



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Investigation into the acceptance of gifts and hospitality

What this investigation is about

1 Organisations and individuals sometimes offer gifts and hospitality to public officials, and their acceptance may create real or perceived conflicts of interest. Central government officials are allowed to accept gifts and hospitality, but under the Civil Service Code they must not accept where it 'might reasonably be seen to compromise their personal judgement or integrity'.

2 Our report *Conflicts of Interests* in 2015 stated that accepting significant gifts and hospitality creates a perception of biased decision-making, even if they have no bearing on judgement.¹ If the risks relating to officials accepting gifts and hospitality are not properly managed, public trust in government may be eroded. This investigation sets out the facts relating to officials' acceptance of gifts and hospitality. It covers:

- rules and processes on accepting gifts and hospitality (Part One);
- gifts and hospitality accepted by directors-general, other senior officials and senior military officers ('senior officials') (Part Two);
- gifts and hospitality accepted by other officials in central government (Part Three); and
- Cabinet Office oversight of policies and practices on acceptance of gifts and hospitality (Part Four).

3 We examined the rules and guidance for officials and published transparency data on the gifts and hospitality received by departmental board members, directors-general and senior military officers between April 2012 and March 2015. We also reviewed the gift and hospitality guidance and registers in three case study departments:

- Department for Business, Innovation & Skills (BIS);
- HM Revenue & Customs (HMRC); and
- Ministry of Defence (MoD), focusing on the records of its bespoke trading entity Defence Equipment & Support (DE&S). This included both civil servants and military personnel (who are expected to comply with the Queen's Regulations as well as with the Civil Service Code).

4 In reviewing gifts and hospitality recorded in registers, there is an inherent risk that some items will not have been disclosed. Except where entire registers were missing or obviously incomplete, we did not evaluate the completeness or accuracy (including estimated monetary values) of entries in the registers.

¹ Comptroller and Auditor General, *Conflicts of Interest*, Session 2014-15, HC 907, National Audit Office, January 2015.

Summary

Key findings

Rules and processes

5 Accepting modest hospitality is sometimes justified. Officials often need to engage with a range of external contacts in order to carry out their work efficiently and effectively. Hospitality might involve no more than sandwiches provided during a meeting in the middle of the day. Gifts are often low-value items and, in certain circumstances, declining gifts might cause offence. Barring officials from accepting gifts and hospitality would run the risk of hampering the legitimate activities of departments (paragraphs 1.2, 1.3, 1.9, 2.7, 3.5 and 3.6).

6 The Civil Service has a principles-based approach to guiding civil servants on whether they can accept gifts and hospitality. The Civil Service guidance, issued by the Cabinet Office, sets out three principles that officials should consider before accepting gifts and hospitality:

- acceptance should be in the interests of departments and government objectives ('purpose');
- gifts and hospitality should not be over-frequent, over-generous or disproportionate ('proportionality'); and
- acceptance should be avoided if the offer is inappropriate in the context of the provider's relationship with the department ('avoidance of conflict of interest').

Officials are expected to apply their judgement and departments are expected to have their own rules and processes (paragraphs 1.2, 1.4 and 1.6).

7 Rules and processes on gifts and hospitality could be more stringent.

The Cabinet Office expects departments to set their gifts and hospitality policy, drawing on the Civil Service guidance and reflecting their department's own context. In their own policies, the case study departments applied similar principles to those set out in the Civil Service guidance. However, we found that policies and practices in Civil Service guidance and case study departments fell short of good practice in some respects, such as those set out by the Institute of Business Ethics. For example, guidance could be strengthened by encouraging the recording of all offers received and of the estimated monetary value of gifts and hospitality accepted, and by better evidencing of the review of registers by managers. In contrast, the European Commission and the United Nations are stricter about their staff accepting gifts and hospitality (paragraphs 1.3, 1.6 to 1.10 and Figure 1).

8 There are some weaknesses in controls over gifts and hospitality. According to the Civil Service guidance on managing the acceptance of gifts and hospitality, accounting officers are responsible for ensuring registers and systems are in place. However, the Department for Business, Innovation & Skills (BIS) told us it operates a decentralised approach to managing and recording gifts and hospitality that is risk-based and proportionate. Its senior officials are responsible for ensuring the rules are followed and for escalating issues to the Accounting Officer by exception. We found that 3 out of the 37 BIS registers covering 2014-15 were missing or clearly incomplete. BIS and Ministry of Defence (MoD) did not collate records centrally, a practice that would help them to see emerging trends across, or local practices within, their departmental groups. HM Revenue & Customs (HMRC) did collate hospitality records centrally (paragraphs 1.11 to 1.12).

Gifts and hospitality accepted

9 The publication of hospitality records of senior officials helps to promote public accountability. Government first published senior officials' hospitality records in 2009, with the aim of helping to account to the taxpayer for the use of public money. Since then, publication of this information has become part of the wider transparency agenda. With effect from the 2015-16 returns, the Cabinet Office has extended the publication requirement to cover all Civil Service directors, as well as the directors-general and above who were already required to report (paragraphs 2.2 and 4.4).

