some minor accuracy issues around the lease payments and terms as inputs to the estimate of lease liability/right of use asset.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>
In Progress	<p>As set out in Section 04 of this report, The council has disclosed a Material Uncertainty disclosure in the Critical Judgements Note 3 where they are unable to comply with the Code and the Authority’s accounting policy for property, plant and equipment revaluation accounting in carrying out the historic cost adjustment. This issue is due to their record keeping/asset management system.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>
In Progress	<p>As set out in Section 06 of this report, The council has disclosed a Estimation Uncertainty disclosure in the Critical Judgements Note 3 where they are have not included a detailed sensitivity analysis due to absence of such data in the valuer’s report. Therefore the disclosure does not meet the requirements of IAS1 to state clearly the areas of the assumptions which could cause material year on year variance in the outcome of the estimate.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>

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Progress against prior year audit recommendations

Commercial in Confidence

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In Progress	The disclosure for Net Investment in Finance Leases is not compliant with paragraph 4.2.4.16 of the Code/ CIPFA Guidance, as the Council is unable to produce the full set of required information due to limitations within the Logotech system. As a result, the disclosure repeats the presentation used in prior year. This gives rise to a completeness risk, as users of the financial statements may not be provided with all relevant information about the Council's finance lease arrangements.	We will report on the progress and status of this recommendation in our final Audit Findings Report.
In Progress	During our testing of right-of-use asset depreciation we noted that the Council was calculating depreciation over the remaining lease term where CIPFA guidance notes state that right-of-use asset should be depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.	We will report on the progress and status of this recommendation in our final Audit Findings Report.

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design effectiveness)
iTrent	Payroll	<ul style="list-style-type: none"> ITGC assessment (design effectiveness)

Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Payroll	We will: <ul style="list-style-type: none"> • Select & test a sample of starters, leavers and change of circumstances
Interim testing areas	We will select samples and perform advance testing on: <ul style="list-style-type: none"> • fees and charges • operating expenditure • review minimum revenue provision policy
Significant changes in policy	We will inquire/perform a review of the council's approach to PPE valuations and implementation of indexation within the revaluation cycle

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<div style="background-color: #4a4a8a; color: white; padding: 10px; text-align: center;">Financial sustainability</div> <div style="background-color: #ff0000; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">R</div>	<p>We identified a significant weakness in arrangements in 2024/25 relating to the Council's financial sustainability and recommended the Council implement step changes in transformational planning to improve its corporate grip over its significant financial sustainability challenge.</p>	<p>For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weakness raised in the prior periods which is a clear indicator of risk in the current year.</p> <p>We have not identified any additional financial sustainability risks from our planning work.</p>	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for transformational planning, governance, and the development and integration of a credible, recurrent savings pipeline into the MTFP.</p>

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendation(s) made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	R We identified a significant weakness in arrangements in 2024/25 relating to the Council’s arrangements for governance over Environmental Services and whilst recognising the progress made during 2024/25,	For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weaknesses raised in the prior periods which is a clear indicator of risk in the current year. We have not identified any additional financial sustainability risks from our planning work.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for tracking, reporting and monitoring implementation of the KC recommendations, including the use of cultural-change metrics, staff-wellbeing indicators, and mechanisms to address countercultural behaviours.
Improving economy, efficiency and effectiveness	R We identified a significant weakness in arrangements in 2024/25 relating to the Council’s compliance with the Social Housing Regulator standards.	For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weaknesses raised in the prior periods which is a clear indicator of risk in the current year. We have not identified any additional financial sustainability risks from our planning work.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for achieving full compliance with the Social Housing Regulator standards, including governance, safety compliance, repairs performance, and monitoring of progress toward the December 2026 deadline.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

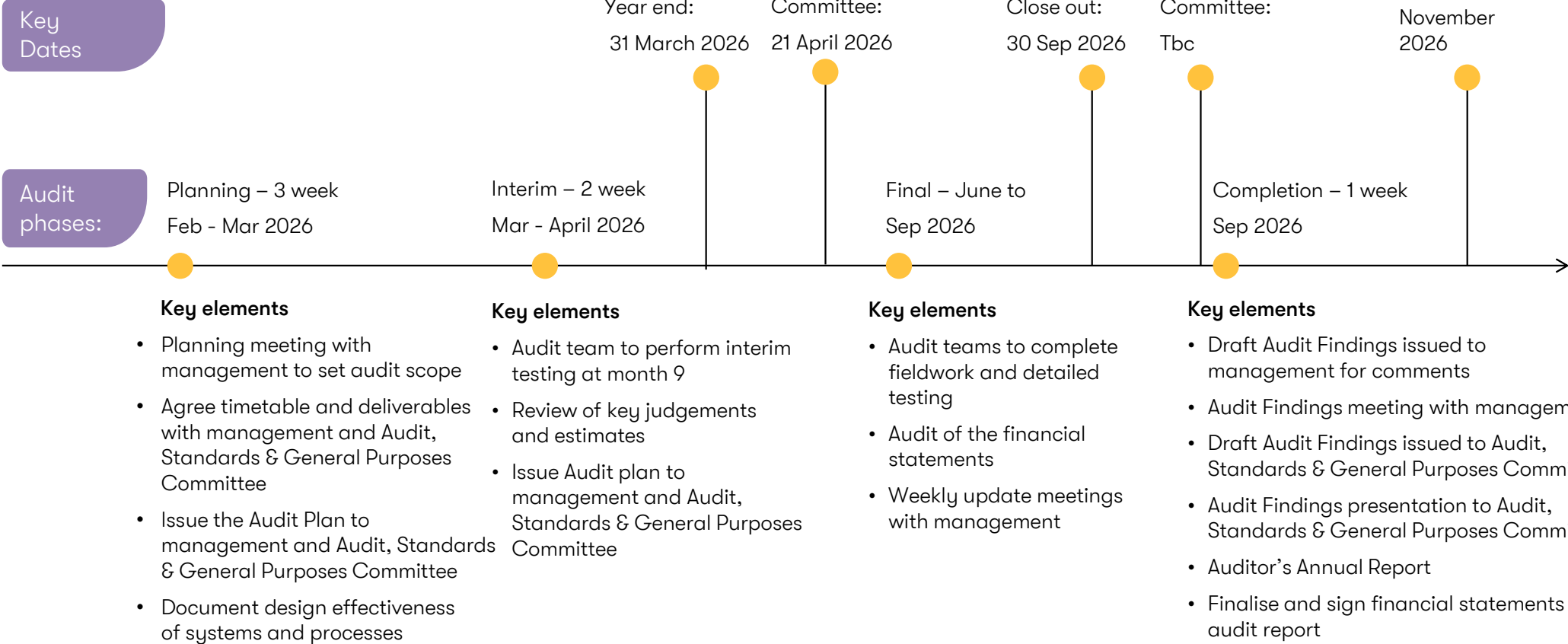


Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline



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Our team and communications

Grant Thornton core team

Paul Cuttle

Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit, Standards & General Purposes Committee
- Overall quality assurance

Keith Mungadzi

Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

Ali Hamza

Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists (e.g. IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • The Audit Findings • Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Valuation of Councils Property, plant and Equipment, Council dwellings and Investment property
 - Valuation of Pension fund net liability.

Previous year

In 2024/25 the scale fee set by PSAA was £450,108. The actual fee charged for the audit was £463,457, due to additional work relating to IFRS-16.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Council Audit	450,108	462,710
IFRS 16 Implementation	13,349	
Total (Exc. VAT)	463,457	£462,710

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £462,710.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no matters that we are required to report

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. In this context as well, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Brighton and Hove City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers Pensions return certification 2019/20	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers Pension return certification 2020/21	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Fees and non-audit services

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits 2024/25	38,058	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £38,058 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This work is now complete.
Certification of Housing Benefits 2025/26	36,285. (proposed fee being discussed with management)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £36,285 with an adjustment for CPI (plus £1,500 day rate for any additional re-performance/other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The Housing Benefit fee is the core fee and there is an additional daily rate of £1,500. The number of days varies dependent on the amount of additional testing required. The above fee for the housing benefit is based on the provisional fee agreed with management. The 24/25 fee has now been agreed and billed and the 25/26 work is yet to commence.

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan

Audit Plan Audit Findings

Views about the qualitative aspects of the Council’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures	●
Significant findings from the audit	●
Significant matters and issue arising during the audit and written representations that have been sought	●
Significant difficulties encountered during the audit	●
Significant deficiencies in internal control identified during the audit	●
Significant matters arising in connection with related parties	●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements	●
Non-compliance with laws and regulations	●
Unadjusted misstatements and material disclosure omissions	●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 8

Subject: Informing the Audit Risk Assessment 2025/26

Date of meeting: 23 June 2026

Report of: Director, Property and Finance

Contact Officer: Name: Jane Strudwick
Email: jane.strudwick@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 Informing the audit risk assessment is an external audit related review which is completed by the council's management ahead of the main audit. The completed document ("Informing the Audit Risk Assessment 2025-26") is attached at Appendix 1.
- 1.2 The purpose of the document is "to contribute towards the effective two-way communication between Brighton & Hove City Council's external auditors and the Audit, Standards & General Purposes Committee". The report sets out audit queries and the management responses covering general enquires of management, fraud, laws and regulations, related parties, going concern and accounting estimates.

2. Recommendations

- 2.1 That Committee notes the audit risk assessment document.
- 2.2 That having considered the audit risk assessment document, Committee indicates which (if any) additional matters it considers should be notified to the external auditor on the basis that they may also impact on the planned audit work and context for the financial year ending 31 March 2026.

3. Context and background information

- 3.1 External audit is an annual statutory requirement for local authorities. The council's external auditor, Grant Thornton, has outlined a number of inquiries which will allow them to inform the audit process for 2025/26 accounts. Appendix 1 sets out the inquiries raised and the management response in detail.

4. Analysis and consideration of alternative options

- 4.1 Along with every other council in England, the council elected to join the sector-wide procurement of external audit and is therefore bound by the

terms negotiated by Public Sector Audit Appointments Ltd (PSAA). Under this arrangement, Grant Thornton are the appointed external auditor for Brighton & Hove City Council. The authority has recourse to PSAA, who perform a contract monitoring role, if it is dissatisfied with the performance of the external auditor in the delivery of the contract.

5. Community engagement and consultation

5.1 Not applicable.

6. Financial implications

6.1 There are no financial implications arising from this report.

Name of finance officer consulted: Haley Woollard

Date consulted: 11/06/26

7. Legal implications

7.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council

Name of lawyer consulted: Victoria Simpson

Date consulted: 08/06/26

8. Risk implications

8.1 There are none identified.

9. Equalities implications

9.1 There are none identified.

10. Sustainability implications

10.1 There are none identified.

11. Conclusion

11.1 This report and appendix are primarily for noting unless the Committee has additional issues to raise (as set out under section 2 Recommendations).

Supporting Documentation

Appendices

1. BHCC Informing the Audit Risk Assessment 2025-26

Audited body: Brighton and Hove City Council

Year ended: 31 March 2026

Inquiries of management and others

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General inquiries

1. What do you regard as the key events or issues that will have a significant impact on the financial statements for **2025/26**?

The key issues facing the council in 2025/26 continues to be the key areas of demand and cost, including Adult Social Care placements, Children’s care placements, Home to School Transport, and in particular, temporary accommodation and homelessness. Whilst both interest rates and inflation have stabilised, inflation has been significantly higher than the Bank of England target in recent years which continues to impact on both the cost of delivering services, the demand for temporary accommodation and has impacted a number of revenue streams such as parking fees and commercial rents. These pressures have significantly contributed to the forecast overspend position through the year. At TBM Month 10 (January), the general fund overspend is forecast to be £4.2m by the end of the year. This has reduced from a peak in TBM Month 2 (May) of £15.0m.

The forecast has been managed down through the year from a range of measures, including the continuation and strengthening of spending and recruitment controls through the year. In addition, some CFO decisions have been made to release the one-off risk provision (£1.7m), review and release a proportion of earmarked reserves (£1.1m) and to defer the council’s contribution to the f=general fund working balance in the year (£1.1m). These one-off resourcing decisions have helped mitigate the overspend but hasn’t tackled the underlying reasons for the overspend. It is expected that the position is able to reach a break-even position at year end, but there is a risk that the working balance requires a further drawdown to support the year end position, the risk of which is reflected in the decision to undertake Exceptional Financial Support to support the 2026/27 budget.

There are also pressures on the council’s Schools and HRA positions. Due primarily to falling pupil numbers, the 2024/25 financial year saw a net deficit position school balances of £2.6m. This is currently forecast to rise to £6.8m by the end of 2025/26.

The council has established a portfolio of transformation programmes to address the biggest pressures over the medium term, which includes a range of strategic financial measures to address homelessness and temporary accommodation.

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<p>2. Have you considered the appropriateness of the accounting policies adopted by Brighton and Hove City Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes, we have. The only change to accounting policy will be the implementation of indexation for non-current assets. We do not consider that any events or transactions indicate that any further changes of accounting policies are required at this time.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Debt: The council has £15m of outstanding LOBO loans (simple structure and no high-risk aspects), as well as £20m of other market loans that do not have LOBO options attached. The remaining debt is held with the PWLB and the council does not have any special purpose investment vehicles.</p> <p>Investments: The majority of the council's investments are simple structure cash investments. The council holds a structured long-term investment with Danske, where the interest payable is linked to SONIA, and reset every 6 months. This investment is legally offset against the LOBO held with Danske to remove credit risk on that loan. In addition, the council holds £10m investment in Royal London pooled funds which invests in a number of different instruments.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>There are no significant transactions outside the normal course of business of balance sheet materiality in 2025/26.</p>
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?</p>	<p>The economic environment and world events generally may have longer term implications for PPE valuations, i.e. depending on the economic position etc.; these cannot be known or estimated at this time. This may therefore have implications for the certainty of PPE valuations (as do all macro or global economic events).</p> <p>Within the HRA (Council Housing stock), the council has identified 8 Large Panel System (LPS) blocks that present additional building safety risks, and plans are in place to address these risks. In the meantime, the council has valued the blocks at nil value which also reflects their nominal insurance value.</p>
<p>6. Are you aware of any guarantee contracts? If so, please provide further details</p>	<p>The council has a contract with Brighton & Hove Seaside Community Homes ('Seaside Homes') that includes a rent guarantee clause which operates if the Local Housing Allowance (LHA) annual rate increase falls below +3.2%. LHA rates have been frozen in previous years but were uplifted by 7% in 2024/25. At a joint meeting of the Policy & Resources and Housing Committee on 27 February 2023, it was agreed that "...the Council should seek to end the current Local Delivery Vehicle arrangements and bring the temporary accommodation currently leased to Seaside Homes back into Council control."</p> <p>Brighton & Hove City Council - Agenda for Policy & Resources Committee on Monday, 27th February, 2023, 2.00pm (brighton-hove.gov.uk)</p>

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	The council continues to explore options for the return of Seaside Homes' properties to the council, but interest rates are currently unfavourable for re-financing, and a major valuation exercise needs to be undertaken by both Seaside and the Council
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Contingent liabilities and assets will be disclosed as normal, but none are currently known to be material. This includes receipt of a significant number of equal pay claims which may ultimately result in a potential liability but which the council currently expects to defend and is taking external advice. Where litigation or contractual disputes are at an advanced stage and the council can estimate any loss with reasonable certainty (e.g. vento scale estimates) these are included as an accrual or a provision.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by Brighton and Hove City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Solicitors used by BHCC during 2025/26</p> <p>Irwin Mitchell – leasehold debt claims (litigation)</p> <p>Blake Morgan – construction dispute (litigation) Academy conversions (ongoing).</p> <p>Blake Morgan - acquisition of former school site from Diocese</p> <p>Wilkin Chapman - pursuing Council Tax arrears (litigation)</p> <p>Berwick Solicitors – construction matters (litigation).</p> <p>Davitt Jones Bauld and Bates Wells Braithwaite – New England House tenant compensation claims</p> <p>Bevan Brittan - Southern Taxis (litigation) (ongoing)</p> <p>Bevan Brittan - changes to legal agreements and Seaside Homes (ongoing)</p> <p>Bevan Brittan – acting for Council on Hyde Joint Venture matters including acquisition of affordable housing at Sackville and acquisition of affordable housing at Royal Mail Site.</p> <p>Bevan Brittan – Disposal of Patcham Court Farm to Royal Mail and sale of 130 Vale Avenue</p> <p>Birketts – Housing Disrepair claims (litigation)</p> <p>Trowers and Hamlin – advice on responsibility for communal electrical supply installations within multi-occupied blocks of flats.</p> <p>Sharpe Pritchard – JCT 2016 and 2024 updates for various periods (commercial, ongoing)</p> <p>Sharpe Pritchard – Moulsecomb Housing & Community Hub (JCT Design & Build 2016) for multiple periods throughout 2025 (construction, ongoing)</p>

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	<p>Sharpe Pritchard – Hove Beach Front PPC2000 advice (commercial)</p> <p>Sharpe Pritchard – Warm Homes Social Housing Fund – JCT ICD contract advice (commercial)</p> <p>Sharpe Pritchard – Brighton Marina to River Adur Coastal Scheme – Phase 1 (construction, ongoing)</p> <p>Sharpe Pritchard – JCT updates for Housing Team (commercial)</p> <p>Sharpe Pritchard – Dispute with Axis Europe relating to the Fire Safety Contract (litigation)</p> <p>Sharpe Pritchard – King Alfred construction Project - contract amendments to framework delivery agreement</p> <p>Sharpe Pritchard – advice on Eastergate and Knoll House re Homes England Grant and housing benefit claim.</p> <p>Sharpe Pritchard – contract for the supply of temporary accommodation with Base One (direct award)</p> <p>Bevan Brittan – Property disposal (acting for Council as Sole Trustee for Charity)</p> <p>Bevan Brittan – Dispute with CACI on the SEND module (litigation)</p> <p>Bevan Brittan – Moulsecoomb Hub Certificate of Title work (commercial property, ongoing)</p> <p>Bevan Brittan – Coastal Defence Works for BHCC & Shoreham Port Authority (commercial)</p> <p>Bevan Brittan – Loan to Shoreham Port Authority (commercial/financial)</p> <p>Bevan Brittan – Property disposal (acting for Council as Sole Trustee for Charity)</p> <p>Waste PFI – Sharpe Pritchard Blake Morgan - contract advice on new Leisure operator procurement and variation of current operator contract to the agency model</p> <p>Davitt Jones Bauld: enforcement of property lease covenants (litigation)</p> <p>Davitt Jones Bauld – Commercial lease renewal proceedings, specialist / contentious telecommunication matters (ongoing), acquisition of residential new build blocks of flats, freehold and leasehold disposals for capital disposal programme, title reports on new housing development sites</p> <p>Davitt Jones Bauld – property due diligence (title reports) and advice on CPO for the Large Panel System regeneration projects</p> <p>Freeths – preparation of a Collaboration Agreement on RPMT Garden project.</p>
9. Have any of the Brighton and Hove City Council’s service providers reported any items of fraud, non-compliance with laws	The Council recognises the threat of fraud and has a strategy against fraud and corruption. The strategy:

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<p>and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<ul style="list-style-type: none"> • acknowledges the threat of fraud. • encourages prevention, • promotes detection. • identifies a clear pathway for investigation; and • sets out the appropriate sanctions, including the recovery of losses. <p>Key focus areas remain housing tenancy fraud and council tax discounts. Other key areas where the council received and investigated allegations of fraud or collusion included housing repairs, facilities, and vehicle procurements as well as misuse of parking permits.</p> <p>The Council is a Unitary Authority, so it potentially has a number of areas of fraud risk. However, the Council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager.</p> <p>Internal Audit and Counter fraud adopt a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative).</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The council has continued to take KC advice on Equal Pay and also on the Council's Transgender toolkit and School Admissions Arrangements.</p> <p>The council uses barristers regularly. For childcare cases, for example, the council instructs Counsel weekly.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>There are a number of items that have a credit loss provision calculated and applied, with workings provided as part of the working papers. These include the council's investment in Royal London (RLAM) pooled funds, and loans to third parties. There are no new assets that meet this criteria identified within 2025/26.</p>
<p>Fraud inquiries</p>	
<p>12. Has Brighton and Hove City Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>Fraud risk is considered as part of the annual audit planning process and through the fraud risk assessment. The Internal Audit Service contains a dedicated team responsible for Counter Fraud. As part of its work, the team maintains a counter fraud risk assessment and an associated proactive fraud work plan.</p>

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<p>How do the Council's risk management processes link to financial reporting?</p>	<p>Updates on the Counter Fraud Team's work are provided to key Governance Officers (Chief Exec, Monitoring Officer and Chief Finance Officer) together with the Audit, Standards & General Purposes Committee on a regular basis.</p> <p>There is a detailed Risk Management Framework that includes Strategic Risks (reported to Audit & Standards Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Strategic Risk 02 (SR02) concerns financial sustainability and sets out the First, Second and Third line defences used to treat this risk under the council's Corporate Risk Assessment Framework. Essentially, this sets out that the council manages financial risk through its Targeted Budget Management (TBM) reporting framework, through maintaining an up-to-date MTFS, and through Internal Audit Reviews and oversight of a well-trained and appropriately qualified Finance Function. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.</p>
<p>13. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Under the National Fraud Initiative, the Council provides data for a data matching exercise to compare records held by various bodies to identify potential error or fraud – these include those most at risk of fraud. This data includes payroll, pensions, creditors, residential care payments, concessionary travel passes, residents parking permits and clients in receipt of direct payments.</p>
<p>14. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brighton and Hove City Council as a whole, or within specific departments since 1 April 2025? If so, please provide details</p>	<p>As an internal audit team, we have been notified of a number of irregularities during the year. A high-level summary of these was presented in our annual report on irregularity work to Audit, Standards & General Purposes Committee in June 2025. Quarterly progress reports are reported to Audit, Standards & General Purposes Committee informing members about irregularity investigations and fraud work undertaken by Internal Audit. Details of these can be found with the committee papers on the Council's website. Senior Governance Officers regularly consider the emerging fraud risk and caseload of Internal Audit & Counter Fraud.</p>
<p>15. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Our Audit, Standards & General Purposes Committee receives regular updates and progress reports from Internal and External Auditors and also receives updates on Strategic Risks from management.</p> <p>A meeting of statutory officers (CEO, CFO and Monitoring Officer) is held weekly to identify any emerging or escalating corporate risks and considers how these should be communicated if necessary and to whom.</p> <p>The Corporate Leadership Team (CLT) maintains a 'Live Issues' tracker which is reviewed weekly and identifies current and emerging corporate risks and issues and receives updates on how they are being treated.</p>

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<p>16. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Brighton and Hove City Council where fraud is more likely to occur?</p>	<p>We acknowledge and understand our fraud risks, and we have a dedicated Counter Fraud team to respond to these risks. A risk assessment of potential fraud areas shows most as Low Impact and Low/Medium Likelihood.</p> <p>In line with key fraud risks highlighted nationally & consideration of the Council's own fraud risk profile, we believe areas to focus on are:</p> <ul style="list-style-type: none"> •Procurement •Related Party declarations •Contracts •Schools •Direct Payments •Grants •Payroll <p>None identified</p>
<p>17. What processes do Brighton and Hove City Council have in place to identify and respond to risks of fraud?</p>	<p>Internal audit have a dedicated Counter Fraud team to prevent, detect and investigate fraud. The counter fraud strategy sets out our approach to tackling fraud. We undertake both proactive reactive work, and the proactive work seeks to prevent and identify fraud and is targeted through a fraud risk assessment.</p> <p>We have in place a fraud reporting hotline in addition to a confidential reporting (whistleblowing) hotline to encourage the reporting of suspected fraud.</p>
<p>18. How do you assess the overall control environment for Brighton and Hove City Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness of the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p>	<p>The council is a unitary authority, so it potentially has a number of areas of fraud risk. However, the council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place which have been proven to be effective. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager. Key specific processes are:</p> <p>Internal Audit Plan – Annual Plan & Strategy</p> <p>Financial Regulations and Contract Standing Orders</p> <p>Scheme of delegation to Officers</p> <p>Civica Financials and other systems privacy and access controls and reconciliations</p>

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<p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>A balanced and flexible internal audit plan allows for sufficient coverage to provide assurance on the internal control environment, and improve any weaknesses identified.</p> <p>The council has a detailed Risk Management Framework that includes Strategic Risks (reported to Audits, Standards & General Purposes Committee), Directorate-level risks and project-level risks as well as other risk assessment processes.</p> <p>To support the above, the Internal Audit and Counter Fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative). The service supports the council's whistleblowing process and provides fraud awareness e-learning to ensure all services are aware of fraud risks.</p> <p>We are not aware of any areas of potential over-ride of controls.</p>
<p>19. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None known.</p>
<p>20. How does Brighton and Hove City Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The council's governance arrangements include codes of conduct for members and officers, a counter fraud strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The council uses its PIER HR/Payroll system to capture and record disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The declaration process is updated and managed as part of the closure of accounts process. The council's intranet ('the Wave') contains copies of guidance and policies accessible to all managers and staff. The council's induction programme and Manager's Checklist includes all of these policies and practices and appropriate e-learning and training.</p> <p>The council promotes its Whistle Blowing Policy regularly. IT&D provide regular corporate communications regarding potentially fraudulent email (phishing) and, for example, have introduced a simple reporting tool (via MS Outlook).</p>
<p>21. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Staff who have Administrative access and/or development rights in respect of major systems. Segregation of duties, authorisation processes, audit trails (operator logs) and Internal Audit reviews are the primary defences. Managers responsible for procuring goods or services or negotiating property/land deals. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The council's Contract Standing Orders and Waiver Authorisation processes are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and oversight from the Corporate Procurement Team. Staff working in income</p>

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	processing, treasury, banking or other areas present fraud risks, particularly through collusion but these are areas where Financial Procedures, Internal Controls, reconciliation processes and systems, and Authorisation/Privacy controls are designed with Internal Audit and subject to ongoing audit reviews.
22. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	None identified. The council keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through Contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage. Similarly, officers are limited to maximum contract awards through Contract Standing Orders and Financial Regulations before needing to seek member approval. For formal related parties, the mitigation is through contractual agreements which determine the governance and controls applicable
23. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Committee receive and review quarterly updates on the work of the Internal Audit & Counter Fraud Team. A high-level summary of these is presented in an annual Counter Fraud report on irregularity work to Audit, Standards & General Purposes Committee; last reported in June 2025. The progress reports capture the emerging risks of fraud (summary of investigations) for the council and any breaches of internal control. Details of these can be found with the committee papers on the Council's website. The Counter Fraud Strategy is reviewed and approved by Senior Officers and the Audit, Standards & General Purposes Committee Details of any investigations and escalating fraud risks are reported to Audit, Standards & General Purposes Committee as part of the regular audit update reports.
24. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	There have been issues raised through the whistleblowing process. The council keeps a full log of issues/complaints and has well-defined investigation and review processes. The log is highly confidential but is available to view if required.
25. Have any reports been made under the Bribery Act? If so, please provide details	No reports were made in 2025/26 so far.
Laws and regulations	
26. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Brighton and Hove City Council have in place to prevent and detect non-compliance with laws and regulations?	The council's Constitution ensures that all relevant laws and regulations are followed in the conduct of the council's business. The Constitution sets the framework for decision-making, which includes a Cabinet structure for specified types of decision (Key/Non-Key) and delegations to Chief Officers in relation to other decisions. Overview & Scrutiny Committees are in place with powers to scrutinise and call-in Cabinet

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<p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>decisions. The Constitution includes Contract Standing Orders to ensure procurement regulations are complied with and these have been updated and approved by full Council on 30th January 2025 to comply with the new requirements of the Procurement Act 2023.</p> <p>Codes of Conduct to ensure high standards of conduct and governance. The council's Audit, Standards & General Purposes Committee has oversight of key policies such as Whistleblowing and Code of Conduct complaints, which are monitored. Regular reporting to this Committee ensures that audit investigations are reviewed and trends identified. Three independent members are included on this Committee to provide additional expertise as well as external challenge. Every report to Committee includes legal, financial and risk advice which must be taken into account prior to any decision being taken.</p> <p>We are not aware of any changes to the council's regulatory environment which would have a significant impact on the council's financial statements.</p>
<p>27. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the council's audit team. Questions are raised and responded to at committee. All reports to all committees are required to include legal implications from a nominated legal officer to provide the Audit, Standards & General Purposes Committee and all other member decision making meetings with assurance that decisions take into account relevant regulations and are legally compliant.</p>
<p>28. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2025 with an on-going impact on the 2025/26 financial statements? If so, please provide details</p>	<p>None have been identified.</p>
<p>29. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>As set out in the existing contingent liabilities disclosure, the council has some general legal claims or litigation cases which had not been resolved at the Balance Sheet date. None of these are quantifiable and nor are they material in value and the claims may be successfully defended. The council has also received a significant number of Equal Pay claims that are also unquantifiable. The council is seeking detailed external legal advice to form its defence. Whilst any such claim may give rise to a potential liability, at this stage there is no identified or quantifiable liability for the council to recognise.</p>
<p>30. What arrangements does Brighton and Hove City Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The council builds in a review process into its annual closure of accounts process. This includes a meeting with the Monitoring Officer and Lawyers involved in litigation to undertake a financial risk assessment and consider the requirement for provision or other disclosure in the accounts.</p>

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<p>31. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>The Regulator of Social Housing Regulatory Judgment under their Safety & Quality Consumer Standard was issued in August 2024. In line with the 24/25 External Audit recommendations in the VfM report, the council takes an update to Cabinet every 6 months. The last update was to December 2025 Cabinet, '<i>Regulator of Social Housing - response to Regulatory Judgement including Procurement of Stock Conditions Contractor</i>': Procurement of Housing Stock Condition Contractor.pdf</p> <p>Next Cabinet update is scheduled for May 2026.</p>
Related parties	
<p>32. Have there been any changes in the related parties including those disclosed in Brighton and Hove City Council's 2025/26 financial statements?</p> <p>If so, please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Brighton and Hove City Council • whether Brighton and Hove City Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>There is nothing significant to date. This will be reviewed in detail as part of the work underpinning the 2025/26 Statement of Accounts related parties disclosure note and working papers.</p>
<p>33. What controls does Brighton and Hove City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.</p>
<p>34. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>This will be controlled by the relevant contractual agreements and defined governance arrangements authorised by Cabinet and full Council. Where there are financial transactions, the council will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party. Budgets are approved by Budget Council, Cabinet or a Cabinet Member.</p>
<p>35. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Standard Financial Procedures and the Scheme of Delegation to Officers regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved budget.</p>

Agenda

Response

Going concern	
36. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Brighton and Hove City Council will no longer continue?	<p>Ensuring that statutory services provided by the council can continue is part of the normal financial and operational management processes/controls.</p> <p>The statutory framework within which local government operates requires forward financial planning, prudential provision for repayment of debt and affordability testing for new debt and the setting of a balanced budget annually. Brighton & Hove City Council operates appropriately within this framework and has not undertaken any new high-risk investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).</p> <p>The Chief Finance Officer works closely across the Council Leadership Team and with statutory officers to ensure that sufficient funding and resource is provided to ensure that the Council can fulfil its statutory duties.</p>
37. Are management aware of any factors which may mean Brighton and Hove City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are aware of none in the reporting period.
38. With regard to the statutory services currently provided by Brighton and Hove City Council, does Brighton and Hove City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Brighton and Hove City Council to cease to exist?	Brighton & City Council is part of a priority programme for Devolution and Local Government Reorganisation. This may see the authority either continue or potentially expand and, as noted in Q2 above, may see some functions ultimately transfer to a new Mayoral Strategy Authority for the area.
39. Are management satisfied that the financial reporting framework permits Brighton and Hove City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements. Devolution and/or Local Government Reorganisation may involve a change in the statutory responsibilities of the authority, but any change will be managed through legislation and the formal transfer of functions and funding.
Accounting estimates	
40. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the	The council has property, plant and equipment (PPE) of a large value including council dwellings that need professional valuation.

