



National Audit Office



REPORT

Managing conflicts of interest

Cabinet Office

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Managing conflicts of interest

Cabinet Office

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

14 November 2024

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Key facts

71%

of surveyed public bodies told us they have changed their system for managing conflicts of interest in response to Cabinet Office's guidance on *Declaration and management of outside interests*, first published in June 2022

83%

of public bodies report in our survey that there are still further changes and improvements that can be made to their systems for managing conflicts of interest

91%

of surveyed public bodies require an annual declaration of interests from senior staff members, including 96% of departmental public bodies

40%

of surveyed public bodies require an annual declaration of interests from all their staff

Glossary

We found terms used differently by different organisations. For this report we use:

Conflict

A set of circumstances that creates a risk that an individual's ability to apply judgement or act in a role is, could be, or could be perceived to be impaired or influenced by a secondary interest.

Interest

A thing that may affect an individual's judgement such as a financial interest, outside role, family relationship or friendship.

Potential conflict of interest

Where an interest may become a conflict due to the nature of the postholder's role or organisation. These require internal declaration and may require mitigations.

Actual or perceived conflict of interest

Where a reasonable person might believe that a conflict of interest is likely to occur in a specific activity. There is no need for a system to differentiate between actual and perceived conflicts because both require declaration and mitigation.

Mitigations

The agreed actions to manage a conflict of interest. These can range from letting other people know about the conflict to removal of the interest (such as selling shares).

Summary

1 Conflicts of interest arise when an individual's ability to apply judgement or act in a role is, or could be perceived to be, impaired or influenced by a secondary or competing interest. Conflicts of interest are a common and unavoidable part of the management of any organisation, including ministerial departments (central government organisations with ministers) and arm's-length bodies (government-funded organisations without ministers). However, failure to recognise or mitigate conflicts does not meet the high ethical standards of integrity, openness and selflessness set out in the Seven Principles of Public Life that people working in the public sector are required to adhere to. Such failures can damage the reputation of, and undermine confidence in, government operations.

2 It is therefore important that all public bodies – including both departments and arm's-length bodies – have appropriate systems and processes in place to manage conflicts of interest effectively. A good system includes a central online register for recording declarations, an annual requirement for all staff to declare any conflicts and to attest that their declarations are complete, a helpdesk function that employees can reach out to for support (such as a shared inbox monitored by a team trained to provide advice), mandatory training on how to manage conflicts well, and the collection of management information on compliance rates.

3 The government sets separate declaration and publication regimes for ministers, special advisers, non-executive directors and senior civil servants that cover personal, financial and familial interests. Parliament also sets separate requirements for members of Parliament and the Lords. Public bodies are responsible for identifying and managing any conflicts that may arise from these declarations, so that they can meet the high standards expected by Parliament and the public with regards to public expenditure and the administration of government. Managing conflicts forms part of an accounting officer's responsibilities for ensuring the propriety of public expenditure.

4 Cabinet Office sets the central government guidance on managing conflicts of interest. Departmental bodies (ministerial departments, non-ministerial departments and executive agencies) must have policies that comply with this guidance. Non-departmental public bodies are encouraged to have their own policies. Cabinet Office also provides support to public bodies to meet their ethical responsibilities and publishes codes of conduct that outline the principles of expected behaviour for civil servants and board members.

Scope

5 This report looks at the governance, systems and processes that public bodies have used to manage conflicts of interest. It aims to answer the following questions:

- Is central government guidance effective in supporting public bodies to manage conflicts of interest? (Part one).
- Do public bodies have effective and proportionate governance, systems and controls over the management of conflicts of interest? (Part two).
- Have public bodies done enough to set a culture where conflicts are managed properly? (Part three).

6 We asked six public bodies to walk us through how they managed conflicts in practice and supplemented this with a survey of 35 public bodies. We did not look to identify new conflicts or test the completeness of declarations, and we did not review the application of the *Ministerial Code* except to define what it is and how it overlaps with the accounting officer's responsibilities as set out in *Managing Public Money*.¹ Parliamentarians follow a separate declaration and publication regime which is not in the scope of this audit. Appendix One sets out more on our audit approach and evidence base.

