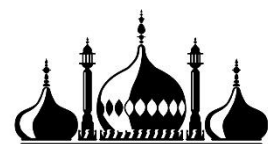


INTERNAL AUDIT COUNTER FRAUD REPORT 2023/24



**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 2022-24.

1.2 Within the Orbis Internal Audit Service, 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 2023/24 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 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 2023 and 31 March 2024

Resources

2.1 During the 2023/24 financial year, a total of 8 Internal Audit officers charged time to work on irregularity investigations amounting to 151 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address that was introduced in 2022, 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 37 allegations were received in the financial year (17 in the first half of the year and 20 in the second half). For comparison, 36 allegations were received in the previous financial year.

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

- 15 were raised by Council management;
- 8 originated from an external source to the Council;
- 6 were raised by employees;
- 8 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.

2.6 The number of all recorded allegations across the Council's directorates is shown in Figure 1, while Figure 2 shows the categories of allegations received.

Figure 1. Allegations by directorate from 1 April 2023 to 31 March 2024

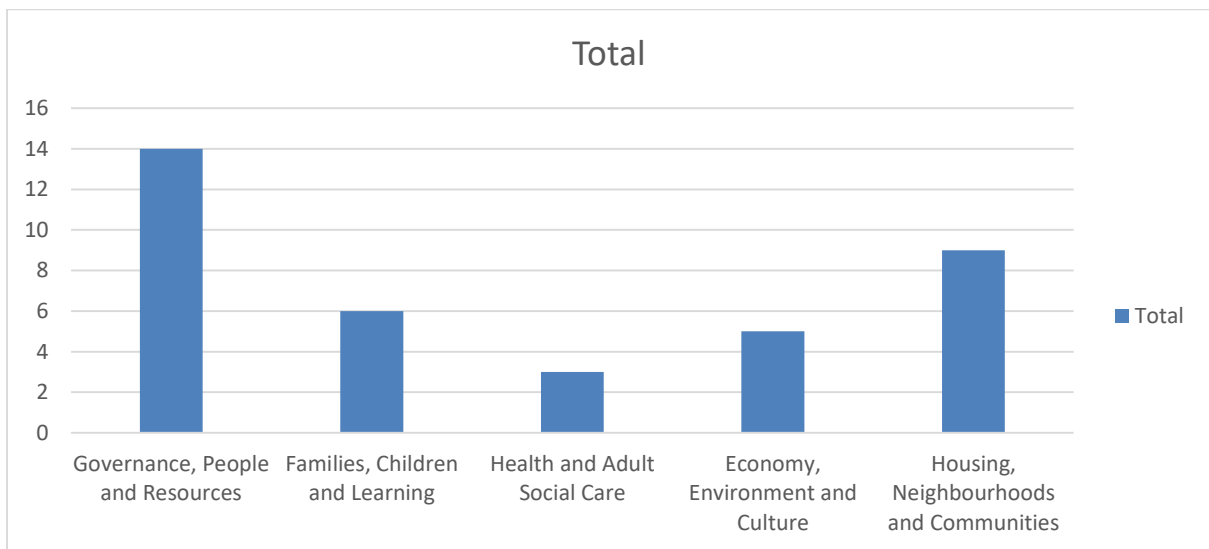
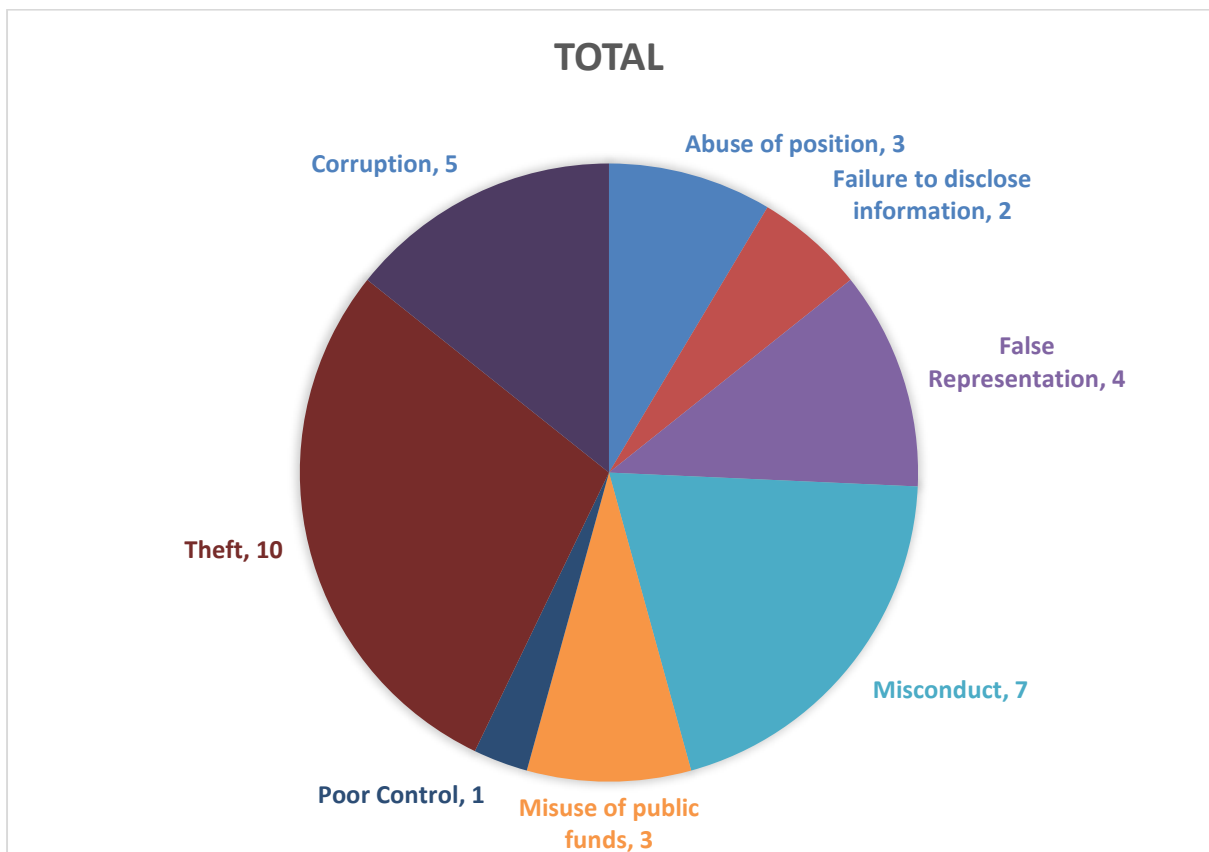


