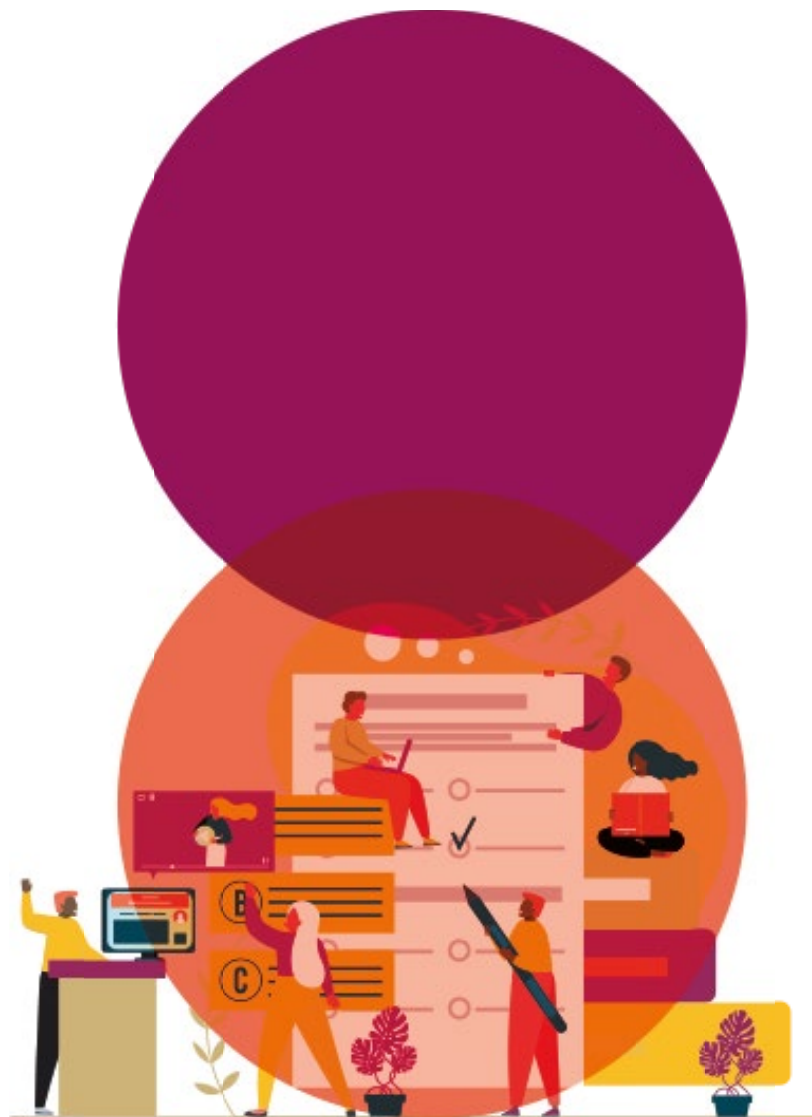


# CODE OF CONDUCT



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**Human Resources**

January 2023



National Audit Office

We are the UK's independent public  
spending watchdog.

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# PREFACE

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Gareth Davies

**Comptroller and  
Auditor General**

January 2023

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The National Audit Office (NAO) must observe the highest standards of corporate, professional and personal conduct. At a time when the credibility and independence of the wider audit sector has come under public scrutiny and criticism it is crucial that the conduct of those who work for the NAO is above reproach.

The NAO has significant rights and responsibilities. Our work is concerned with pursuing high standards of probity and propriety in the bodies we audit; we have rights of access to information and to the employees of public bodies; we have a unique role to uphold and promote accountability in public service; and we have a high public profile. These rights and responsibilities place us under a particular obligation to maintain high standards. It is equally important that we work with each other in a way that values inclusion and respect and ensures a professional and supportive working environment for all.

We also follow the professional and ethical standards set by the UK Financial Reporting Council, which reflect ethical standards set by the International Federation of Accountants and the International Organization of Supreme Audit Institutions (INTOSAI). Our people are subject to the codes of ethics of their respective professional institutes.

This Code of Conduct reinforces the core values and standards that underpin the NAO's work and provides a reference point for decisions and courses of action in carrying out our professional responsibilities. All of us who serve Parliament as office-holders, employees or non-executives of the NAO have a duty to act in line with this Code, at whatever level we operate, and agree to be bound by its terms. In issuing the Code, therefore, I confirm that I am personally committed to each of the principles, standards and values contained within it, and will comply fully with its provisions.



### Annual and within-year returns

**1.1** Code of Conduct returns are required annually. However, a new return should be made in-year if personal circumstances change or when the National Audit Office (NAO) should be made aware of any conduct-related issues.

### Values and standards

**1.2** Given the NAO's role, the highest standards of corporate and personal conduct are essential and ethical values and professional standards must be at the heart of the way we conduct our business.

**1.3** Our corporate values underpin the work of the NAO and must be applied consistently if we are to retain the confidence of Parliament, audited bodies and the wider public. Everything done by those who serve Parliament as non-executives or employees of the NAO must be able to stand the test of Parliamentary scrutiny, public judgements on propriety, and professional codes of conduct.

### Scope and application

**1.4** The Code sets out the NAO's framework of behaviours and is supported by detailed statements available on the NAO intranet. Detailed links to these documents are provided in the relevant sections of the Code.