Agenda

Response

<p>need for, or changes in, accounting estimate and related disclosures?</p>	<p>The council is an admitted body of the East Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets.</p> <p>The council provided loans to the i360 company that attracted payments of interest and principal. However, the i360 entered into administration in late 2024 and the council has released any security in the outstanding debt and the site/venue has now been sold for a nominal sum. The 2024/25 accounts were prepared for a change in accounting treatment for the loan to the i360 company as a result. The council will now pay down the underlying loan within the CFR (circa £32 million) through its MRP policy over the original loan period (25 years) until 2041, in addition to servicing the PWLB loans in relation to this transaction at a rate of approximately £2.2 million per annum.</p> <p>The council has a range of unexceptional financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies and the accounting code of practice. There are no new instruments identified during 2025/26.</p> <p>Some provisions and reserves may require judgements and estimates (e.g. PFI reserves, debt Impairments/bad debt provision) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.</p>
<p>41. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Experienced and qualified accountants work with services to obtain appropriate financial information and develop estimates in accordance with the council's accounting policies. Where necessary, external expertise such as experienced Actuarial firms, Property Valuers or other financial advisers may be engaged directly or indirectly if the council considers it needs independent advice and/or does not have the expertise in-house.</p>
<p>42. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>A structured closure of accounts process has been put in place, led by the Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the S151 Chief Financial Officer. Questions are also put to the Corporate Leadership Team (CLT) and Tier 2/3 (Corporate Directors/Directors) managers regarding potential liabilities and commitments as part of the process.</p>
<p>43. How does management review the outcomes of previous accounting estimates?</p>	<p>By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required, and via the annual Audit Findings Report and ongoing liaison with the external audit team to identify areas where improved methodology or information may be required to inform estimates, and via review against updated best practice and accounting body (CIPFA) code and detailed guidance notes.</p>
<p>44. Were any changes made to the estimation processes in 2025/26 and, if so, what was the reason for these?</p>	<p>None identified to date.</p>

Agenda

Response

45. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist, external expertise is normally sought for non-trivial or material judgements. For example, the council has previously taken advice from Link Asset Services and MHCLG regarding application of its MRP policy to underlying i360 loans and has similarly, sought appropriate advice and support regarding application of IFRS 16.
46. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The council follows best practice guidance, CIPFA practitioner Code and explanatory guidance and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. East Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
47. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	For external expertise, this will be through the procurement processes which will request evidence of the quality assurance processes to be provided by the supplier. Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.
48. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> • Management's process for making significant accounting estimates • The methods and models used The resultant accounting estimates are included in the financial statements.	As above.
49. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	There are no significant items identified in addition to those identified in Appendix A.
50. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	See evidence above for the process of identifying, procuring and improving estimates and valuations. The council considers that these are robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements.

Agenda

Response

51. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	The report accompanying the approval of the accounts sets out the council's quality assurance approach for the production of the financial statements including key judgements and estimates. In 2025/26 the Audit, Standards & General Purposes Committee (as was the case for previous years) will formally review and approve this document (subject to external audit agreement and delivery).
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Appendix A – Accounting Estimates

Possible examples include land and buildings valuations, council dwelling valuations, investment property valuations, valuation of defined benefit net pension fund liability/asset, fair value estimates, level 2 and 3 investments, PFI liabilities, provisions, accruals, credit loss and impairment allowances, leases.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers. Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	The medium-to-the-long-term impact of current economic conditions and other major world events on property valuations is uncertain. Reasonable interpretation of this will be provided by the appropriately qualified valuers employed by the council to provide “snapshot” balance sheet valuations. As the council has no assets that it is currently planning to sell to fund committed spending and, in line with the rest of local authorities, does not borrow against the value of its balance sheet, its land and building valuations represent no financial risk.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
		by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts.			
Council dwelling valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Investment property valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Depreciation	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the council's asset register annually updated in line with the council's programme of capital investment, annual review of asset lives, and analytical review of depreciation charges changes year-on-year.	No	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	This is set out in detail in the council's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (Barnett Waddingham LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report, and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	No.
Level 2 investments	The is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note that the council holds no level 2 investments (<i>"...that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices"</i>).	N/A	N/A	N/A	N/A
Level 3 investments	This is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement".	The value is immaterial and has been devalued to 75% of £50k so only £38k in the balance sheet.	No	N/A (as immaterial).	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
	Please note the council only has £50k of assets (share equity in the Municipal Bond Agency) in this category.				
Provisions – Collection Fund (NNDR)	The method of estimation is set out in detail in the council’s accounting policies under “Provisions”.	There is a comprehensive annual review of potential provisions as part of annual closing.	No.	The council provisions are fully detailed in the note to the Statement of Accounts and associated working papers. The value (including the business rates appeals provision) is currently below balance sheet materiality (c£8 million at 31 March 2025).	No
Accruals	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the council aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders.	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No
Credit loss and impairment allowances	This is set out in detail in the council’s accounting policies and in the note to the Statement of Accounts	This is set out in the working papers to the Financial Instruments note	No.	The estimates are based on professional judgement.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
	("Financial Assets and Liabilities – Financial instruments").	to the Statement of Accounts.			
Lease liabilities	The method of estimation is set out in detail the accounting policies under the section on Lease and Lease type arrangements and the associated note in the Statement of Accounts.	The disclosures are based on annual and comprehensive reviews/updates of lease and lease type arrangements across the council's services.	No	There is limited (or no) scope for interpretation under the Code as acknowledged/set out in the accounting policies.	No
PFI Liabilities	This is set out in the council's accounting policies under "Private Finance Initiative (PFI)". As set out in the PFI accounting requirements set out in the code, all three of the council's PFI contracts are supported by long-standing Fair Value models which set out the long term liability to fund the PFI asset (at inception/variation) convert the payments due under the contract to the notional/book entry capital repayment and revenue elements.	The liabilities under the contract were documented/modelled at contract inception or (limited impact as the bulk of the liability arises in the calculations undertaken at inception) varied if required due to contract variations.	Yes, in the original development of the Fair Value models for each contract. All models are now maintained internally.	All three of the council's PFI contracts date from the early 2000's so the original assumptions and Fair Value models which established the book entry liabilities over the lifetime of the contract at contract inception have been subject to annual external audit and review over a substantial number of years. [The relevant PFI assets are revalued annually for the Statement of Accounts disclosure].	No

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 9

Subject: Internal Audit Annual Report and Opinion 2025/26

Date of meeting: 23rd June 2026

Report of: Director of Property and Finance (S151)

Contact Officer: Carolyn Sheehan (Audit Manager)
Email: carolyn.sheehan@brighton-hove.gov.uk

Mark Winton (Acting Chief Internal Auditor)
Email: mark.winton@eastsussex.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to give an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2025 to 31 March 2026.

2. Recommendations

2.1 That the Committee note the work undertaken and the performance of Internal Audit in 2025/6 and the annual opinion of the Chief Internal Auditor.

2.2 Determine whether there are any matters that the Committee wishes to consider for the inclusion in the Council's Annual Governance Statement.

2.3 That the Committee agrees that the Council's arrangements for internal audit proved effective during 2025/26.

3. Context and background information

3.1 The purpose of this report is to give an opinion on the adequacy of Brighton and Hove City Council's control environment as a contribution to the proper economic, efficient, and effective use of resources. The report covers the audit work completed in the year from 1 April 2025 to 31 March 2026 in accordance with the Internal Audit Strategy 2025/26.

3.2 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities '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'. Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control

environment, risk management arrangements and governance framework to support the Annual Governance Statement.

- 3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

4. Analysis and consideration of alternative options

- 4.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide partial assurance that Brighton and Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2025 to 31 March 2026.
- 4.2 This opinion and the evidence that underpins it, is further explained in the full Internal Audit Annual Report and Opinion, attached as Appendix 1.
- 4.3 The report highlights key issues for the year, including a summary of all audit opinions provided, work on key financial systems and other internal audit activity.
- 4.4 There is a separate report on Counter Fraud activity to be presented alongside this report.
- 4.5 Appendix 1 includes information regarding internal audit performance for the year, including details of compliance against the relevant professional standards.
- 4.6 Appendix 1 also lists all of the audits completed during 2025-26 and their individual opinion, including some reports that were still in draft stage at year end and will be summarised in the Q1 progress report due to come to committee in September.
- 4.7 A summary of the major findings from audit reviews completed during quarter 4 of 2025/26 is included as a separate report to the Committee. Summaries from previous quarters have already been reported to Audit, Standards and General Purposes Committee.

5. Community engagement and consultation

- 5.1 The annual report has been informed by internal audit and counter fraud work carried out during the year, which has included extensive engagement with officers and members.

6. Financial implications

- 6.1 There are no direct financial implications arising from this report. Sound corporate governance, risk management and control are essential to the financial health and reputation of the Council.

- 6.2 The audit opinion is partial assurance. Prompt and robust action is required to address findings. Any financial implications of doing so will be reported through the Council's Targeted Budget Management reporting cycle.

Name of finance officer consulted: Haley Woollard Date consulted:
05/06/25

7. Legal implications

- 7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit, Standards and General Purposes Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted (28/05/26):

8. Risk implications

- 8.1 The Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement. The Council's Internal Audit Strategy and Plan is developed based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. Issues arising from individual audit reports, summarised in quarterly progress reports to this Committee, have been presented to management and action plans have been formally agreed to mitigate risks. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

9. Equalities implications

- 9.1 There are no direct equalities implications.

10. Sustainability implications

- 10.1 There are no sustainability implications

11. Other Implications [delete any or all that are not applicable]

- 11.1 There are no other implications

12. Conclusion

- 12.1 The Committee is recommended to note the report and Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2025/26 and consider whether the Council's system for internal audit has proved effective.

Supporting Documentation

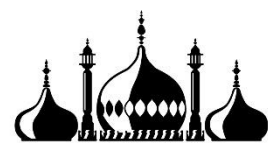
Appendices

1. Internal Audit Annual Report and Opinion 2025/26



Appendix 1

INTERNAL AUDIT ANNUAL REPORT & OPINION 2025/2026



**Brighton & Hove
City Council**

1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2025/26, a programme of audits was carried out in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Corporate Leadership Team and the Audit, Standards and General Purposes Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found in Appendix D.

2.3 It should be noted that whilst there were some audit reports in progress or at draft report stage at year-end, outcomes from this work have been considered in forming our annual opinion. Full details of these audits will be reported to the Corporate Leadership Team and the Audit, Standards and General Purposes Committee once each of the reports have been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **partial** (1) assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2025 to 31 March 2026.

3.2 Further information on the basis of this opinion is provided below. Although the majority of audit opinions issued in the year were generally positive, there are still a high number of partial assurance reports overall and internal audit activities have

¹ This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

identified a number of key areas where the operation of internal controls has not been fully effective. A number of these relate to key financial or key services and link to risks identified in the Council's strategic risk register.

3.3 Internal Audit work closely with management and discuss areas of risk and focus for our audit work. This means that we do receive requests from management for audit work and we will consider these, alongside the risk profile for the Council. Sometimes this is a request in order to obtain assurance over areas where there are known issues and a potential need for improvement. This demonstrates a positive organisational culture which utilises Internal Audit to help support service improvement.

3.4 It is essential that management continue to recognise the need to take prompt and robust action in response to the findings arising from internal audit activities, in order to ensure an adequate control environment remains in place and that there is no future deterioration in the level of assurance. Where improvements in controls are identified during our audit work, we have asked management to consider and decide on appropriate remedial action that mitigates the risk. This approach results in agreed actions that are tailored for their service and that management should feel more committed to.

3.5 We are pleased to note that following discussion with the Corporate Leadership Team on the annual audit opinion, action is being taken to review identified themes, identify root causes and incorporate appropriate actions within the Transformation and Innovation Portfolio of Strategic Programmes and the Annual Governance Statement. Key actions will also be added to the Corporate Leadership Plan.

4. Basis of Opinion

4.1 The opinion and the level of assurance takes into account:

- All audit work completed during 2025/26, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance, and internal control matters;
- Effects of significant changes to the Council's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the Internal Audit service's performance.

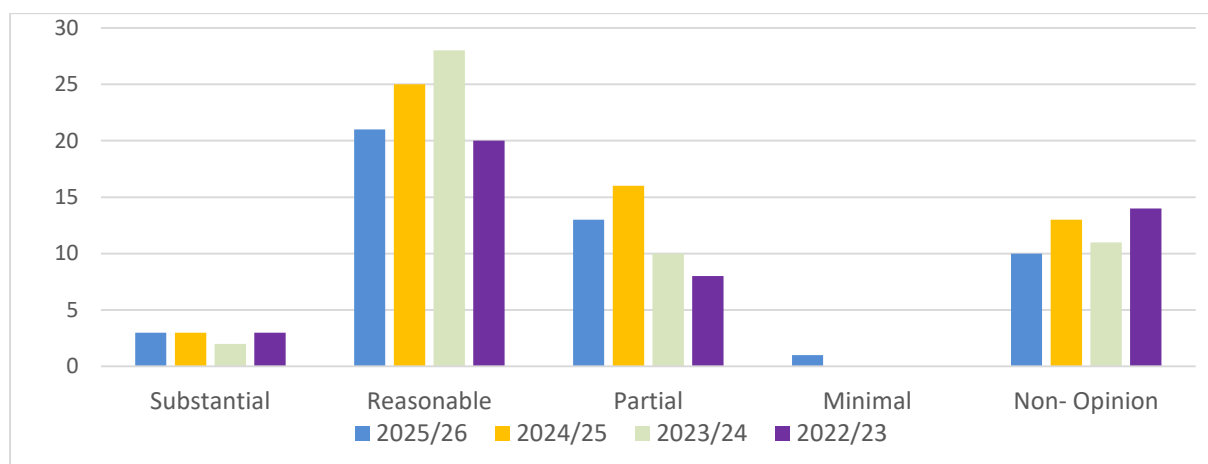
4.2 No limitations have been placed on the scope of Internal Audit during 2025/26.

5. Key Internal Audit Issues for 2025/26

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past four years:

Comparisons of Opinions 2022/23 through 2025/26



**Non-Opinion: Includes grant certifications and audit reports where we did not give a specific audit opinion. Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate.*

5.3 A full listing of all 2025/26 completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. The status of all planned audits in progress but not completed to final report by year-end is shown in Appendix C.

5.4 Four follow-up audits were completed on areas that previously received partial assurance opinions. There was evidence of sufficient improvement to receive opinions of reasonable or substantial assurance. However, three other follow-up audits resulted in repeated partial assurance, meaning no significant improvement was found. An additional three follow-up audits were still in progress at year end.

5.5 One minimal assurance audit opinion was issued during the year, and twelve audits received partial assurance (including three schools) during 2025/26 (all of which have been reported on in our quarterly progress reports) as follows:

- Home Purchase Scheme
- Attendance Management
- Brighton Centre, Cultural Compliance
- Temporary Accommodation, Block Booked & Spot Purchase Payments
- Accounts Receivable (Debtors) follow up
- Off Payroll Payments (IR35) follow up
- Council Tax
- Direct Payments (Children's)

- Contract Management Compliance – Facilities and Building Services follow up
- St Andrews Primary School
- Tarnerland Nursery School
- Elm Grove Primary School
- Reactive and Planned Maintenance (Minimal Assurance)

5.6 In addition to the above, as at March 2026 year-end, there were a further six draft reports, not yet finalised. Of note was the likely partial assurance opinion for Housing Repairs.

5.7 We would also like to highlight that in discussing the root cause for weaknesses in control with management, we have identified capacity challenges and service resilience in several areas. This is an area that has also been raised in previous years. We understand that these issues have been further compounded by increased demand on services and the ongoing financial pressures resulting in recruitment and expenditure controls. We note that spending controls are being eased in 2026-27, with changes to the process to ensure service critical expenditure is not delayed.

5.8 All audit reviews that received a partial or minimal assurance opinion will be subject to a follow up audit. We aim to carry these out within 12 months, but there may be occasions when the audit is delayed, due to available resources within Internal Audit and the service area.

5.9 Internal Audit track implementation of all high priority agreed actions and request confirmation from responsible officers that they have been implemented by the due date. It is noticeable that during 2025/26 some services have struggled to respond and implement actions that mitigate the risk by their due date. These are reported within the quarterly progress reports to the Audit, Standards and General Purposes Committee and key performance indicators. Whilst most actions are implemented within a reasonable time period, any delay in implementation results in an increased period of risk exposure for the organisation.

Key Financial Systems

5.10 Given the substantial values involved, each year a considerable proportion of our time is spent reviewing the Council's key financial systems. Of those completed during 2025/26, two of these, Council Tax and Accounts Receivable (Debtors) have resulted in only partial assurance being provided over the control environment. This is an area of concern and therefore something that management should be taking prompt action to resolve.

5.11 We also note that progress of the programme to improve corporate financial systems has been delayed, though there is now a dedicated project management resource and a new Board is being set up for 2026-27. Internal audit have set aside time to provide support to this programme.

5.12 We are pleased to note that we saw improvements in payroll controls, which received partial assurance in 2024-25 and reasonable assurance in 2025-26.

5.13 For Accounts Receivable, this was the second consecutive audit resulting in partial assurance. We noted the rising levels of debt in Adult Social Care which required a strategic review. In addition, some agreed actions to strengthen the control environment had not yet been implemented at the time of the audit, including the use of an external agency specialising in debt resolution with vulnerable adult clients.

5.14 We found that the implementation of a new electronic document management system for Council Tax had negatively impacted service performance and resulted in an increased backlog of work that needs to be managed. There is a financial pressure on the Council in this area and at the time of the audit there was a reduction in the in-year collection rate forecast.

5.15 Actions were agreed to improve the control environment for these key financial systems. We plan to complete an enhanced follow up review on both these areas in 2026/27, covering all key risks and controls.

5.16 The Council's financial systems remain a key focus in the 2026-27 audit plan.

Corporate Systems

5.17 We are pleased to note that reasonable assurance reports were issued for Corporate Governance focusing on the Code of Conduct and the Risk Management audit which reviews the corporate process.

5.18 At the end of the year a report on Budget Management and the Implementation of the new Procurement Regulations resulted in reasonable assurance opinion. These both looked at the corporate process and additional audit work is completed on compliance within directorate audits.

Building Maintenance and Repairs

5.19 The Council is facing significant challenge to ensure that all buildings owned either corporately or through the Housing Revenue Account (HRA) are maintained and improved so that they meet regulatory standards.

5.20 This risk was identified in departmental and strategic risk registers and remains a key area of focus for the Council. In 2024-25 audits of Planned and Major Works in Housing and Contract Management in Facilities and Building Services resulted in partial assurance opinions.

5.21 The following audits were completed in 2025-26 to provide assurance in this area:

- Reactive and Planned Maintenance
- Contract Management – Facilities and Building Services (follow up)
- Housing Repairs

5.22 These audits resulted in opinions of partial assurance and in the case of Reactive and Planned Maintenance a minimal assurance opinion. The Housing Repairs audit report was in draft at year end with a partial opinion.

5.23 The Reactive and Planned Maintenance audit of non-housing property assets sought to provide assurance over project management controls to deliver the planned preventative works and reactive repairs. The minimal assurance opinion reflected the need to make improvements and that the current corporate landlord model may no longer be effective. Lack of resources have resulted in the service only being able to undertake essential or critical works which may result in future higher costs. A summary of this audit is provided in the quarter 4 progress report, included as a separate agenda item to the Committee.

5.24 It is notable that the follow up audit for Contract Management for Facilities and Building Services resulted in another partial opinion as the service had struggled to implement the agreed actions from the previous review. Procurement and contract management activities are key to the success of the Council maintaining these properties.

5.25 A follow up audit of Planned and Major Works to HRA properties was in progress at year end.

Information Technology and Design

5.26 A significant part of the audit plan is used to provide assurance in this key area of risk. A list of all audits completed is included in Appendix B.

5.27 Assurance audits completed in this area in 2025-26 resulted in positive opinions of reasonable or substantial assurance. In addition, Internal Audit resources were used to provide advice and support.

5.28 During the year the Council invested in pilot programmes to develop technology at a fast pace across the Council. Considerable work has taken place on these pilots but due to the speed of this work it has not yet been possible to schedule in Internal Audit work to provide assurance during 2025-26. However, audit work is planned for 2026-27 as successful pilots progress into programmes of work.

5.29 There is an increased risk nationally from cyber-attack which can have a significant impact on organisations affected. In recognition that schools are particularly vulnerable an audit on cyber security in schools was added to the plan and was in progress at year end. Internal Audit also provided support to the Cyber Security programme and continue to work with other officers across the Council to further improve security of networks and raise awareness.

Other Internal Audit Activity

5.30 During 2025/26, Internal Audit has continued to provide advice, support, and independent challenge to the organisation on risk, governance, and internal control matters across a range of areas. These include:

- Transition Local Enterprise Programme
- Fleet Procurement Compliance and Payment Controls
- Large Panel System Programme
- Cyber Security Programme Support
- Online Safety Act

- Microsoft Power Platform Data Governance
- IT Service Management System Replacement Project (Cherwell).
- Grants
- Schools

And attendance at, and support to:

- Orbis Customer Board/Finance & Resources Lead Business Partners Meetings;
- Corporate Leadership Team Governance and Assurance Meetings
- Directorate Leadership Teams (quarterly attendance)
- Information Governance Board;
- Whistleblowing Co-ordination Meetings; and
- Leadership Network.

5.31 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

Anti-Fraud and Corruption

5.32 During the year, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit Annual Report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.33 In accordance with professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. All audits added to and removed from the plan are provided in Appendix D.

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS), replaced on 1 April 2025 by new Global Internal Audit Standards (GIAS), required the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2025/26, including the results of our most recent self-assessment (including an update on our Quality Assurance and Improvement Programme), the results of our previous external assessment and the year end results against our agreed targets.

6.2 Over the course of the year we have continued to receive positive feedback on a range of completed audit assignments from management within services. The following 'word cloud' identifies some of the key, positive phrases used to describe our service and that contributed to a 100% satisfaction rate being recorded in year:

Appendix A

Internal Audit Performance Indicators 2025/26

Aspect of Service	Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2025/26)	By end April	G	2025/26 Internal Audit Strategy and Annual Audit Plan formally approved by Audit, Standards & General Purposes Committee 22 April, 2025
	Annual Audit Report and Opinion (2024/25)	By end July	G	2024/25 Annual Report and Opinion presented to Audit, Standards & General Purposes Committee 24 June 2025
	Customer Satisfaction Levels	90% satisfied.	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	90.4%
	Percentage of audit plan days delivered	90%	A	89.1%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	April 2025 - Self Assessment against the Global Internal Audit Standards (GIAS) completed. No major areas of non-conformance identified. Some areas to ensure full compliance have been identified including the update of the Audit Charter. Dec 2025 - Our latest quality review exercise, identified no major areas of non-conformance with only minor need to make improvements relating to internal record keeping within the service.

Aspect of Service	Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures, and Investigations Act	Conforms	G	No evidence of non-compliance identified
Our staff	Professionally Qualified/Accredited	80%	G	88% ²

The following Key Performance Indicators are not wholly owned by Internal Audit, but measure improvement in the internal control framework, as influenced by Internal Audit:

Aspect of Service	Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	A	91.9%

² Includes part-qualified staff and those undertaking professional training.

Appendix B

Summary of Opinions for Internal Audit Reports Issued During 2025/26

Substantial Assurance:

(Explanation of assurance levels provided at the bottom of this document)

Audit Title
Microsoft Teams Governance
IT&D Project Management
Home Purchase Scheme -follow up

Reasonable Assurance:

Audit Title
Mobile Phone Application Management
Inclusion Support Service
Public Health Locally Commissioned Services
Home Care Contract Management
Digital Literacy and Skills Training
Fleet Management – follow up
Business Rates
Madeira Terrace
Petty Cash
Payroll
Accounts Payable
Risk Management
Corporate Governance – Code of Conduct
Artificial Intelligence Tools
Brighton Marina to River Adur Flood and Coastal Erosion Programme
Property Disposals
Direct Payments (Adults) – follow up
Budget Management Corporate Process (Draft)
Implementation of Procurement Regulations (Draft)
Add Your Own Device (Draft)
Cultural Compliance Parking Services (Draft)

Partial Assurance:

Audit Title
Home Purchase Scheme
Attendance Management
Brighton Centre – Cultural Compliance
Temporary Accommodation – Block Booked and Spot Purchase Payments
Accounts Receivable (Debtors) – follow up
Off Payroll Payments (IR35) follow up
Council Tax
Direct Payments (Children’s)
Contract Management– Facilities and Building Services follow up
St Andrews Primary School
Tarnerland Nursery School
Elm Grove Primary School
Housing Repairs (Draft)

Minimal Assurance:

Audit Title
Reactive and Planned Maintenance

Non-Opinion:

Audit Title
Transition Local Enterprise Programme
Fleet Procurement Compliance and Payment Control
Middle Street Primary School
Online Safety Act – Position Statement
Microsoft Power Platform Data Governance (Draft)

Grant Certification:

Grant Title
Multiply Grant
Supporting Families Programme
Childcare Expansion Capital Grant
Local Transport Capital Block Funding Grant
Bus Subsidy Grant

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Appendix C

2025/26 Audit Plan – Audits in Progress at Year-End

Audit Title	Status
Employment Checks – Disclosure and Barring Service	Fieldwork in progress
Supported Accommodation Contract Management	Fieldwork in progress
Transition of Young People to Adult Social Care	Fieldwork in progress
Appointee and Deputyship Arrangements	Fieldwork in progress
Large Panel System Blocks (Advisory Non-opinion)	Fieldwork in progress
Hove Park School	Fieldwork in progress
St Andrews School follow up	Fieldwork in progress
Housing Planned and Major Works follow up	Fieldwork in progress
Housing Client Property Asset Collection Controls follow up	Fieldwork in progress
Budget Management – Corporate Process	Draft report
Implementation of Procurement Regulations	Draft report
Add Your Own Device	Draft report
Microsoft Power Platform Data Governance	Draft report
Housing Repairs	Draft report
Cultural Compliance – Parking Services	Draft report

Appendix D

Audits added to and removed from the plan during 2025/26.

Audits Added:

Audit Title	Rationale for Addition
Fleet Procurement Compliance and Payment Controls	To review procurement compliance within the management of the Council's fleet of vehicles and equipment. Review requested by Corporate Director, City Operations.
Madeira Terrace	To provide assurance that the programme to refurbish and repair Madeira Terraces is operating as expected to deliver the project objectives. Review requested by Corporate Director, City Operations.
Brighton Marina to River Adur Flood and Coastal Erosion Programme	To provide assurance that the programme is operating as expected to deliver coastal defences alongside the Environment Agency and the Council's role as accountable body is effective. Review requested by Corporate Director, City Operations.
Petty Cash	A number of concerns have been raised in recent years regarding the control of petty cash across the Council. Although use of cash across the Council has significantly reduced, there are still some services that still heavily rely on petty cash systems to deliver support to clients.
Home Purchase Scheme follow up	Early follow up review requested by the service following previous partial assurance audit.
Cyber Security in Schools (Themed Review)	Audit added in response to incidents highlighting vulnerabilities, both locally and nationally.
Cyber Security Programme Support	This assignment has been added to provide ad-hoc advice, governance, and support regarding risk, control, and probity for a recently launched programme aimed at enhancing the Council's cybersecurity arrangements.
Large Panel System Blocks Programme Governance	Advice work to include a review of documentation and processes in place in relation to governance, planning and preparation, focusing on the controls in place and opportunities to enhance these to mitigate the potential risks.
Cherwell Replacement Project – Governance Arrangements	Added to the plan in response to a request from the service for additional assurance over a large and complex project.

Audits Removed/Deferred:

Audit Title	Rationale for Removal
Environmental Services Project Management	Removed from the plan for 2025/26 to accommodate other requested audits in City

	Operations. Will be considered as part of a wider review of commissioning for future audit plans.
Mobile Phone Application follow up	Follow up review not required as final report opinion has changed from Partial to Reasonable Assurance.
Local Government Reorganisation and Devolution	Audit activity deferred to 2026/27 in accordance with timescales which will confirm plans for Sussex.
Prepayment Cards – (Huggg) follow up review	Since the audit, a control report has been issued following financial loss on unapproved vouchers issued via a school account. This follow up review is deferred to 2026/27 to allow further time to review usage and embed actions to improve controls.
Cybersecurity and Data Loss Risks in Third Party Supply Contracts and Cloud Services	The dedicated audit on cybersecurity risks related to third-party contracts and cloud services was cancelled to allow resources to support broader programme activities. Nevertheless, key findings from work already completed in this area have been conveyed to the cybersecurity programme for further action.
Shadow IT Governance Arrangements	The audit to cover computer systems and applications used by the Council outside the direct control of IT&D was cancelled for 2025-26 to support additional priority work within IT&D.
Information Governance-General Data Protection Regulation (GDPR)	This audit was deferred due to capacity issues within the team meaning the service was unable to support the audit during the quarter.
Public Health Grant Governance Arrangements	This audit was deferred due to changes in staffing arrangements and resources that meant the service was unable to support the audit during quarter four.

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 10

Subject: Counter Fraud Annual Report 2025/26

Date of meeting: 23rd June 2026

Report of: Director Property and Finance (S151)

Contact Officer: Georgia Steers (Counter Fraud Lead)
Email: georgia.steers@brighton-hove.gov.uk

Mark Winton (Acting Chief Internal Auditor)
Email: mark.winton@eastsussex.gov.

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The report provides members with an update on all counter fraud activity completed during 2025/26.

2. Recommendations

2.1 The Committee note the fraud activity completed during 1st April 2025 to 31st March 2026.

3. Context and background information

3.1 The Council's Internal Audit and Counter Fraud team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Anti-Fraud and Corruption Strategy 2022-24. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy which is the Government's 'blueprint' for tackling fraud in Local Government. The Council's strategy has recently been updated and is presented as a separate agenda item for the committee's approval.

3.2 The team provides a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity, and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional investigation service and advises on control measures that will prevent recurrence.

3.3 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1st April 2025 to 31st March 2026;
- Outcomes from investigation activities; and
- Other counter fraud activity.

4. Analysis and consideration of alternative options

- 4.1 The report highlights key issues for the year, including a summary of investigations and proactive work.

5. Community engagement and consultation

- 5.1 The annual report has been informed by counter fraud work carried out during the year which has included engagement with officers.

6. Financial implications

- 6.1 There are no direct financial implications arising from this report. Counter Fraud activities were delivered within existing budgetary resources. The 2025/26 budget contained provision for 150 days to support “Irregularity and special investigations”, and 175 days for this activity were charged to the budget. This does not represent an additional cost, but a reduction in time available for other audit and assurance activities.

Name of finance officer consulted: Haley Woollard Date consulted: 05/06/26

7. Legal implications

- 7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council’s internal audit function is a key part of the Audit, Standards & General Purposes Committee’s delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted 28/05/2026

8. Risk implications

- 8.1 Counter fraud investigations are responding to allegations that may mean that a risk has been realised and that controls are not in place or not working as expected to mitigate and manage the risk. Alongside investigation reports, the team produce Internal Control reports where appropriate, to identify where controls have either failed or are not in place and actions are agreed with management to improve the control environment and management of risk.