Key findings

The cross-government landscape

7 Cabinet Office provides support to ministers and the most senior officials to help them manage conflicts of interest in their organisations. Cabinet Office's Propriety and Ethics Team speaks to each new minister and provides a standardised declaration form to support them as they complete their initial return. These returns are reviewed by the Independent Adviser on Ministerial Standards,² who is an independent office-holder appointed by the Prime Minister and who is responsible for publishing relevant declarations on a quarterly basis. The Propriety and Ethics Team can also provide ad hoc support to public bodies on the most complex, high-profile or politically sensitive conflicts from others within that organisation. However, to retain accounting officer responsibility for conflicts, the Team will generally only provide advice on matters that have already been escalated to the relevant permanent secretary in each department (paragraphs 1.11, 2.2 to 2.7, Figure 3).

¹ HM Treasury, *Managing Public Money*, May 2023.

² The Independent Adviser on Ministerial Standards was known as the Independent Adviser on Ministers' Interests until 6 November 2024.

8 In recent years the government has sought to improve departmental systems for declaring, identifying and managing conflicts of interest. Following a number of well-publicised concerns about propriety during the COVID-19 pandemic, Cabinet Office first published new guidance on the *Declaration and management of outside interests* in June 2022. This guidance applies to all departments and executive agencies and aims to support them as they develop their own organisational policies in this area. Most of our case study bodies were able to demonstrate that they had recently sought to improve their systems, and 71% of surveyed public bodies told us that they had changed their system since the publication of this guidance. This included some non-departmental public bodies who were not required to follow the guidance but had voluntarily adopted it as good practice. However, the government has not sought to manage the rollout of this new guidance as a central programme. This report is therefore the first insight into how well public bodies have implemented the new guidance (paragraphs 1.3 to 1.8).

9 Central government guidance is not prescriptive about the governance, systems and controls that public bodies need to put in place. June 2022's *Declaration and management of outside interests* supplemented existing government guidance on managing conflicts of interest. This existing guidance is owned by a range of government bodies and each publication covers different individuals in different ways, with some going further than others. None of the guidance is prescriptive about the systems and controls that public bodies need to set up, which has led to diverse policy approaches across government and within public bodies. Some of the terminology used in these publications also leads to unnecessary confusion: we saw a variety of definitions for 'actual', 'potential' and 'perceived' conflicts of interest within the public bodies we spoke to (paragraphs 1.14 to 1.17).

10 The government can learn from how other professions manage conflicts. There are many regulated professions where members are expected to behave in line with a set of common principles, values and standards as set out by their regulator. These include doctors, accountants, chartered surveyors, and lawyers. There are things that the government could learn from looking to the established processes that such regulators have put in place, including the importance of taking a proactive approach, understanding implementation and setting a clear minimum standard. We have set out what we consider to be good practice for the governance, systems and controls that public bodies should put in place in our companion good practice guide on managing conflicts of interest, published alongside this report (paragraphs 1.18 to 1.20).

Declaring, identifying and managing conflicts

11 The effective management of ministerial conflicts relies on accounting officers supporting ministers to manage any interests they have declared. Ministers and special advisers are responsible for declaring their personal and familial interests. The accounting officer is responsible for reviewing ministerial declarations and agreeing appropriate mitigations with the minister. Accounting officers also provide advice on a continuing basis if a minister's circumstances change, or if developments in government business within the department create a possible conflict. Effective management of ministerial conflicts is therefore dependent on a strong relationship between the minister and accounting officer, supported by the Independent Adviser on Ministerial Standards. In some departments we spoke to, ministerial declarations and agreed mitigations were not routinely shared outside of the accounting officer's small team of immediate support staff, commonly referred to as their private office (paragraphs 2.2 to 2.7).

12 91% of public bodies have now put in place a system of annual declaration for senior staff, but only 40% have extended this to all staff. Of the departmental public bodies responding to our survey, 96% had complied with Cabinet Office guidance and put in place an annual declaration system for their senior civil servants, including annual attestation that their declarations are complete. Some 36% have voluntarily extended this annual declaration requirement to cover all staff. For non-departmental public bodies who do not have to comply with the guidance, these figures were 71% and 57% respectively. Where public bodies did not have an annual requirement for all staff to declare, junior staff remained personally responsible for declaring conflicts as and when they arose (paragraphs 2.12 to 2.14, Figure 4).

13 Not all staff comply with the requirement to declare their interests, but most organisations do not collect information on rates of non-compliance. Management information can be used to help improve compliance across an organisation. Our survey of public sector bodies showed that 71% did not have management information on compliance. Of the five organisations that required all staff to complete a declaration or provide a nil return and who were able to share management information with us, four had compliance rates of between 81% and 95%. Only one body was able to demonstrate 100% compliance. One reason that our case study bodies gave for a lack of compliance was the difficulty of navigating their online e-registers. Other bodies do not have central declaration systems and are therefore unable to track compliance (paragraphs 2.19, 3.8 to 3.9, Figure 7).