**1.5** The Code applies to all non-executives and employees, including those on fixed-term contracts, and inward secondees. Those working for us temporarily through an employment agency or Framework Partner, and those contracted to provide services to the NAO, must abide by the terms of the Code but they are not required to submit a personal return. Compliance with the Code is a prerequisite for undertaking any audit work. Code of Conduct returns will be used in the process for reviewing and approving security clearances, and adverse entries (e.g. arrests or convictions) may result in an individual's security clearance being refused or





withdrawn. Where individuals are cleared to SC or DV level they are required, in their annual declaration, to confirm that they have discussed any changes in their personal circumstances with their line manager.

**1.6** All who are members or students of professional bodies must uphold the codes of ethics of those bodies in addition to their obligations under this Code. Individuals who are professionally qualified must remain competent to undertake assignments, ensure their knowledge is up to date, which includes completing CPD, and that they are fit and proper persons to undertake their work.

**1.7** The Code defines responsibilities but cannot address all the possible issues. Individuals should apply common sense and careful judgement but there may be occasions when further guidance is required if, for example:

- there are doubts about the application or scope of the Code's provisions;
- there are apparent conflicts with the requirements of professional bodies;
- individuals believe that they are being required to act in a way which is illegal, improper, unethical, in breach of constitutional convention or involves activity covered by the Public Interest Disclosure Act (PIDA)1998; or
- individuals face a fundamental issue of conscience.

**1.8** In such circumstances employees should discuss the matter with the appropriate individual(s) listed in [Appendix One](#).

Non-executives should raise any concerns with the Chair of the NAO Board, Dame Fiona Reynolds, and refer any potential conflicts with the Code to the Chair to discuss with the Comptroller and Auditor General (C&AG).

**1.9** The PIDA 1998 provides protection to current and former NAO employees who raise concerns about wrongdoing at the NAO. To secure protection such disclosures need to be made in line with the Act. The NAO's Internal Whistleblowing Policy is set out [here](#).

**1.10** Failure to comply with the Code may be treated as a disciplinary matter under the managing misconduct procedures set out in [Chapter 19 of the HR Manual](#).

**1.11** The C&AG is the Ethics Partner for the NAO, and the ethics function is led by the directors of practice and quality, supported by their teams.

**1.12** The data from Code of Conduct returns will only be reviewed by relevant NAO colleagues, including Human Resources and the Practice and Quality teams. All data will be handled in line with our [fair processing notice](#) and data will be retained for six years, consistent with our retention schedule.



# OBSERVING OUR VALUES



Our values reflect who we are as the National Audit Office (NAO) and how we work together and with those outside the NAO, to achieve our purpose and priorities. Further detail on our values can be found [here](#).

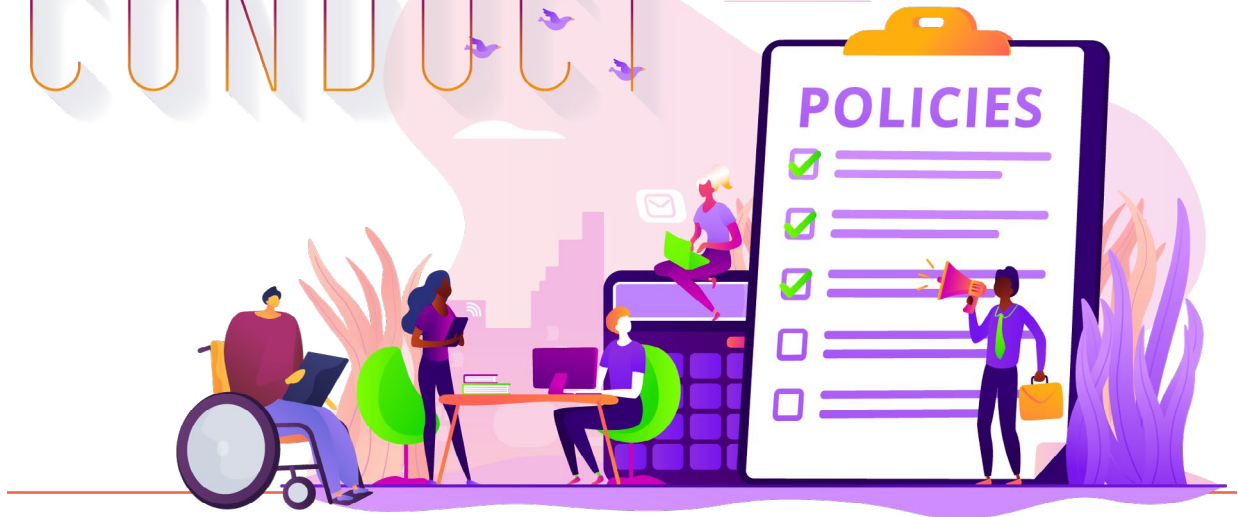
**2.1** In undertaking their work, all colleagues must adhere to our values. Anyone undertaking audit work must also ensure that work is carried out in accordance with the [UK Financial Reporting Council's International Standard on Quality Control 1](#); the [FRC Ethical](#)

[Standard 2019](#); the [FRC Auditing Standards](#); and the [VFM and Non-Financial Audit standards](#) as appropriate.

