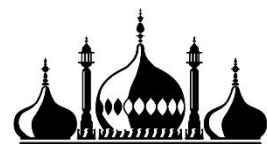


INTERNAL AUDIT COUNTER FRAUD ANNUAL REPORT 2024/25



**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 2024/25 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 days, and this was increased in-year to 187 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 2024 and 31 March 2025

Resources

2.1 During the 2024/25 financial year, a total of 7 Internal Audit officers charged time to work on irregularity investigations amounting to 195 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 75 allegations were received in the financial year (38 in the first half of the year and 37 in the second half). For comparison, 37 allegations were received in the previous financial year.

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

- 28 were raised by Council management;
- 20 originated from an external source to the Council;
- 19 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 2024 to 31 March 2025

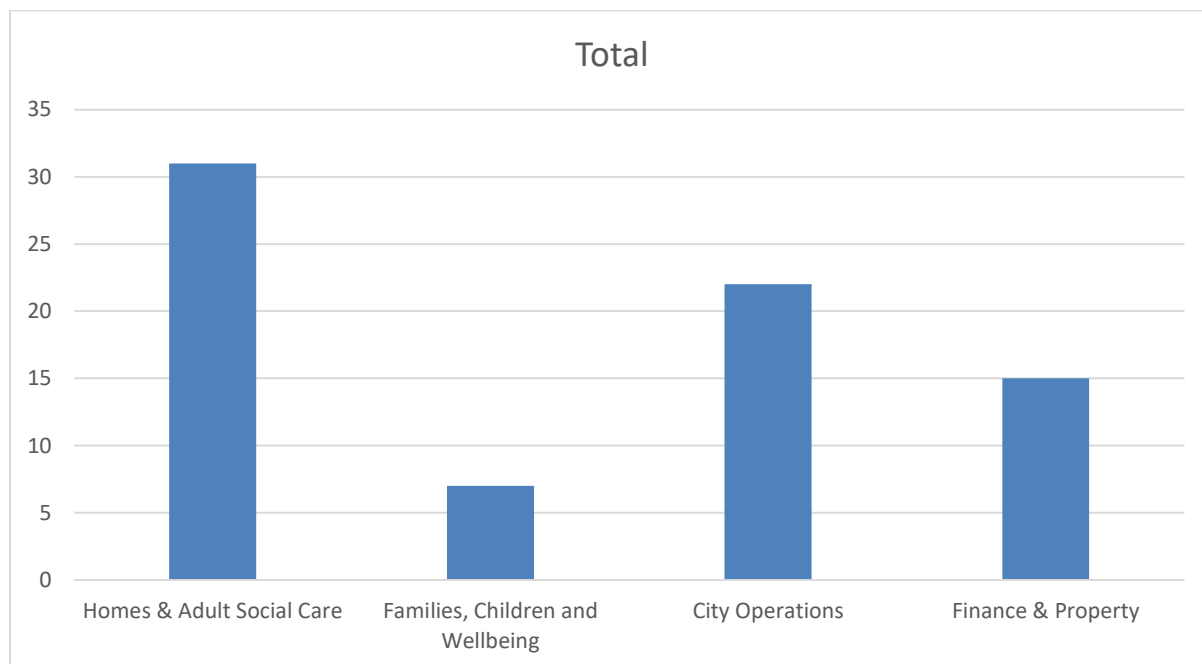
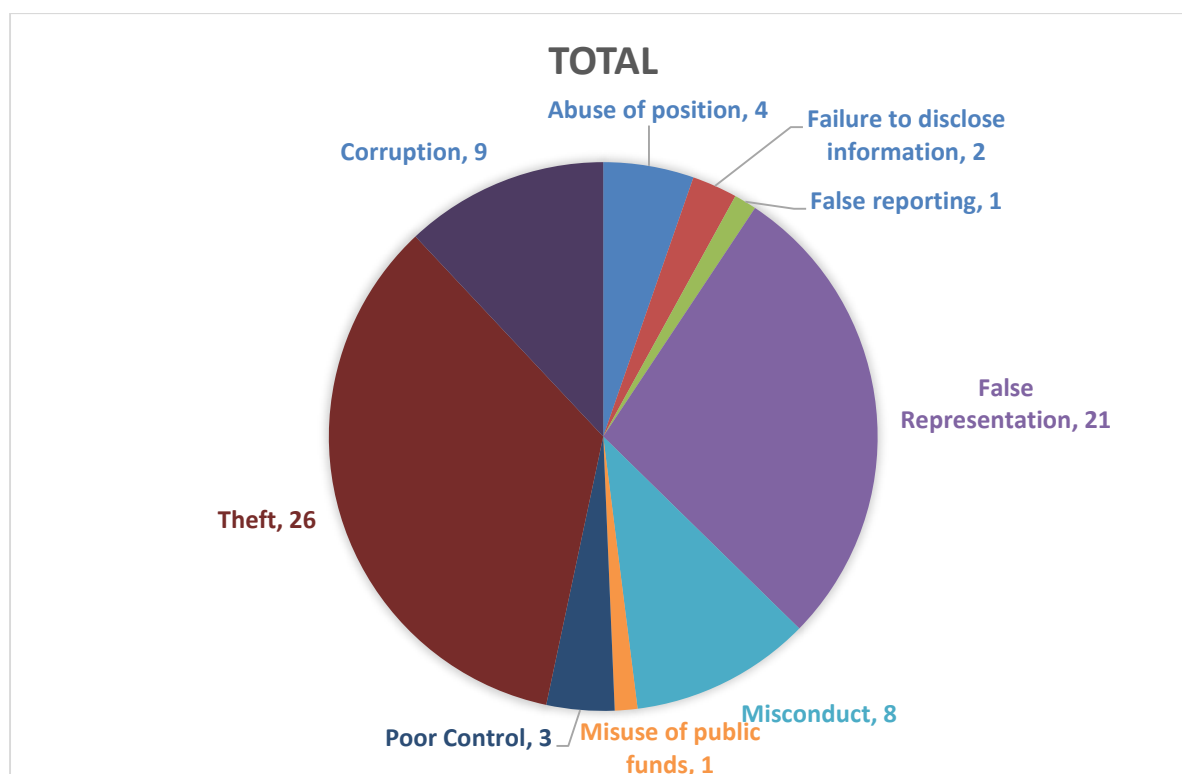