9. Equalities implications

9.1 There are no direct equalities implications.

10. Sustainability implications

10.1 There are no sustainability implications.

11. Other Implications

11.1 There are no other implications.

12. Conclusion

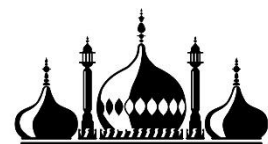
12.1 The Committee is asked to note the report.

Supporting Documentation

1. Appendices

1. Counter Fraud Annual Report 2025/26

INTERNAL AUDIT COUNTER FRAUD ANNUAL REPORT 2025/26



**Brighton & Hove
City Council**

1. Introduction

1.1 The Council's Financial Regulations require all officers and Members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Anti-Fraud and Corruption Strategy.

1.2 The Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2025/26 carried within it a contingency budget for 'Irregularity and Special Investigations' of 150 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

2. Summary of Investigations between 1 April 2025 and 31 March 2026

Resources

2.1 During the 2025/26 financial year, a total of 9 Internal Audit officers charged time to work on irregularity investigations amounting to 175 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

Number and Types of Investigations

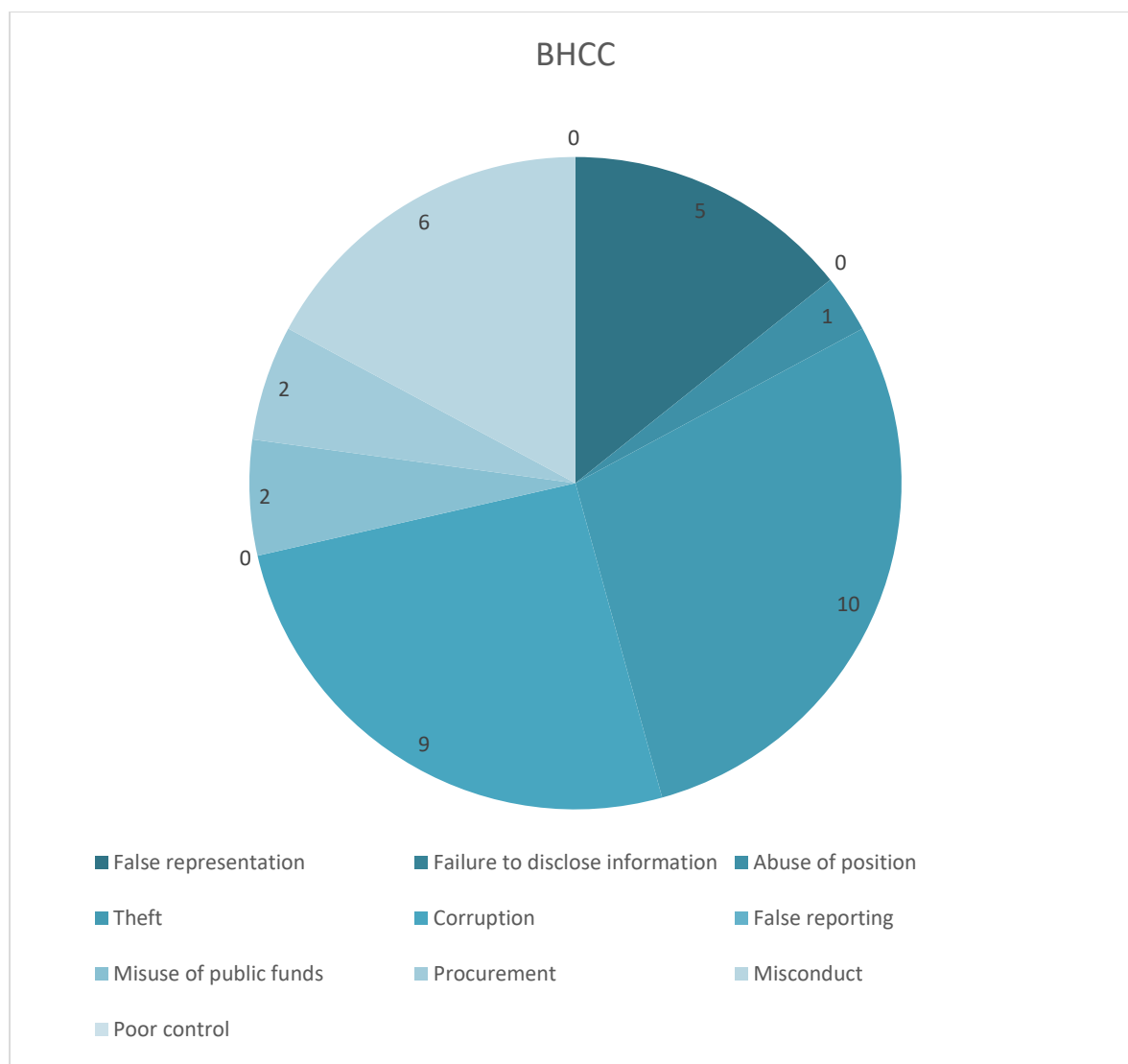
2.3 A total of 35 allegations were received in the financial year. For comparison, 75 allegations were received in the previous financial year.

2.4 New allegations were brought to the attention of Internal Audit by the following methods:

- 9 were raised by Council management;
- 9 originated from an external source to the Council;
- 7 were raised by employees;
- 10 were raised through confidential reporting.

2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

Figure 1. Summary of allegations by type from 1 April 2025 to 31 March 2026



2.6 Of the 35 allegations received, 9 were immediately closed with no action taken, 2 were dealt with through advice to management, 10 were taken forward and investigated by Internal Audit or support provided to a management investigation, 2 were referred to external agencies, and 4 were conduct or capability issues dealt by management with support from HR where appropriate. 8 referrals are still active at the time of writing.

2.7 The value of fraud prevented or detected is not always readily quantifiable, however, in cases where this can be estimated the cumulative value of fraud prevented or detected for the year is approximately £21,846.

2.8 The following paragraphs provide a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the last 12 months:

2.8.1 **Misuse of Grant** – Internal Audit made initial enquiries following receipt of an external referral alleging misuse of a government grant. Enquiries found the grant conditions had been complied with and there was no case to answer.

- 2.8.2 **Lease Arrangements** – Following receipt of whistleblowing allegations that Council officers had unfairly changed conditions of a lease and failed to provide information, we undertook initial enquiries. Internal Audit found that external legal advice had been sought on the treatment of the lease, and this had been followed. We found no evidence that officers had acted inappropriately, and no further action was required.
- 2.8.3 **Illegal Eviction** – The team provided support to the successful prosecution of a landlord who illegally evicted a tenant. The landlord received a 12-month conditional discharge and was ordered to pay compensation of £3,016 to the victim.
- 2.8.4 **Corruption in a Planning Application** – Following receipt of a whistleblowing allegation that Council officers had colluded with a leaseholder to suppress information during a planning application, enquiries were conducted by Internal Audit. Our review found that all issues had been fully investigated previously by several different Council departments without identifying any wrongdoing. In addition, the complaint has gone through the Corporate Complaints Process (all stages) and had been reviewed by the Ombudsman. As a result, there was no case to answer.
- 2.8.5 **False Representation by a Supplier** – Internal Audit and Counter Fraud undertook an independent review of concerns raised by an employee under the Council’s Whistleblowing Policy. The allegations included concerns that a supplier had billed for work not completed and had deliberately complicated invoicing arrangements to confuse reconciliation of amounts due. Whilst no evidence of fraud could be substantiated, the investigation did identify weaknesses in contract management activities and supplier invoice reconciliation processes, which have been highlighted to management and actions agreed to strengthen arrangements.
- 2.8.6 **Use of Consultant** – Internal Audit and Counter Fraud undertook an independent review following a concern being raised that an external consultant had not been through the correct procurement process prior to being appointed. The review found evidence that staff involved in the procurement exercise had not adhered to Council guidance when procuring the consultant. Action has now been taken by management to ensure that all staff involved in the procurement of goods and services have access to appropriate advice and guidance.

3. Proactive Fraud Prevention and Awareness Work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place an Anti-Fraud and Corruption Strategy that sets out its commitment to preventing, detecting, and deterring fraud. Internal Audit continues to review this strategy, and a refresh has been brought to this committee to ensure it is aligned with best practice and to ensure a robust and consistent approach to tackling fraud.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, staff fraud relating to multiple employment and the ever-increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have also been delivered to strengthen the counter fraud culture with the Council and build awareness of the confidential reporting hotline. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

National Fraud Initiative (NFI)

3.5 NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include local councils, police authorities, local probation boards, fire and rescue authorities and a number of private sector bodies.

3.6 The results from the latest biennial NFI exercise were received in December 2024. The results from the data matching released to the Council flagged approximately 14,500 matches. This compares to just over 14,000 that were flagged in the previous exercise.

3.7 As well as directly undertaking reviews of the matches for evidence of fraud and error, we have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. Payroll records have been prioritised, with a number of live enquiries still underway.

3.8 The results from the matches have included:

- No issues from 43 reviewed matches relating to Payroll to Payroll, Procurement to Payroll, or Payroll to Companies House (Director).
- The removal of 108 clients from the Housing Waiting list, with the Cabinet Office estimated saving being £462,564.
- One Council property recovered as a result of identifying that the tenant had passed away.
- One member of staff investigated for polygamous working who subsequently left the employment of Council, with the Cabinet Office estimated saving from this being £6,054.
- The cancellation of 226 concessionary travel passes where the pass holder had passed away, with the Cabinet Office estimated saving from this being £8,588.
- One Blue Badge cancelled as a result of an individual also having a Blue Badge with another Local Authority, with the Cabinet Office estimated saving from this being £794.
- The cancellation of 74 Blue Badges where the Blue Badge holder had passed away, with the Cabinet Office estimated saving from this being £58,756.
- The cancellation of 8 social care payments to residential care homes where it was identified the clients had passed away, with a total saving of £57,147.97.

- One Personal Budget cancelled where it was identified the individual was also claiming a Personal Budget at another Local Authority, resulting in an overpayment of £490.63 that is now being recovered.

Partnership Working

3.9 We attend a local government fraud forum, comprised of partners from across the south-east to discuss emerging threats and share intelligence. The Brighton & Hove Housing Investigators also participate in the Housing Tenancy Forum and Sussex Fraud Officers Group, to share intelligence and review emerging threats in the local area.

4. Housing Tenancy Fraud

4.1 A key focus area remains housing tenancy fraud and local taxation. The CIPFA Fraud & Corruption Tracker continues to place tenancy fraud as the largest threat to local authorities, and the volume of succession and application fraud in particular, has seen significant increases in recent years. Unlike other sectors, tackling this type of fraud is, however, not just about financial savings but has clear social benefits to the community.

4.2 The tenancy fraud investigators work within Internal Audit and Counter Fraud during 2025/26 and consists of two Investigator posts and an Investigations Lead. The funding now provides 450 days of tenancy fraud work.

4.3 The team will pick up allegations of tenancy fraud which typically include any of the following:

- **Unlawful subletting** can include subletting the whole of the property or individual rooms within the property to a third party when the tenant ceases to occupy as only or principal home without the consent of BHCC.
- **Key selling** is where a tenant 'sells' the keys to another person in return for money, a favour carried out, or in return for goods received.
- **Non-occupation** is where a tenant claims that the council home is used as their only or principal home but instead uses it as a second property and resides there infrequently or not at all. This can be investigated where council tax discount applied.
- **Fraudulent succession** is where a property has been retained by an occupant following the death of the tenant without the consent or knowledge of BHCC, and by a person who has no rights of succession.
- **Unauthorised exchange or assignment** is where a tenant or tenants exchange or assign properties without the consent or knowledge of BHCC.
- **Fraudulently obtaining council housing** is where a tenant provides false or misleading information in order to obtain a tenancy. This includes misrepresentation of circumstances and/or providing false identification.
- **Providing misleading or false information** on an application to purchase the property, through the right to buy scheme.

4.4 Most investigations are undertaken using the following legislation:

- **Prevention of Social Housing Fraud Act 2013** – subletting property whilst residing elsewhere.

- **Fraud Act 2006** – S.2 fraud by false representation, S.3 fraud by failing to disclose.
- **171 Housing Act 1996** – false statements or withholding information.

4.5 Despite vacancies in part of the year, the team delivered 472 days of tenancy fraud work and recovered 8 properties (10 in previous year). The results of our tenancy fraud activities for 2025/26 are summarised below:

Fraud Area	(£) 2022/23	(£) 2023/24	(£) 2024/25	(£) 2025/26
Properties Recovered	186,000	558,000	930,000	626,400
Housing Application Withdrawn	-	-	359,772	325,508
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	-	-	102,400	102,400
Council Tax	917	9,065	13,165	16,559
Housing Benefit	3,658	3,853	-	4,369
Total	190,575	570,918	1,405,337	1,075,236

4.6 The above financial values are based on the methodology for estimating NFI savings set by the Cabinet Office, although not all will be cashable savings they do represent savings to the public purse.

Reporting Categories for Irregularities

Reporting category	Description	Examples (not an exhaustive list)	Legislation / Policies (examples)
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the Council or residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, Council policies or management instructions	Undertaking additional work during contracted hours; inappropriate use of Council	Code of Conduct; IT Security Policy

		assets and equipment	
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 11

Subject: Counter Fraud Strategy

Date of meeting: 23rd June 2026

Report of: Director Property and Finance (S151)

Contact Officer: Georgia Steers (Counter Fraud Lead)
Email: georgia.steers@brighton-hove.gov.uk

Mark Winton (Acting Chief Internal Auditor)
Email: mark.winton@eastsussex.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to present the recently updated Counter Fraud and Corruption Strategy.

2. Recommendations

2.1 It is recommended that the committee approve the Council's Counter Fraud Strategy.

3. Context and background information

3.1 The purpose of this report is to provide details of the main changes and rationale for updating and amending the Council's Counter Fraud Strategy (attached as Appendix 1).

3.2 This counter fraud strategy is aligned to 'Fighting Fraud & Corruption Locally' (FFCL), a strategy for the 2020s, which provides a blueprint for a robust response to fraud and corruption perpetrated against local authorities.

3.3 The amendments made to the Strategy include the following:

- Update to contact details;
- Refreshed links to external websites.

4. Analysis and consideration of alternative options

4.1 The report highlights key issues for the year, including a summary of investigations and proactive work.

5. Community engagement and consultation

- 5.1 Internal Audit and Counter Fraud engage with all directorates on fighting fraud and quarterly progress reports summarise counter fraud activities and investigation work.

6. Financial implications

- 6.1 There are no direct financial implications arising from this report. Counter Fraud activities are delivered within existing budgetary resources. Whilst it is not anticipated, should any additional pressures arise in delivering the strategy, this will be reported through the council's Targeted Budget Monitoring (TBM) process.

Name of finance officer consulted: Haley Woollard Date consulted:
05/06/26

7. Legal implications

- 7.1 The recommendations contained within this update report are not considered to give rise to any direct legal implications.

Name of lawyer consulted: Victoria Simpson Date consulted (28/05/26):

8. Risk implications

- 8.1 The recommendations contained within this update report will help reduce the risk to the Council arising from fraud-related activity.

9. Equalities implications

- 9.1 There are no direct equalities implications arising from this report.

10. Sustainability implications

- 10.1 There are no sustainability implications arising from this report.

11. Other Implications [delete any or all that are not applicable]

- 11.1 There are no other implications arising from this report.

12. Conclusion

- 12.1 The Committee is asked to approve the Counter Fraud Strategy.

Supporting Documentation

Appendices

1. Counter Fraud Strategy

BHCC Counter Fraud and Corruption Strategy

Statement on Fraud & Corruption by Council Leadership Team

Brighton & Hove City Council are committed to implementing and maintaining the highest standard of corporate and financial governance and ethical behaviour. We recognise that fraud against the Council harms the individuals, communities and businesses of Brighton & Hove and for that reason, fraud, bribery and corruption against the Council will not be tolerated, and all such occurrences will be investigated.

We fully support the investigation of allegations of fraud, the continued development of a robust anti-fraud culture and framework within the Council, and a strong stance being taken where fraud is found.

The diverse nature of services provided by the Council mean that there are many areas where we could be a target for fraud. We will ensure we understand the main fraud risks we face and set out how we protect against them in our fraud risk registers.

With your support, we will strive to ensure that we have robust processes in place to help prevent the risk of fraud, and that we do not forget the risk of fraud in our drive to improve efficiency in our services.

Introduction

The public is entitled to expect the Council to conduct its business with integrity, honesty and openness and demand the highest standards of ethical conduct from those working for and with it.

The Council takes the threat of fraud and corruption and its statutory duty to protect the public funds it administers seriously and has allocated specific resource to focus on coordinating its approach to protecting its assets and finances from fraud, corruption, and other wrongdoing. The Council expects the highest ethical and legal standards from its members, officers, contractors and agents carrying out business on its behalf.

It is essential that it protects the public purse and ensures that Council funds are used only for their intended purpose: to support and deliver services to our community. As such the Council maintains a zero-tolerance approach to fraud and corruption whether it is attempted from outside the Council or within.

It is an expectation that where employees have workplace concerns, or suspect wrongdoing, that this is raised through appropriate channels. All allegations relating to potential fraud, financial maladministration, conflicts of interest, breach of confidentiality, improper use of resources, ICT misuse or any other forms of financial irregularity should be reported to Internal Audit, who will take appropriate action.

The strategy forms part of the Council's counter fraud framework, a collection of interrelated policies and procedures including the Whistleblowing Policy, Anti-Money Laundering Policy, Sanctions Policy, Employee Code of Conduct, and Financial Regulations. The framework includes guidance on types of fraud and corruption, how to report concerns, and the investigation process. This strategy and framework set out the Council's commitment to preventing, detecting and deterring fraud and corruption to ensure public funds are used for their intended purposes.

Strategic approach

To fulfil the Council's Counter Fraud Strategy, the authority must ensure that fraud, bribery, corruption, and misappropriation is minimised. Every pound lost to fraud and corruption is a reduction in resources and negatively influences the authorities' ability to deliver its objectives.

The Council has reviewed its arrangements in line with the Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blueprint for tackling fraud in Local Government. The strategy outlines four strategic principles for effective fraud management, together with the overarching principle of 'Protect':



Action Plan

What we will do against each of these strategic principles is set out in the following table.

Our principles	What we will do
Govern	<ul style="list-style-type: none"> • Ensure that there is full support from the top of the organisation and throughout, for the robust investigation into any allegations of fraud, bribery, corruption, or wrongdoing; • Ensure that our Zero Tolerance culture is embedded throughout the organisation; • Promote our Whistleblowing policy to both employees and those external to the organisation; • Report instances of fraud and corruption to Audit, Standards and General Purposes Committee, who support officers in their work to prevent, detect and investigate fraud and corruption.
Acknowledge	<ul style="list-style-type: none"> • Acknowledge and understand fraud risks; • Commit the right support to tackle fraud and corruption; • Conduct and maintain a strategic fraud risk assessment for the Council; • Develop and maintain a strong framework of internal controls; • Commit support and resources to tackling fraud and corruption; • Demonstrate a robust counter fraud response; • Communicate the risks to those charged with Governance.
Prevent	<ul style="list-style-type: none"> • Develop and maintain a robust and effective anti-fraud culture;

	<ul style="list-style-type: none"> • Ensure that the standards in public life adopted are set out clearly in the Council's policies and effectively communicated; • Conduct employee and third-party due diligence; • Make the best use of information and technology to identify and tackle fraud; • Continue to invest in the training and development of investigative staff to ensure high levels of competence, so that staff have the right skills and follow set standards; • Regularly communicate with staff on countering fraud and provide fraud awareness training; • Identify control weaknesses and enhance fraud controls and processes; • Communicate counter fraud activity and successes through reporting to Audit, Standards and General Purposes Committee and staff training/workshops.
Pursue	<ul style="list-style-type: none"> • Prioritise the recovery of financial losses as a result of fraud, and use of civil sanctions where appropriate; • Develop capability and capacity to investigate and punish offenders, through the support of appropriate disciplinary processes and working with outside agencies, including the Police. • Monitor and promote our confidential reporting hotline; • Develop and maintain internal investigation protocols and disclosure protocols; • Provide a consistent and effective response for dealing with fraud cases; • Collaborate across geographical boundaries with other Local Authorities through working groups, sharing of intelligence, benchmarking, and on joint investigations; • Learn lessons from identified fraud and corruption and close the gaps in control weaknesses that allowed any wrongdoing to be perpetrated.
Protect <i>(this is an overarching aim which sits across the previous four principles)</i>	<ul style="list-style-type: none"> • Recognise the harm that fraud can cause in the community; • Protect the Council, the public funds it administers, as well as residents and other stakeholders, from risks and financial losses relating to fraud and corruption, now, and in the future.

Governance

This is about the Council having robust arrangements and executive support to ensure 'zero-tolerance' anti-fraud, bribery and corruption measures are embedded throughout the organisation.

Internal Audit work closely with senior officers, including the Corporate Leadership Team/Chief Executive. The Corporate Leadership Team are committed to setting a 'tone from the top' through the support of a zero-tolerance approach to fraud and corruption,

which includes the investment of resources into a dedicated Counter Fraud team that sits within Internal Audit.

The Chief Internal Auditor reports all instances of identified fraud, theft, and corruption quarterly to Audit, Standards and General Purposes Committee. The Chief Internal Auditor additionally maintains a close relationship with the sitting chair of this committee, ensuring that members are appropriately briefed of all significant instances of identified wrongdoing.

The Council expects everyone carrying out Council business to protect the public purse and to report suspicions of dishonest behaviour. The promotion of a strong anti-fraud culture will deter potential fraudsters and those considering wrongdoing, as well as encouraging a safe environment in which individuals can feel comfortable to raise concerns, without fear of reprisals or victimisation.

Acknowledge

The Council accepts that no authority is immune from the risk of fraud, bribery and wrongdoing. It seeks to use all available recourse to help to reduce the opportunity, motivation and justification for fraud, bribery and wrongdoing and to act robustly when it is identified.

A fraud and misconduct risk assessment is maintained to help the Council identify the risks it faces from fraud, corruption, bribery and other wrongdoing. This risk assessment then documents the controls in place to mitigate these risks, identifies gaps or weaknesses in the control mechanisms, and feeds into the development of a work programme to target and reduce these risks.

The Council will regularly review its approach to tackling fraud, keeping abreast of emerging risks and current trends which occur across the Council and nationally.

This strategy is part of the counter fraud framework, which includes the following procedures which set out the Council's commitment to preventing, detecting and deterring fraud and corruption to ensure public funds are used for their intended purposes:

- Employee Code of Conduct;
- Code of Conduct for Members;
- Whistleblowing Policy;
- Anti-money Laundering Policy;
- Sanctions Policy;
- Financial Regulations;
- Procurement Standing Orders.

Prevent

The Council faces a variety of risks and threats and acknowledges that prevention is the best and most efficient way to tackle fraud, bribery and wrongdoing and to prevent / minimise losses.

The best defence against fraud, corruption, bribery and wrongdoing is to create and maintain a strong and robust anti-fraud culture within the Council. The Council will promote

the standards of business conduct it expects and requires from all its employees (including contractors and Councillors) as documented in the Council's Code of Conduct (and set out under the 'Seven principles of public life' heading later in this strategy).

The Council will continue to invest in the training and professional development of Internal Audit staff to ensure high levels of competence, so that staff have the right skills to prevent, identify, investigate, and pursue fraud, corruption, and other wrongdoing.

Practical counter fraud and risk guidance and training has been produced and is disseminated to staff. This details risk identifiers and is based on lessons learned elsewhere and recognisable risk scenarios. Targeted anti-fraud presentations are also delivered to services, which are prioritised via a risk-based approach.

Internal Audit will continue to make the best use of information and technology to identify and tackle fraud. This will include the development and utilisation of data analytics, both as embedded tests that sit within audit work, and targeted proactive exercises aimed at identifying fraud and error.

The Council also recognises that a key preventative measure to combat fraud and misconduct is to ensure that the appropriate due diligence is exercised in the hiring, retention and promotion of employees and relevant third parties. This applies to all staff whether, permanent, temporary, contracted or voluntary. Procedures will be followed in accordance with the Council's recruitment and selection framework. We will always undertake the appropriate pre-employment checks (for example: qualification verification and obtaining references) before any employment offer is confirmed.

Any system weakness identified as part of the work carried out by Internal Audit will be recorded, with controls recommended to minimise any system weaknesses and these will be agreed and monitored to ensure compliance as part of the audit process.

Pursue

Fraud, corruption and malpractice will not be tolerated and where it is identified the Council will deal with proven wrongdoings in the strongest possible terms, including:

- Disciplinary action;
- Reporting to the Police or other external agencies;
- Prioritise the recovery of any losses on behalf of the taxpayer, including use of criminal or civil legal action through the Courts.

The Counter Fraud team within Internal Audit will provide a consistent and effective response for responding to allegations of alleged financial irregularity. The team works to defined internal investigation protocols, which are under regular review and are shared with management and HR. The team collaborates across geographical boundaries with other Local Authorities through working groups, sharing of intelligence, and benchmarking.

Where information relating to a potential or actual offence or wrongdoing is uncovered, a comprehensive, independent, and objective investigation will be conducted. Any investigation will take account of relevant policies and legislation.

The purpose of any investigation is to gather all available facts to enable an objective and credible assessment of the alleged irregularity and to enable a decision to be made as to a sound course of action.

In such instances, Internal Audit will work closely with management and where appropriate, other Local Authorities or other agencies such as the Police, to ensure that all allegations and evidence are properly investigated and reported upon.

Referral to the Police on matters of alleged fraud or other financial irregularity is a matter for the Chief Internal Auditor, in consultation with the Section 151 Officer and the relevant senior managers. Any referral made to the Police will not prohibit action under the Council's disciplinary procedure.

In cases of alleged theft, fraud, corruption or other irregularity involving staff, the Council may pursue the case through its disciplinary processes, even if the member of staff has submitted their resignation.

All completed investigations will include a review of lessons learned which may result in the production of an Internal Control Report for management. This aims to identify where there are any gaps or weaknesses in the system of internal control which contributed to the ability of the identified fraud, theft, corruption, or other irregularity to be perpetrated. This report will contain actions for management which will aim to close these gaps in control. These actions will be monitored and reported to audit committee in line with Internal Audit's action tracking process.

Seven principles of public life

The Council is committed to the highest ethical standards as set out in the Code of Conduct. The Council believes the 'seven principles of public life' are the foundation of a strong anti-fraud culture and expects all members, officers and contractors to follow these principles, as well as all legal rules, policies and procedures.

The seven principles of public life and a brief explanation are listed below:

Principle	Explanation
Selflessness	Act solely in terms of the public interest and not for the purpose of gain for yourself, family or friends.
Integrity	Avoid placing yourself under any obligation to people or organisations that might seek to influence you in your work.
Objectivity	Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Be accountable to the public for your decisions and actions and submit yourself to scrutiny as appropriate.
Openness	Act and take decisions in an open and transparent manner. Information should only be withheld from the public if there are clear and lawful reasons for doing so.

Honesty	Be truthful. This includes declaring any conflicts of interest and taking steps to resolve such conflicts.
Leadership	Actively promote and support these principles by applying them to your own behaviour and challenging poor behaviour.

Definitions

Fraud - can be broadly described as, someone acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false statement or representation;
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose;
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

Theft - Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, consumables, machinery, or even data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Council property.

Obtaining services dishonestly – is broadly where services which were to be paid for were obtained knowing or intending that no payment (or only part-payment) would be made.

Bribery – is ‘the offering, promising, giving, soliciting, agreement to accept or acceptance of a financial or other advantage which may induce or reward a person to perform improperly a relevant function’ under The Bribery Act 2010.

Corruption – is the offering or acceptance of inducements designed to influence official action or decision making. These inducements can take many forms including cash, holidays, event tickets or meals.

Money laundering – is the process of converting illegally obtained money or assets into ‘clean’ money or assets with no obvious link to their criminal origin. Detailed guidance is set out in the Council’s Anti-Money Laundering Policy (attached as annex 1.1).

This strategy also covers other irregularities or wrongdoing, for example failure to comply with Financial Regulations, Standing Orders, National and Local Codes of Conduct, Health and Safety Regulations and all other relevant laws and legislation that result in an avoidable loss to the Council.

Brighton & Hove City Council Related Policies

[Whistleblowing Policy](#)

[Code of Conduct](#)

The following policies are attached as an Annexes:

- 1.1 Anti-Money Laundering Policy**
- 1.2 Sanctions Policy**
- 1.3 Anti-Bribery Policy**

1.1 Anti-Money Laundering Policy

Policy statement

Brighton & Hove City Council will do all it can to:

- Prevent any attempts to use the Council and its staff to launder money;
- Identify potential areas where money laundering may occur; and
- Comply with all legal and statutory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.

1. Introduction

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 (and all relevant amending legislation) place obligations on the Council, including its members and employees, with respect to suspected money laundering.
- 1.2 While most money laundering activity in the UK occurs outside of the public sector, vigilance by Council employees and members can help identify those who are, or may be, perpetrating crimes relating to the financing of terrorism and money laundering.
- 1.3 This policy forms part of the Council's counter fraud framework and sets out:
 - Definitions and legal background in respect of money laundering;
 - The Council's approach to money laundering including the responsibility of members and officers to report suspicions promptly; and
 - Guidance and procedures for members and officers.

2. Scope of the policy

- 2.1 This policy applies to all members and officers of the Council and aims to maintain the high standards of conduct that the public is entitled to expect from the Council.
- 2.2 It is vital that all members and officers are aware of their responsibilities and remain vigilant; criminal sanctions may be imposed for breaches of legislation.
- 2.3 Failure to comply with the procedures set out in this policy will result in action being considered under the Sanctions Policy. This may include disciplinary action in line with the Officer, or Member, Code of Conduct.

3. Definitions and legal background

- 3.1 Money laundering is the process of converting illegally obtained money or assets into 'clean' money or assets with no obvious link to their criminal origin.
- 3.2 There are three primary money laundering offences set out in legislation:

- Concealing, disguising, converting, transferring, or removing from the UK any criminal property (Section 327 of the Proceeds of Crime Act 2002);
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328); and
- Acquiring, using or possessing criminal property (Section 329).

3.3 There are also two secondary offences:

- Failure to disclose any of the three primary offences; and
- Tipping off (the act of informing a person suspected of money laundering in such a way as to prejudice an investigation).

3.4 Any member or employee of the Council may potentially be implicated in money laundering if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The key requirement is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

3.5 In addition to the above, proliferation financing is the provision of funds or financial services to support the development, acquisition or use of weapons of mass destruction. While local government is a low risk, compliance with the AML Policy due diligence and SAR requirements applies to all relevant transactions the Council enters into.

4. The Money Laundering Reporting Officer (MLRO)

4.1 The officer nominated to receive disclosures about money laundering activities within the Council is the Counter Fraud Lead:

Georgia Steers
Counter Fraud Lead

Email: Georgia.Steers@brighton-hove.gov.uk

Brighton & Hove City Council
Hove Town Hall
Norton Road
Hove
BN3 4AG

4.2 In the absence of the MLRO, the Senior Auditor (Counter Fraud) is authorised to deputise:

Danny Robinson
Senior Auditor (Counter Fraud)

Email:
Danielle.Robinson@eastsussex.gov.uk

East Sussex County Council
County Hall
St. Anne's Crescent
Lewes
BN7 1UE

5. Procedures

Cash

- 5.1 The Council will not accept any cash payment in excess of £5,000 irrespective of whether this is through a single payment or series of linked payments. 'Cash' includes notes, coins, banker's drafts and travellers cheques.
- 5.2 This does not necessarily mean that cash transactions below this value are legitimate and legal. Professional scepticism is encouraged at all times and any suspicions must be reported to the MLRO or their deputy.

