



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Conflicts of interest

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

Summary

1 This report outlines the importance of recognising and adequately managing conflicts of interest in the public sector. We define a conflict of interest as a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

2 In the last year we have gathered a significant amount of intelligence on conflicts, particularly in the health and education sectors. These are areas of government where services are increasingly commissioned and delivered by parties at arm's-length to departments.

3 Conflicts of interest can occur naturally as a product of the way a system is designed. Providing services via third parties increases the potential for conflicts of interest as organisations act as both commissioner and provider of related services. A clear approach to managing these conflicts is necessary to counter concerns about lack of transparency and the view that conflicts of interest are influencing decisions. A particular concern alleges that commissioners have been able to buy services from private businesses in which they have a financial or family interest.

4 It is important to recognise the risk of conflicts of interest and their impact on how decisions and operations are perceived. A failure to recognise a conflict of interest can give the impression that the organisation or individual is not acting in the public interest and could potentially lead to a decision being subject to challenge. This can damage reputations and undermine confidence in government.

5 This report gives examples of potential conflicts to illustrate how and where they may arise in the provision of public services. Our objectives were to:

- define conflicts of interest (Part One);
- explain how and where conflicts of interest can arise and the importance of recognising them when they do occur (Part Two); and
- determine what guidance and policies govern the management of conflicts of interest and establish what should be in place to identify and manage the risks (Part Three).

6 This report uses examples of potential conflicts as illustrations. We have not sought to judge whether an actual conflict of interest has arisen and/or influenced decision-making. We also did not assess government or departmental conflict of interest policies or practices in this report. We plan to focus on how conflicts of interest are managed in specific sectors separately in planned future work.

7 Our methods are set out at Appendix One. We summarise key elements of good practice on managing conflicts of interest in Appendix Two.