14 Many of the systems that public bodies have put in place fall short of the good practice expectation of a working register of interests that can be used to manage conflicts. Since 2019, the Government Internal Audit Agency (GIAA) has identified a broad range of weaknesses in the systems that public bodies use to manage conflicts of interest. In particular, inadequate audit trails limited the assurance it was able to provide over ten of the systems it reviewed. Our own audit testing, which included in-depth reviews of six public bodies and a survey of 35 public bodies, also highlighted shortcomings in these systems:

- We saw some departmental policies that lacked clarity on who is expected to make a declaration, and what interests are required to be declared.
- We saw examples of organisations failing to retain records of declarations made, meaning there was no audit trail and staff were at risk if later accused of impropriety.
- More than two thirds of surveyed bodies have a helpdesk that could provide staff with support and help to ensure consistency of approach in making and managing declarations. However, our case study testing showed that even where helpdesks existed, they were sometimes under-resourced and under-qualified to provide useful advice.
- Declarations could not always be seen by those who needed to help manage them, with only nine surveyed bodies making relevant declarations available to their direct teams.
- None of the public bodies we spoke to could demonstrate that they routinely checked the completeness of staff declarations across their organisation.
- Only one of our case study bodies could demonstrate that they had follow-up checks in place to verify that agreed mitigations had been successfully implemented (paragraphs 2.10 to 2.21 and Figure 4).

15 Public bodies rarely expect functional and project leaders to prompt declarations and check for conflicts within their teams. One of the most common times for a conflict to arise is as an individual starts a new project or area of business activity. However, public bodies tend to rely on individuals complying with corporate policies on conflicts of interest and redeclaring conflicts when they change role. Those responsible for specific projects – such as paying a grant, designing a policy or making a regulatory decision – are not normally expected to check whether project staff have conflicts or to prompt these declarations. As such, the systems for recording and managing declarations are rarely set up to support project leaders to think in this way, or to give them access to the central registers if they are not the individual's direct line manager. Failure to consider conflicts at a project or activity level has also resulted in little to no established process for considering whether senior staff outside a core project team, but who remain in a position to influence the work, have any conflicts that need to be managed (paragraph 2.22 and Figure 4).

16 The government is enhancing the requirement for procurement project managers to take responsibility for managing conflicts in their team.

The government already has additional requirements over managing conflicts of interest in procurement when compared to other activities.³ These are formalised and strengthened by the Procurement Act 2023. We found procurement teams have put in place stronger processes to manage conflicts of interest, including clear ownership and responsibility for policy implementation. We also saw examples of decision-makers being prompted to consider potential conflicts of interest and recusing themselves in response. However, to be effective, these additional controls over procurement need to be supported by effective corporate systems of declaration and management (paragraphs 2.23 to 2.26).

Culture and support

17 Public bodies aim for a culture where people want to do the right thing when managing conflicts of interest.

All of our case study bodies were able to evidence that they do try to set a culture of awareness and compliance on conflicts. This includes putting in place internal policies that require at least senior staff to identify and declare conflicts and making sure that the potential consequences of non-compliance are clear. We also saw evidence of leaders trying hard to do the right thing. In one of our case study bodies, staff described how new leadership had brought a renewed emphasis on the importance of effective declaration and management of conflicts. In another, the Accounting Officer for the Department of Culture, Media & Sport voluntarily published their own interests in order to aid transparency (paragraphs 3.2 to 3.6, 3.11 and Figure 4).

18 Not all public bodies offer training to staff on declaring and managing conflicts of interest.

Some organisations ask the senior policy owner for their conflicts of interest policy to attend central Cabinet Office training whilst others provide in-house training to all staff on declaring and managing conflicts. However, there is no central training offer available to all civil servants on managing conflicts of interest, and some public bodies instead use organisation-wide communications and prompts to remind staff of their declaration responsibilities. Line managers told us that they would benefit from more timely, targeted guidance and training that would support them to get this right (paragraphs 3.5 to 3.7).

³ Cabinet Office, *Procurement Policy Note 04/21: Applying Exclusions in Public Procurement, Managing Conflicts of Interest and Whistleblowing*, May 2021.