Responsibilities of members and officers

- 5.3 Any member or officer who suspects money laundering activity must report their suspicion promptly (as soon as practicable) to the MLRO or their deputy if appropriate. If you prefer, you can discuss your suspicions with your line manager first.
- 5.4 Your disclosure must be made at the earliest opportunity following the information coming to your attention, not weeks or months later, and should be made to the MLRO or deputy using the form attached at the end of this policy.
- 5.5 You must follow any subsequent directions from the MLRO or deputy. You must not:
- Make any further enquiries into the matter;
 - Take any further steps in any related transaction without authorisation from the MLRO or deputy;
 - Disclose or otherwise indicate your suspicions to the person suspected of money laundering; or
 - Discuss the matter with others or make a note on file that a report to the MLRO or deputy has been made, as this may alert the suspected perpetrator.

Responsibilities of the MLRO

- 5.6 The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency (NCA). Any decision not to submit a report to the NCA must be recorded.
- 5.7 If they so determine, the MLRO or deputy must promptly submit an online Suspicious Activity Report (SAR) to the NCA. Alternatively, a SAR may be manually reported to the NCA. Both online and up to date manual reporting forms are available on the NCA's website.
- 5.8 If a disclosure provides the MLRO or deputy with knowledge or reasonable grounds to suspect that a person is engaged in money laundering, and they do not disclose this to the NCA as soon as practicable, the MLRO or deputy will have committed a criminal offence.

Risk based approach, customer due diligence and record retention

- 5.9 Under MLR 2017, the Council is obliged to adopt a risk-based approach towards anti-money laundering regulations and how they approach due diligence.

- 5.10 MLR 2017 stipulate risk mitigation policies must be in writing and be proportionate to the risks identified. They must include internal controls over money-laundering and terrorist financing risks. They must also include revised customer due diligence procedures as well as reporting, record keeping and monitoring requirements.
- 5.11 Regulation 18 of MLR 2017 requires a written risk assessment to identify and assess the risk of money laundering and terrorist financing that the Council faces. This will:
- Assist in developing policies, procedures and controls to mitigate the risk of money laundering and terrorist financing;
 - Help in applying a risk-based approach to detecting and preventing money laundering terrorist financing Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers;
 - Inform an assessment of the level of risk associated with particular business relationships and transactions and enable appropriate risk-based decisions about clients and retainers.
- 5.12 In carrying out risk assessments we will take into account information on money-laundering and terrorist financing risks made available by the Law Society and/or SRA, and risk factors relating to:
- Customers;
 - Geographic areas where the Council operates;
 - Products and services;
 - Transactions;
 - Delivery Channels.
- 5.13 Under MLR 2017, there ceases to be "automatic" simplified due diligence requirements for any transactions. Instead, a relevant person needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. There are various levels of due diligence as follows:
- Simplified due diligence is only permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist funding, taking into account the risk assessment;
 - Enhanced due diligence' (Regulation 33) for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested;
 - The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified;
 - Before forming a business relationship with a limited company, LLP, or certain types of trusts, the council must check details in the Persons with Significant Interests filed with Companies House / Trust Registration Service. They must report any material discrepancies between information on Companies House / Trust Registration Service and information obtained as a result of their customer due diligence;

- The business relationship should be scrutinised throughout its existence and not just at the beginning.

5.14 In all cases, the evidence of the customer identification and record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:

- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations;
- The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring;
- A copy of the identification documents accepted and verification evidence obtained;
- References to the evidence of identity.

5.15 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.

5.16 The customer identification procedure must be carried out when the Council is carrying out 'relevant business' and:

- Forms a business partnership with a customer;
- Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of £5,000 or more;
- Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of £5,000 or more;
- It is known or suspected that a one-off transaction, or a series of them, involves money laundering;
- This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, asset management, audit and legal services with a financial or real estate transaction.

5.17 In the above circumstances, employees must:

- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company);
- Verify their identity using reliable, independent sources of information, identify who benefits from the transaction;
- Monitor transactions to make sure they are consistent with what you understand about that person or country;
- Understand the source of their funds;
- Ensure there is a logical reason why they would want to do business with the Council.

5.18 Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.

5.19 The steps that will be followed to continuously mitigate the risks associated with money laundering are:

- Applying customer due diligence measures to verify the identity of customers and any beneficial owners obtaining additional information on customers;
- Conducting ongoing monitoring of the transactions and activity of customers with whom there is a business relationship;
- Having systems to identify and scrutinise unusual transactions and activity to determine whether there are reasonable grounds for knowing or suspecting that money laundering or terrorist financing may be taking place.

5.20 Risks will be reviewed continuously as part of the annual review of the Council Risk Register.

6. Guidance and training

6.1 The Council will:

- Make members and officers aware of the requirements and obligations placed on the Council, and on themselves as individuals, by anti-money laundering legislation; and
- Give targeted training to those considered to be the most likely to encounter money laundering.

6.2 Further information can be obtained from the MLRO and the following sources:

- Anti-money laundering responsibilities from gov.uk:
<https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>
- Anti-money laundering guidance from the Law Society:
<http://www.lawsociety.org.uk/support-services/advice/articles/quick-guide-to-the-money-laundering-regulations-2017/>
- CIPFA: www.cipfa.org/members/members-in-practice/anti-money-laundering
- The National Crime Agency: www.nationalcrimeagency.gov.uk

[OFFICIAL – SENSITIVE]

Confidential report to the Money Laundering Reporting Officer

To: Money Laundering Reporting Officer

From: _____ *[insert your name]*

Title/Service: _____ *[insert your post title and service]*

Telephone: _____

Date of report: _____

Response needed by: _____ *[e.g. transaction due date]*

Name(s) and address(es) of person(s) involved:

[If a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

[Please give full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

	Yes	No	
Has any investigation been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	If 'yes' please provide details below
Have you discussed your suspicions with anyone else?	<input type="checkbox"/>	<input type="checkbox"/>	

Details of investigation undertaken and/or discussions held:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

[OFFICIAL – SENSITIVE]

To be completed by the Money Laundering Reporting Officer

Date report received:

Date acknowledged:

Evaluation	
What action is to be taken?	
Are there reasonable grounds to suspect money laundering activity? If so, please provide details	
Reporting	
If there are reasonable grounds for suspicion, will a report be made to the NCA?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'no', reasons for non-disclosure	
If 'yes', date of report to NCA	<input type="checkbox"/> Online / Manual [delete as appropriate]
Consent	
Is NCA consent required for any ongoing or imminent transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If 'yes', please confirm details	
Date consent received from NCA	
Date consent passed on to officer	
Other relevant information	

Signed _____ Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

1.2 Sanctions Policy

Policy statement

Brighton & Hove City Council will ensure that:

- Appropriate sanctions are applied in all proven cases of fraud, theft and corruption;
- Public funds are recovered wherever possible; and
- The sanction decision making process is robust, transparent and fair.

Introduction

The purpose of this policy is to ensure that Brighton and Hove City Council has a set of guidelines in place that will assist in the decision-making process when appropriate sanction action is necessary as a result of an investigation.

This policy does not intend to be prescriptive as a number of factors will need to be considered on a 'case-by-case' basis before appropriate sanction action can be decided upon. Specifically, consideration will be given to the circumstances of each case, the seriousness of the offence and the person involved in the matter.

All overpayments or monetary losses that result from proven fraud will be pursued rigorously and, where necessary, legal action will be taken to effect recovery.

In the event of a successful prosecution the decision to publicise the outcome will take into account the following criteria:

- Interest of Brighton and Hove City Council
- Deterrent value to others

This policy will be continually reviewed and updated as a result of new case decisions, legislation and case law.

Sanction/Prosecution Options

A person involved in perpetrating fraud may commit an offence which could relate to any of the following Acts (this is not an exhaustive list):

- Fraud Act 2006
- Local Council Tax Reduction Scheme (Fraud and Enforcement) Regulations 2013
- Prevention of Social Housing Fraud Act 2013
- Housing Act 1996
- Proceeds of Crime Act 2002
- Theft Act 1968 & 1978
- Forgery & Counterfeiting Act 1987
- Criminal Justice Act 1987
- Data Protection Act 1998 & Computer Misuse Act 1990

- Identity Card Act 2006 & Identity Document Act 2010

The Counter Fraud Team will investigate all types of fraud or criminal activity committed against Brighton and Hove City Council and in relevant cases will take appropriate sanction action

The following options will be considered when there is evidence of an offence:

- Take no further action
- Disciplinary action for internal cases
- Civil action to recover money, interest, costs or property
- Referral to professional bodies
- Criminal prosecution

These options are not mutually exclusive and parallel sanctions may be pursued.

Sanction Guidelines

Each case will be considered on individual circumstances, however guidelines have been developed to assist in the decision making process. These guidelines relate to all cases of fraud including but not limited to tenancy fraud and/or employee fraud for example.

Consideration when deciding on an appropriate course of action will be given to:

- The Public Interest Test
- Circumstances of the offence
- Factors relating to the offender
- Other relevant factors and mitigating circumstances

Where the decision is made that a matter is not in the public interest to prosecute the following factors will be considered:

- The court is likely to impose a very small or nominal penalty
- The loss or harm caused was minor and resulted in a single incident resulting from a misjudgement
- If the offender is considered vulnerable
- The value of the loss
- The offender has not previously offended
- The act was calculated or premeditated
- There was no other persons involved

The following factors will be considered where prosecution is the most likely course of action:

- The deterrent value of a prosecution
- The length of time the fraud has continued
- Whether the offence was calculated and premeditated
- Sufficient evidence leading to a reasonable prospect of conviction and there are no serious errors in benefit assessment or the investigation

- Evidence of collusion (with landlord, employer or family member etc)
- Offender holds a position of trust
- Previous history relating to fraud

If any of the following factors exist, it may be unlikely that prosecution will be pursued:

- Serious errors in investigation or assessment of loss
- Unacceptable delay in investigation or the case is 'out of time' for prosecution under certain time limited legislation
- Poor publicity may be attracted, or low deterrent factors exist
- Vulnerable person may be put at risk
- Evidence is insufficient to gain conviction
- Voluntary disclosure of the offence by the offender before the fraud was uncovered, and true remorse is shown
- Evidence that the person has committed the offence under duress

Some factors relating to the offender may exist that could influence Brighton and Hove City Council's decision on whether to prosecute or impose another type of sanction. Examples of these factors are as follows:

- Poor health, either mental or physical, of the offender likely to be considerably and permanently worsened by prosecution
- Young, elderly or vulnerable persons
- Families
- Whether the offender has reasonable understanding of the offence committed.

Other relevant policies

- Counter Fraud Strategy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Staff Code of Conduct

1.3 Anti-Bribery Policy

Policy statement

Brighton & Hove Council will:

- Not tolerate bribery or corruption in any form or at any level;
- Consider anti-bribery measures as part of its governance process; and
- Commit to policies and procedures to prevent, deter and detect bribery.

1. Introduction

The Council expects its business to be conducted with probity, openness and accountability. Key to maintaining the Council's high standards is the requirement for members, officers, contractors and agents carrying out business on behalf of the Council to behave honestly, lawfully and with integrity.

This policy forms part of the Council's counter fraud framework and sets out:

- Definitions and legal background in respect of bribery; and
- The Council's approach to bribery including fulfilling its duties under the Bribery Act 2010 (the Act).

2. Scope of the policy

This policy applies to all areas of Council business and therefore all members, officers, contractors and agents carrying out business on behalf of the Council. Any act of bribery by a person outside the Council will be a matter for the police.

This policy should be read alongside other relevant policies such as the Code of Conduct and Procurement Standing Orders.

Failure to comply with this policy will result in action being considered under the Sanctions Policy.

3. Definitions and legal background

Bribery is the act of offering, giving, receiving or seeking an inducement or reward intended to influence the performance of a relevant function or duty to gain a personal, commercial, regulatory or contractual advantage.

Bribery Act 2010

The Act includes four key offences:

- Offering, promising or giving a bribe to reward a person for improperly performing a relevant function (Section 1);
- Requesting, agreeing to accept or receiving a bribe as a reward for improperly performing a relevant function (Section 2);

- Bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business (Section 6); and
- A corporate offence by a 'commercial organisation' of failing to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business (Section 7).

The Act makes no distinction between a bribe being offered, promised or given directly or through a third party. Further, it makes no difference whether the person requesting, agreeing to accept or receiving the bribe knows or believes that the performance of the function will be improper; or whether this person asks another person to carry out the improper performance of the function on their behalf.

The Council accepts that it may be classed as a 'commercial organisation' in relation to the corporate offence of failing to prevent bribery. The Act allows for a defence to this corporate offence if an organisation can show that it had in place 'adequate procedures' designed to prevent bribery.

Good practice and robust governance arrangements include having adequate procedures in place to prevent bribery and protect the Council from reputational and legal damage. Whether an organisation's procedures are 'adequate' will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation.

Public Contracts Regulations 2006

The Public Contracts Regulations 2006 place a duty on the Council to automatically and perpetually exclude from participation in a procurement procedure any company or director that has been convicted of a corruption offence. The Council may disregard this regulation on an exceptional basis, for example due to reasons relating to the public interest such as public health or protection of the environment.

The Council's approach to bribery

The Council has in place a framework of arrangements intended to manage the risk of bribery and corruption and ensure business is conducted to the highest standards. This policy does not change the requirements of other guidance, which includes:

- Member and Officer Codes of Conduct, which require members and officers to declare any personal or pecuniary interests;
- Procurement Standing Orders governing the negotiation of contracts; and
- Gifts and Hospitality Policy as stipulated by the Council's Code of Conduct, which sets out the restrictions on accepting gifts and hospitality and the need to register approved gifts that are accepted.

In the context of this policy, it is unacceptable for members, officers, contractors and agents carrying out business for or on behalf of the Council to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;

- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to 'facilitate^[1]' or expedite a routine procedure;
- Accept payment from a third party that is known or suspected to be offered with an expectation that it will obtain a business advantage for them;
- Accept a gift or hospitality from a third party if it is known or suspected that it is offered with an expectation that a business advantage will be provided by the Council in return;
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy; or
- Engage in activity in breach of this policy.

Reporting suspected bribery

You should report any suspected acts of bribery. If you have been offered an inducement from another party, you should report this even if you declined.

The Council has put in place a safe environment to report suspected cases of fraud and corruption, including bribery. Any individual may contact the Council's Internal Audit team directly as below.

Email: whistleblowing@brighton-hove.gov.uk
Telephone: 01273 291847

^[1] Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions, including but not limited to: awarding contracts; making appointments to temporary or permanent positions; and determining eligibility to receive services.

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 12

Subject: Formal approval of the Annual Governance Statement 2025-2026

Date of meeting: 23rd June 2026

Report of: Director, People & Innovation

Contact Officer: Name: Rima Desai, Luke Hamblin
Email: rima.desai@brighton-hove.gov.uk,
luke.hamblin@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The council is required to conduct a review of its system of internal control and prepare an Annual Governance Statement (AGS) to report publicly on the extent to which it complies with its own code of governance.
- 1.2 The AGS is a valuable means of communication, enabling the council to explain to the community, service users, taxpayers, and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 1.3 The AGS directly supports the Council Plan Outcome 4: A responsive and learning council with well-run services – Good governance and financial resilience.

2. Recommendations

- 2.1 Committee approve the Annual Governance Statement (AGS) 2025-2026 in Appendix 1. Once approved, the AGS will be signed by the City Council's Leader and the Chief Executive before publication alongside the City Council's Accounts.

3. Context and background information

- 3.1 Good corporate governance in Brighton & Hove City Council is about doing the right things in the right way to ensure we are well-run and responsive and to enable delivery of our vision to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. It is about:

- The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved
- How the council makes sure it does the right things in the right way for the right people
- Establishing and following robust systems and processes
- Demonstrating effective leadership, including accountability and transparency in actions and decisions
- Creating a culture based on openness, inclusivity and honesty
- Keeping our focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
- Ongoing continuous improvement to further strengthen the way the council operates

3.2 We have used the CIPFA/SOLACE guidance refreshed in 2021 to comply with the Good Governance Framework which sets our seven core principles to achieve good governance as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3.3 In 2025/26 we took actions in the light of the AGS which saw us strengthen our governance in many areas such as refreshing our Council Plan, operationalising our Learning Framework, developing our Medium Term Financial Strategy and Transformation & Innovation portfolio of strategic programmes and implementing the recommendations from the LGA Corporate Peer Challenge.

Good governance at Brighton & Hove City Council underpins our ambition to be a learning organisation by providing clear leadership, accountability and assurance while encouraging openness, reflection and continuous improvement.

Strong governance arrangements create a safe and transparent environment in which challenge is welcomed, decisions are evidence-based, and lessons from experience are actively considered and acted upon.

By setting clear expectations, roles and ethical standards, good governance supports informed risk-taking and innovation, ensuring that new ideas and approaches are explored responsibly and in the public interest.

Effective scrutiny, audit and member - officer collaboration help to turn insight into improvement, embedding learning at both strategic and operational levels. In this way, good governance not only strengthens trust and decision-making, but actively enables a culture of learning, adaptation and innovation that improves outcomes for residents.



3.4 Our review of governance arrangements identified two broad outcomes where further improvements are needed. Delivery of the actions to achieve these outcomes, as detailed below, will contribute to achieving our mission of a responsive council with well-run services. These will be included in our refreshed Corporate Leadership Plan and will be owned and driven by the Corporate Leadership Team.

Outcome: A financially sustainable and resilient council

1. Continue focus on strong financial management across the organisation, including effective prioritisation and tighter monitoring of budgets, identification of mitigations and recovery plans where pressures exist
2. Ensure Transformation & Innovation strategic programmes are delivered to drive delivery of the Medium-Term Financial Strategy
3. Deliver a programme of asset release to achieve capital receipts and revenue savings to unlock land for regeneration, housing and investment in transformation.
4. Strengthen governance of capital programmes to ensure alignment with council priorities, and in consideration of the council's financial position.
5. Implement actions to improve key financial systems and processes including actions agreed with internal audit (pension/payroll, housing rent, housing benefits, council tax)
6. Improve procurement and contract management compliance and oversight across the organisation

Outcome: Becoming a learning organisation by embedding our ways of working

1. Continue to embed the Council's Learning Framework across the organisation to strengthen delivery of the Council Plan
2. Strengthen governance arrangements for the Digital Innovation & Technology strategic programme to enable robust prioritisation
3. Embed governance arrangements for Health & Safety to improve organisational resilience and compliance
4. Improve consistency in the quality and use of data to manage the quality and safety of our housing stock, operational premises and commercial portfolio.
5. Deliver the Adult Social Care Improvement Plan to improve prevention & early intervention. This also responds to the feedback received from the Care Quality Commission inspection feedback.
6. Risk owners to ensure clearly defined, documented and actively managed risk tolerance levels aligned to council's risk appetite as outlined in the Risk Management Framework

4. Analysis and consideration of alternative options

- 4.1 Reflecting the CIPFA guidance and taking account of feedback from external auditors, we have taken the opportunity to review the content and format of our Annual Governance Statement and compare it with those of other authorities. We consider that our approach accords with the CIPFA guidance, is backed up by our embedded operating arrangements, is proportionate and evidence of good governance.

5. Community engagement and consultation

- 5.1 This is an internal matter to comply with legislation and as such no engagement or consultation has been undertaken in this regard.

6. Financial implications

- 6.1 Good corporate governance and effective systems of internal control are essential to the financial health and reputation of the council. Resource requirements to deliver the key outcomes identified in paragraph 3.4 have been generally provided for in the 2026/27 budget and Medium Term Financial Strategy. This includes additional resources and activity identified to support the delivery of a resilient and financially sustainable council funded from the council's Transformation Fund, approved at Budget Council in February 2026. This will be kept under close review and further consideration will be given where improvement actions require additional resources.
- 6.2 The AGS will also inform the in-year management of the 2026/27 budget and preparation of the 2027/28 budget.

Name of finance officer consulted: Haley Woollard
Date consulted: 05/06/2026

7. Legal implications

- 7.1 The Council is subject to a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control, including arrangements for the management of risk. The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of its system of internal control at least annually and to prepare and publish an annual governance statement alongside its statement of accounts.

The Council has delegated to the Audit, Standards & General Purposes Committee responsibility for considering the outcome of the annual review of governance arrangements and for approving the Annual Governance Statement. In this way, the requirements of the Regulations are met by a Committee of the Council that has been designated for this purpose.

Name of lawyer consulted: Elizabeth Culbert
Date consulted: 28/05/2026

8. Risk implications

- 8.1 Good governance and robust systems of internal control enable the council to identify and deliver its intended outcomes for stakeholders. If the actions outlined in section 3 are not delivered it may further impact financial sustainability of the council, affecting our reputation as a city leader, and reducing our ability to deliver a better Brighton and Hove for all.

These actions will be monitored through the Corporate Leadership Plan to ensure appropriate oversight and intervention where necessary.

9. Equalities implications

- 9.1 The Annual Governance Statement links to the Performance Management Framework through which as an organisation we have an oversight of our progress in becoming a more fair and inclusive council. The Corporate Equalities Delivery Group has the governance oversight of the Fair & Inclusive action plan.

10. Sustainability implications

- 10.1 The AGS links to the Performance Management Framework through which we have an oversight of our progress in becoming a more sustainable organisation. This is managed through the Net Zero programme, climate change strategic risk (SR38), net zero corporate key performance indicator and actions to reduce carbon footprint.

11. Conclusion

- 11.1 This Report provides reassurance regarding the Council's commitment to implementing the actions identified in the Annual Governance Statement and the arrangements put in place to monitor progress through regular review of actions.

Supporting Documentation

1. Appendices

1. Draft Annual Governance Statement 2025-2026

Annual Governance Statement

10th June 2026 - DRAFT

A better Brighton & Hove for all

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We at Brighton & Hove City Council are committed to effectively and efficiently deliver outcomes in our Council Plan to make a better Brighton & Hove for all.

The Annual Governance Statement provides an accurate account of the governance arrangements within our organisation. It seeks to provide assurance on the effectiveness of these arrangements and identifies areas of improvement going forward. This statement is formally approved by the Council's Audit, Standards and General Purposes Committee each year.

In 2025/26, we made significant progress in strengthening our governance arrangements, refreshing our Council Plan, developing our Medium-Term Financial Strategy and our Transformation and Innovation Portfolio and continuing to operationalise our Learning Framework. In the context of a constantly changing external environment, more demand for council services and less resource to provide them, we are committed to ensuring best value for our residents.

It is our opinion that the governance arrangements in 2025/26 were sound and effectively identified areas where we are doing well and areas of improvement. The details of priority areas of focus are included in this document. We are committed to delivering the actions identified and will monitor their implementation and report progress to Cabinet and in the next Annual Governance Statement.

Signed:

Councillor Bella Sankey,
Leader of the Council

Date: XX/XX/2026

Signed:

Jess Gibbons,
Chief Executive

Date: XX/XX/2026

Good governance in local authorities

It creates a culture based on openness, inclusivity and honesty

It ensures ongoing continuous improvement to further strengthen the way the council operates

It demonstrates effective leadership, including accountability and transparency in actions and decisions

It puts the arrangements in place to ensure that the intended outcomes for stakeholders are defined and achieved

It ensures robust systems and processes are established and followed

It keeps the council's focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively

Good governance is key to ensuring the council does the right things in the right way for the right people

There is a statutory requirement for the council to conduct a review of its system of internal control against our [Local Code of Corporate Governance](#) and the 7 principles of good governance and to publish an Annual Governance Statement (AGS) at least once every financial year. The AGS sets out to demonstrate that there is a sound system of governance and outline our progress in 2025-26 and help us take further actions to improve governance for delivery in 2026-27.

The focus of the AGS is on assessing our governance arrangements, to identify areas of strength and significant weaknesses in internal controls rather than assessing our performance.

Good governance at Brighton & Hove City Council underpins our ambition to be a learning organisation by providing clear leadership, accountability and assurance while encouraging openness, reflection and continuous improvement.

Strong governance arrangements create a safe and transparent environment in which challenge is welcomed, decisions are evidence-based, and lessons from experience are actively considered and acted upon.

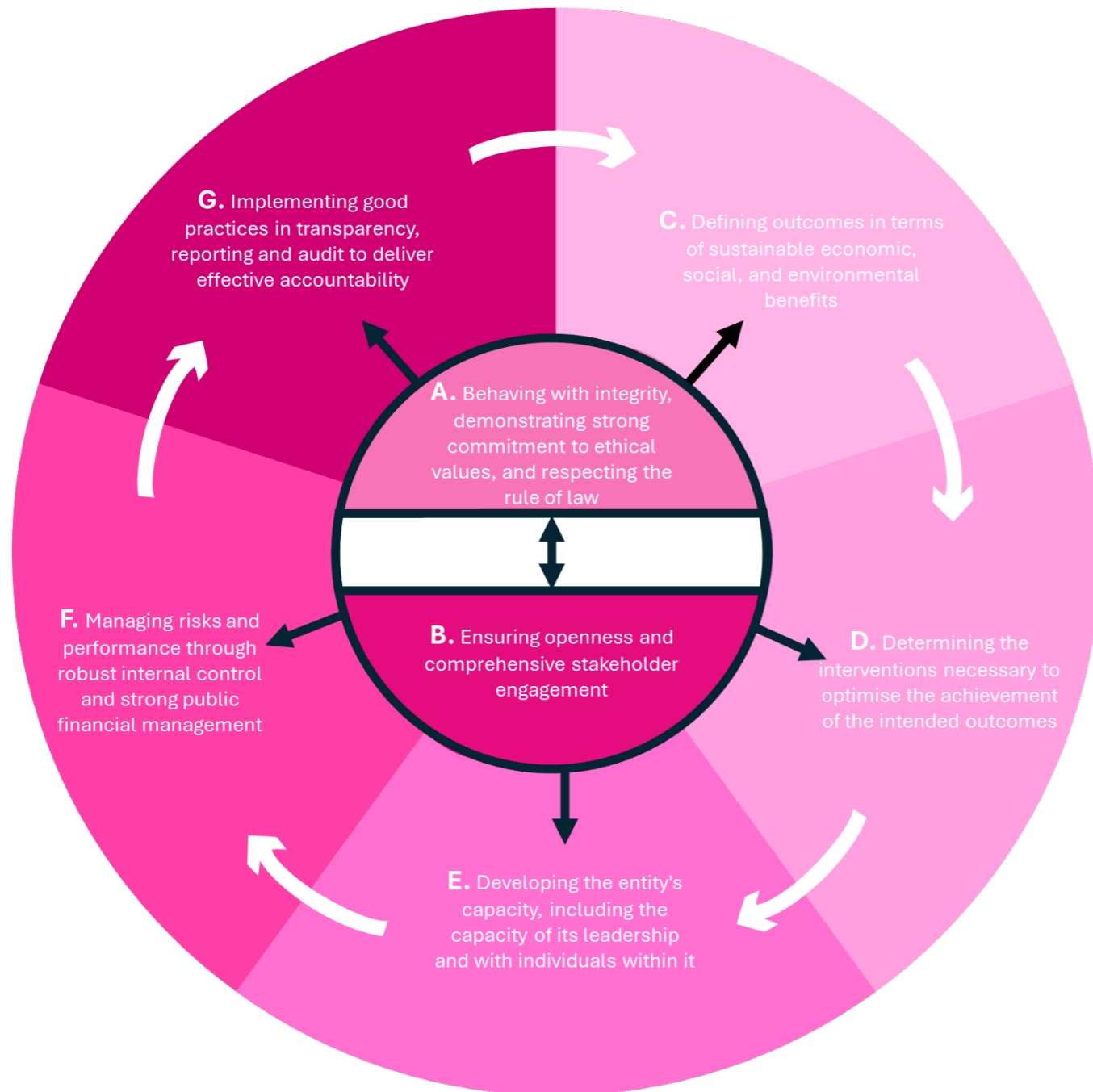
By setting clear expectations, roles and ethical standards, good governance supports informed risk-taking and innovation, ensuring that new ideas and approaches are explored responsibly and in the public interest.

Effective scrutiny, audit and member - officer collaboration help to turn insight into improvement, embedding learning at both strategic and operational levels. In this way, good governance not only strengthens trust and decision-making, but actively enables a culture of learning, adaptation and innovation that improves outcomes for residents.



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The CIPFA/IFAC Principles of Good Governance provide a recognised framework for how public sector organisations should lead, direct and control their activities to achieve intended outcomes while acting in the public interest. The seven principles set out what good governance looks like in practice, covering leadership, accountability, integrity, openness and strong performance management. Together, they support effective decision-making, transparency and continuous improvement, helping organisations balance innovation and risk while maintaining public trust. For Brighton & Hove City Council, the principles offer a shared foundation for strong governance that enables learning, supports improvement and underpins the delivery of high-quality services for residents.



- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capacity of its leadership and with individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

The process for development of the AGS for 25/26



* please see the next slide outlining information taken into account when assessing arrangements

Information considered when developing the AGS

The AGS is informed by a wide range of evidence that provides assurance on the effectiveness of the Council’s governance, risk management, and internal control arrangements. This includes the operation of the Council’s decision-making and ethical frameworks, corporate and service risk management, financial management and performance reporting, and the outcomes of internal and external assurance activity. The AGS also draws on the work of senior officers, the Audit, Standards & General Purposes Committee, internal and external audit, and other inspection and regulatory bodies, ensuring that significant governance issues are identified, assessed, and transparently reported alongside actions for improvement.

Finance management reports including statement of accounts

Key performance indicators

Corporate Leadership Plan

Internal audit reports including follow up audits

Strategic and Directorate risk registers

External auditor report

External inspection outcomes

Customer insights including member complaints and any Ombudsman reports

Our people data

Health, safety and wellbeing data

Programme and project data

Member reports and input

Key actions delivered in 2025/26 to strengthen governance

Operationalising our Learning Framework

Refreshed Council Plan and Corporate Leadership Plan

Developed Medium Term Financial Strategy

Refreshed our Code of Corporate Governance and Risk Management Framework

Developed Transformation & Innovation Portfolio of strategic programmes

Implemented LGA Corporate Peer Challenge recommendations

Developed Health, Safety & Wellbeing Strategy

Enhanced use of data for better oversight and compliance

Developed core principles to guide our Industrial Relations Strategy

Our review of governance arrangements in 2025/26 identified two broad outcomes where further improvements are needed. Delivery of the actions to achieve these outcomes, as outlined below, will contribute to achieving our mission of a responsive and learning council with well-run services. These will be included in our refreshed Corporate Leadership Plan and will be owned and driven by the Corporate Leadership Team.