**2.2** Additional guidance can be sought from the colleagues listed in [Appendix One](#).



# PERSONAL CONDUCT



## General

**3.1** Individuals must always maintain the highest standards of personal conduct. The National Audit Office (NAO) is concerned only with the private and personal activities of individuals which impinge on the performance of their duties or risk bringing discredit to the NAO. Particular difficulties may arise in the following areas:



Individuals must not participate in activities which might severely damage their financial standing. Individuals who become bankrupt or insolvent, or experience significant financial difficulties, must immediately report the fact to the director of human resources. They will be required to give a full statement of their case to establish whether their position is likely to prejudice the proper and effective performance of their duties.



Individuals must adopt high standards of personal discipline at all times. The consumption of alcohol in a working environment and the taking of illegal drugs at any time is prohibited. Moderate consumption of alcohol at an office related social event is permitted but any level of consumption which affects an individual's judgement, behaviour or conduct must be avoided. The consumption of alcohol cannot be used in mitigation where disciplinary action is taken for poor behaviour or unacceptable conduct. Where individuals form a dependency to alcohol, drugs or other substances, the NAO will provide appropriate support as set out in [Chapter 11 of the HR Manual](#) and the individual will be expected to take advantage of the support offered.



Individuals must discuss with their performance coach or senior manager any personal relationships with NAO colleagues where that relationship may impinge on their duties and responsibilities to ensure that the allocation or routing of work avoids potential conflicts. A record of the discussion and resulting decision must be sent to the director of human resources.

→ Individuals must not make use of their official position to further their private interests.

→ Individuals must inform the director of human resources if they are, or ever have been, refused or restricted in the right to carry out any trade, business or profession for which a specific licence, registration or other authority is required. Individuals subject to a court order instigated by a regulatory body, or subject to official enquiry by a financial, professional or other business authority, should also disclose it.

→ Individuals must report the results of any disciplinary procedures or reprimands issued by professional bodies. Individuals investigated by their institute for allegations of misconduct or malpractice should also make the existence of these investigations known to the director of human resources.

→ Individuals should not speak to the media without prior agreement from the External Relations team. If individuals are considering making public comments about the NAO or its work they should contact the director of external communications and marketing or the head of external communications in advance to discuss what practical advice and support is available, if needed.

If presenting at external events individuals should use their professional judgement when referring to the NAO or its work, ensuring at all times that the reputation of the NAO is upheld and confidential or unpublished information is not shared.

→ Individuals who use social media in a work capacity should read and adhere to the principles contained within the [social media guidance](#), including seeking advice from the head of external communications or the External Relations team if they have any doubts about what they should and should not do online.

→ Individuals have a personal responsibility to ensure that they comply with HM Revenue & Customs rules and that their tax affairs are up to date.

→ Individuals should ensure that they have the appropriate level of security clearance in place for their role and that they take the appropriate actions to renew their clearance well in advance of the expiry date. It is mandatory for all audit staff to be cleared to at least SC level. In addition, staff cleared to SC and DV level must confirm in their annual declaration that they have discussed with their line manager any changes in their personal circumstances.

### Reporting of arrests, convictions or court judgments

**3.2** Individuals must inform the director of human resources if they are arrested and refused bail, or if they are convicted by a court of any criminal offence (except a

traffic offence which does not result in imprisonment or disqualification). Individuals are also obliged to report any civil actions they are subject to as a result of professional or business activities where a court has found against them.



**3.3** Individuals should also inform the director of human resources if they are subject to:

- a judgment by a UK court about a debt (including Child Support Agency orders and non-payment of Council Tax);
- an attachment of earnings order;
- if they are declared bankrupt or served with a bankruptcy petition; or
- if they enter into compromise arrangements or trust deeds with creditors.

## Use and control of public funds and assets

**3.4** Individuals should use public assets efficiently and effectively for legitimate business purposes. This applies to the use of all NAO equipment including, for example, telephones, computers and photocopiers, although occasional use of such facilities for private purposes is permissible where the costs are trivial.

## Prevention of fraud

**3.5** Everyone has a personal responsibility for handling public assets with probity. They also have a responsibility for reporting immediately to their performance coach, or other appropriate person, any suspected fraud by their colleagues, contractors or suppliers.

## Employee relations

**3.6** Individuals must act at all times in line with the NAO's values. We must treat colleagues, clients and other relevant parties with dignity and respect at all times and be open to their views and different perspectives. We are an inclusive organisation which is at its best when we embrace diversity of thought, experience and background. All employees must act at all times in line with the spirit as well as the letter of all relevant Acts and Directives, paying particular attention to:



Discrimination: people must not discriminate unfairly on the grounds of ethnic or racial origin, disability, religion and belief, age, sexual orientation, sex, gender identity, gender reassignment, pregnancy or maternity, part-time/full-time status, marital status or trade union activities;