19 Government bodies were unable to demonstrate that sanctions for non-compliance were effective and applied appropriately.

We would expect sanctions to be used wisely by public bodies as it can be more appropriate to encourage late declaration than to punish honest mistakes, but not visibly using sanctions in the most serious or repeated cases of deliberate non-compliance can hamper an organisation's ability to effectively deal with and deter future breaches. All six of our case study bodies made clear in their conflict of interest policies that non-compliance could lead to disciplinary action. However, it is not obvious how much non-compliance is tolerated, because not all bodies collect management information on compliance rates centrally. We saw examples of non-compliance in our case study bodies where sanctions had not been used in response. Only one of our survey respondents said they had used sanctions in the last 12 months, and that was for two cases of serious misconduct (paragraphs 3.11 to 3.13, Figure 8).

20 Officials are aware of the shortcomings in their systems.

Many of the officials we spoke to at our case study bodies highlighted the shortcomings in their own processes. Similarly, 83% of public bodies responding to our survey said they could improve their systems further. They identified three ways in which their systems could be improved: increased digitalisation and automation of systems and processes, increased staff compliance, and more mandatory training. However, limited capacity within digital teams and an inability to collect centralised management information were cited by multiple bodies as barriers to making these improvements (Figure 6). Some organisations have developed more robust systems at a modest cost, using readily available Microsoft or Google software. We did not find any examples of public bodies sharing good practice on how they managed conflicts (paragraph 2.27 to 2.29, Figure 6).

Conclusion on value for money

21 There are well-established systems in place to manage ministerial conflicts, which are dependent on the vigilance of accounting officers working in partnership with their minister. In contrast, many public bodies lack an effective system for managing the conflicts of civil servants and other public officials. Public bodies take inconsistent approaches to who needs to make a declaration and what this should include, and compliance with policies is variable and often not recorded. The government therefore exposes itself to the risk that unmanaged and unmitigated conflicts are on occasion influencing the objectivity of its operations. This makes it difficult for the government to be sure that it is always acting with propriety and making decisions that are in the public interest.

Recommendations

22 The government should make clear that it expects public bodies to put in place the governance, systems and processes that facilitate annual declarations on conflicts from every member of staff. There would necessarily be a small cost in implementing this, but it would help to embed a culture where all public servants understand what is expected of them in managing conflicts of interest. We recommend Cabinet Office:

- a** sets a clear minimum standard for the governance, systems and processes that it expects departmental public bodies to put in place. We would expect non-departmental public bodies to consider this standard as they design their own policies. We have published a good practice guide alongside this report that sets out some of the best practice we have seen and which Cabinet Office should use as the basis for this minimum standard;
- b** facilitates the creation of a temporary good practice forum which would allow public bodies to build networks and learn from each other as they implement the minimum standard; and
- c** encourages each public body to commission their internal auditors to review their implementation of the standard, including whether mitigations have been properly implemented. To help with this, it should invite the Government Internal Audit Agency (GIAA) to participate in the good practice forum and to share best practice on the role of internal audit in auditing conflicts.

Part One

The cross-government landscape

1.1 In this part we set out:

- why it is important to effectively manage conflicts of interest;
- the guidance and support offered by central government;
- the roles and responsibilities of public bodies when it comes to managing conflicts; and
- what the government can learn from others.

The importance of managing conflicts well

1.2 A conflict of interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in a role is, or could be, impaired or influenced by a secondary interest.⁴ The perception of competing interests, impaired judgement or undue influence can also be considered a conflict. Conflicts of interest are not uncommon and are a normal part of business in any organisation, but it is important to manage them well. This is particularly crucial for the government given its duty to uphold the Seven Principles of Public Life which include acting with integrity, objectivity and accountability. Failure to recognise or mitigate conflicts can damage the reputation of, and undermine confidence in, the government and its operations.

⁴ Comptroller and Auditor General, *Conflicts of interest*, Session 2014-15, HC 907, National Audit Office, January 2015.

Recent history

1.3 The government's response to the COVID-19 pandemic highlighted a number of concerns that conflicts of interest had not been identified or managed sufficiently robustly. This led the government to commission Nigel Boardman to conduct reviews into procurement activity during the pandemic and the use of supply chain financing in government. His final report on supply chain financing was published in July 2021⁵ and recommended that government should improve the management and monitoring of conflicts of interest within the civil service. Boardman also recommended mandatory training for officials on how to identify and manage conflicts effectively; the introduction of pre-appointment rules which prevent a civil servant from dealing with or promoting their former employer for a period of time after joining the civil service; and the publication of any material conflicts for all senior appointees.