A financially sustainable and resilient council

Key deliverables linked to this outcome:

1. Continue focus on strong financial management across the organisation, including effective prioritisation and tighter monitoring of budgets, identification of mitigations and recovery plans where pressures exist
2. Ensure Transformation & Innovation strategic programmes are delivered to drive delivery of the Medium-Term Financial Strategy
3. Deliver a programme of asset release to achieve capital receipts and revenue savings to unlock land for regeneration, housing and investment in transformation.
4. Strengthen governance of capital programmes to ensure alignment with council priorities, and in consideration of the council's financial position
5. Implement actions to improve key financial systems and processes including actions agreed with internal audit (pension/payroll, housing rent, housing benefits, council tax)
6. Improve contract management compliance and oversight across the organisation

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Becoming a learning organisation by embedding our ways of working

Key deliverables linked to this outcome:

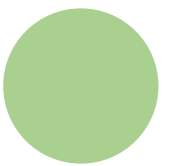
1. Continue to embed the Council's Learning Framework across the organisation to strengthen delivery of the Council Plan
2. Strengthen governance arrangements for the Digital Innovation & Technology strategic programme to enable robust prioritisation
3. Embed governance arrangements for Health & Safety to improve organisational resilience and compliance
4. Improve consistency in the quality and use of data to manage the quality and safety of our housing stock, operational premises and commercial portfolio.
5. Deliver the Adult Social Care Improvement Plan to improve prevention & early intervention. This also responds to the feedback received from the Care Quality Commission inspection feedback.
6. Risk owners to ensure clearly defined, documented and actively managed risk tolerance levels aligned to council's risk appetite as outlined in the Risk Management Framework

Our review of governance arrangements in 2024/25 identified two broad outcomes where further improvements are needed. Delivery of the actions to achieve these outcomes, as outlined below, was monitored through the Corporate Leadership Plan and owned and driven by the Corporate Leadership Team.

Corporate Leadership Plan Action

Status

Invest in building and fire safety to meet duties under the Building Safety Act and new Fire Safety (England) Regulations and ensure we are compliant with Health & Safety.



Commentary:

The council has made substantial progress in housing safety and compliance since receiving a C3 rating from the Regulator for Social Housing (RSH) and is continuing its transition from recovery to a phase of consolidation and ongoing improvement, delivering significant progress in all compliance areas.

We have tackled the most urgent safety actions, reinforced leadership and governance, and enhanced the reliability of our data, thereby restoring trust in the safety and quality of council homes. These positive changes are now firmly established in our day-to-day operations, ensuring continued improvement and accountability. Actions are now at a lower level, and all high and medium actions (backlog) are dealt with, the team are now operating at BAU for the new FRAs from April 6th.

Residents are benefitting from clearer communication, quicker responses to safety concerns, and a greater presence of safety works in their homes and communal areas.

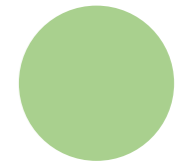
Governance is more robust, supported by the Housing Safety and Quality Assurance Board and expert appointments in fire and water safety.

Furthermore, we have improved oversight of delivery and financial risks, with regular monitoring and reporting to ensure sustained progress and resilience.

Corporate Leadership Plan Action

Status

Deliver the Adult Social Care Improvement Plan meeting regulation standards and service redesign outcomes



Commentary:

Regulatory improvement plan progress

A DHSC advisor has been appointed to oversee and work with the leadership team in delivering the adult social care improvement plan and the elements of this which relate to the Section 50 notice issued by the DHSC.

The improvement plan is overseen through the ASC Performance and Improvement Board at which regular progress updates are provided with a focus on reablement transformation priorities, waiting list management and residential admissions. A new 'Waiting Well Framework' has been developed to strengthen assurance for adults awaiting care and support in the city. This framework sets out clear and consistent standards and actions to address challenges associated with adult social care waiting lists, ensuring people receive timely information, support, and risk management while they wait. The framework will go live on 13th April 2026.

Performance Targets

As of April 2026, we remain on a positive trajectory toward achieving our target of 72% of adults receiving community-based support, as a proportion of all adults accessing long-term services. Current performance stands at 71.98%, marginally below the target, with steady improvement continuing month on month.

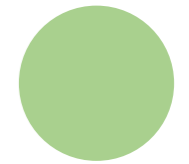
For the percentage of long term services reviewed within the rolling year, performance is also trending upward and on track to meet the target of 45%. We have seen continuing further improvement following the establishment of a dedicated review team, which is now operational and focused on increasing review activity.

Continued on next page.

Corporate Leadership Plan Action

Status

Deliver the Adult Social Care Improvement Plan meeting regulation standards and service redesign outcomes



Commentary:

Continued from previous page.

The rate of permanent admissions to residential or nursing care for older adults (aged over 65) currently stands at 527 per 100,000 population, which is within the target of 660. This reflects stable performance in a challenging area.

Long term admissions for younger adults (under 65) remain a priority area requiring sustained focus. To strengthen our understanding of the underlying factors, we have participated in a sector led learning programme and are awaiting the final report to inform next steps. In parallel, proposals to enhance the authorisation process for residential and nursing care placements were agreed at the March Performance and Improvement Board. These changes aim to ensure that decisions involving moves to residential or nursing care are timely, consistent, compliant with the Care Act, and clearly demonstrate that community based alternatives have been thoroughly explored. This strengthened approach is expected to improve the quality of decision making, reduce drift into short term placements, and increase assurance in line with CQC improvement priorities.

Service Redesign

The redesign of Assessment Services is now complete, with all relevant staff appointed to their new roles. The revised structure strengthens leadership capacity and provides a solid foundation for the 2026/27 service plans, ensuring a sustained focus on assurance and continuous improvement in line with the department's improvement plan. A new leadership development programme for operational leads is also in development. This programme will build capability in key areas including practice leadership, people management, quality and performance, strategic partnership working, and leading change. Anticipated delivery is for Q1–Q2 2026.

Corporate Leadership Plan Action

Status

Develop and implement a Transformation & Innovation approach and portfolio to ensure focus remains on delivery of the Council Plan and Medium-Term Financial Strategy, and embedding Learning Organisation.



Commentary:

The indicator is amber due to the corporate savings target of £15.789m being £5.42m (34pct) at risk at TBM10. A factor impacting the ability to deliver savings is a lack of organisational capacity to drive change.

A Transformation and Innovation portfolio containing ten strategic programmes has been agreed by the Corporate Leadership Team (CLT) and implemented to help meet ongoing budget challenges and the need for continuous improvement. The strategic programmes have developed proposals, savings targets, investment requirements and delivery plans in line with the budget timetable.

The Savings and Innovation Delivery Board is meeting fortnightly to drive delivery of the council's budget savings and associated Transformation & Innovation proposals.

CLT is holding five weekly Innovation themed meetings to oversee progress and conduct.

Work is in progress to develop a Transformation & Innovation Zone on the Wave, which will include a new Agile Toolkit. This will include guidance for document retention and ownership of commissioned work including reports. Once this work is completed, a briefing will be made available to senior managers to ensure consistency of approach.

Corporate Leadership Plan Action

Status

Operationalising our Learning Framework and working smarter with more integrated services, systems and processes



Commentary:

The Learning Framework continues to be actively applied throughout the organisation, shaping our approach as we innovate frontline service delivery.

The Learning Framework remains front and centre in transformative multi-agency initiatives such as Families First and Best Start and is leveraged through our Transformation and Innovation Strategic Programmes.

There is increasing confidence and fluency in utilising the Learning Framework in over 40 change programmes now underway, and as the basis for design and development of change programmes, services, projects, and business cases at all levels – from frontline to the most senior leaders.

Initiatives to connect our organisation, staff and Members in new ways to our shared goals continues through events such as Spotlight on Poverty.

In-person ‘In Conversation With’ events are extending reach beyond the digital engagement space to frontline staff, improving psychological safety and organisational connection, and work to digitally include all staff continues.

Refresh of the Individual Performance Management framework is nearing completion and design and build of the new, in-house bi-annual Staff Survey continues at pace, closely aligned to our Learning Framework and enabling benchmarking to LGA and other public sector organisations.

Collectively, these developments highlight significant progress on our learning journey, shifting organisational culture, improving data-driven decision making, and strengthening foundations. While the balance between autonomy and coordination remains a challenge, the direction is clear, and our commitment to continuous improvement is evident.

Corporate Leadership Plan Action

Status

Align the priorities and actions of the Digital, Data and Technology portfolio to support the delivery of the council plan priorities and support in the transformation of service delivery



Commentary:

The two of this work are progressing well:

- The Turbocharging Innovation programme, after approval from CLT and funding approved via Cabinet, is now being configured into a four year programme of delivery that will deliver service transformation and support the Council's priorities. This programme is being regularly monitored by CLT, with the funding monitored by the Savings & Innovation Delivery Board.
- Following the conclusion of the Orbis Review, BHCC has elected to create a sovereign IT service that can better deliver our priorities. Appropriate skills have been identified to deliver the systems and tools needed to meet our priorities, and funding has been built into our budget. CLT have now agreed a high-level management team structure that is matched to the needs of the council plan and our priorities. Hiring of new required skills, and the transition to an improved structure will take place over the next quarter, with CLT being consulted on outcomes.

Embed the new Health & Safety oversight arrangements to monitor compliance and drive improvements of health, safety and wellbeing performance and practice across the council



Commentary:

Corporate HSW policy was approved by full cabinet and came into effect in October 2025. It was communicated to all staff via the Wave and various channels progressing a communication plan. Communication will continue and awareness will continuously be raised as part of business as usual. The policy set a new governance and assurance framework which is being implemented, and all directorates have now either planned or initiated. Central corporate reporting has been reviewed and is evolving in relation to data insights and standardised approach reporting enabling benchmarking and fostering a learning framework approach. This assurance reporting now also includes statutory compliance, while it is in its infancy compliance understanding continues to grow and centralised reporting is growing and will continue to grow further increasing the robustness of the council risk position. Following the launch of the new refreshed policy a programme has been established to review arrangements ensuring suitability and effectiveness along with service delivery models.

A service redesign has been launched to readjust the service to better support a positive health and safety culture. It is anticipated the redesign will conclude in May 2026.

Corporate Leadership Plan Action

Status

Maintain the Contract Management Framework, including changes required by new procurement regulations, compliance with standing orders and implement improved oversight over contract management across the council.



Commentary:

The updated Contract Management Framework and Contract Management Playbook have been launched this quarter with regular reference to and raising the awareness of planned for the coming quarter.

The Contract Management Peer Network continues to meet monthly and has provided a very good platform for an engaged group of colleagues to discuss contract management and give feedback on the plans of the CCA teams future activities and actions. We are looking to increase the network to include colleagues from all services, so we have a voice for contract management across the organisation.

Updates on the progress of delivering the full programme of contact management improvement objectives are:

- Developing a Contract Management Policy - Drafted a Policy which is with colleagues for review & comment, before review by management teams.
- Ensuring compliance with the Procurement Act 2023 - We have engaged with in-scope procurement projects.
- Monitoring and reporting on contract performance for all £1m+ contracts - Relevant contracts identified and communications planned for this quarter.
- Providing Contract Management proficiency assessments and targeted training - Calendar of targeted training has been drafted and to be published & carried out.
- Maintaining the Contract Management Resource platform (circa 60 tools, templates, training and guidance) - The resources platform is now hosted on BHCC IT infrastructure and has been promoted to the contract management network & community.
- Providing a turnaround service for contracts in distress and requiring support - We are receiving and acting on requests for support from services, and actively engaging with colleagues to bring awareness of the resources, support and training the CCA can offer teams.

Corporate Leadership Plan Action

Status

Develop the Medium Term Financial Strategy, capital programme and transformation programme to enable the council to deliver on its priorities and address its longer-term financial pressures in a structured way.



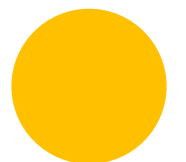
Commentary:

The current MTFS is a strong route map through the current difficulties but is predicated on 100% achievement of all savings and transformation targets outlined within it, some of which, quite reasonably due to the time since they were agreed and the deadline for savings delivery, have not yet had plans finalised.

This means that strong focus has to be given to the savings and transformation work to ensure that as much as possible of the current plans are delivered and any shortfalls are quickly recognised and supplemented with new plans. There is already an expectation that demand pressures will cause issues in the 2026/27 budget performance so these will also require additional mitigations. The MTFS is a strong plan which now has to be adhered to and delivered and that in itself will require significant focus and resource.

The budget and MTFS were approved in February by Cabinet and by full budget Council. There is increased communication around the MTFS and the work required not only of corporate leadership but of all staff to deliver it with sessions at SLN and "in conversation" with all staff to provide clarity and understanding on the actions required.

Optimise the use of council assets through generating capital receipts, increasing income, and delivering efficiencies.



Commentary:

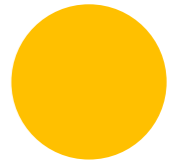
The recruitment for two additional disposal surveyors was unsuccessful and is going back out to advert. Additional posts are being requested to boost the resource available (currently 1.5 FTE) to support disposals. The April 23 Cabinet report has been released.

The procurement of the consultant to complete the Operational Portfolio Review has completed and Savills have been appointed. The contract has been mobilised. Nine further transfers completed with a total gross receipt of nearly £6.0m

Corporate Leadership Plan Action

Status

Deliver a programme of work to improve core finance and HR systems



Commentary:

The overall programme is slightly behind schedule due to the need to recruit specialist resource. The improvements have been group and prioritised for delivery. A draft delivery plan has been produced. The required specialist resources have been identified to assist with the above. A recruitment exercise is underway for the specialist resources above.

The following workstreams are completed:

Finance Systems (Civica) Improvements:

- Civica Financials ADDACS (Automated Direct Debit Amendment and Cancellation Service) Process Review.

HR and Payroll System (MHR iTrent/Pier):

- Recruitment Module Implementation.
- Decommission of TribePad Recruitment Platform.

Multi-System (Civica, MHR iTrent, Procurement) Improvements:

- Adult Social Care (ASC) Return Improvement Project 2025.

HR and Payroll System (MHR iTrent/Pier) Improvements:

- Schools Time and Expenses Service Implementation (Schools Self Service).
- DataMart Module (People Analytics) Implementation.
- Manager Self Service - Staff Amendment & Leaver Process.

Multi-System (Civica, MHR iTrent, Procurement) Improvements:

- Off-Payroll Payments (IR35).
- Adult Social Care (ASC) Return Improvement Project 2026.

The following workstreams are in flight:

Finance Systems (Civica) Improvements:

- Civica Financials Reporting Review.
- TBM (Target Budget Management) Improvements.
- Civica Financials Data Archiving and Cleansing.
- Civica Financials V25.2 Implementation.

Corporate Leadership Plan Action

Status

Implement internal audit actions to improve key financial systems and processes (including pension/payroll, housing rent, housing benefits, council tax) with a view to address partial assurance



Commentary:

At the beginning of 2025/26, there were six (known) high priority audit actions.

Of these six:

- The Accounts Payable high priority action has been implemented.
- The two Debtors high priority actions have been implemented.
- The Payroll high priority action has been implemented, and further work will take place through the work improve core HR systems.
- The Off Payroll Payments high priority action has been partially implemented, with the Director of People & Innovation now providing corporate oversight.
- The Retrospective Purchase Order high priority action has been partially implemented.

Based on the internal audit work completed, the Chief Internal Auditor can provide

Partial Assurance*







that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period of 1st April 2025 to 31st March 2026




Chief Internal Auditor, Mark Winton
Audit Manager, Carolyn Sheehan

* Assurance can never be absolute. In this context 'partial assurance' means there are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of some organisational objectives at risk.

Appendix 3: External auditor report to A&S Committee

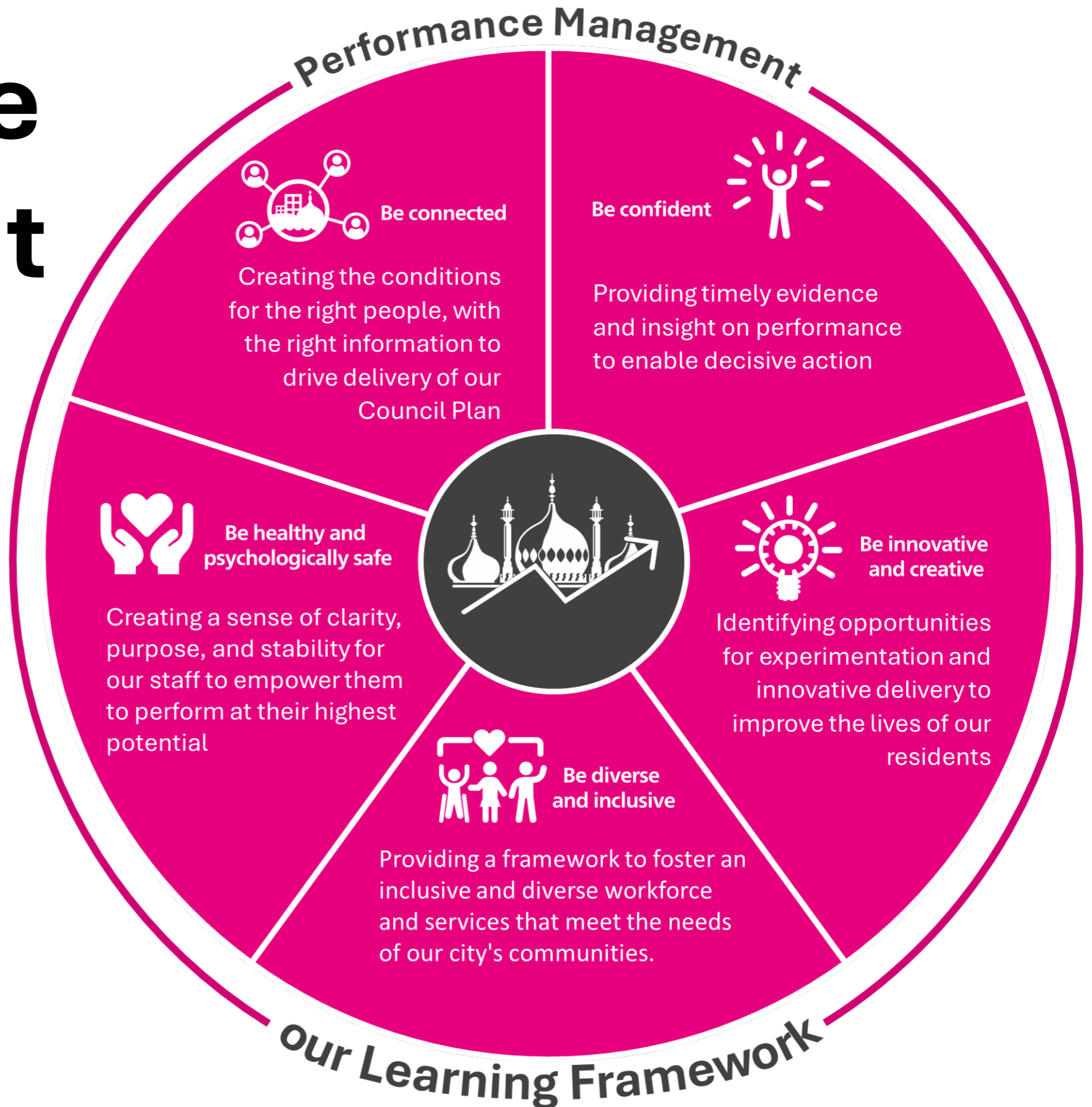
Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2024/25 is the fifth year that they have reported their findings in this way. As part of their framework, they considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Their considerations are summarised in the table below :

Criteria	2023/2024 Auditor judgement on arrangements	2024/2025 Auditor judgement on arrangements
Financial Sustainability	 Significant weakness in arrangements for financial sustainability remains with four improvement recommendations raised.	 Significant weakness in arrangements for financial sustainability remains. The Key recommendation from 2022/23 and 2023/24 remains to reflect progress on the ongoing weakness.
Governance	 Significant weakness in governance arrangements identified, with a key recommendation and two improvement recommendations made.	 Significant weakness in arrangements for governance over Environmental Services remains. The Key Recommendation made in 2023/24 is updated to reflect on the ongoing weakness, with two new and two prior year retained improvement recommendations.
Improving, economy, efficiency and effectiveness	 Significant weakness in relation to compliance with the Social Housing Regulator standards with two improvement recommendations raised.	 Significant weakness in arrangements for the Council’s Housing Stock in terms of compliance with the Regulator remains. The Key recommendation from 2023/24 remains support progress on the ongoing weakness, with two new and two prior year retained improvement recommendations

-  No significant weaknesses in arrangements identified or improvement recommendations made
-  No significant weaknesses in arrangements identified but improvement recommendations made
-  Significant weaknesses in arrangements identified and key recommendations made

Performance Management

The Council’s performance management framework supports the Council’s ambition to be a learning organisation by providing a clear, supportive structure for understanding what is working well and where improvement and innovation can add the greatest value. By focusing on outcomes, insight and continuous review, the framework encourages teams to reflect on performance, learn from experience and use evidence to inform decision-making. It creates space for innovation by enabling new approaches to be tested, monitored and refined, rather than judged solely on short-term results. Regular performance conversations, transparent reporting and shared accountability help ensure that learning is captured and applied across the organisation. In this way, the framework not only drives improved performance and service delivery, but actively fosters a culture of curiosity, adaptation and continuous improvement for the benefit of our residents and communities.



Performance management is fundamental to ensuring the council delivers its intended outcomes

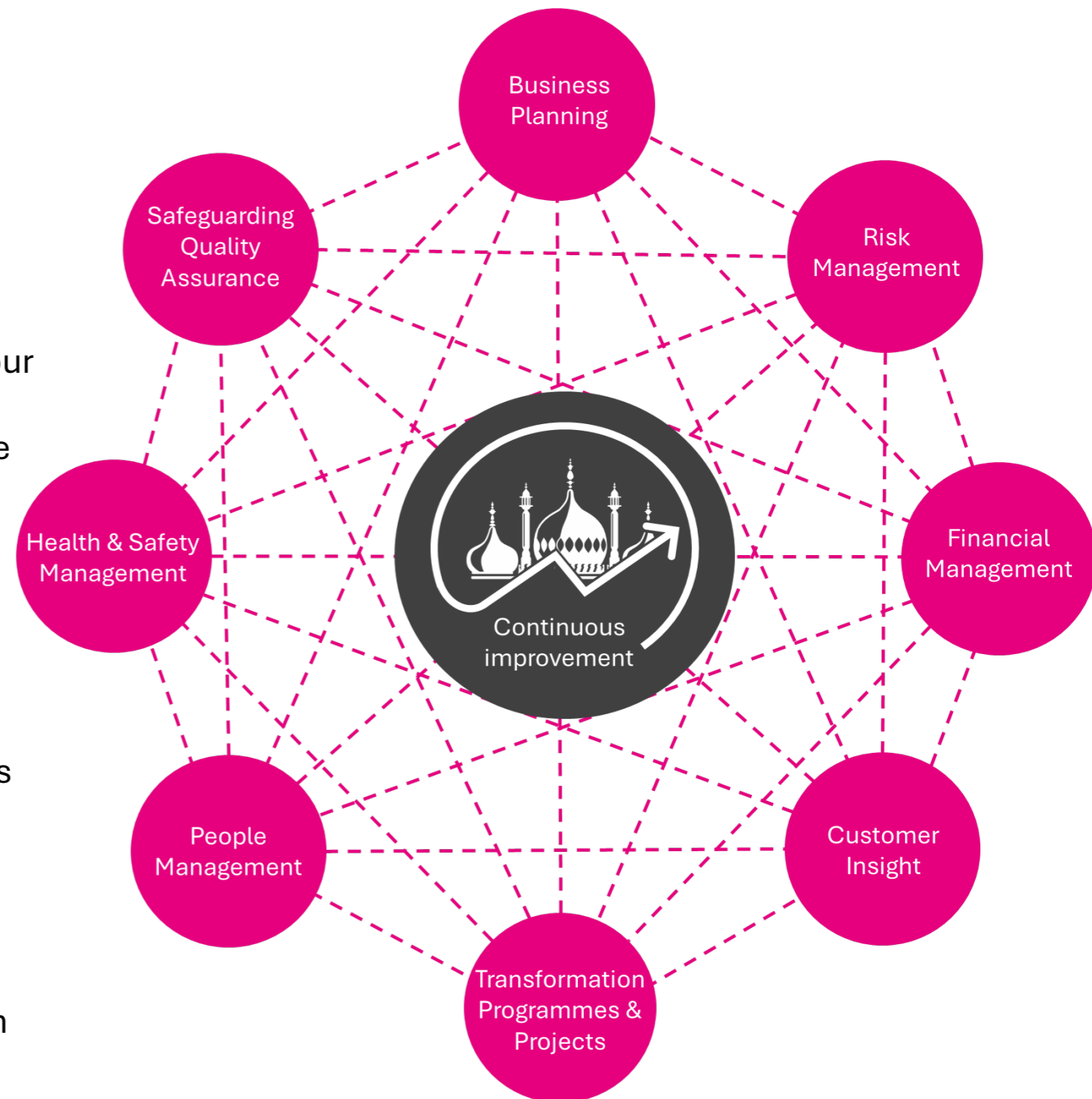
Best Value Authorities are under a general Duty of Best Value to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

The eight elements of the Performance Management Framework are key to our Corporate Governance and allow us to understand the performance of the council which provide us with a better context in which we are operating. The elements are inter-related; most services contribute to every element in the framework.

The Performance Management Framework sets out to ensure:

- strong leadership at all levels that is consistent, fair, and challenges blame culture
- commitment to the accountability that has been assigned to individuals
- the right information reaching the right people at the right time so that suitable decisions are made and actions are taken
- ongoing evaluation, review and learning to help improve future performance
- the ability to identify and commitment to rectify poor performance at an early stage

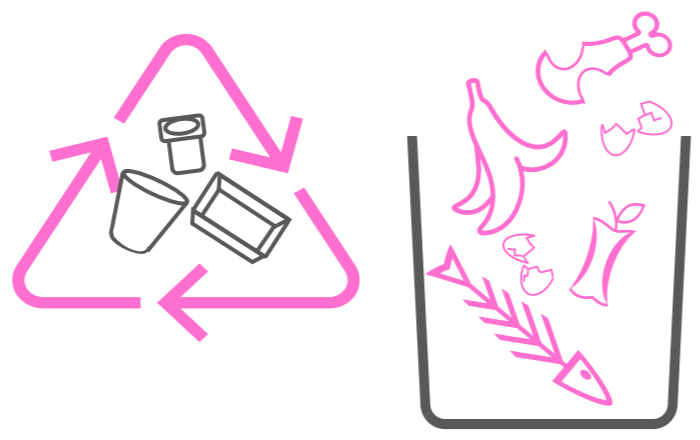
The primary purpose of performance management is to define our intended outcomes and then monitor our progress and performance in delivering them. Where progress or performance is not as expected, this is highlighted to allow the council to take corrective action.



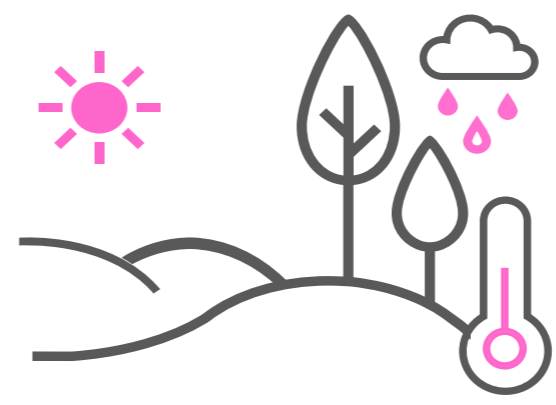
What we've achieved



Generated over £55million economic impact for the city through the Brighton Centre events programme



Expanded our recycling collections to include plastic pots, tubs and trays and rolled out weekly food waste collections across the whole city



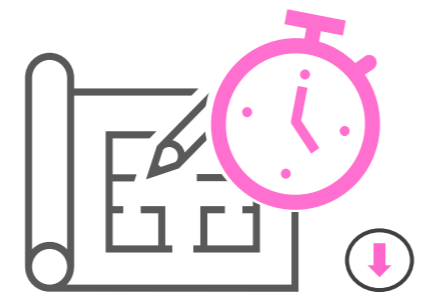
Taking action to increase our city's resilience to the impact of climate change, improve biodiversity and transition to net zero

Delivery areas of focus

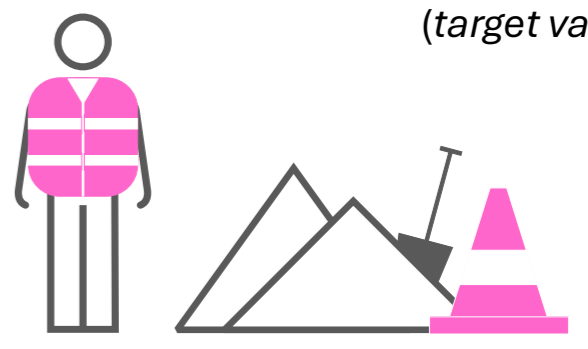


Aiming to increase our recycling rate from 27.08% to 33.5% and reducing residual household waste from 541kg to below 507kg (target values)

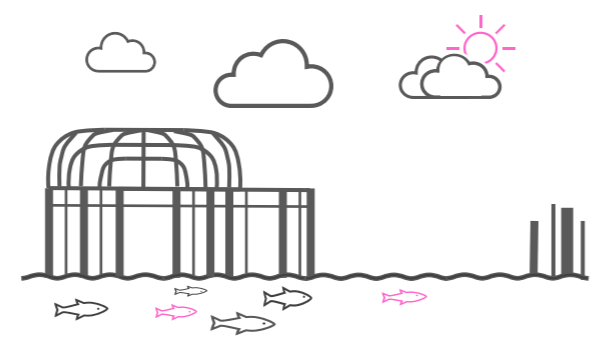
% of major (95.24%) & non-major planning (91.24%) applications decided within agreed timeframes significantly above national target (60%)



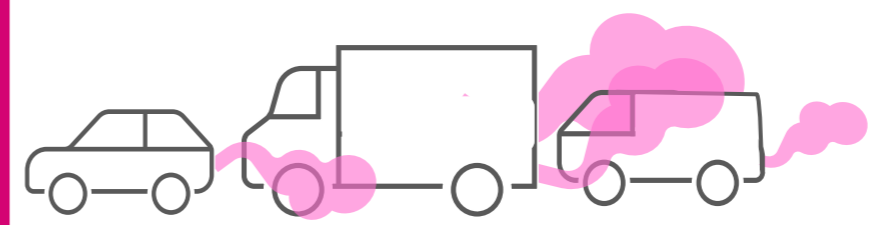
Proactively treated over 17km of roads and completed 5,062 safety repairs and 11,818 pothole repair to keep our city's infrastructure safe and accessible.



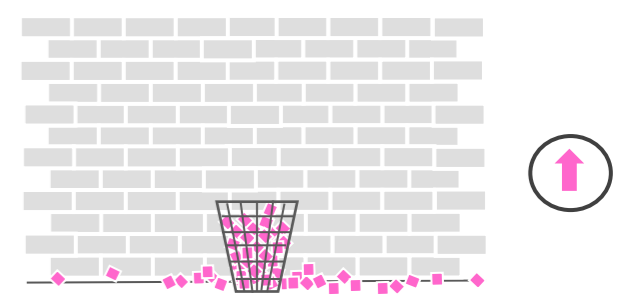
Achieved global recognition with the expanded Living Coast UNESCO Biosphere and secured approval for two Biodiversity Net Gain pilot sites with guaranteed funding for biodiversity.