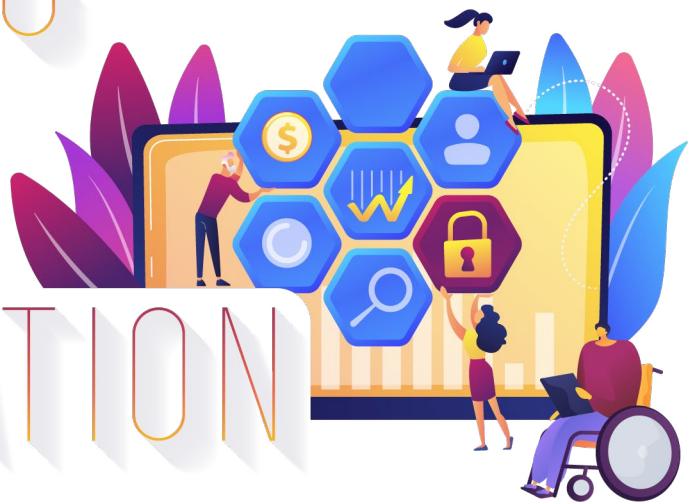


Bullying and harassment: this may take many forms (Chapter 3), including victimisation, bullying and physical or verbal abuse, as well as less obvious actions such as ignoring or excluding a colleague, showing unwanted attention, or making inappropriate personal remarks. Bullying and harassment can occur in the NAO, or, when work takes people away from home, including outside normal working hours. It can also occur at work-related social events such as at team Christmas lunches, drinks or other celebrations. All forms of bullying and harassment are unacceptable, will not be tolerated at the NAO, and will be subject to disciplinary action;

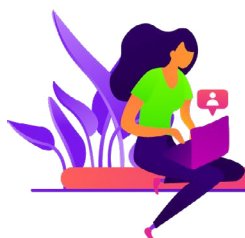


Health and safety: the NAO's Health and Safety Policy makes clear that everyone has a personal responsibility both for their own health and safety at work and for ensuring that they and their colleagues do not put the health and safety of others at risk. In completing the Code of Conduct, individuals are confirming that they have read and understood the Health and Safety Policy, including the advice on display screen equipment and manual handling, and the ITRC Remote Working Reference Guide and agree to abide by these provisions.

# HANDLING DATA & INFORMATION



**4.1** The National Audit Office (NAO) has access to substantial amounts of data and information to enable us to perform our statutory audit tasks and to support the effective internal administration of our business. We have a duty to respect this privileged access and to ensure that the data and information entrusted to us are safeguarded properly. Specific statutory responsibilities and security considerations apply, and everyone must be familiar with the available guidance and be clear about their obligations under legislation and the common law. We are responsible for the security of the information we use or manage and must ensure that appropriate measures are taken to preserve its safe-keeping, integrity and availability for use.



## Personal and other sensitive data

**4.2** The UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018 impose statutory obligations on organisations in respect of how they obtain, process, protect and destroy personal data. The implications for the NAO are set out in the [NAO's Data Protection Guidance](#) and the more detailed documents related to it, including our Privacy and Fair Processing Notices. [The Guidance](#) applies equally to data held by us and to data processed by contractors and other third parties on our behalf.

## Official Secrets Acts

**4.3** The Official Secrets Acts 1911 and 1989 prohibit individuals from making unauthorised disclosure of certain categories of information acquired through their official duties. The Acts apply during and after a person is employed at the NAO or carries out work on behalf of the NAO.



### Information Security and Breaches

**4.4** The NAO Information Security policies are set out on [Merlin](#). As well as ensuring the NAO's compliance with the GDPR and Data Protection Act they also allow us to maintain certification to ISO/IEC 27001 information security best practice.

**4.5** Anyone with concerns that the NAO's Information Security policies have not been complied with should follow the guidance on [reporting security incidents](#) and [data breaches](#).

### Unauthorised disclosures

**4.6** The Comptroller and Auditor General (C&AG) shall be the final arbiter about what shall, or shall not, be disclosed about the work of the NAO. Any unauthorised disclosure of information damaging to the interests of the NAO, including the leaking of draft reports, should be reported to the executive director responsible for corporate governance – Daniel Lambauer. Unauthorised disclosure may be treated as misconduct.

### Freedom of Information

**4.7** The Freedom of Information Act's starting point is that information held should be released but there are a number of exemptions to safeguard against inappropriate or damaging disclosures of information – for example, the section 33 'public audit' exemption. The NAO's Freedom of Information (FOI) team oversees all FOI requests and staff should notify the team in the event of receiving a request, consulting with others as required. Information on handling FOI requests can be found in the [Information requests \(FOI/EIR\) handling requests](#) guidance.

### Anti-money-laundering reporting

**4.8** Anti-money-laundering legislation places statutory obligations on the NAO and its staff. Individuals have a personal responsibility to report to the NAO's money-laundering reporting officer if they acquire knowledge or reasonable suspicion of money-laundering during the course of their work. Staff should read the NAO's [anti-money-laundering guidance](#) and complete the mandatory e-learning package at least annually.