Figure 2. Summary of allegations by type from 1 April 2022 to 31 March 2023



2.7 Of the 37 allegations received, 7 were closed with no action taken, 6 were dealt with through advice to management, 6 were taken forward for investigation by Internal Audit or support provided to a management investigation, 2 were referred to external agencies, and 11 were conduct or capability issues dealt by management with support from HR where appropriate. 5 referrals are still active at the time of writing.

2.8 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 £81,960.

2.9 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:

- 2.9.1 **Adult Social Care** – Throughout the year the team have continued to support the Adult Social Care team with investigating a number of allegations of deprivation of capital and potential false statements to obtain direct payments.
- 2.9.2 **Theft from Safe** – Internal Audit conducted a site visit following an allegation of a theft totalling £135.81 from the safe at Hove Library. The visit identified that controls relating to access to the safe keys were inadequate and increased the risk of theft. Following the visit, the service implemented controls to increase security around the storage of the safe keys and cashing up procedures. The theft was reported to the police, but no further action was taken.
- 2.9.3 **Prosecution of a Private Landlord under the Protection from Eviction Act 1977** – An investigation was conducted by Internal Audit following a referral alleging that the director of a Brighton & Hove letting agency was acting to interfere with the peace and comfort of tenants in their home and attempting to illegally evict them from their properties. Following the investigation, the agent was successfully prosecuted by Brighton & Hove City Council under the Protection from Eviction Act 1977. The defendant was fined £41,000 (after a 20% reduction for a guilty plea) and ordered to pay £10,100 compensation to three victims, as well as a £181 victim surcharge. In addition, the defendant has paid the Council's legal fees of £9000.
- 2.9.4 **Disclosure of Confidential Information** – Internal Audit received an allegation that a member of staff had disclosed confidential information during a procurement process which enabled a supplier to submit the lowest bid to successfully win a contract. Following an investigation, the allegations against the individual were not substantiated. However, a report was issued to the service identifying several improvements to strengthen controls around procurement. The service is now working with the Procurement Team to improve the control environment.
- 2.9.5 **Data Breach** – An investigation was undertaken following disclosure of information relating to a recent high profile recruitment to a local newspaper. Sharing confidential recruitment information, can have a serious impact on those applicants professionally and personally, and is reputationally damaging for the Council. Through our enquiries we were unable to ascertain who had disclosed the information, although advice was provided to strengthen controls around the recruitment process and the sharing of information on applicants.
- 2.9.6 **Misuse of Public Funds** – Internal Audit received a whistleblowing report that an Officer was misusing a complementary taxi service for their commute to work. Internal Audit undertook an investigation and found no case to answer. The line manager had approved the use of taxis for out of hours commuting for Control Room staff, in line with local policy. A number of control improvements were however agreed to strengthen policy and procedures.
- 2.9.7 **Misconduct** – An investigation was undertaken following allegation that a Council officer was not following Procurement and Contract Standing Orders, and was misrepresenting their role with the Council. Following the investigation the officer was dismissed for gross misconduct and a control report issued to address weaknesses in the local control environment.