Established the Seafront Development Board and Brighton & Hove Growth Board to drive the development, regeneration and economic growth across the city

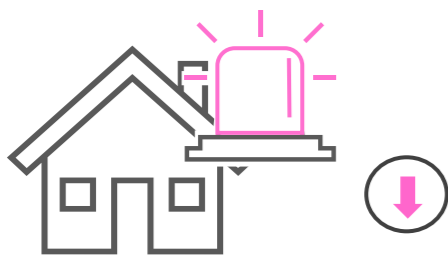


Implementing our fleet replacement plan for more sustainable service delivery



5.9% of streets inspected were found to have widespread or heavy levels of litter (target 4.9%)

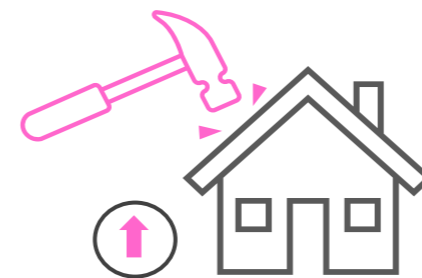
What we've achieved



12,737 out of 12,849 (99.12%) emergency repairs were completed within 24 hours of being reported (target 99%)

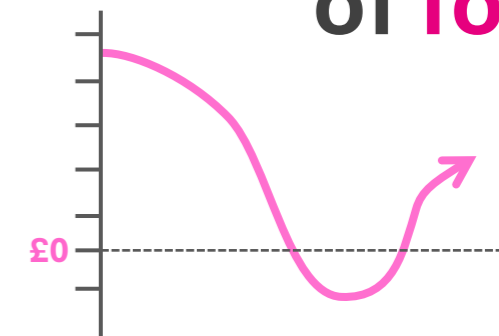


61.1% [9% above South East benchmark] of homelessness prevention cases have been closed with a successful prevention outcome, supporting over 500 residents into settled accommodation

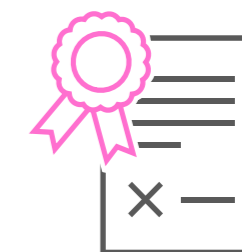


Sustaining the improvement in the number of routine housing repairs completed on time from 58.2% to 70% (target 70%)
20.6% below benchmark

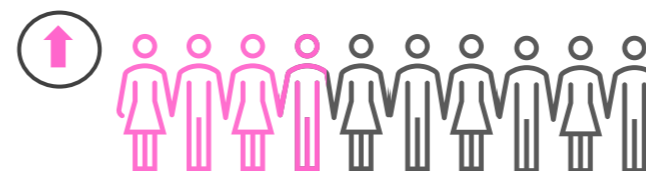
Delivery areas of focus



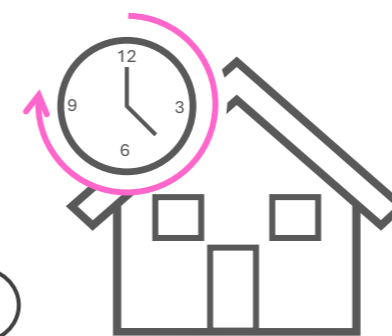
Delivering the Housing Revenue Account (HRA) business plan to ensure financial sustainability for the safety and quality of council homes and services



Significant progress in strengthening safety compliance across our housing stock while managing increased demand effectively



Increasing the number of homelessness cases presenting during the prevention duty stage from 38.7% to 45% (target value)

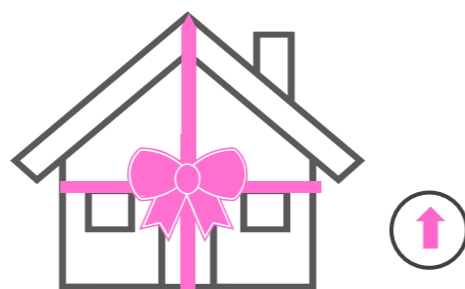


Addressing the growing financial and operational challenges of temporary accommodation (TA) (2,200 household in TA in December 2025)



Increasing the % of rent collected from current tenants of council homes from 92.42% to 95.9% (target value)

Delivered 164 additional affordable homes (new build, acquisitions & conversions) in 2025/26, 49% above the target of 110

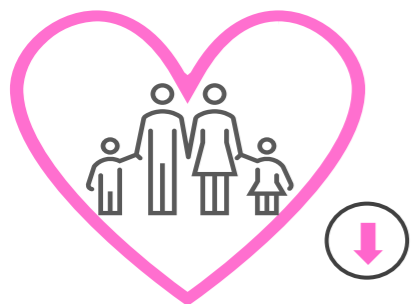


1,298 net residential unit completions in 2024/25, the highest completion figure since 2010

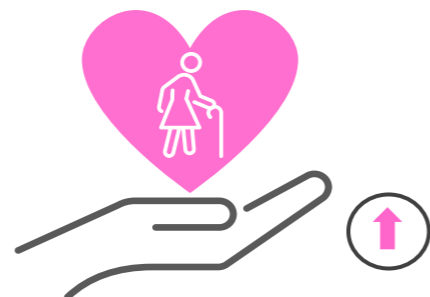


Supported 300+ welfare cases generating over £3,000,000 in monetary outcome direct to residents

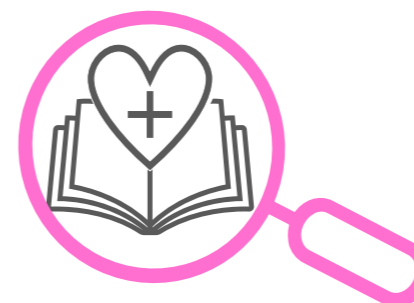
What we've achieved



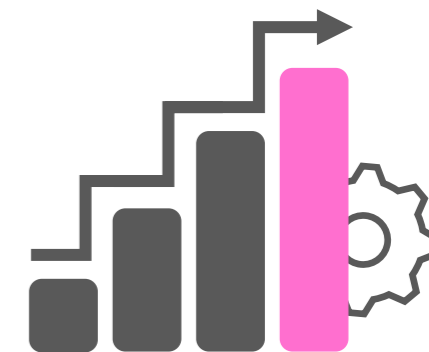
90.1% of Strengthening Family Assessments completed in 45 days, ensuring timely support is initiated to meet family needs [10% above national average]



72% of all adults in receipt of a long-term service are supported to remain at home rather than in residential care



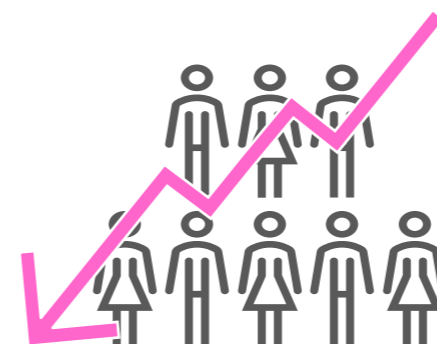
40% increase in Education, Health & Care needs assessments between 2024 and 2025 creating significant pressure across the end-to-end statutory process and increasing risk to meeting statutory timescales



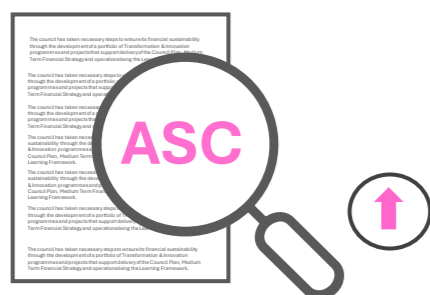
Delivering our Adult Social Care Improvement Plan which includes improving prevention & early intervention



83% of people referred to Adult Safeguarding who went on to a Safeguarding Enquiry achieved their desired outcomes



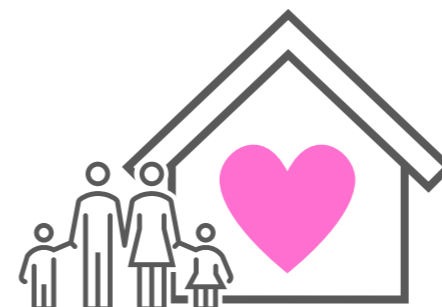
Reducing the number of admissions into residential care of younger adults, to enable more people to live independently



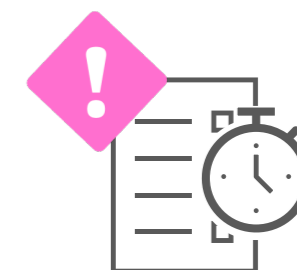
45.6% of adults receiving long-term services receive an annual review.



We supported 1,885 children, young people and families with emotional and mental health needs, with ~85% reporting improvement following intervention (where outcome data is shared)



Implementation of Family First transformation to prevent needs escalation into expensive care placements



Managing risk for service users on waiting lists (including reviews) for Adult Social Care

What we've achieved



Transformation & Innovation Portfolio of strategic programmes, including digital and asset optimisation, agreed to support delivery of the Council Plan, MTFS and operationalising the Learning Framework



Progressed operationalisation of the Learning Framework including embedding within change management, service redesigns, recruitment and communication.

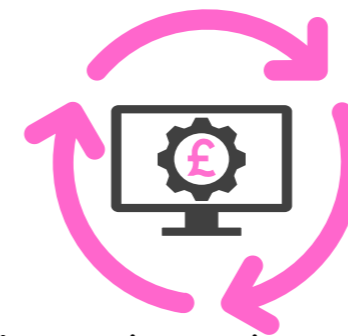


Developed an ambitious, but well planned MTFS which requires £15m short term support from EFS but creates savings of £93m over the period, addressing the issue of financial sustainability

Delivery areas of focus



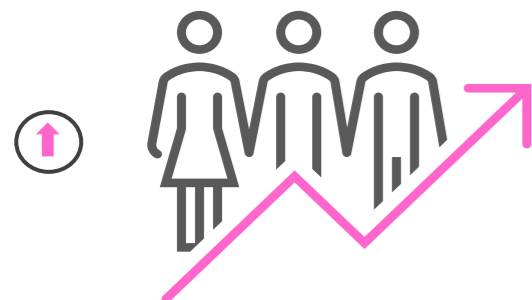
Delivering the Procurement and Contract management improvement programme, including a new framework, programme plan, and expanded peer network



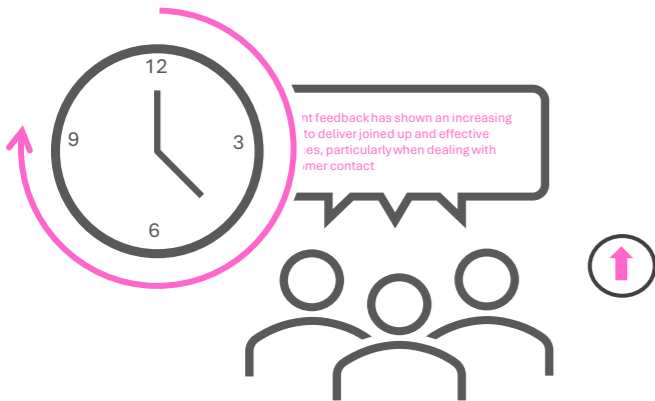
Implementing actions to improve key financial systems and processes including actions agreed with internal audit



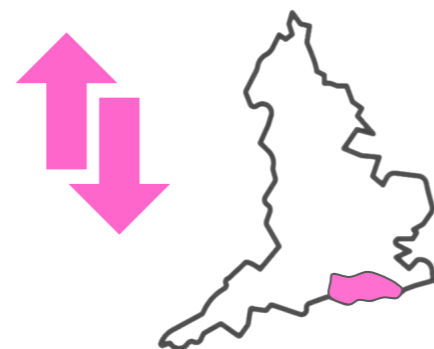
Strengthen governance of capital programmes to ensure alignment with council priorities



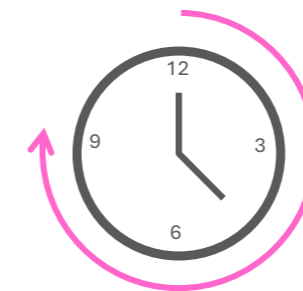
Increased representation in our workforce profile across the council
 BME 11.9% to 12.5% [City 12.1%]
 Disability 9.9% to 10.5% [City 11.7%]



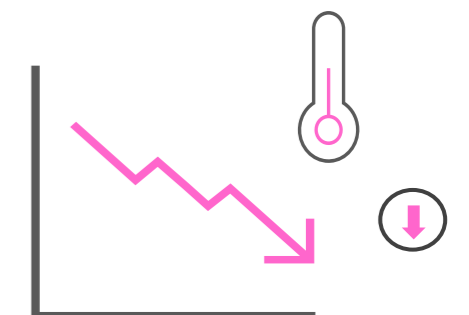
In light of a 25% increase in volume, 73.6% of stage 1 complaints were responded to within time, a 1.5% improvement from 2024/25



Working with partners to secure £1.14bn 30 year Investment Fund and £9m capacity fund for the creation of Sussex & Brighton Combined County Authority



Information Rights compliance (FOI compliance 73% and SAR compliance 65% against the ICO expectations of 90%)



Reducing the average number of working days lost to sickness from 11.2 to under 10 (target value)

National context and local factors

Outcomes the council want to achieve

The Council Plan

Rolling 4-year plan
Refreshed annually in line with financial planning

Reviewed annually

Corporate Leadership Plan

Key activities to deliver the council plan and meet essential & statutory duties

Reviewed annually

How services and teams contribute to the Council Plan and Corporate Leadership Plan

Team / Service Plans
(as needed)

Reviewed bi-annually

Performance Development Plan (PDP)

How individual staff contribute to the Council Plan and Corporate Leadership Plan

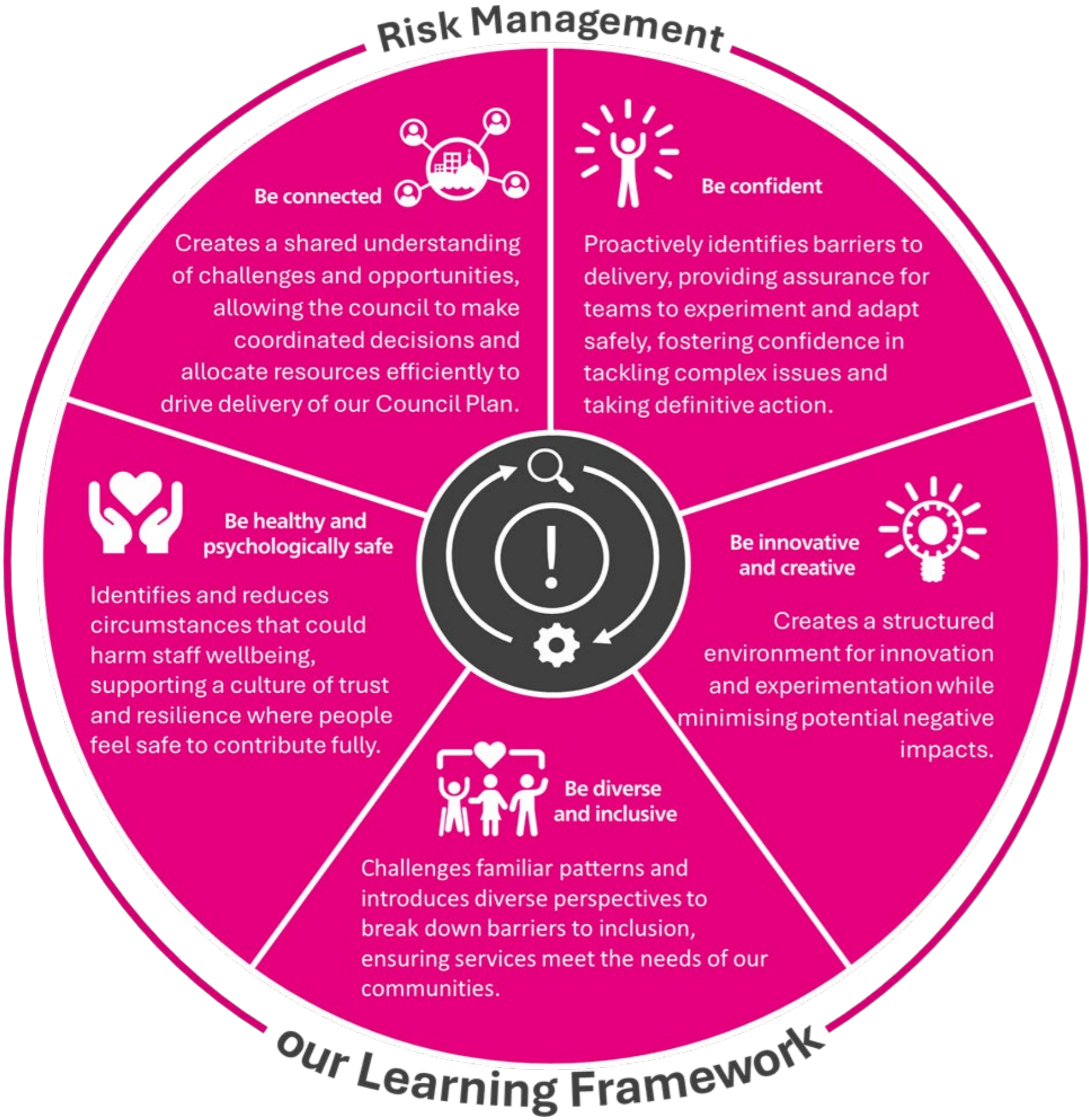
The Golden Thread

The Golden Thread is a concept that ensures all council activities are aligned with Council Plan outcomes through the planning process. Each plan should demonstrate how they contribute to the priorities and outcomes of the overarching plan, ultimately illustrating, and mapping, how each council officer contributes to the delivery of the council plan.

Risk

Management

The council’s risk management framework supports the council’s ambition to be a learning organisation, embedding reflection, transparency and continuous improvement into everyday decision-making. By promoting early identification and open discussion of risks, the framework shifts the focus from blame to learning, encouraging curiosity, shared learning and informed decision-making at all levels. This approach enables teams to understand what works, what does not, and why, helping them to manage uncertainty confidently and supporting informed innovation. Clear ownership, regular review, accountability and escalation processes ensure that lessons from incidents, near misses and changing risk profiles are captured and shared across the organisation. In doing so, the framework not only strengthens organisational resilience and governance, but also promotes learning, adaptation and innovation, driving improved performance and better outcomes for residents and communities while protecting the council from adverse impacts.



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Risk management levels

Risk identification and assessment must be prioritised and managed appropriately within the council to ensure proper allocation of resources and oversight. The council has three levels of risk management:

- Strategic (corporate)
- Directorate
- Service or Programme/Project

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Level	Owner	Level definition	Management process	Oversight
Strategic Risks (SR)	A member of the Corporate Leadership Team (CLT)	Significant impact on the achievement of Council Plan outcomes Impacts multiple directorates, partners or the city	Managed by Corporate Performance & Risk Team Reviewed quarterly at DLT and CLT meetings Reviewed biannually at Cabinet	Cabinet Audit, Standards & General Purpose Committee Lead Cabinet Member External & Internal Audit
Directorate Risks (DR)	A member of a Directorate Leadership Team (DLT)	Will impact on the ability to deliver Council Plan outcomes Impacts multiple services or departments	Managed by DLTs with support from Corporate Performance & Risk Team Reviewed quarterly at DLT and CLT	Corporate Leadership Team Lead Cabinet Member
Service Risks	Head of Service or Team Leader	Impacts on achievement of the service objectives Response can be managed within service	Managed within the service	Directors Heads of Service
Programme & Project Risks	A member of the Programme or Project Board	Impacts on achievement of the Programme or Project's objectives Response can be managed within Programme or Project	Managed within the programme or project	Directors Programme/Project Board

Risk escalation

The level a risk is managed at will depend on the scope, scale of potential impact and the type of response required. Risks can be escalated or de-escalated between the management levels as the level of risk exposure increases or decreases.



Role	Responsibilities
Cabinet	Approval of the Risk Management Framework Oversight and review of strategic risks
AS&GP committee	Oversight of the risk management framework and recommend improvements to strengthen risk management
Cabinet Portfolio Leads	Oversight of relevant risks
Corporate Leadership Team (CLT)	Accountable for the Strategic Risk Register Review the strategic risk register, ensuring it contains appropriate risks and they are managed effectively Escalation and de-escalation of risks between directorate and strategic levels Agree recommendations in changes to strategic risks Promote culture of risk management Each CLT member is responsible for their Directorate Risk Register
Directorate Leadership Team (DLT)	Management of the directorate risk register, ensuring it contains appropriate risks, and they are managed effectively Escalation and de-escalation of risks between service and directorate
Risk Owner	Accountable for the management of assigned risks, ensuring descriptions, assessments and risk scores are accurate, and suitable controls and actions are in place to mitigate the risk Provide updates on the risk, including any emerging information which may impact the risk
Risk Action Lead	Responsible for delivering the action assigned Provide progress updates Support the risk owner to describe and mitigate the risk
Corporate Risk Management Lead	Maintain the Strategic Risk Register through regular reviews with DLTs and CLT Support DLTs to review their Directorate Risk Registers Implement and review the risk management framework

Risk ownership and accountability

To ensure the effective and robust management of risk, specified council functions, members and officers are responsible and accountable for the management of risk.

The key responsibilities for the management and oversight of risk are detailed within Council’s Constitution.

Risk categories

The council organises its risks by categories. Grouping risks in this way supports the development of an integrated and holistic view of risks allowing the council to better understand and address risks as a connected council.

The below categories represent the core risk areas. Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational impacts.

Governance	Weaknesses in internal control, lack of clear ownership & accountability, oversight or assurance.	Safeguarding	Practices and internal controls for safeguarding to meet our statutory duties.
Legal	Defective transactions, claims, or other legal events that may result in liabilities or losses or a failure to meet legal or regulatory requirements or to protect assets.	Health and safety	Management of Health & Safety operational practices, compliance and reporting.
Property	Weaknesses in property asset management that may lead to non-compliance, harm, or suffering to employees, contractors, service users, or the public.	Technology	Technology not delivering the expected services due to inadequate or deficient systems/processes, a lack of investment and development, poor performance or inadequate resilience.
Financial	Weaknesses in managing finances in accordance with requirements and legislation, financial investment, maximising revenue opportunities or insufficient service funding.	Information and data use	Failure to produce robust, suitable, and appropriate data/information systems and processes or to exploit data/information to its full potential.
Procurement, partnership or commercial	Weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives. Includes risks associated with procurement of goods/works/services	Information Governance & Security	Failure to prevent unauthorized and/or inappropriate access to systems, assets and information including cyber security and non-compliance with UK General Data Protection Regulation requirements.
People	Leadership and engagement, culture, behaviours, and non-compliance with employment legislation/HR policies or insufficient capacity and capability of services.	Project or Programme	Innovation and change programmes that may not successfully and safely deliver requirements and intended benefits to time, cost, and quality.
		Reputational	Adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures, or poor quality that may result in damage to the council's reputation or destruction of trust and relations.

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Risk Appetite

Risk Appetite is the amount of risk the council is willing accept, in order to achieve its strategic objectives.

Fundamentally, it is the amount of uncertainty the council is prepared to accept in the pursuit of its objectives within any given scenario. Once defined, risk appetite improves the consistency across governance and decision making by increasing awareness of the council’s tolerance for risk and ensures the council attention is directed towards the correct areas.

Alongside the council's risk appetite statement, each risk category has a risk appetite position statement that defines the level of risk the council is prepared to accept within that particular area at any given point in time and in the context of our strategic objectives, current priorities, and our power to directly influence any given situation.

These position statements inform how we approach decisions within each risk category and ensure the council remains within its preferred level of risk appetite. When assessing and scoring strategic risks, the risk appetite is considered, and a target score is set at a tolerable level.

Brighton & Hove City Council's risk appetite statement

Our risk appetite has been defined following consideration of organisational risks, issues and consequences. Given the complexities of Local Government and the wide array of services delivered by the council, it is not appropriate to define a single risk appetite that can be applied across the organisation.

Appetite levels will vary, in some areas the council will be cautious, in others it will be open to risk and willing to carry a higher level of uncertainty in the pursuit of its intended outcomes.

The council has described its appetite across core risk categories, detailed below, and sets target scores at its tolerable level.

We will always aim to operate organisational activities at those defined levels. Where activities exceed the defined levels, or a risk is outside its defined tolerance, this must be managed through appropriate governance mechanisms.

The chart below illustrates the council's risk appetite across the core risk categories.



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Risk assurance

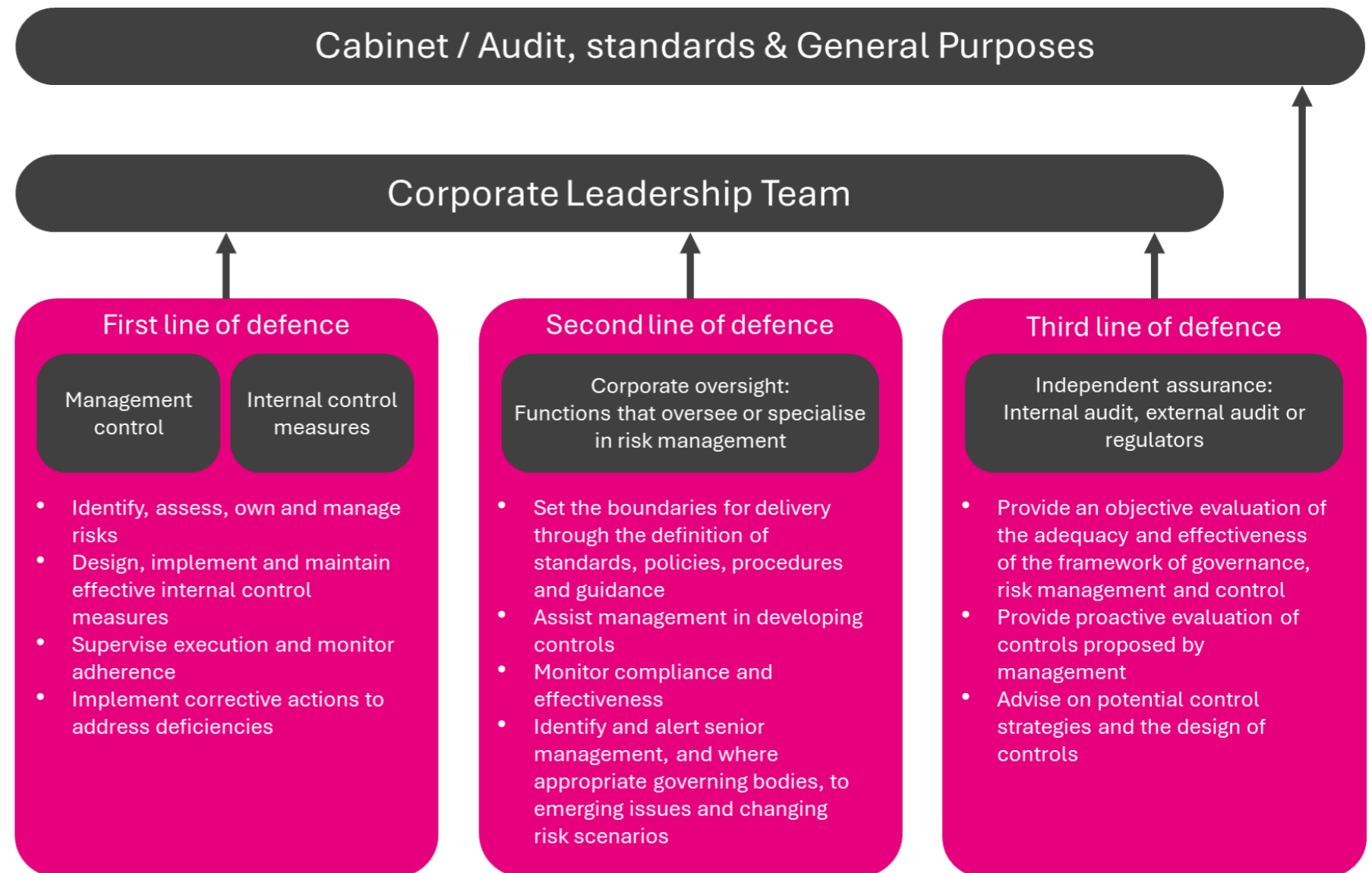
Risk assurance specifically refers to the processes and systems which can be used to hold the council to account and give confidence in how it delivers its duties, functions and outcomes through the management of risk.

Directly supporting the levels of risk management, the council uses the ‘three lines of defence’ model to assess and provide assurance of the effectiveness of our internal controls for any strategic risk.

The Three Lines of Defence model outlines three levels of assurance within our existing controls for each risk, providing evidence of the controls, oversight and existing processes specific to that risk.

The use of the Three Lines of Defence model demonstrates:

- plans to ensure that proper controls are in place
- that checks are in place for all areas of control
- the best use of the assurance process, i.e. all areas are checked, have oversight and duplication is avoided



Risk management process

There are four steps in the risk management process:

Risk identification & assessment

Risk identification and assessment help the Council to determine and prioritise how risks should be managed.

Risk treatment

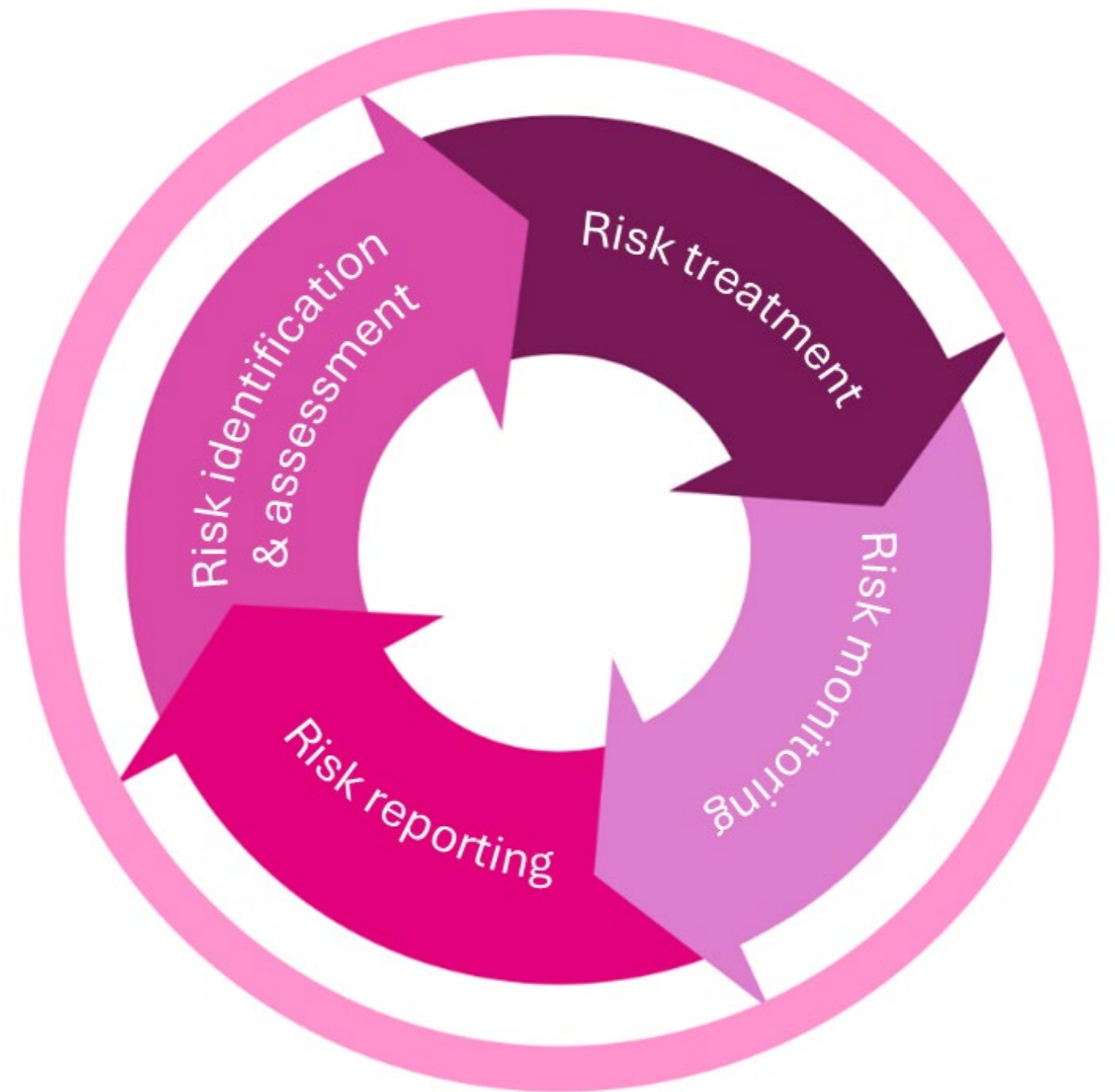
Selecting and implementing the appropriate treatment supports the achievement of intended outcomes and ensures risks are managed to an acceptable level.