# POLITICAL ACTIVITIES

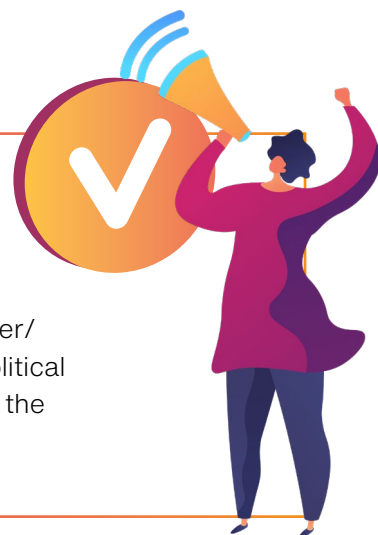


**5.1** The Comptroller and Auditor General (C&AG) is an officer of the House of Commons and is independent of the Executive. Given the status of the C&AG and the role of the National Audit Office (NAO), it is essential that the NAO is, and is seen to be, free from political bias. Ill-considered or irresponsible comments or actions of a political nature could cause irreparable damage to the credibility of the C&AG and the NAO.

**5.2** While we support an individual's freedom to participate in public affairs and hold personal beliefs and opinions, there are some restrictions we have put in place to protect the impartiality of the NAO. Full details are below.

## Our people can:

- Be members of political parties.
- Engage in local and national political activities, outside of the restrictions set out below, if they are in grades below Audit Manager/ Band 1. Staff at Audit Manager/Band 1 can only engage in local political activities. All staff must, however, receive the written permission of the director, human resources before any activity is undertaken.





#### **Our people cannot:**

- Stand as candidates for, or be co-opted onto, any local or national assembly, including the UK House of Commons, the devolved administrations, or any international parliament, including the European Parliament.
- Hold roles in any party political organisations in the field of national or local government.
- Speak in public on matters of local, national or international political controversy where the impartiality of the comments may be called into question.
- Express views on such matters in letters to the press, books, articles, or in any other media, including social media (see [policy on use of social media](#)).
- Canvas on behalf of candidates for any local or national assembly or on behalf of a political party.

**5.3** In seeking written permission, individuals should give precise details of the intended activities and the period over which the activity is likely to take place. If permission is given the activity must not take place while the individual is on NAO duty or on official premises and staff must observe the provisions of the Official Secrets Acts at all times. Individuals should not make any reference to their employment by the NAO when speaking in public, except where they are required by law to declare an interest. If any risks to the interests of the NAO arise from involvement in approved political activities, individuals will be required to withdraw their participation. Failure to do so may result in formal disciplinary procedures.

**5.4** The C&AG and the Chair of the NAO Board are the senior authority on what constitutes political activity and what is subject to restriction. If staff have concerns regarding any activity or other political involvement, they should report these matters in the first instance to the executive director responsible for corporate governance, Daniel Lambauer. If any non-executive member of the Board has such concerns these should be discussed with the Chair of the Board, Dame Fiona Reynolds, who will then discuss the matter with the C&AG.

**5.5** These measures are not intended to discourage people from participating in public service activities such as school governors, approved non-executive directors, trade union work, or volunteering. The key consideration is that people should avoid any possibility that their activities might embarrass the C&AG or call into question the impartiality of the NAO. If individuals have any doubts, they should consult the director of human resources.







# CONFLICTS OF INTEREST

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## General

**6.1** The National Audit Office (NAO) and its people must be seen to be independent, objective and free from conflicts of interest. For our audit work the definition of those in a position to influence our work, 'covered persons', is wider than members of the engagement team (see the Financial Reporting Council's (FRC's) [Glossary of Terms](#)). Individuals should declare any private interests relating to their public duties and the wider work and activities of the NAO, taking steps to resolve any conflicts arising in a way which protects the public interest.

**6.2** The FRC's Revised Ethical Standard 2019 (the Ethical Standard) applies to our financial audit work, and NAO policy is to apply this standard to all our assurance work. Anyone concerned about compliance issues should consult any of the colleagues listed in [Appendix One](#). Full and timely disclosure of any issues raised enables Human Resources

and the Ethics Function to assess the matter and implement appropriate safeguards to avoid or manage risk.

**6.3** It is essential that individuals avoid any suggestion of nepotism or favouritism in their dealings with colleagues, clients or other contacts. The key areas include recruitment, promotion, tendering, contracting, outsourcing and performance management. In carrying out public business, choices should be based purely on merit and within our policy framework.

**6.4** Perceived or actual conflicts or potential conflicts of interest do arise in our work and some examples are set out below. This Code cannot address all possible situations and individuals need to apply common sense and careful judgement and consult with those outlined in [Appendix One](#) if they require additional guidance. Explanations of terminology are included in the [Glossary of Terms](#).



## Personal connections to audited entities and their employees

**6.5** Any personal relationships or interests (for example, business or financial interests) with an entity audited by the NAO or with relevant persons may pose a threat to the independence of the NAO. For example, individuals may become aware that a person closely associated with them or a close family member is employed by, or has interest in, an entity relevant to our work. Colleagues must disclose any such relationships in their annual Code of Conduct return or as soon as they become aware of them. They should also inform one of the individuals outlined in [Appendix One](#) if their personal connection could result in a conflict of interest (perceived or actual), for example where the individual:

- is asked to work on a particular assignment which could give rise to the risk;
- is performing, or has been asked to perform, a role such as managing or mentoring a person leading, managing or directing the audit of an audited entity or its affiliates;
- has provided or been asked to provide advice to a team auditing the entity or its affiliates;
- has persons closely associated to them or close family members that have any relationships with bodies they audit or those bodies' affiliates, or with employees of bodies they audit; or
- considers that there is any other circumstance that is relevant

**6.6** Depending on the nature of the actual or perceived conflicts, Human Resources and the Ethics Function (Practice and Quality (PQ) team) will take appropriate action to ensure the independence of the NAO is not compromised.