Figure 2. Summary of allegations by type from 1 April 2024 to 31 March 2025



2.7 Of the 75 allegations received, 15 were closed with no action taken, 4 were dealt with through advice to management, 16 were taken forward for investigation by Internal Audit or support provided to a management investigation, 1 was referred to external agencies, and 25 were conduct or capability issues dealt with by management with support from HR where appropriate. 14 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 £73,705.

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 **Multiple Employment** – An application from a known offender was identified and stopped prior to offer of employment. This was the result of active investigations at the two other Orbis partner councils.

2.9.2 **Bank Mandate Fraud** – Following notification of an attempted bank mandate fraud in a school, control measures were agreed with the Payroll Team and school staff to strengthen controls in relation to bank changes. Further fraud awareness will be undertaken to promote strong counter fraud culture in schools and payroll teams.

2.9.3 **Conflict of Interest** – Internal Audit were asked to undertake an investigation following concerns that a member of staff had set up a consultancy company to secure work in direct competition with the Council's interests. The employee resigned pending disciplinary action.

2.9.4 **Gas Safety Whistleblowing** – Internal Audit were asked to undertake an investigation following a whistleblower raising concerns around the Council's compliance with gas safety requirements. The investigation found that management were aware of performance issues in this area and that actions had been identified and agreed to improve compliance.

2.9.5 **Collusion in a Procurement Process** – An investigation was conducted following an anonymous referral that a member of staff was receiving a 'cash in hand' payment to work in collusion with a contractor to inflate the cost of work conducted. In addition, the referrer alleged that the member of staff was using Council vehicles for personal journeys. The investigation did not find any evidence to substantiate the allegation of collusion. However, it did identify that the member of staff had hired vehicles from a corporate car club account for personal journeys and charged the rental to the Council. The total cost charged to the Council was £5,853. The case was referred to management for action, including for recovery of the full amount. An internal control report was also issued addressing weaknesses in the use of the corporate car club, with actions including a broadcast to all management and staff providing clear instructions on the Council's travel policy and ceasing use of the car club.