1.4 In November 2021, the Committee on Standards in Public Life reinforced the recommendations made in the Boardman review. Their report on *Upholding standards in public life*⁶ recommended that the civil service should review its approach to managing and enforcing ethical standards across government. This included how the government managed and monitored conflicts of interest.

1.5 In response to these and other reports, the government has sought to improve its systems for declaring, identifying and managing conflicts of interest. This has included issuing new guidance on the *Declaration and management of outside interests*, first published in June 2022.⁷ This guidance applies to all departmental public bodies (ministerial departments, non-ministerial departments and executive agencies) and is intended to provide a consistent approach to understanding relevant outside interests and what might present a conflict; support departmental public bodies with the development of their own policies in this area; establish a minimum set of information that must be captured when senior civil servants declare outside interests; and clarify the points at which a declaration is required – including prior to appointment to the civil service, when moving into a new role, and on an annual basis.

5 Nigel Boardman, *Review into the development and use of supply chain finance (and associated schemes) in government*, July 2021.

6 Committee on Standards in Public Life, *Upholding standards in public life*, November 2021.

7 Cabinet Office, *Declaration and management of outside interests in the Civil Service*, June 2022, updated November 2024.

1.6 This guidance does not cover the standards of propriety expected of civil servants in relation to gifts and hospitality but does direct them towards relevant guidance in the *Civil Service management code*.⁸ Despite this, we would not expect public bodies to consider either of these areas in isolation: they should be considered together as a whole.

1.7 We saw examples across most of our case study bodies – including within non-departmental public bodies that were not required to follow the guidance but had voluntarily adopted it as good practice – that showed they had recently sought to improve their systems. These included the introduction of new departmental policies for managing conflicts of interest, as well as the introduction of central declaration registers.

1.8 Of the public bodies we surveyed, 71% told us that they had changed their system for managing conflicts of interests in response to Cabinet Office's *Declaration and management of outside interests*. However, the government has not managed this improvement centrally or done anything to assure itself that these new systems work as intended, with 83% of surveyed public bodies noting that they still felt there were further improvements to make to their systems (paragraph 2.27). Our report is therefore the first insight into how well public bodies have implemented the new guidance.

Roles and responsibilities

Individuals

1.9 Individuals are responsible for declaring any potential, actual or perceived conflicts of interest they may have.

Accounting officers of public bodies

1.10 Accounting officers are responsible for the propriety of public expenditure, which includes making sure that their organisation has appropriate systems and processes in place to manage conflicts of interest. HM Treasury is responsible for setting the spending rules for accounting officers, including the rules over propriety.

⁸ Civil Service, *Civil Service management code*, November 2016.

Cabinet Office

1.11 As well as publishing the central guidance for departmental public bodies on the *Declaration and management of outside interests*, Cabinet Office is responsible for providing support to ministers and the most senior officials. This is to help them manage both their own conflicts of interest, and those within their organisation. This support is offered in two main ways:

- **Ministers:** The Propriety and Ethics Team within Cabinet Office speaks with all new ministers to set out the ministerial declaration process. Following this, the Independent Adviser on Ministerial Standards⁹ issues a standardised declaration form for each minister to complete. The Independent Adviser is an independent office-holder appointed by the Prime Minister, whose terms of reference¹⁰ include providing advice to ministers on management of their interests, and who until 5 November 2024 was responsible for publishing information on relevant interests twice a year. From 6 November 2024, this information is required to be published quarterly.
- **Ministers, civil servants and others:** The Propriety and Ethics Team also provides ad hoc support to public bodies on how to manage the most complex, high-profile or politically sensitive issues. Public bodies can contact the team and ask for their support in dealing with a declaration or mitigation. However, to retain accounting officer responsibility for the management of conflicts of interest in their organisation, it will generally only provide advice on declarations that have already been escalated to the relevant permanent secretary in each department.

Cabinet Office also publishes codes of conduct that outline the principles of expected behaviour for civil servants and non-executive board members, and is currently preparing updated guidance for departments on the minimum standards that should be put in place to manage outside interests of non-executive board members.

Parliament

1.12 There are separate requirements for Members of Parliament and Members of the House of Lords. These rules are set by parliamentary authorities.