Scenario A overleaf provides an example of actions that could be required where individuals report a conflict of interest.

## Previous employment

**6.7** Where an individual who was a director or was in a position to exert significant influence over an audited entity is recruited by the NAO, they must not seek to influence the conduct or outcome of the audit of that entity for a period of at least two years. The director of human resources will notify the directors of financial audit practice and quality or value-for-money practice and quality if this situation arises.

## Future employment

**6.8** Individuals in grades at and above Audit Manager/Band 1, and colleagues responsible for managing projects and engagements, are required to notify immediately the colleagues listed in [Appendix One](#) of any potential employment with an entity audited by the NAO. All other grades/roles are required to notify these individuals where future employment with an audit client is probable.

**6.9** Individuals considering applying for a post at an audited body they currently perform work on must notify at the earliest point the colleagues listed in [Appendix One](#), and this notification should be prior to applying for the position. This information will be treated in confidence. The individual should keep these colleagues updated on the progress of their application, including whether it results in acceptance of a job offer. Executive directors and engagement directors should not accept employment as a director or in a key management position, or take up board or committee-level roles, in audited bodies for which they have been a member of the engagement team in the previous two years, for two years after leaving the NAO.



### Scenario A

Jane is an Audit Manager on the HM Treasury (HMT) audit. She has declared in her Code of Conduct that her husband is employed at the Royal Mint which is an organisation audited by the NAO and consolidated into HMT. Jane's husband is not involved in the preparation of the financial statements.



Jane's situation could potentially create **self-interest**, **familiarity** or **intimidation** threats that could result in a perceived or actual conflict.

The following safeguards could be put in place to counter these potential threats:

- Jane should not be involved in any VfM study, investigation, or financial audit work where the subject matter of the engagement is Royal Mint.
- Jane should not line manage or line direct any staff members working on any VfM study, investigation or financial audit work where the subject matter of the engagement is the Royal Mint.
- The Royal Mint and HMT Portfolio Director and engagement teams should be informed of the threat to independence and objectivity.
- As already done, Jane should update her Code of Conduct declaring this relationship.

### Scenario B

Sam is an Audit Manager involved in carrying out the financial audit of the British Transport Police (BTP). He has been doing such a good job that the BTP's Finance Manager encouraged him to apply for a recently advertised role in the organisation. Sam submitted his application.



Sam's actions pose a threat to the principles of objectivity and independence. The Ethical Standard requires that the Engagement Director identifies and assesses the circumstances which could adversely affect the **integrity** or **objectivity** of the firm or of covered persons ('threats'), including any that could impair **independence**, and applies procedures or safeguards, which will either:

- eliminate the threat (for example, by eliminating the circumstances, such as removing an individual (like Sam) from the engagement team or disposing of a financial interest in the entity); or
- reduce the threat to level at which independence is not compromised.

Sam should notify the individuals listed in [Appendix One](#) at the earliest point so that appropriate safeguards can be implemented.

**6.10** Where individuals have given notice of future employment, our PQ team (Ethics Function), will identify actions to negate or mitigate any potential conflict of interest. This may involve removing colleagues from the audit team and reviewing any work performed by the individual in the current and, where appropriate, most recent audit.

Scenario B opposite provides an example of actions that could be required where individuals report a conflict of interest.

## Secondments

**6.11** All outward secondment opportunities which may lead to a potential conflict of interest or impact on an individual's ability to carry out their audit duties on their return to the NAO will be reviewed, in advance, by the director of financial audit practice and quality against the guidance in the [Revised Ethical Standard 2019](#). A recommendation from the director of financial audit practice will require the approval of the relevant group executive director. Any restrictions on work undertaken either on secondment or on return to the NAO will be agreed and clearly documented between PQ, Human Resources and the secondee before a placement is agreed.

## Private occupations

**6.12** Individuals must not carry out any work which might conflict with the interests of the NAO or their position.

**6.13** Specifically, people may not take part in any outside activity which would require their attendance during their normal office hours other than service as a Justice of the Peace, school governor, or approved non-executive director (see further guidance below). Where individuals are in doubt, they should seek approval from the director of human resources in advance of beginning the role.

**6.14** Individuals should also consult the director of human resources if they are offered payment for work which relates to their official duties or is carried out in official time.

Any fee or payment for such work must be surrendered to the NAO if undertaken in official time, as should any fees for speeches or lectures given in an official capacity. Any travel, accommodation or meals provided in connection with such events must be reasonable in the circumstances.

**6.15** Employees can write or contribute to books/articles that are not related to the work of the NAO. Their content must not call into question the integrity, objectivity or impartiality of the NAO or the Comptroller and Auditor General (C&AG) and any such activity must be conducted in the individual's own time. No reference should be made to employment by the NAO. Any fee can be retained by the individual but must be notified in writing to the director of human resources.

**6.16** Individuals who are considering writing about the work of the NAO should contact the director of external communications and marketing or the head of external communications to discuss what practical advice and support can be provided and to seek approval as follows:

- For director grades and below, they should first agree with their performance coach and then with the head of external communications.
- For executive directors, they should first discuss and agree with the C&AG.
- The approval discussion should include whether any fee may be retained by the individual.