Risk monitoring

The effective monitoring of risks ensures that timely and insightful action can be taken and supports strategic planning and decision making.

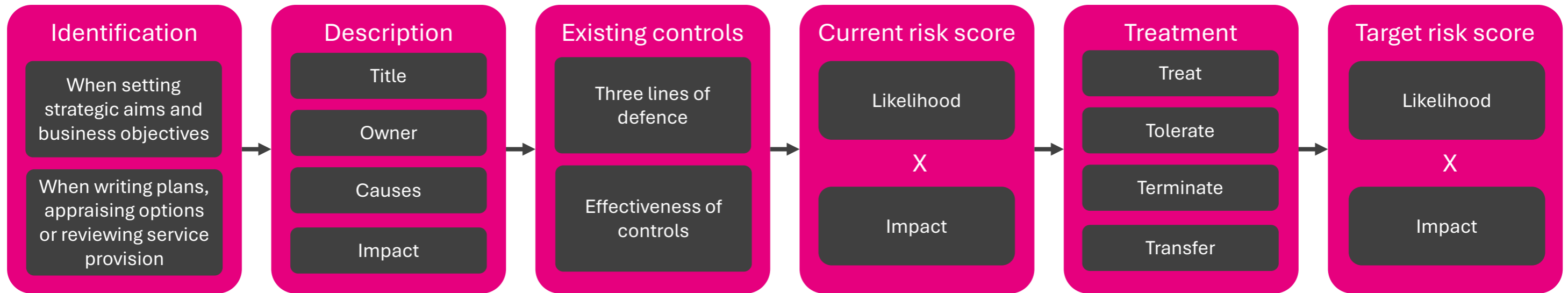
Risk reporting

Risk reporting enhances the quality of decision-making and supports management, and oversight bodies, in meeting their responsibilities.



The full Risk Management Framework can be found [here](#)

Risk identification and assessment



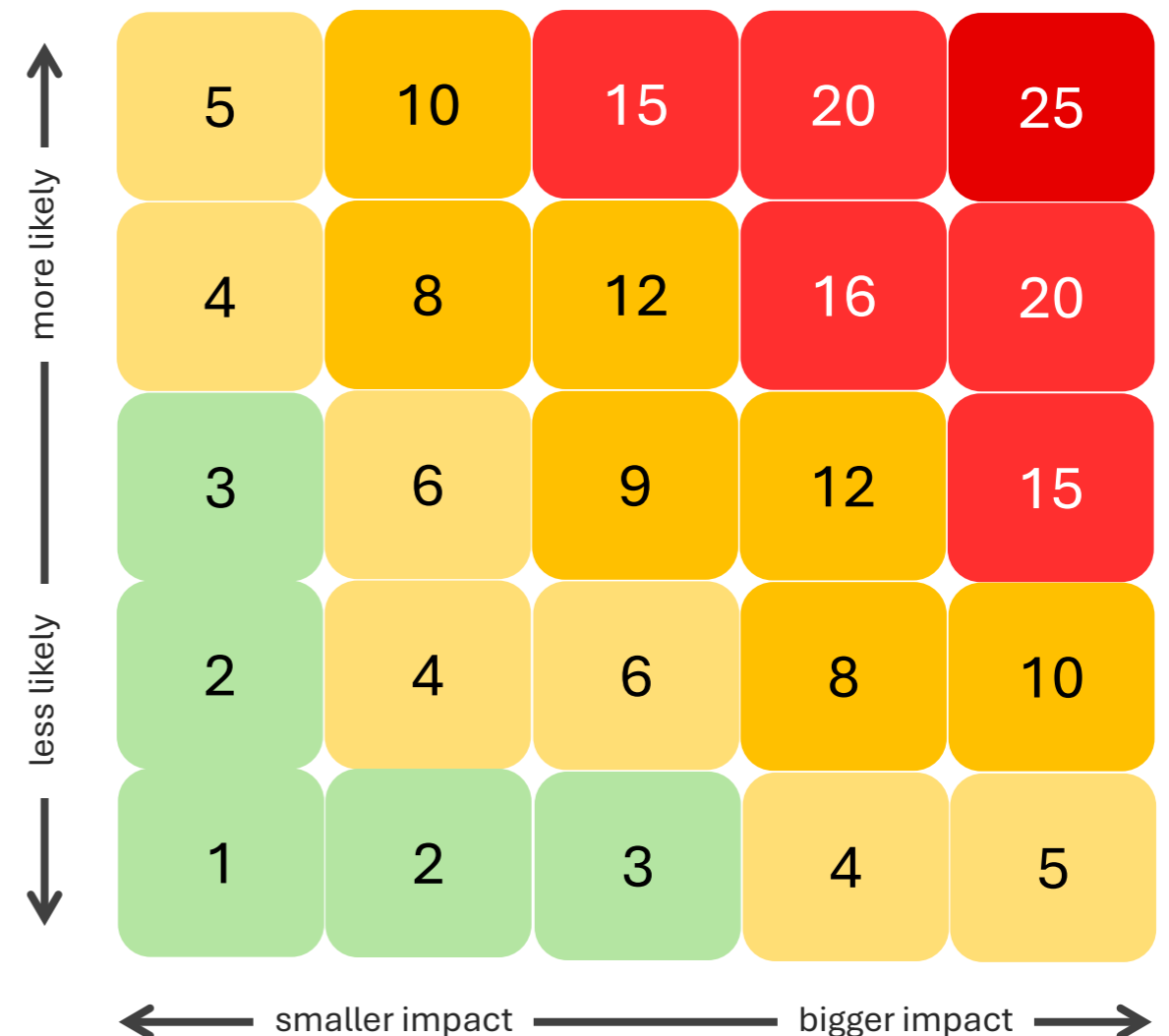
Identifying risks is the first stage of the risk management process. Risks can be identified by anyone, but they need to be clearly articulated so that the council is fully aware of the causes and potential impacts to ensure the right controls and treatment can be put in place.

This is often best done in groups of stakeholders who are responsible for delivering or are impacted by the objectives.

Risks are prioritised by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact if the risk should occur. These are multiplied to give a total risk score.

The Strategic Risk Register mostly includes high (red) and significant (amber) risks. Directorate Risk Registers are likely to include high, significant, moderate (yellow) and low (green) risks.

Risk Owners are asked to consider whether to treat, tolerate, terminate or transfer the risk. When treating the risk, mitigating actions should reduce the likelihood and/or impact, if neither are true, there will not be any reason to undertake the action.



Risk monitoring and reporting

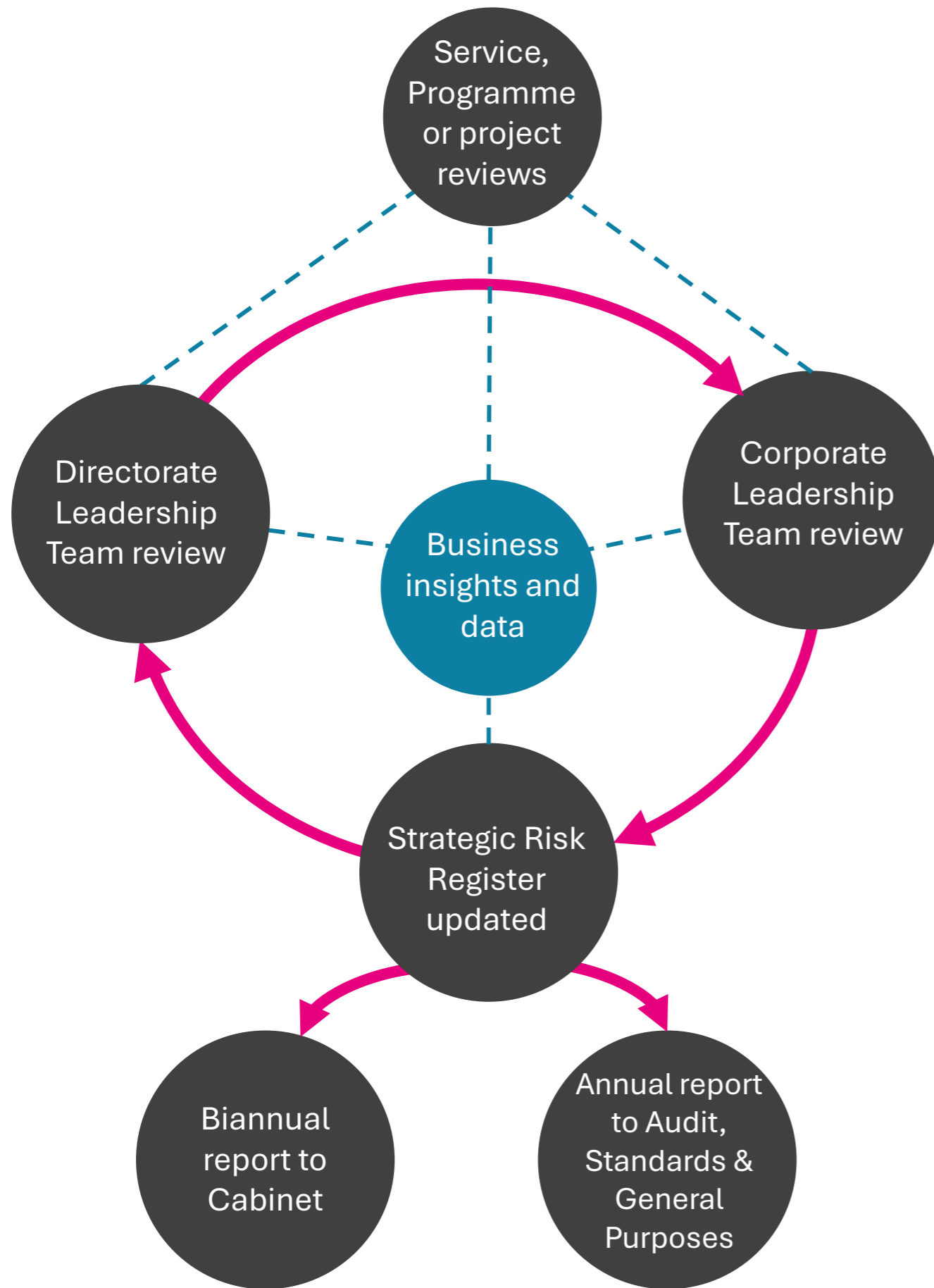
Risks must be regularly monitored to support understanding of whether the level of risk exposure is changing and to what extent the existing controls, or mitigating actions, are having the desired effect. A monitoring structure should be agreed that identifies key indicators to show the progress or effect of controls and actions at suitable intervals.

It is recommended that risk reviews are established within the governance arrangements for all services, programmes and projects with clear protocol for escalation.

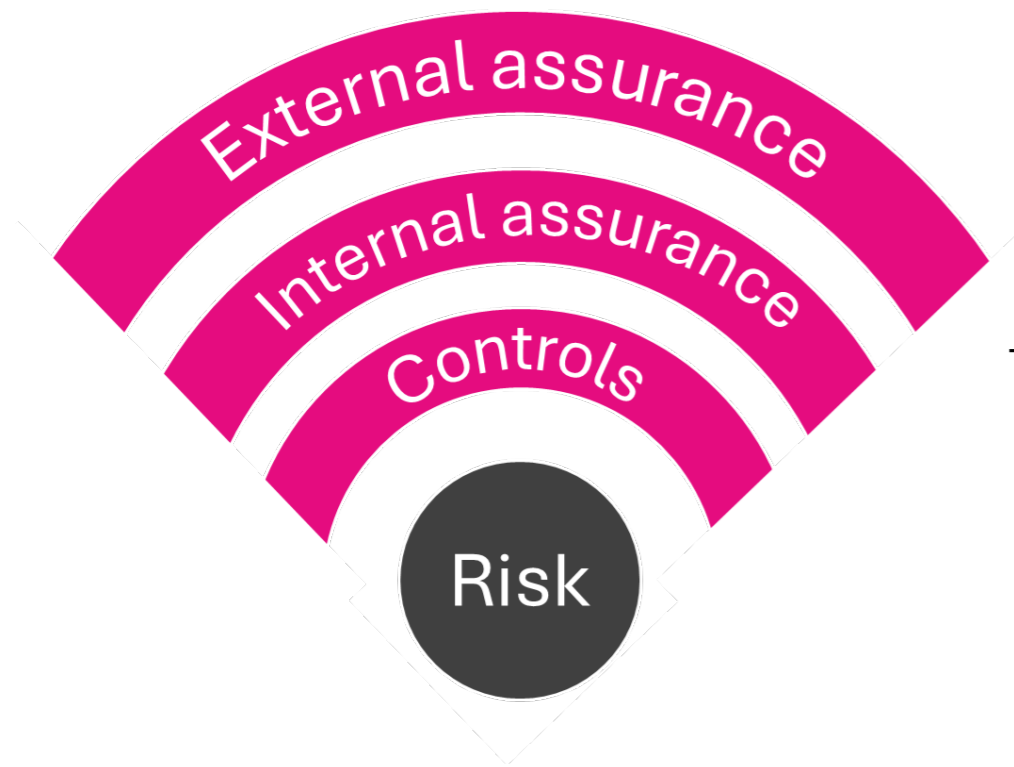
A regular reporting cycle should be established to enable effective oversight and challenge, support timely and accurate decision-making, and demonstrate accountability and transparency.

Directorate and strategic risks are reviewed at least quarterly by Directorate Leadership Teams (DLTs) and the Corporate Leadership Team (CLT).

The strategic risk register is reported biannually to Cabinet, as part of the mid-year and year-end council plan performance reports, and annually to Audit Standards & General Purposes alongside the Risk Management Framework.



Quarterly directorate and strategic risk monitoring and reporting cycle



The third line of defence consists of internal audit and other independent assurance functions, operating independently of operational responsibilities, enabling it to offer a clear perspective on whether risks are being properly identified, managed and reported.

This independence is crucial for oversight bodies such as Audit Committees and elected members, as it gives them confidence that controls are not only well designed but are also functioning in practice, and that significant weaknesses or emerging risks are being escalated appropriately.

Independent assurance of strategic risks is provided through this third line of defence, with the strategic risk register informing the Internal Audit Plan. However, planned audits will not cover all strategic risks, and internal audit delivers third line assurance only on specific aspects of certain strategic risks.

SR02 Failure to develop and deliver a Medium-term financial plan (MTFP) to ensure financial sustainability and resilience

1. Annual review of Value for Money (VfM) arrangements by the External Auditor leading to an opinion in the annual audit report. The last review (2022/23) concluded there were significant weakness in arrangements identified in relation to financial sustainability, with key recommendations made and two improvement recommendations raised.
2. Internal Audit reviews on all aspects of financial management, governance and reporting are undertaken on a rolling basis to provide management with assurance and recommendations for improvements. The Audit Plan and Strategy is agreed and monitored by Audit, Standards & General Purposes Committee on an annual basis. The committee also receives reports on high priority actions and limited assurance audits.
3. Internal audit reviews:
 - 2024/25: Accounts Payable (Reasonable), Treasury Management (substantial), Payroll (Partial), Housing Rents (Reasonable), Capital Programme budgetary Control (Reasonable), Home Purchase Scheme (Partial), Prepayment Vouchers- HUGGG (Partial), Budget Management - Effectiveness of Savings Targets Follow Up (Reasonable), General Ledger (Reasonable), PCI DSS Follow Up (Reasonable), Housing Benefit and Council Tax Reduction (Reasonable)

SR10 Failure to adequately protect information assets from a successful cyber-attack impacting our ability to deliver a responsive council with well-run services

1. Internal Audit:
 - 2024/25: Recovery and Resilience (including Cyber Security) arrangements (Reasonable), System Change Control and Release Management (Patch Management)(Reasonable), PCI DSS Follow up (Reasonable)
 - 2023/24: Procurement of IT Systems (Reasonable Assurance), Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Eclipse Application Control (Reasonable Assurance), Accommodation Strategy & Workstyle Programme (Reasonable Assurance), Adult Services Data Handling (Reasonable Assurance), Childrens Services Data Handling (Reasonable Assurance), PCI/DSS (Partial Assurance)
2. IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
3. Continued assurance from compliance regimes, including Public Sector Network (PSN) CoCo (Code of Connection); NHS Digital Data Security and Protection (DSP) Toolkit; and Payment Card Industry Data Security Standard (PCI DSS).

SR13 Not keeping adults safe from harm and abuse.

1. For the council's in-house registered care services Care Quality Commission (CQC) Inspections on an on-going regular basis. From 2023, all local authority adult social care services will be inspected by CQC.
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website www.cqc.org.uk.
3. Brighton & Hove Safeguarding Adults Board (BHSAB) is independently chaired and meets quarterly with the three statutory agencies for city wide safeguarding assurance. The Safeguarding Lead is a member of the SAR panel (multi agency, chaired by independent sector) where referrals for reviews are discussed in depth.
4. Local Government Association Test of Assurance in September 2022 provided recommendations that were reviewed at follow up session in April 2023.
5. Internal Audit
 - 2024/25: Direct Payments (Partial)
 - 2023/24: Adult Services Data Handling (Reasonable Assurance)

SR15: Failure to ensure effective safeguarding arrangements to keep children and young people safe from harm and neglect

1. Ofsted inspection of children's services arrangements in March 2024 - Outstanding. This provides external assurance on our safeguarding and care arrangements.
2. Ofsted and the CQC inspection of the council's SEND and Alternative Provision arrangements in March 2023. The council received outcome 1 which provides positive assurance around our social care arrangements for children with special educational needs and disabilities and confirmation that existing improvement plans are correctly focussed.
3. National Probation Inspectorate statutory inspection of the city's Youth Offending Service April 2021 - Outstanding grading across every domain.
4. Annual Engagement Meeting (AEM) with Ofsted HMI for social care and education. Most recently held in April 2024 and covered social care and education. A separate discussion focussing on Further Education and Skills and one on Special Educational Needs is due to take place later in 2024.
5. The Brighton & Hove Safeguarding Children's Partnership (BHSCP) commissions Independent Scrutiny (IS) for the partnership to provide external challenge to the businesses of the partnership, its meetings, subgroups and priorities.
6. Internal audit:
 - 2024/25: Early Help Services (Reasonable)
 - 2023/24: Childrens Services Data Handling (Reasonable Assurance), Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)

SR18: Failure to invest in and maximise use of digital technology to enable a responsive council with well-run services

1. Internal Audit:
 - 2024/25: PCI DSS Follow Up (Reasonable), Housing Replacement Works Management System (Advice work)
 - 2023/24: Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Advice work for ERP programme board and the housing works management system programme board, PCI/DSS (Partial Assurance)
 - 2022/23: Housing Management System (follow up) (Reasonable Assurance); Public Sector Bodies Accessibility Regulations (follow up) (Reasonable Assurance)

SR21: Failure to optimise council housing stock, make best use of available housing in the city and deliver new affordable homes

1. Internal Audit:
 - 2024/25: Housing Major and Planned Works Programme (Partial), Housing Rents (Reasonable), Home Purchase Scheme (Partial)
 - 2023/24: Housing Rents follow up (Partial Assurance), Housing Temporary Accommodation (Reasonable Assurance), Housing Allocations (Reasonable Assurance)
 - 2022/23: Housing Management System (follow up) (Reasonable Assurance)
2. Ministry of Housing, Communities and Local Government information quarterly returns on homelessness and rough sleeping
3. Homes England (HE) information returns where we have HE grant allocations. HE grant for homeless move on accommodation – regular updates to HE on scheme progress and draw down on grant.

SR24 Failure to provide an equitable approach to ensure equality of access, outcomes and experiences for all

1. Internal Audit:
 - 2024/25: Housing Benefit and Council Tax Reduction (reasonable)
 - 2023/24: Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)
1. Department for Work & Pensions (DWP) oversee distribution of the Household Support Fund.
2. Ministry of Housing, Communities and Local Government and BEIS oversee the Energy Payment and associated discretionary fund, and Energy Bills Support Scheme respectively.

SR25: Failure to use the council's resources and capabilities to deliver the Council Plan and adapt to the evolving needs of the city

1. Local Government Association Corporate Peer Challenge undertaken in 2025
2. Internal Audit
 - 2024/25: Employment checks - Right to Work (Reasonable), Apprenticeship Programme (Reasonable)
 - 2023/24: Organisational Capacity – Workforce Strategy and Management (Reasonable Assurance), Performance Development Plans and 1 to 1s (Reasonable Assurance)

SR29: Failure to manage contracts to ensure value for money and achieve the best outcomes for the city

1. Internal Audit:
 - Audit work completed during the 2024/25 financial year, findings were raised regarding contract management across four non-opinion pieces of work, three partial opinion audit reviews, and school audit reviews.
2. Regulatory control of in scope contracts over £5m – by statute have to put in Performance Indicators for any contracts over £5m – reviewed annually and performance is published publicly
3. Annual external audit reviews the Council's value for money

SR38: Failure to take effective action to increase our city's resilience to climate change, improve biodiversity and transition to net zero

1. Environment Agency (EA) in respect of flooding. Monthly reports made to EA on how the city council spends the monies received from EA includes schemes such as coastal protection; Property Level Protection; sustainable urban drainage SPG (policy); Strategic Flood Risk Assessment.
2. Local Air Quality Management reports submitted regularly to the Department for Environment, Food and Rural Affairs (Defra)
3. Internal Audits undertaken:
 - 2023/24: Carbon Reduction Programme (Reasonable Assurance)

SR39 Failure to maintain and demonstrate the building and fire safety of council homes

1. Monthly meeting with the Regulator of Social Housing
2. Report on Health & Safety Board Performance Trackers sent to Regulator of Social Housing
3. Report on Tenant Satisfaction Measures to Regulator of Social Housing
4. Internal Audit Position Statement on Housing Health and Safety Regulations 2024/25 (January 2025)

SR40: Failure to maintain a clean and safe city

1. Local Authorities Events Organisers Group (LAEOG)
2. DfT monitor and assure delivery of key transport programmes
3. Independent Seafront Development Board

SR41: Failure to maintain and demonstrate the health & safety compliance and fire safety of the council's commercial property

1. Internal audit planned for 25/26

SR42: Failure to deliver on or maximise opportunities of Devolution in the best interests of Brighton & Hove

1. Internal audit - plan for 25/26
2. Regular meetings with MHCLG on Devolution

SR43: Failure to maximise the opportunities of Local Government Reorganisation in the best interests of Brighton & Hove

1. No current independent assurance

SR44: Failure to maintain and demonstrate the health & safety compliance and fire safety of the council's operational property

1. No current independent assurance

Whilst many of our policies, processes and strategies link to the Good Governance Principles, below are those that are particularly relevant.

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Policy, framework or process	Owner	Last reviewed
The Constitution	Director Governance & Law	2025
Code on Officer/Member Relations	Director Governance & Law	2025
Behaviour Framework which includes council values	Director People & Innovation	2023
BHCC Anti-Fraud & Corruption Strategy and Framework	Director Property & Finance	2022
Modern Slavery Statement	Director Property & Finance	2024

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Policy, framework or process	Owner	Last reviewed
Customer Experience Strategy	Director People & Innovation	2023
Information Rights Framework	Director People & Innovation	2024
Formal Partnerships including the City Management Board	Head of Cabinet Office	2023

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Policy, framework or process	Owner	Last reviewed
Council Plan	Director People & Innovation	2025
Economic Strategy	Head of Cabinet Office	2024
Carbon Reduction Programme	Corporate Director City Operations	2024
Medium Term Financial Strategy	Director Property & Finance	2025
Capital Investment Programme	Director Property & Finance	2025

Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

Policy, framework or process	Owner	Last reviewed
Financial Regulations & Standard Financial Procedures	Director Property & Finance	2024
Transformation & Innovation Portfolio of strategic programmes	Director People & Innovation	2025
Contract Standing Orders	Director Property & Finance	2026

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Policy, framework or process	Owner	Last reviewed
Fair & Inclusive Action Plan (which includes equalities work with city partners)	Director People & Innovation	2023
Staff training	Director People & Innovation	2023
Member training	Director Governance & Law	2023
Scheme of Delegation	Director Governance & Law	2024
Pay policy statement	Director People & Innovation	2024

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Policy, framework or process	Owner	Last reviewed
Risk Management Framework	Director People & Innovation	2026
Information governance & security policies	Corporate Director City Operations	2023
Health, Safety & Wellbeing Strategy	Director People & Innovation	2025
People Strategy	Director People & Innovation	2023
Whistleblowing Policy	Director Governance & Law	2025

Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

Policy, framework or process	Owner	Last reviewed
Performance Management Framework	Director People & Innovation	2025
Internal Audit Plan	Director Property & Finance	2025
Annual Internal Audit Review and Opinion	Director Property & Finance	2025
Independent Assessment of Internal Audit	Director Property & Finance	2025
External Auditor's Annual Report	Director Property & Finance	2025

Brighton & Hove City Council

Audit Standards & General Purposes Committee

Agenda Item 13

Subject: Standards Update

Date of meeting: 23 June 2026

Report of: Elizabeth Culbert, Director – Governance & Law and
Monitoring Officer

Contact Officer: Name: Victoria Simpson, Senior Lawyer – Corporate Law
Email: Victoria.Simpson@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 To provide an update on Standards-related matters, including in relation to complaints alleging that Members have breached the Council's [Code of Conduct for Members](#).

2. Recommendations

2.1 That Committee agrees to note the contents of this Report, including the information provided regarding the Independent Persons appointments.

3. Context and background information

3.1 The Council is required by the Localism Act 2011 to have in place arrangements for dealing with complaints against elected and co-opted Members. Brighton & Hove City Council reviews its arrangements regularly and publishes them on its website. It also makes data on member complaints available to the public via quarterly reports such as this one.

3.2 The Audit, Standards and General Purposes Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. This Committee receives quarterly reports on complaints against members to provide reassurance that complaints are being considered and dealt with in accordance with the Council's processes. This Report appends data on complaints both reported as outstanding at the time of the last Report, and those which have been received since then.

3.3 Members are asked to note the contents of the Report and to make any comments or suggestions they wish.

4. Quarterly report on Member complaints

Progress on complaints previously reported to this Committee

- 4.1 This data is provided in Appendix 1, at table 1.

Progress on new complaints received in since the last update

- 4.2 This data is provided in Appendix 1, at table 2.
- 4.3 The complaints referred to in this section are being progressed by the office of the Monitoring Officer in accordance with the procedure which governs member complaints.

5. Independent Persons appointed under the Localism Act 2011

- 5.1 The Council is required to appoint at least one 'independent person' to provide input at key points during the determination of complaints against members. At this Council, we are fortunate in the calibre of appointees we have been able to attract. They are normally three in number, this amongst other things to reflect the fact that they provide a greater degree of input in this area than is statutorily required.
- 5.1 At time of writing, two independent persons remain in post: Barbara Beardwell and David Bradly KC. However Mr Bradly is nearing the end of his tenure, which expires in October 2026. This Committee will be asked to note that fact at its next meeting and to acknowledge the significant and much-valued contribution he has made in the role.
- 5.1 Efforts to recruit two new independent persons as a priority via an open application process were begun last month and resulted in a number of well-qualified persons coming forward. Following a recruitment process which resulted in the identification of several appointable applicants, two preferred candidates were identified: Dean Spears and Paul Cummins. Both are already appointed as independent persons for other local authorities and each has a professional skillset considered to be well-suited to this role - including inarguable strengths in the area of governance.
- 5.1 Full Council approval is required to formally appoint the successful applicants. While that approval will be sought at the scheduled meeting in July 2026, this Committee is asked to note the information provided above as the body with oversight for this area.

6. Proposed changes to the standards regime

- 6.1 Committee has previously been made aware of the Government's response to the consultation on its proposals to substantively reform the member complaint regime. The Government's stated intention to implement those changes has been noted by this Committee. There has been no further news regarding timescales since the Government announced its firm intention, and a watching brief continues to be maintained.

7. Member training

- 7.1 In accordance with the information provided to the last meeting of this Committee, further alternative Standards refresher training slots were offered to all elected and co-opted voting members of the Council during the month of May.

8. Analysis and consideration of alternative options

- 8.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. This 'for noting' Report provides information as opposed to options.

9. Community engagement and consultation

- 9.1 None.

10. Financial implications

- 10.1 There are no direct financial implications arising from this report. Any activity in relation to monitoring standards and investigating complaints is met from existing budgets.
- 10.2 Any financial impacts that arise from the reforms proposed by government will be assessed and reported once proposals are published and understood.

Name of finance officer consulted: Haley Woollard Date consulted:
05/06/26

11. Legal implications

- 11.1 All matters of a legal nature that are considered relevant have been addressed in the body of this Report.

Name of lawyer consulted: Victoria Simpson Date consulted
28/05/2026

12. Risk implications

- 12.1 No risks other than the previously reported potential pressures of an updated member complaints regime have been identified.

13. Equalities implications

- 13.1 There are no equalities implications arising from this Report, which provides reassurance on the arrangements which have been developed with the need to ensure the Council and its members discharge their responsibilities with appropriate regard for equalities considerations in mind.

14. Sustainability implications

14.1 No sustainability implications have been identified.

15. Other Implications

15.1 No other implications have been identified.

16. Conclusion

16.1 Members are asked to note the contents of this Report, which aims to assist the Council in discharging its responsibilities in this area.

Supporting Documentation

[Strengthening the standards and conduct framework for local authorities in England - GOV.UK](#)

Appendices

Appendix 1 – data on member complaints previously reported to Committee (Table 1) and new Complaints (Table 2)

Appendix 1: Complaint data

From April 2026 – June 2026

Table 1 – Complaints reported to April 2026 Committee as being unresolved at that time

URN	Date received	Date determined	If concluded, basis on which decision was taken	Complaint Topic	Additional notes
G12025	05/10/2025	07/05/2026	Decision to not progress into a formal complaint. Subject member apologised for the inaccuracy of the information provided and agreed to send a corrective statement in the next edition of the newsletter.	A	Complaint alleging misinformation conveyed within a newsletter
J12025	17/10/2025	04/06/2026	Decision to take no further action at preliminary assessment stage on the basis that it was not in the public interest to progress either complaint, an apology having been provided by one of the subject members for their intervention alongside a commitment not to engage in similar conduct in the future.	B	Complaint regarding conduct by two members of the same Group during a Cllr's speech.
L12025	16/10/2025	Ongoing	Complaint referred for formal investigation, which remains underway.	D	Complaint about the conduct of a Cllr alleging inappropriate conduct.