10 Some departments are not meeting the transparency requirements. The Cabinet Office requires departments to report the hospitality accepted by board members and directors-general and above ('senior officials'), each quarter. Twelve departments, including BIS and HMRC, have published this information for every quarter from April 2012 to March 2015. Some departments have published their returns much later than required. We analysed whether the quarterly returns covered all of the board members (including any 'nil returns') and estimate that the board members' records were included around 80% of the time (paragraphs 2.2 to 2.4 and Figure 2).

11 We estimate that senior officials in 17 departments accepted some £29,000 of gifts and hospitality in 2014-15. Senior officials reported accepting gifts and hospitality 3,413 times between 2012-13 and 2014-15. The total number of reported cases of senior officials accepting gifts and hospitality varied significantly by departments. It ranged from 718 times in BIS to 20 times in Department for International Development. Some of the variation reflects differences in completeness of reporting between the departments (paragraphs 2.5, 2.8, Figure 3 and Figure 6).

12 We estimate that officials in the three case study departments accepted a total of over £150,000 of gifts and hospitality in 2014-15. Although the total value of hospitality accepted may not be high, the reputational risks around accepting it can be substantial. Defence Equipment & Support (DE&S) officials recorded that they had received the most hospitality, both in terms of frequency and monetary value. Its officials accepted 5,213 offers of hospitality in 2014-15, compared with BIS officials who accepted 1,688 offers, and HMRC officials who accepted 1,079 offers. In 2014-15, 17% of DE&S officials accepted gifts and hospitality with an estimated value of some £100,000. This compared with 3% of BIS officials (estimated value of some £35,000), and 1% of HMRC officials (estimated value of some £19,000). These differences may, at least in part, reflect the different reporting requirements and roles of departments. For example, we would expect fewer staff in departments with large administrative operations to be accepting gifts and hospitality (paragraphs 1.2, 2.5, 3.6 and 3.10, Figure 11 and Figure 12).

13 Officials accept hospitality from many organisations and individuals.

Senior officials in the 17 departments reported accepting hospitality (most often dinner) from some 1,495 different organisations (or individuals) between April 2012 and March 2015. Frequent acceptance of hospitality from particular organisations is not necessarily wrong, but it does need to be in proportion to the business relationship. The most frequent providers in the period were the City of London Corporation, PricewaterhouseCoopers (PwC), the Confederation of British Industry and Deloitte. In our case study departments in 2014-15:

- BIS officials accepted hospitality from some 580 organisations. Some of the most frequent providers were organisations with an interest in the department's policy objectives (including Airbus Group, 47 times) rather than contractors, as well as several organisations from within the BIS group;
- DE&S officials accepted hospitality from some 600 organisations. The most frequent providers were major defence contractors (including BAE Systems, 581 times); and
- HMRC officials accepted hospitality from some 400 organisations. The most frequent providers were foreign governments, suppliers and professional services firms (including the Government of the French Republic, 19 times).

The variation between departments is explained partly by differences in what their own guidance requires their staff to report as well as differences in the nature of their business requirements to engage with external stakeholders (paragraphs 2.7, 3.6 to 3.9, Figure 5, Figure 8, Figure 9, and Figure 10).

14 While most cases of gifts and hospitality appeared to be reasonable, we found some examples where acceptance may not have been consistent with the Cabinet Office principles. We recognise that, with a principles-based approach, decisions on whether to accept gifts and hospitality depend on context and personal judgement. Most of the hospitality and many of the gifts accepted seemed reasonable and consistent with the principles, including nominal-value items such as calendars, refreshments and sandwich lunches. However, in our review of the registers and transparency data, we identified some concerns. These included: tickets to professional sports and cultural events, sometimes accompanied by a spouse and/or children; bottles of champagne; wine for a team's Christmas lunch; and iPads (paragraphs 1.4, 2.9 to 2.12 and 3.12 to 3.15).

Role of the Cabinet Office

15 The Cabinet Office focuses on policy for transparency data and providing the overall guidance. The Cabinet Office is responsible for providing corporate leadership for the Civil Service as a whole, including on ethical issues like gifts and hospitality, and it produces policy on transparency data and the overall guidance. It takes a less proactive role in assessing whether departments need more support or whether there are any emerging issues in relation to gifts and hospitality (paragraphs 4.1 to 4.10).

Conclusion

16 As part of their relationships with external stakeholders, public officials are sometimes offered gifts and hospitality which it is reasonable for them to accept. However, acceptance can present a risk of actual or perceived conflicts of interest, which can in turn undermine value for money or affect government's reputation. The Cabinet Office, with overall responsibility, is best placed to oversee this risk across government and to advise on appropriate rules and processes. While most, but not all, of the cases declared by officials appear on the face of it to be justifiable in the normal course of business, we have found some weaknesses in the oversight and control of gifts and hospitality that need to be addressed by the Cabinet Office and by departments.