Audit and risk committees

1.13 Audit and risk committees in all public bodies have a key governance role in overseeing the management of conflicts of interest. This includes providing scrutiny over the robustness of the policies and systems in place to manage conflicts of interest. Departmental audit and risk committees are also required to consider their department's annual return of senior civil servants' declarations and its application of the Business Appointment Rules.

⁹ The Independent Adviser on Ministerial Standards was known as the Independent Adviser on Ministers' Interests until 6 November 2024.

¹⁰ Independent Adviser on Ministerial Standards, *Terms of reference for the Independent Adviser on Ministerial Standards*, November 2024.

Guidance on declarations

1.14 Cabinet Office's *Declaration and management of outside interests* was introduced in addition to existing government guidance on managing conflicts of interest which included the *Ministerial Code*,¹¹ the *Civil Service code*,¹² the *Civil Service management code*¹³ and *Managing Public Money*.¹⁴ The Procurement Act 2023 also introduces new requirements for those running public procurements within the scope of the Act to produce "a conflicts assessment" before they publish a tender or award notice, with the rules coming into effect for procurements starting after February 2025.¹⁵ There are then separate rules for parliamentarians. Each of these guidance documents sets out slightly different requirements for different people holding public positions, with not all the differences clearly explainable (**Figure 1** on pages 18 to 20).

1.15 Cabinet Office guidance states that departments must as a minimum set out a clear process that allows all staff to declare relevant outside interests as soon as they arise. The system is tighter for senior civil servants, who are required to confirm on an annual basis that their declarations of interest remain up to date. The guidance says that line managers are responsible for deciding how to address any declarations made, and declaration of interest forms should include the ability to record the line manager's approval, as well as any mitigations or judgements made. Departments must also make sure that they have steps in place to ensure central oversight of all declarations made by senior civil servants.¹⁶

1.16 Beyond this, central government guidance is not prescriptive about the governance, systems and controls that public bodies are expected to put in place to support these requirements. Whilst departments should ideally "*have a searchable, electronic system in place*",¹⁷ Cabinet Office notes that departments are free to choose the best way to implement annual declarations for senior civil servants. This has led to diverse approaches across government and within public bodies (Part Two). Non-departmental public bodies are encouraged to have their "*own relevant processes for declaration and management of outside interests tailored to the context of their organisations' business*".¹⁸

1.17 Some of the officials we spoke to told us that they sometimes found the guidance confusing to navigate. In particular, they referred to difficulty in locating what they needed and confusion between the definitions of actual, perceived and potential conflicts getting in the way of putting in place appropriate mitigations. Some guidance documents are also more comprehensive than others.

11 Cabinet Office, *Ministerial Code*, December 2022, updated November 2024.

12 Civil Service, *The Civil Service code*, May 2015.

13 Civil Service, *Management code*, November 2016.

14 HM Treasury, *Managing Public Money*, May 2023.

15 *Procurement Act*, Chapter 54, October 2023.

16 Cabinet Office, *Declaration and management of outside interests*, June 2022, updated November 2024.

17 Cabinet Office, *Declaration and management of outside interests*, June 2022, updated November 2024.

18 Cabinet Office, *Declaration and management of outside interests*, June 2022, updated November 2024.

Figure 1

Declarations required by ministers, special advisers, non-executive directors, senior civil servants and civil servants

There are different declaration requirements for different groups of public servants and office holders