## Business relationships

**6.17** Where individuals, or persons closely associated with them, have business relations – including making a loan or guaranteeing borrowing – with an audited entity these must be declared, except where they involve the purchase of goods and services in the ordinary course of business which are not material or clearly inconsequential to either party.



**6.18** The director of human resources will consult with the directors of practice and quality (PQ) and the relevant audit/line director(s) to determine whether the business relations will impact on the individual's independence. Courses of action may include terminating the business relationship or implementing suitable safeguarding arrangements, as appropriate.

**6.19** No restriction is placed on paid part-time employment or other paid activities outside official hours unless these give rise to a conflict of interest with the NAO's work or bring discredit upon the NAO. However, anyone proposing to undertake outside employment should obtain the consent of the director of human resources if:

- a** it is employment or activity as an auditor, accountant or bookkeeper;
- b** it involves the use of official information acquired in the course of official duties;
- c** it is employment, or activity, for anybody to which the NAO may award business or contracts; or
- d** the working hours of the proposed employment, when aggregated with the working hours of NAO employment, are likely to exceed 48 hours per week.

**6.20** Individuals are personally responsible for any payments due to HM Revenue & Customs as a result of private occupations.

#### Financial relationships

**6.21** Individuals may hold private investments but neither they, nor persons closely associated with them, should hold or deal in shares or other financial interests in any audited entity or its affiliates. They should not use their NAO position to gain privileged information or influence the outcome of an engagement which might affect the value of shares or other financial interests. If individuals (or persons closely associated to them) hold shares or other financial interests in an audited entity or its affiliates on joining the NAO or unintentionally gain such an interest in an audited entity while employed by the NAO which may create a conflict of interest they should declare the holding immediately to the relevant audit/line director. The director will then discuss the matter in confidence with those colleagues listed in [Appendix One](#).

Some examples of conflicts are when an individual:

- knows of a large government contract to be placed with a public company;
- has privileged information about a future privatisation or any form of public-private partnership;

- knows of planned actions which might affect a company's prospects; or
- has shares or other financial interests in a privatised company where the individual audits that company or the relevant regulator.

**6.22** The audit/line director, in consultation with the directors listed in [Appendix One](#), will decide whether the financial interest might exert undue influence on the individual's judgement or be a risk to the perceived independence of the NAO. The directors will determine the appropriate course of action, which may include the individual divesting himself or herself of the interest. A record of this decision must be kept by Human Resources.

**6.23** Declarations should be made for a financial interest in an audited entity or its affiliates which are held in trust. If you are unsure whether this is applicable, you should consult the directors listed in [Appendix One](#). This may be done in confidence.

**6.24** You are not required to declare, for example, a financial interest such as a loan or home mortgage from an audited entity or its affiliates where those entities are banks or similar institutions and the loan is made in the normal course of business at arm's-length.<sup>1</sup> If, however, the loan becomes significantly in arrears and the individual is in a position to influence the conduct or outcome of the relevant audit, they should report the matter to the relevant audit/line director and the directors listed in [Appendix One](#) and cease to have any involvement in the engagement.

**6.25** Individuals have legal responsibilities under the Criminal Justice Act 1993, which states that: "an individual who has information as an insider is guilty of insider dealing if he/

she deals in securities that are price-affected securities in relation to the information". Further, the Financial Services Act 2012 provides that the misuse of inside information and market manipulation are criminal offences.

### Relationships with contractors

**6.26** Contracts must be awarded on merit in fair competition against other potential suppliers (see the [NAO Finance Manual](#)). Individuals who have any personal relationship with potential suppliers must report the fact to the director of human resources and must not have any involvement in the letting of these contracts.

**6.27** Individuals must declare any investment interests they hold with suppliers or consultants with whom they might deal. Where conflicts of interest might arise, the individual should dispose of their investment or ensure they play no part in awarding the contract. When dealing with suppliers we should be aware of the implications of the Bribery Act 2010 as set out in Policy Circular [PC 01/11](#).



<sup>1</sup> Ethical Standards 2.26. *Firms, covered persons and persons closely associated with them shall not enter into business relationships with any entity relevant to the engagement, or its management or its affiliates except where those relationships:*

- involve the purchase of goods or services from the *firm* or the entity in the ordinary course of business and on an arm's-length basis and which are not material to either party; or
- would be inconsequential to either party in the view of an objective, reasonable and informed third party.





# GIFTS HOSPITALITY TRAVEL AND ACCOMMODATION

## General

**7.1** The National Audit Office (NAO) engages with a wide variety of clients, suppliers and partner bodies, and individuals may be faced with occasions where gifts or hospitality are offered or provided. Offers of gifts, hospitality, entertainment or services should not be accepted where they might place the recipient under an obligation to the donor or compromise their personal or professional judgement.

**7.2** The Bribery Act 2010 promotes anti-bribery practices among businesses and defines bribery as: “offering (promising) or receiving (requesting) a bribe in return for breach of expectation or improper performance”. It sets out

four criminal offences, namely: bribing another person; being bribed; bribery of a foreign public official; and failure of a commercial organisation to prevent (a bribe). The legislation sets the maximum penalty for bribery by individuals at 10 years’ imprisonment, and further guidance is provided in Policy Circular [PC 01/11](#).

