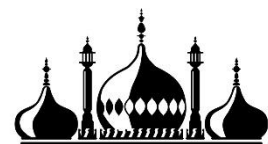


# INTERNAL AUDIT COUNTER FRAUD ANNUAL REPORT 2025/26



**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

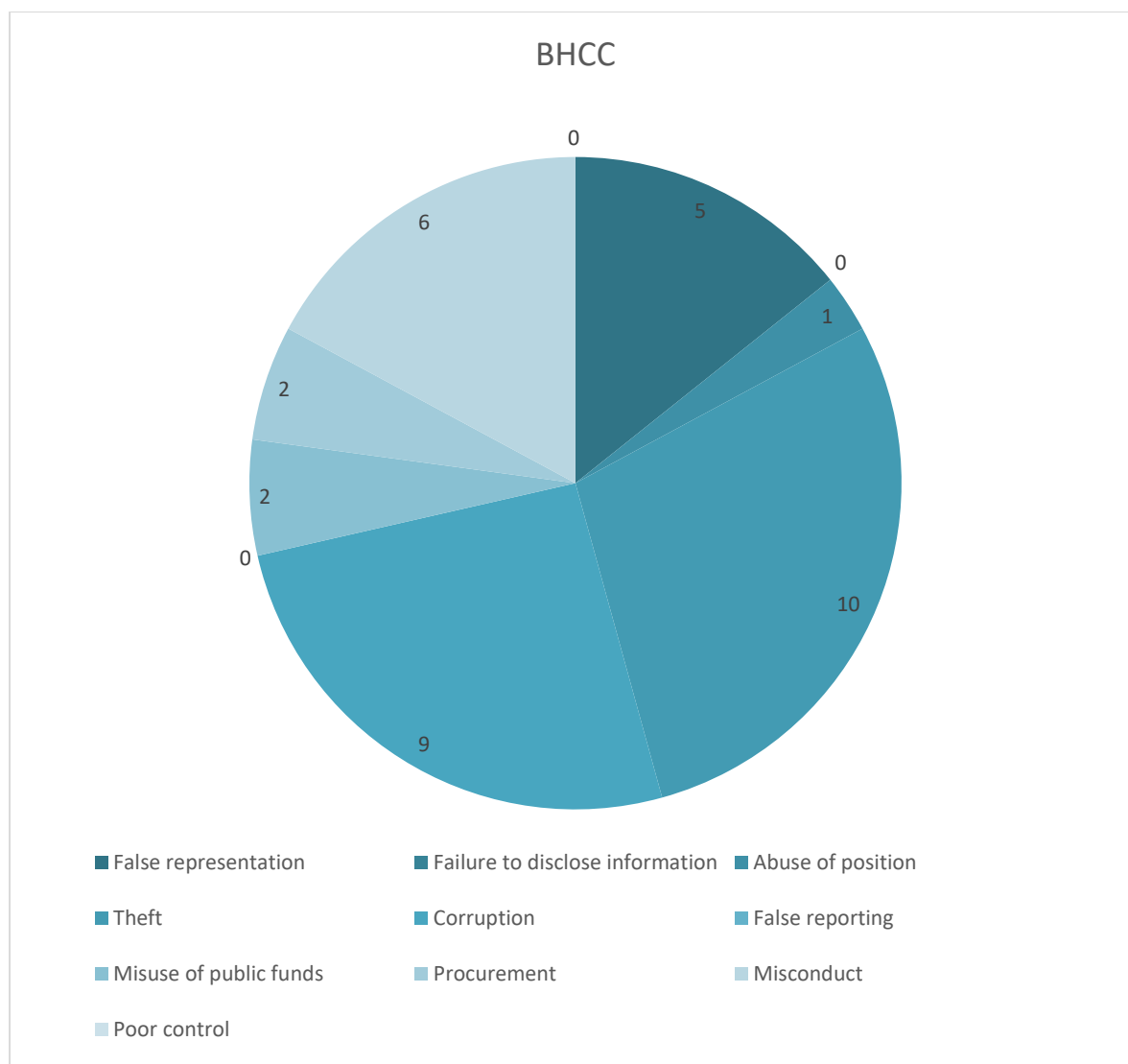
2.3 A total of 35 allegations were received in the financial year. For comparison, 75 allegations were received in the previous financial year.

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:

<b>Fraud Area</b>	<b>(£) 2022/23</b>	<b>(£) 2023/24</b>	<b>(£) 2024/25</b>	<b>(£) 2025/26</b>
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
<b>Total</b>	<b>190,575</b>	<b>570,918</b>	<b>1,405,337</b>	<b>1,075,236</b>

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

<b>Reporting category</b>	<b>Description</b>	<b>Examples</b> (not an exhaustive list)	<b>Legislation / Policies</b> (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	