	Declarations required	Relationships covered	Frequency of declaration	Publication	Minimum disclosure requirement ¹				
					Shareholdings	Employment	Gifts	Political donations	Who is the disclosure made to?
Parliamentary processes followed by:									
Members of Parliament ²	Financial and non-financial interests, including gifts and hospitality.	Family where they are employed using parliamentary expenses and those family members involved in lobbying.	Within one month of election and within 28 days upon any change in interests.	All interests published fortnightly when Parliament is sitting.	Greater than £70,000 or a 15% interest, or any amount where the shareholding might be thought to influence a member's actions.	Any earnings over £300 in a calendar year.	Over £300 from the same source in a calendar year.	Over £1,500, either as a single donation or in multiple donations of more than £500 received from the same source.	Parliamentary Commissioner for Standards.
Members of the House of Lords ²	Financial and non-financial interests, including gifts and hospitality.	Spouse or partner (in some cases only). ³	Within one month of taking their seat or any change in interests.	All interests updated and published on an ongoing basis.	Greater than £100,000 or a controlling interest.	Greater than £500, or £1,000 in the case of occasional income or freelance work.	Over £300 from the same source in a calendar year.	Over £500 whether as a single or multiple donations received from the same source.	Registrar of Lords' Interests.
Government guidance followed by:									
Ministers	Financial and non-financial interests, gifts, hospitality, travel and external meetings. Expected to be in more depth than for parliamentarians.	Spouse or partner and close family.	Within 14 days of receiving the disclosure form, and upon any change in interests.	Relevant interests published quarterly. Gifts and hospitality published monthly. ⁴	All shareholdings declarable.	All earnings declarable but ministers are normally expected not to have outside employment.	Over £140 received in any quarter. ⁵	No additional requirement to declare political donations received separately to information provided in parliamentary registers.	Accounting officer and Independent Adviser on Ministerial Standards.
Non-executive directors	Financial and non-financial interests.	Spouse or partner and close family.	Upon appointment and then in compliance with the public body's own policy.	Annually.	Delegated to public bodies to decide.	Delegated to public bodies to decide.	Delegated to public bodies to decide.	No requirement to declare giving political donations.	The organisation.
Special advisers	Financial and non-financial interests.	Spouse or partner, close family and close friends.	Upon appointment, upon change in department and upon any change in interests. Reminded annually but only required to declare if there is a change in circumstances.	Relevant interests published annually.	Relevant shareholdings over £5,000.	Any outside employment, business, or voluntary activity (where they are an office holder).	In excess of £25.	No requirement to declare giving political donations.	Accounting officer.
Senior civil servants	Financial and non-financial interests.	Spouse or partner, close family and close friends.	Upon appointment, upon change in role, upon change of interests and annually.	Board-level senior civil servants: Relevant interests annually. Other senior civil servants: Outside employment annually.	Shares of any value they may be able to increase as a result of their official position.	All paid secondary employment.	Delegated to public bodies to decide. ⁶	All significant political donations to be declared. ⁷	Line manager or decision maker.
Civil servants	Financial and non-financial interests.	Spouse or partner, close family and close friends.	Upon appointment, upon change in role and upon change of interests.	No publication requirements.	Shares of any value they may be able to increase as a result of their official position.	All paid secondary employment.	Delegated to public bodies to decide. ⁶	All significant political donations to be declared. ⁷	Line manager or decision maker.

Figure 1 *continued*

Declarations required by ministers, special advisers, non-executive directors, senior civil servants and civil servants

Notes

- 1 This is illustrative of the range of thresholds in place for various financial interests. Full details are in the relevant guidance.
- 2 For consistency throughout this figure and the report, we have used “declaration” to mean the act of an individual reporting their interest(s). However, the House of Commons and House of Lords use different terms: MPs and Lords “register” their interests for transparency and “declare” interests orally in a parliamentary debate or committee session.
- 3 The interest of spouses or partners of members of the House of Lords that need to be declared include joint shareholdings and paid for overseas visits or gifts arising from their partner’s membership of the House of Lords.
- 4 Cabinet Office updated the *Ministerial Code* on 6 November 2024. Prior to that, the expectation was that ministerial interests were published twice yearly and gifts and hospitality information was published quarterly.
- 5 The *Ministerial Code* expects that no minister accepts gifts. Where ministers receive gifts over £140 in their ministerial capacity, they become the property of the government and should be given to their department. If ministers wish to retain gifts valued over £140, they can pay for the cost of the gift minus £140.
- 6 For civil servants: gifts and hospitality are considered within the *Civil Service Management Code* and are separate to the guidance for the declaration and management of outside interests for civil servants. For special advisers: gifts and hospitality and the transparency requirements for them are considered in a separate policy.
- 7 Cabinet Office updated its guidance on 6 November 2024. Prior to this, there was no explicit requirement for civil servants to declare political donations.
- 8 There is no specific guidance covering what interests public servants (non-civil servants) are required to declare. Arm’s-length bodies set their own policies and procedures for staff disclosure and management of outside interests.

Source: National Audit Office analysis of government and parliamentary guidance

Learning from others

1.18 There are many regulated professions where members are expected to behave in line with a set of common principles, values and standards set out by their regulator. Common examples include solicitors, who are regulated by the Solicitors Regulation Authority (SRA); surveyors, regulated by the Royal Institution of Chartered Surveyors (RICS); and doctors, regulated by the General Medical Council (GMC). Each of these regulators sets out in its standards how it expects its members to declare and manage conflicts of interest.