2.9.6 **Failure to Follow the Complaints Procedure** – Internal Audit received a request from the Council's Chief Executive to undertake an independent review of the concerns raised by two residents under the Council's

Whistleblowing Policy. The residents stated that the Council had knowingly failed to respond to their complaints and information requests and believed that they had received a differential service in comparison to other residents. No evidence was found to substantiate the concerns. The investigation found that a consistent and corporate approach to identifying and recording complaints is in place and due process had been followed.

- 2.9.7 **Theft From a Care Home** – Advice was provided to a service regarding money handling and safe procedures following a theft of £500. Due to poor control, it was not possible to identify how the loss occurred. The theft was reported to the police for investigation and actions agreed to strengthen the control environment.
- 2.9.8 **Misuse of a Residents Parking Permit** – A joint investigation was conducted with officers in Parking following an allegation that two residents had destroyed their residents' parking permits, requested a refund of the cost of the permit, and then taped the permits back together and continued to use them to obtain free parking in the city. The investigation proved the allegation and advised the residents that the actions had breached the permit terms and conditions. No further action was taken other than collection of penalty charges (PCN's) issued due to cancelled permits being used.
- 2.9.9 **Supplier Fraud** – Following an allegation that a supplier was inflating prices and volume of work completed, Internal Audit undertook an investigation analysing supplier spend and work billed. The investigation did not find any evidence to substantiate the allegations or of wrongdoing, however, the investigation did find issues with non-compliance with Council Standing Orders and agreed actions to improve compliance with procedures.
- 2.9.10 **Overclaiming of Overtime** – Following a referral from Management of an employee potentially overclaiming overtime, an investigation found that the employee had overclaimed £210. The employee resigned and the overpayment was recovered from their salary.
- 2.9.11 **Misconduct** – Internal Audit supported management with an investigation into an allegation that an employee of the Council was also undertaking employment in a Council care home through an agency. The investigation upheld the allegation, and the employee resigned during the disciplinary process.
- 2.9.12 **Overclaiming of Overtime** – Following an allegation that an employee was double claiming bank holiday pay, Internal Audit undertook an investigation reviewing overtime claimed against work rotas. The investigation found that the employee had overclaimed bank holiday pay, but that guidance and procedures were not clear and robust. Recovery of overpayment of £1,348 was made and a letter of expectation issued. Actions were agreed with management to improve the scheduling of work rotas and ensure clear guidance was in place for claiming additional and enhanced hours.
- 2.9.13 **Conflict Of Interest** – Internal Audit received an allegation that an employee of the Council had failed to declare a close relationship with a supplier, which resulted in the unfair award of work to the supplier. Investigation found no evidence of wrongdoing but did find control weaknesses in relation to

procurement and contract management. Actions were agreed to address weakness and ensure compliance with Contract Standing Orders.

2.9.14 Misuse of Public Funds – Following the departure of an employee, Internal Audit received an allegation that goods had been ordered which did not meet the required specifications. Following an investigation, it was not possible to evidence that a robust procurement process had been followed. Actions were agreed to ensure Contract Standing Orders were followed for future procurement.

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, and a refresh will be brought to the Audit, Standards and General Purposes Committee in 2025 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 within 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. Matches flagged for review include:

- 497 Housing Applications
- 18 Pensions matches
- 50 Payroll matches
- 227 Blue Badge matches
- 519 Concessionary Travel matches
- Over 13,500 Creditors matches

3.8 The results from the previous exercise (January 2023 release) included:

- 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 £42,588 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;
- 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 received relating to potential duplicate creditors. The highest quality matches were prioritised and duplicate payments totalling £3,483. were identified and the relevant team informed so these could be 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 sit 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 Brighton and Hove City Council.
- **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 Brighton and Hove City Council.
- **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 455 days of tenancy fraud work and recovered 10 properties. The results of our tenancy fraud activities for 2024/25 are summarised below:

Fraud Area	(£) 2024/25	(£) 2023/24	(£) 2022/23	(£) 2021/22
Properties Recovered	930,000	558,000	186,000	279,000
Housing Application Withdrawn	359,772	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	102,400	-	-	-
SPD Removed	5,559	8,625	511	9,746
Revenues Exemption Removed	2,947	-	-	-
CTRS	4,659	440	406	-
Housing Benefit	-	3,853	3,658	-
Business Rates	-	-	-	-
Total	1,405,337	570,918	190,575	288,746

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	