## Gifts

**7.3** Individuals may accept gifts in the form of: business items of token value (for example, placemats or calendars); items provided at conferences or related events (for example, pens and wallets), and occasional tokens of thanks/appreciation (for example, inexpensive chocolates or a single bottle of wine). These items need not be recorded.





**7.4** All other gifts received by individuals, or by their immediate family members, may not be accepted, but their offer must be recorded in the NAO's Gifts & Hospitality Register (using the form available in the [Finance Manual on Merlin](#)) and either returned to the donor organisation or, if return is not practical or might cause offence, surrendered to the director of human resources, who will arrange for the item to be donated for charitable purposes. Gifts of a ceremonial nature which are accepted from international visitors are displayed in our Buckingham Palace Road offices.

### Hospitality

**7.5** Individuals are permitted to accept hospitality which is provided in the normal course of business and could reasonably be reciprocated by the NAO. This includes working lunches or dinners, providing these cover a business agenda. The standard of hospitality should be no more than that which might reasonably be offered by the NAO in return and there should be a balance of hospitality received and hospitality given. All working lunches or dinners provided off client premises (for example, in a restaurant) must be recorded on the [Gifts and Hospitality Register](#).

**7.6** Individuals may also accept invitations to events where they are representing the NAO in an official capacity. This includes invitations to business dinners and events such as awards ceremonies where the NAO has been nominated for an award, is judging an award, or is acting as a sponsor. Account should be taken of the level of attendance of other NAO colleagues to ensure that attendance is reasonable in the circumstances. Events which include some form of entertainment can be accepted providing the entertainment forms an intrinsic part of the event. Attendance at all such dinners, ceremonies or events must be recorded on the Gifts and Hospitality Register, as should the offer of any such hospitality.

**7.7** Individuals must not accept any invitation to any event where attendance would normally be subject to payment of a fee. This includes, for example, invitations to art exhibitions, sporting or cultural events, charity dinners and hotel accommodation for leisure purposes. This restriction does not extend to hospitality offered in connection with an individual's employment outside the NAO unless acceptance could, by association, call into question their objectivity in their NAO role.

## Travel and accommodation

**7.8** Any travel or accommodation for business purposes must be reasonable in the circumstances and not expose the individual or the NAO to public criticism. Full details of the rules relating to travel and subsistence, including hotel and meal rates, are contained in the NAO's [Travel Policy](#), which is available on Merlin. Other than in specific defined circumstances, all travel and accommodation bookings must be made through the NAO's travel management company.

**7.9** Individuals and their managers on the assignment will be responsible for judging the travel and accommodation appropriate to the circumstances but should be mindful of the need to balance issues such as health, safety and security with economy. All employees are expected to travel standard class. Any variation to this requires the prior approval of the director responsible for the project/ budget and must meet the criteria set out in the NAO's Travel Policy.

**7.10** Any benefits earned through NAO business travel, such as air miles, must only be used to reduce the costs of future business travel and must not be used for private purposes.

**7.11** Where individuals accept travel and accommodation arranged by their hosts (for example, international bodies) they should review the itinerary in advance to ensure that the standards are compatible with NAO standards. If the standard offered is significantly different to that appropriate

under NAO rules and there is a suitable alternative, individuals should consider declining the offer and making their own arrangements.

**7.12** Subject to considerations of practicability, security and health, the NAO places no restrictions on the freedom of individuals to be accompanied by partners at their own expense. The NAO does not, however, recognise any representational or other reason for partner-accompanied travel at public expense. Partners travel entirely at their own risk.

**7.13** Individuals must obtain prior approval from their director, or executive director (for directors), and the Comptroller and Auditor General (for executive directors), for all international travel and associated work programmes. Managers should be informed of all details of a trip before it is approved, including if the individual will be accompanied by their partner or if there are plans to extend the trip beyond the time necessary for the visit's business purpose. Managers should consider the destination and duration of the proposed programme in assessing the business case and motivation for the proposed travel. The key test for authorising managers will be that criticism of the NAO is avoided or if it occurs can, in the judgement of the Audit Committee, be effectively rebutted. Individuals, and the managers of individuals undertaking work overseas, need to comply with the policy on safeguarding overseas as set out here: [International Travel Policy](#).



# Appendix One

## Who to contact

Issue	Contact
Values and standards	Human resources director, director of financial audit practice and quality, director of value-for-money practice and quality
Speaking to the media/ public comments	Director of external communications and marketing or the head of external communications
Money laundering	Money laundering reporting officer
Political activities	Human resources director
Conflicts of interest – compliance	Performance coach, line director, group people development director, human resources director, director of financial audit practice and quality, director of value for money practice and quality
Conflict of interest – future employment	Performance coach, group people development director, director of human resources and the director of financial audit practice and quality or director of value-for-money practice and quality
Conflicts of interest – private occupations	Human resources director
Conflict of interest – financial relationships/interests	Human resources director, director of financial audit practice and quality and director of value-for-money practice and quality
Conflicts of interest – relationship with contractors	Human resources director
Gifts and hospitality	Human resources director
Travel and accommodation	Finance director