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 2022-24 that sets out its commitment to preventing, detecting, and deterring fraud. Internal Audit continues to review this strategy 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 Business Operations focussing on the risks to the Council of bank mandate fraud and cyber fraud. 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 In the latest National NFI Report quantified fraud prevented accounted to almost £23 million over a 12-month period. The next submission date is September 2024 when we must submit the following core mandatory datasets:

- Payroll
- Pensions
- Trade Creditors' payment history and trade creditors' standing data
- Housing (current tenants) and Right-to-Buy
- Housing Waiting Lists
- Housing Benefits (provided by the DWP)
- Council Tax Reduction Scheme
- Council Tax (required annually)
- Electoral Register (required annually)
- Students eligible for a loan (provided by the Student Loan Company)
- Transport Passes and Permits (including residents' parking, blue badges and concessionary travel)
- Licences (taxi driver only)

3.7 NFI also run a Single Person Discount exercise annually and therefore council tax and electoral register data is required to be submitted annually.

3.8 The results from the latest biennial NFI exercise were received in January 2023. The results from the data matching released to the Council flagged over 14,000 matches. 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.

3.9 The results from the review of data matches include:

- No issues from 106 reviewed matches relating to Payroll to Payroll, Procurement to Payroll, or Payroll to Companies House (Director);
- 3 Housing Benefit overpayments totalling £42,587.79 identified as a result of benefit claims being reviewed due to the claimant being in receipt of a student loan;

- One council property being recovered as a result of identifying that the tenant had moved;
- The cancellation of over 462 concessionary travel passes where the pass holder had passed away, with the Cabinet Office estimated saving from this being £28,644.00;
- 55 Blue Badges cancelled as a result of matches to deceased data, with the Cabinet Office estimated saving from this being £35,750; and
- Over 10,000 data matches were received relating to potential duplicate creditors. The highest quality matches were prioritised and duplicate payments totalling £3,483.09 were identified and the relevant team informed so these could be recovered.

Partnership Working

3.10 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 Housing 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 Team sits within Orbis Internal Audit and Counter Fraud and consists of two Investigator posts and an Investigations Lead. Previously the team was reliant on referrals made to the fraud inbox and hotline, however, additional funding from April 2023 is driving a shift to more proactive and preventative work. 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 the earlier part of the year, the team delivered 323 days of tenancy fraud work and recovered 6 properties. The results of the Tenancy Fraud Team for 2023/24 are summarised below:

Fraud Area	(£) 2023/24	(£) 2022/23	(£) 2021/22	(£) 2020/21
Properties Recovered	558,000	186,000	279,000	186,000
Housing Application Withdrawn	-	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	-	-	-	-
SPD Removed	8,625	511	9,746	4,241
CTRS	440	406	-	-
Housing Benefit	3,853	3,658	-	-
Business Rates	-	-	-	-
Total	570,918	190,575	288,746	190,241

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 assets and equipment	Code of Conduct; IT Security Policy
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	