A2026	07/01/2026	08/04/2026	Decision to take no further action at preliminary assessment stage, insufficient evidence of a breach of the Code having been identified to merit progressing the complaint	B	Complaint about the subject member's conduct at a full Council meeting.
G2026	05/03/2026	Ongoing	Not yet concluded	D	Complaint about a social media post about the complainant
H2026	31/03/2026	Ongoing	Not yet concluded	C	Complaint alleging inaccuracy of information provided by subject member about Council services
I2026	27/03/2026	Ongoing	Not yet concluded	B	Complaint regarding response provided by a subject member to a public question about an email sent by the Council.
J2026	31/03/2026	Ongoing	Not yet concluded	A	Complaint about the position taken by two councillors regarding a planning application in their ward

Table 2: Complaints received in since the April 2026 report to this Committee:

K2026	29/04/2026	Ongoing	Not yet concluded	A	Complaint by a member of the public alleging lack of response by a councillor to email communications about a petition
L2026	30/04/2026	Ongoing	Not yet concluded	A	Complaint from a member of the public alleging lack of response by a

					councillor to email communications about a parking permit issue
M2026	30/04/2026	Ongoing	Not yet concluded	A	Complaint from a member of the public alleging lack of response by a councillor to email communications about a parking permit issue
N2026	01/05/2026	Ongoing	Not yet concluded	B	Complaint regarding three members' conduct at a public meeting
O2026	11/05/2026	Ongoing	Not yet concluded	C	Complaint from a member alleging that subject member's conduct had breached the Nolan principles
P2026	02/06/2026	Ongoing	Not yet concluded	C	Complaint from a member of the public regarding comments made by the subject member on social media
Q2026	02/06/2026	03/06/2026	Decision to take no further action at preliminary assessment stage, insufficient evidence having been provided either that conduct complained of was that of a current member, that the person was acting in their capacity as a councillor and/or of conduct otherwise capable of amounting to a breach of the Code.	D	Complaint alleging conduct contrary to the Code at a public demonstration
R2026	02/06/2026	Ongoing	Not yet concluded	A	Complaint from a member of the public alleging lack of response by a councillor to email communications about a parking permit issue

Key to Complaint topics

Code	Description of type of conduct complained about
A	<i>Complaints about members' conduct in their wards, including when discharging their ward responsibilities or otherwise communicating with constituents or other stakeholders.</i>
B	<i>Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC</i>
C	<i>Complaints about conduct relating to council business or other members made outside council meetings, including on social media</i>
D	<i>Complaints about a member's conduct or position on an issue which is not council business or a ward matter, including conduct or a statement reported in the press or made on social media</i>

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 14

Subject: Internal Audit and Counter Fraud Quarter 4 Progress Report 2025/26

Date of meeting: 23rd June 2026

Report of: Director of Property and Finance (S151)

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 This report provides Members with an update on all internal audit and counter fraud activity completed during quarter 4 (2025/26), including a summary of all key audit findings.

2. Recommendations

2.1 That the Committee note the report and consider the findings from Internal Audit activities in accordance with the Committee's terms of reference.

3. Context and background information

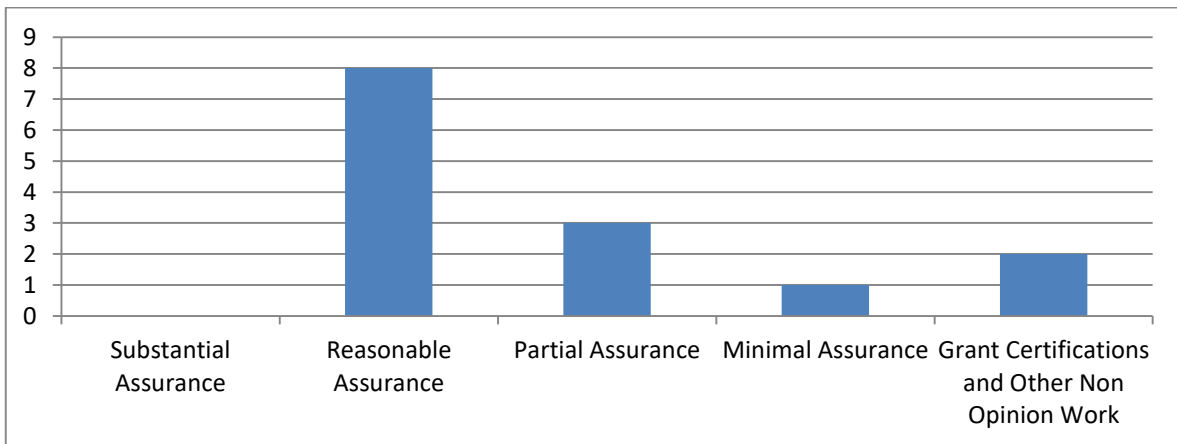
3.1 The current annual plan for internal audit is included within the Internal Audit Strategy and Annual Plan 2025/26 Report which was approved by the Audit, Standards and General Purposes Committee on 22nd April 2025.

4. Analysis and consideration of alternative options

4.1 Full details of both the internal audit and counter fraud work delivered during quarter 4 are detailed in Appendix 1.

4.2 Performance for the service is covered in the separate annual report for 2025-26, included in the agenda pack for this Committee.

4.3 The audit reports finalised in quarter 4 are summarised in the chart below, with eight reasonable assurance, three partial assurance and 1 minimal assurance. In addition, there were two non-opinion reports, where the service provided advice and support. These have been included under the category "Grant Certifications and Non-Opinion work."



5. Community engagement and consultation

- 5.1 The quarterly progress report has been informed by internal audit and counter fraud work completed during the quarter which included extensive engagement with officers.

6. Financial implications

- 6.1 There are no direct financial implications arising from this report. Sound corporate governance, risk management and control are essential to the financial health and reputation of the Council.

Name of finance officer consulted: Haley Woollard Date consulted: 05/06/25

7. Legal implications

- 7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit, Standards and General Purposes Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted (28/05/26):

8. Risk implications

- 8.1 The Council's Internal Audit Strategy and Plan is based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. Issues arising from individual audit reports, summarised in quarterly progress reports to this Committee, have been presented to management and action plans have been formally agreed to mitigate risks. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

9. Equalities implications

9.1 There are no direct equalities implications.

10. Sustainability implications

10.1 There are no sustainability implications.

11. Other Implications

11.1 There are no other implications.

12. Conclusion

12.1 The Committee is asked to note the report.

Supporting Documentation

Appendices

1. Internal Audit and Counter Fraud Quarter 4 Progress Report 2025-26

Internal Audit and Counter Fraud Quarter 4 Progress Report 2025/26

CONTENTS

- 1. Summary of Completed Audits**
- 2. Counter Fraud and Investigation Activities**
- 3. Action Tracking**

1. Summary of Completed Audits

Accounts Payable

1.1 Accounts Payable (AP) is the end to end process through which the Council purchases goods works and/or services. It is represented as the Creditors module within the Council's corporate finance system Civica Financials. During the 2024/ 25 financial year (excluding cancelled transactions) there was a total of approximately, 380,000 creditor transactions totalling circa £600M.

1.2 The objective of the audit was to provide assurance that controls are in place to meet the following objectives:

- Purchase orders are raised for goods, works and services that have been appropriately approved and are needed by the Council;
- All payments are made to the correct vendors, for the correct amounts, at the right time and only for goods, works or services ordered and received satisfactorily by the Council;
- Only vendors that meet the needs of the Council, and that do not already exist in the accounting system, are set up, and their details are maintained accurately; and
- Transactions in the Accounts Payable System are completely and accurately transferred to, and reflected, in the General Ledger.

1.3 From the work undertaken we were able to provide an opinion of **Reasonable Assurance** as we found that, payments were processed and paid accurately, the payment run and BACs release process is well controlled, there is appropriate segregation of duties in the payment system, there is a low volume of urgent payments processed, there are controls in place to detect potential duplicate payments in a timely manner and there is a robust process in place for General Ledger reconciliations..

1.4 We identified opportunities to strengthen the control environment including to ensure that:

- The number of retrospective purchase orders is reduced and the training for staff is enhanced;
- Reports on retrospective orders are shared and circulated;
- A procedure note for the new process around temporary amendments to authorisation levels is introduced and circulated; and
- The scheme of delegation is reviewed annually to ensure it is up to date.

1.5 Actions to address these areas were agreed with management within a formal management action plan.

Payroll

1.6 Payroll is a key financial system for the Council. In September 2025, over 8,500 payments were made to employee records. This includes council officers and staff employed in schools across the city.

1.7 The purpose of this audit was to provide assurance that controls were in place and operating as expected to meet the following objectives:

- Only genuine starters are set up, approved, and pay is calculated from the correct date;
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately to the correct dates;
- Permanent variations to pay accurately reflect employees' grades and/or changes to their contracts, calculated and paid from the correct dates;
- Pay runs and bank transfer (BACS) transmissions are correct and authorised;
- Payroll data is accurately reflected in the General Ledger;
- Temporary payments (including additional hours, expense claims and payments to casual staff) are only made for hours worked and expenses incurred legitimately as a result of employment;
- Changes to standing data are reviewed, authorised, and input accurately; and,
- Accurate data is provided to the East Sussex Pension Fund in line with the requirements of the Fund.

1.8 The 2024/25 audit concluded with an opinion of partial assurance, therefore, this audit also reviewed the implementation of previously agreed actions.

1.9 We were able to provide an opinion of **Reasonable Assurance** as we found that the backlog had been significantly reduced and progress had been made on actions agreed from the previous audit. However, we acknowledge that this area continues to be under operational pressure due to the capacity of the service and system issues.

1.10 We found evidence that submission of payroll data to the East Sussex Pension Fund is up to date; this is an area where we have raised findings in previous audit reports.

1.11 Compliance testing showed that starters, changes to pay and the pay run process are subject to appropriate authorisation, with adequate separation of duties within the process. For leavers, we found that all sampled employees had been removed from the payroll in a timely manner. Our testing demonstrated that payroll data is regularly reconciled to the General Ledger, with BACS transmissions being correct and appropriately authorised.

1.12 We have, however, identified the following areas where there are opportunities to further improve the control environment, including:

- Taking measures to reduce the level of overpayments as we noted that these had risen slightly from October 2024 to October 2025;

- Reviewing the vetting process and ensure that all vetting reports, designated as 'important,' are being checked prior to the pay run, as these may increase the risk of payroll failure;
- Ensuring changes to standing data are checked by a second senior officer; and,
- Ensuring information submitted to the service by managers is accurate and timely.

1.13 Actions to address these areas were agreed with management within a formal management action plan.

Risk Management

1.14 Effective risk management is a core element of the Council's governance and performance frameworks. The Council is legally required under regulation 3 of the Accounts and Audit Regulations 2015 to maintain robust arrangements for managing risk. It is also a requirement of the Council's Local Code of Governance and reflected in the Annual Governance Statement, which evidences the strength of internal controls.

1.15 For this audit we assessed the adequacy and effectiveness of arrangements in place to identify, assess, escalate and mitigate risks at Directorate level.

1.16 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- The Directorate Risk Register's are maintained as a live document, include accurate and up to date descriptions of risk and is reviewed regularly by the Directorate Leadership Team;
- Risk scoring (likelihood and impact) in the Directorate Risk Register follows the prescribed corporate guidance;
- Mitigating actions are in place, assigned to an accountable officer; and,
- Escalation guidance is in place to support risk movement between service, directorate and corporate leadership levels.

1.17 We were pleased to find that each Directorate is maintaining its own risk register and risks are being assessed and prioritised. For each mitigation action there is an assigned accountable officer and escalation guidance is in place to support risk movement between service, directorate and corporate levels. We were therefore able to provide an opinion of **Reasonable Assurance** in this area.

1.18 We have, however, identified the following areas where there are opportunities to further improve risk identification and management, including:

- Consistent application of risk identification and review processes across Directorates;
- Consideration of risk registers at service level, particularly in key service areas; and,
- Clear ownership and documenting of mitigating actions.

1.19 An action plan was agreed with management to address the areas of improvement identified.

Corporate Governance – Code of Conduct

1.20 Corporate Governance is the combination of processes and structures put in place by an organisation to inform, direct and monitor activities to achieve its objectives. The council is responsible for ensuring that business is conducted in accordance with the law and proper standards, public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.21 This audit focused on the Code of Conduct (Code) for employees which form an important element of the Corporate Governance arrangements. The council's Code sets out clear expectations for professional behaviour, ethical standards and employees' responsibilities as well as how these underpin the council's organisational values. All employees are expected to comply with the Code whether they are employed on a permanent, temporary or casual basis, with deliberate breaches of the Code being treated as a disciplinary offence and in some cases may result in dismissal or criminal prosecution.

1.22 The main objective of this audit was to provide assurance that the council's Code supports good governance across the council by setting and communicating clear expectations of behaviour that are understood and complied with by employees.

1.23 We were able to provide an opinion of **Reasonable Assurance** for governance processes under the Code of Conduct. We found that expectations of behaviour are promoted and communicated by senior management. We conducted a survey that found awareness of the Code was high with staff.

1.24 Whilst we found that most controls were in place and operating as expected there were a few areas where we identified that further improvements could be made:

- Capture and share data, which highlights trends and key learning, to enhance and aid visibility and oversight for management;
- Clarity over frequency of training for all staff related to expected behaviours; and,
- Updating and co-ordinating information held on the staff intranet, guidance and policies.

1.25 An action plan was agreed with management to address the areas of improvement identified.

Property Disposals

1.26 The Council's Capital Strategy has highlighted the need to obtain capital receipts to support the Council's current innovation and change programmes as part of the Medium Term Financial Plan.

1.27 The purpose of the audit was to provide assurance that project management controls were in place and operating as expected in order to meet the following objectives:

- Robust strategies, policies, and procedures are in place in relation to property disposals to ensure transparent identification, legal compliance, alignment to the Council's objectives, and achieving value for money;
- Adequate financial monitoring and reporting is in place to ensure all committed expenditure, in relation to property disposals, is accounted for; and,
- Capital receipts are received in a timely manner once the sale has been completed.

1.28 In completing this review, we were able to provide an opinion of **Reasonable Assurance** for the following reasons:

- A robust process is in place as properties are identified as soon as possible, reviewed, assessed, appropriately approved, and are legally compliant;
- Independent advice and valuations are taken on property disposals to ensure they receive best consideration;
- Financial monitoring is in place to ensure monies due from disposals are received in full, on time and accounted; and,
- Disposals are removed from the Council's asset register in a timely manner after completion.

1.29 We did, however, identify one high risk finding regarding the capacity to undertake the volume of disposals identified in the programme.

1.30 Actions were agreed with management around this area to review vacancies within the team, the recruitment strategy and keep this risk open on the risk register to ensure it is known, monitored and escalated where appropriate.

Brighton Marina to River Adur Flood and Coastal Erosion Risk Management Scheme

1.31 The Brighton Marina to River Adur Flood and Coastal Erosion Risk Management (FCERM) Scheme is a partnership between Brighton and Hove City Council, Adur District Council and Shoreham Port Authority. Brighton and Hove City Council is the lead authority for the scheme, which has a value of £41.5m (including a grant in aid contribution from the Environment Agency of £12.1m, subsequently increased by £2m for accelerated works).

1.32 Phase one of the FCERM scheme has recently been completed at a cost of £5.67m, with Phase 2 works having recently commenced, at an anticipated cost of £19m. This includes work at Kings Esplanade and Southwick Beach including building new, extended groynes and replenishing shingle.

1.33 The purpose of the audit was to provide assurance that project management controls were in place and operating as expected in order to meet the following objectives:

- There has been sufficient purpose, planning and preparation to support the programme;

- An appropriate governance structure is in place including relevant oversight at a Directorate and Corporate leadership level;
- Effective quality and cost controls are in place;
- Risk management is appropriately addressed;
- Reporting and communication during the programme is well managed, including escalation where appropriate;
- Implementation of the programme is effective; and,
- The key deliverables of the programme are met.

1.34 We were able to provide an opinion of **Reasonable Assurance**. We were pleased to note that with the scheme entering phase 2 works, there was ongoing progress to improve the control environment. This included consolidation and review of key documentation, recording of financial information and a revised project structure. We also found that key stakeholders, including partners and contractors are engaged via monthly project board meetings, and communications with the public about the scheme are timely and working well. Cost controls are in place and operating as expected.

1.35 There were, however, some areas of improvement still required, including the need to ensure that:

- Governance, escalation and decision-making arrangements are specified and documented;
- Project roles and responsibilities are defined, appropriate and understood;
- Key documentation is in place and up to date, including the business case and project plan;
- Risk management arrangements are optimised via a comprehensive risk register; and
- Officers with contract management responsibilities are familiar with, and adhere to, the requirements of the corporate Contract Management Framework.

1.36 An action plan was agreed with management to address the areas of improvement identified.

Artificial Intelligence Tools

1.37 Artificial Intelligence (AI) has become ever more prevalent across multiple sectors, and local government is not immune to this trend. Many staff are already utilising AI tools such as Microsoft Copilot and others, both in their professional and personal lives. Whilst there are undoubtedly some benefits to be had from the use of AI tools, they also bring a range of significant risks to the organisation.

1.38 With such a fast-changing area, clear direction and oversight is needed to allow the organisation to reap the full benefits of such tools, whilst remaining compliant with regulatory requirements and meeting operational obligations.

1.39 This audit reviewed the Council's governance arrangements in relation to Microsoft Copilot (and other AI tools), including its use when generating text, as well as its influence over users.

1.40 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Mandatory change management processes are in place to ensure smooth adoption of AI tools across the organisation;
- Robust policies and guidance are present, helping staff understand their responsibilities around the usage of all AI tools, including those corporately available;
- A clear request process is in place to allow staff to request access to new and existing AI tools and follows a defined organisational strategy; and
- Education and training are available to staff, helping to alleviate concerns around AI tools and improve productivity.

1.41 During the audit, several digital innovation pilot programmes were initiated, some of which involved extensive use of AI tools. These pilot programmes were not included within the scope of this audit.

1.42 The context of the audit centred around the use of Microsoft Copilot, which at the time of writing is the primary AI tool being used within the council in an official capacity. A select number of 150 users were provided with Enterprise licenses as part of an initial pilot programme.

1.43 We have been able to provide an opinion of **Reasonable Assurance** over the arrangements for managing the risks associated with the use of AI tools.

1.44 We found that education and training is available for staff through the Digital Skills Team, who support new users with initial training and ongoing education. All users that receive a license for Copilot, for example, will automatically have access to Digital Skills content. This content aligns with the organisation's Artificial Intelligence (AI) & Robotic Process Automation (RPA) policy. The AI & RPA policy is comprehensive and well-structured and exists alongside guidance that assists users in their understanding and responsibilities around AI usage, clearly stating the responsibilities of staff.

1.45 The Council utilised external consultancy resource to identify the benefits of tools such as Copilot, with particular emphasis on time and cost savings and we found a considered and methodical approach to implementing AI tools. Throughout the pilot, the effectiveness of Copilot was systematically monitored. The Council has a clear strategy, setting out how it intends to harness the capabilities of AI tools. Staff may request Copilot licenses and are encouraged to suggest ideas for utilising AI tools through various internal channels.

1.46 Some areas to improve the control environment were identified to ensure that:

- There is appropriate engagement with change management colleagues; and

- There is clarity over approved tools for staff to use.

1.47 An action plan was agreed with management to address the areas of improvement identified.

Direct Payments Adults Follow-up

1.48 Direct payments are available as a means of providing support to adults who have had an assessment of their needs undertaken by a social worker. They were introduced to offer a greater level of independence to service users by providing them with funds to buy in support instead of using council services.

1.49 A succession of previous audits in this area have resulted in a Partial Assurance opinion.

1.50 We therefore completed a follow-up audit to assess the extent to which the previously agreed actions had been implemented. In completing this review, we were pleased to be able to provide an improved opinion of **Reasonable Assurance**. Based on our work, we found that the majority of actions had been either fully or partially implemented, and risks have been sufficiently mitigated. There has been a significant increase in the number of reviews completed on time.

1.51 There were, however, some areas of improvement still required, including the need to ensure that:

- The targeting of annual reviews of direct payment accounts continues and are completed in a timely manner, in compliance with legislation;
- Regular monitoring of direct payment accounts is undertaken to identify any outside of tolerance levels to ensure the individual is receiving their assessed level of care;
- All checks undertaken as part of monitoring and reviews of direct payment accounts to ensure compliance with terms of use, including client contribution checks, will be recorded; and,
- Operational guidance is reviewed to ensure it is up-to-date and covers the end-to-end processes.

1.52 An action plan was agreed with management to address the areas of improvement identified.

Direct Payments – Children’s Services

1.53 Direct payments are available as a means of providing support to children and young people who have had an assessment of their needs undertaken by a social worker. They were introduced to offer a greater level of independence to service users by providing them with funds to buy in support instead of using council services. Direct payments can be made for special educational provision, health care provision and social care provision.

1.54 The purpose of the audit was to provide assurance that controls were in place and operating as expected in order to meet the following objectives:

- Monies provided under the direct payment scheme are being used for their intended purpose;
- Effective processes for the administration and payment of direct payments ensure that amounts paid are correct and an appropriate level of care is received;
- Reporting from external providers (if used) is timely and relevant, and client balances are used to ensure the provision of appropriate care; and,
- Robust agreements are in place with external providers (if used) to support the timely transfer of client accounts into, and out of, these organisations.

1.55 In completing this work, we were able to provide an opinion of **Partial Assurance**. Whilst we identified areas of good practice, we did find areas of non-compliance with regulations and weaknesses in the process to ensure sufficient monitoring is taking place to ensure individuals are receiving their assessed care. This is compounded as the number of children's direct payment cases has doubled over the past year due to the ending of a support service contract in April 2025.

1.56 Areas for improvement were identified relating to the need to:

- Strengthen the annual review process of direct payment accounts to ensure the majority are completed in a timely manner and compliant with relevant regulations;
- Monitoring accounts, including reporting and escalating any surpluses on accounts to agree appropriate action;
- Establish quality assurance checks of direct payment accounts, to ensure all elements of the process are complete and accurate;
- Review, validate and formally authorise the pay-run prior to it being issued;
- Undertake regular reconciliations between the corporate and care financial systems to ensure these are the same and any variances are investigated; and,
- Update and review policies, procedures and guidance to promote a consistent approach.

1.57 A robust action plan to address the findings was agreed. A follow-up audit will be undertaken to assess the extent to which the agreed actions for improvement have been implemented.

Council Tax

1.58 Council Tax is a key financial information system, managing the calculation, billing, and collection of the Council Tax revenue. The funds received from Council Tax form an integral part of the Council's budget, with £195.4 million (20.3% of the total budget) coming from the collection of Council Tax.

1.59 The main objective of this audit was to provide assurance that controls over Council Tax collection are effective, and to provide assurance that controls are in place to meet the following objectives:

- All taxable domestic properties have been identified, and records are regularly reconciled to the Valuation List;
- Discounts and exemptions are correctly awarded;
- Arrears are dealt with efficiently; write-offs are valid and authorised; and all refunds are approved and accurate;
- All payments are posted promptly to the correct accounts, reconciliations to the main accounting system are undertaken and suspense accounts are regularly cleared; and,
- Processes are completed in a reasonable timeframe, including customer enquiries.

1.60 A previous audit of Council Tax, finalised in December 2023, gave an opinion of Partial Assurance, with one high level risk finding relating to a significant backlog of processes. A follow up review in April 2024 concluded Reasonable Assurance and noted the reduction of the backlog.

1.61 For the 2025-26 audit of this area, we were able to provide an opinion of **Partial Assurance** over the controls in place. Since the previous audit we found that the backlog had again increased significantly. This was mainly caused by the implementation of a document management system, and officers are working with the provider to resolve the issues. The increase in the backlog presents a risk and is a considerable challenge for the service, with its limited resources.

1.62 In addition, forecasting collection rates has been particularly difficult and rates are falling. This is partly due to the increased backlog but also impacted by the additional measures offered to support households that are struggling financially. We note that more flexible payments to help vulnerable households, reduce in year collection rates but may have a more positive impact on long term recovery.

1.63 A number of actions were agreed with management to address these issues, including:

- Implementing a backlog recovery plan;
- Collaboration with Housing colleagues to tackle arrears where the Council is the liable party; and
- Review and update procedures.

1.64 We will undertake a formal follow-up review in this area as part of the 2026/27 internal audit plan.

Contract Management Facilities & Building Services Follow-up

1.65 As part of previous Internal Audit work, it was found that whilst a contract management framework is in place, compliance with the framework was poor. The Procurement team have taken action to improve awareness of the framework. This audit reviews compliance with the contract management framework.

1.66 An audit of Contract Management in Facilities and Building Services was undertaken in 2024/25, which resulted in an audit opinion of Partial Assurance. This follow-up review was,

therefore, undertaken to assess and provide assurance on the progress made in implementing the agreed actions from the previous audit and provide assurance that compliance with the contract management framework in this area had improved.

1.67 In completing this review, we were able to provide an opinion of **Partial Assurance**. One of the key agreed actions from the original review was that training would be undertaken with contract managers on the contract management framework. Whilst this was duly actioned, this training and elements of the framework have not been embedded into practice. It is acknowledged at the time of our review there were limited resources with vacancies in the team. We also note that the majority of the larger contracts were due for re-tendering. It is important that practices within the contract management framework are followed to ensure contractors are performing as per contractual requirements and the contract is achieving value for money for the Council. Our work confirmed that there are still areas of non-compliance with the contract management framework in this area. Therefore, it was agreed with management that:

- All contracts, contract extensions, and key information are published on the Council's contract register;
- Contract management plans, contractor performance monitoring, minutes/ notes of contractor meetings, risk registers, business continuity plans and variation logs will be implemented across all high value/ high risk contracts initially, and all contracts once they have been re-tendered; and
- The service business continuity plan will be updated.

1.68 An action plan was agreed with management, and this will be subject to a second follow-up audit.

Planned and Reactive Maintenance

1.69 In 2013 the Council adopted the Corporate Landlord model, where the Property & Design Team maintained the Council's non-housing property assets including schools, social care, environment, and civic buildings, as well as managing urban and agricultural portfolios. The Property & Design service was disaggregated in 2025 with functions moving elsewhere in the Council structure.

1.70 The Facilities & Buildings Team are responsible for the reactive and planned preventative maintenance (referred to as planned maintenance throughout this summary) of approximately 500 corporate properties, excluding commercial and social housing properties.

1.71 The purpose of the audit was to provide assurance that project management controls were in place and operating as expected in order to meet the following objectives:

- Robust arrangements are in place to ensure reactive and planned maintenance of Council owned properties is effective, efficient and adheres to regulations, legislation and Council priorities;

- The contracts (and any variations) in place support effective and timely maintenance of Council properties, deliver value for money, and are in compliance with appropriate regulations and legislation;
- Reporting and communication are clear, concise, transparent and timely;
- Budgets are properly set, monitored and reported; and,
- Risks are appropriately identified, evaluated and managed.

1.72 In completing this work, we were able to provide an opinion of **Minimal Assurance**. We found that the budget had been overspent, despite a decision taken to only undertake essential/ critical works. This has resulted in some maintenance works not being completed early to ensure there is not further deterioration of corporate properties and higher future costs. Roles and responsibilities were not clearly defined, which is further compounded by gaps in personnel, meaning key activities are not always undertaken.

1.73 There was a lack of documentation, policies and procedures, in place for this operation reducing the transparency around roles and responsibilities and consistency of practice. The operating model for this service places a high reliance on contractors/ suppliers, with not all contractors having a contract with the Council and performance not being sufficiently monitored due to capacity and working arrangements (manual monitoring via spreadsheets), therefore, issues may not be picked up as early as possible.

1.74 A number of actions were agreed with management to address these issues, to ensure:

- Financial management, monitoring and fee setting is robust, transparent and consistent;
- Appropriate resourcing is in place to undertake contract management duties and site inspections;
- Roles and responsibilities in relation to management and maintenance of buildings are clearly defined and understood;
- Policies and procedures in relation to building safety and maintenance are in place and circulated;
- The building management system is further developed to record all corporate property information;
- A procurement forward-plan is in place for re-procurement exercises in this area;
- Key performance indicator reporting across all contractors is in place and recorded centrally;
- An operational risk register is in place to identify, manage and monitor risks in this area; and
- Actions as part of the Contract Management Compliance Facilities & Buildings Follow-up, will feed into and enhance contract management arrangements in this area.

1.75 We will undertake a formal follow-up review in this area as part of the 2026/27 internal audit plan.

Grant Certifications and Non-Opinion Work

IT Service Management Replacement Project

1.76 Additional support to IT&D this year has been provided through our involvement in the IT Service Management (ITSM) replacement project. The ITSM is a crucial system which supports IT teams in the management of the end-to-end delivery of IT services to customers.

1.77 As part of our support to the project, we have attended board meetings and have provided advice on governance, risk and control issues. As the current governance structure is separating, as of writing we are reviewing our support arrangements for 2026/27.

2 Proactive Counter Fraud Work

Counter Fraud Activity

2.1. The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2. The team are continuing to review matches released as part of the National Fraud Initiative (NFI). High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

Summary of Completed Investigations

Use of a Consultant

2.3 Internal Audit and Counter Fraud undertook an independent review following a concern being raised that an external consultant had not been through the correct procurement process prior to being appointed. The review found evidence that staff involved in the procurement exercise had not adhered to Council guidance when procuring the consultant. Action has not been taken by management to ensure that all staff involved in the procurement of goods and services have access to appropriate advice and guidance.

Housing Tenancy Fraud

2.4 The Tenancy Fraud Team continue to investigate allegations of potential subletting. We work closely with Housing Managers and other officers for a joined-up approach to allegations of abandonment, with an increasing emphasis on visits and communication with tenants to increase awareness and reiterate a tenant's responsibility under their tenancy agreements.

Council Tax Fraud

2.5 The Team continues to investigate allegations of false claims for Single Person Discount (SPD) and Council Tax Reduction Support (CTRS).

2.6 The table below shows the estimated financial value (using NFI methodology), saved from the public purse through the work of the Tenancy Fraud Team.

Fraud Area	(£) Year to Date	(£) 2024/25	(£) 2023/24	(£) 2022/23
Properties Recovered	626,400	930,000	558,000	186,000
Housing Application Withdrawn	325,508	359,772	-	-
Homeless Application Withdrawn			-	-
Right-To-Buy Withdrawn	102,400	102,400	-	-
Council Tax	16,559	13,165	9,065	917
Housing Benefit	4,369		3,853	3,658
Business Rates			-	-
Total	1,075,236	1,405,337	570,918	190,575

3 Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from service management that actions have been implemented.

3.2 At the end of quarter 4, we can report that 92% high priority actions are showing as overdue which is below the key performance target of 95% of all high priority actions implemented.

3.3 There were four high priority actions which were overdue at the end of Q4, and these are summarised in the table below. Three of the actions outstanding relate to the use of prepayment vouchers in schools and this is an area where we have seen fraudulent attempts to access vouchers resulting in financial loss.

Details of Audit Issue	Due date	Revised date	Agreed Action
Potential misuse of the Parking Dispensation Scheme for Council Officers	31/10/25	31/03/26	A corporate review of the dispensation policy will be undertaken involving the relevant stakeholders including the Customer Contact Lead, Parking Customer Services Manager, Parking Fraud Manager and HR Policy Lead.

Details of Audit Issue	Due date	Revised date	Agreed Action
Clarity around cyber security support for schools.	01/01/26	N/A	<p>Whilst the Council does not manage cyber security in schools, it will promote good practice and provide guidance where appropriate.</p> <ul style="list-style-type: none"> • Improve awareness in schools and provide guidance to improve cyber security resilience and response; • Assurances will be sought from schools that appropriate arrangements are in place; and • A retrospective risk assessment of the voucher platform will be completed.
Corporate oversight of balances of pre-payment vouchers held by services across the Council.	28/02/26	N/A	A process will be developed that will provide Corporate Finance with oversight of all voucher wallets and their balances. The process will include a corporate reconciliation spreadsheet that wallet owners will be required to complete monthly.
Corporate oversight of pre-payment voucher systems.	28/02/26	N/A	Management will investigate the use of other voucher distribution tools and complete a cost-benefit analysis.

3.4 In addition a number of other high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit, Standards and General Purposes Committee.

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

<p>Reasonable Assurance</p>	<p>Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.</p>
<p>Partial Assurance</p>	<p>There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.</p>
<p>Minimal Assurance</p>	<p>Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.</p>

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