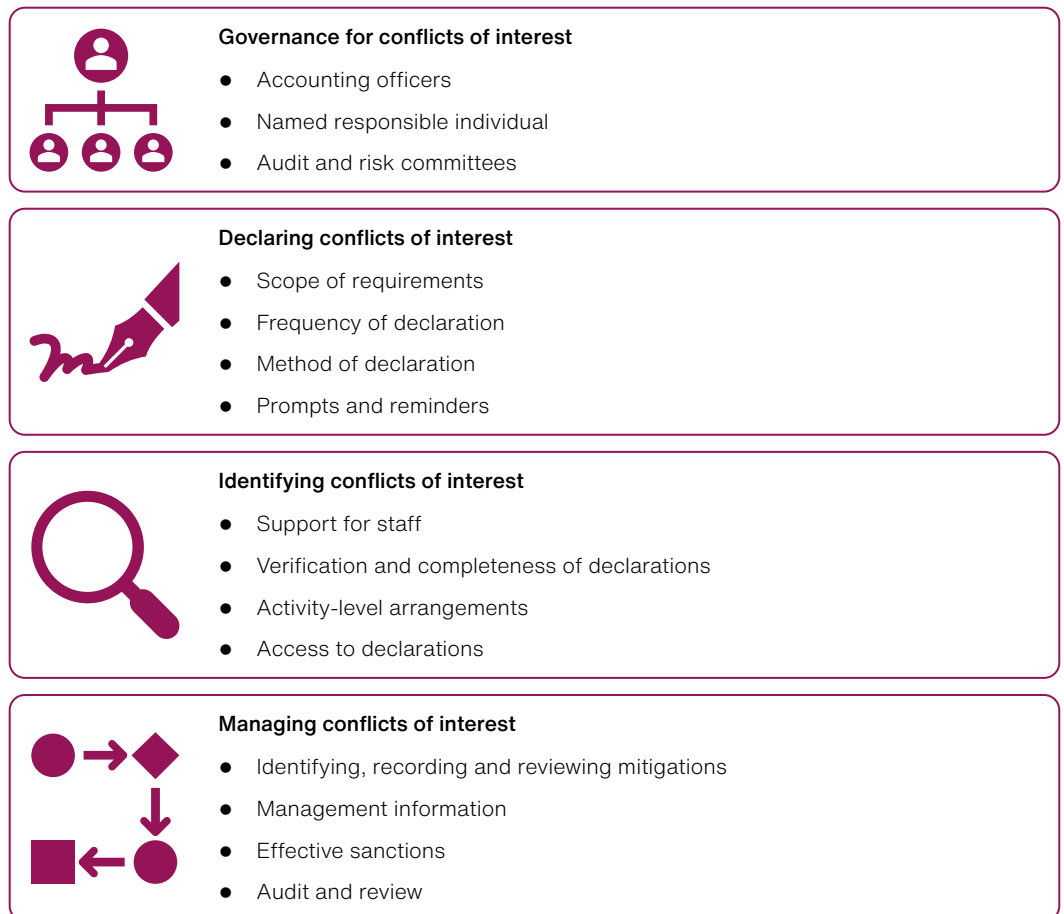
1.19 There are things that the government could learn from looking to the established processes that these regulators have put in place. These include:

- **taking a proactive approach:** at RICS, members of their Regulation teams regularly go out into firms to deliver training on the importance of managing conflicts well. This helps to head off issues before they can arise;
- **understanding implementation:** at the Financial Conduct Authority (FCA), dedicated supervision teams are responsible for ensuring that firms are complying with their requirements; and
- **setting a clear minimum standard:** at the GMC, guidance is split into sections setting out what ‘you must’ and ‘you should’ do, making it easier for professionals to understand what both good practice and the minimum expected standard look like.

1.20 We have set out what we consider to be good practice for the governance, systems and controls that public bodies should put in place in our companion good practice guide on managing conflicts of interest (**Figure 2**). This includes a central online register for recording declarations, an annual requirement for all staff to declare any conflicts and to attest that their declarations are complete, a helpdesk function that employees can reach out to for support (such as a shared inbox monitored by a team trained to provide advice), mandatory training on how to manage conflicts well, and the collection of management information on compliance rates.

Figure 2
Good practice characteristics for the governance, systems and controls over managing conflicts of interest

Our good practice guide supports those responsible for developing conflicts of interest policies within public bodies to put in place the systems and processes that allow for effective management of declarations and mitigations



Note

1 Our good practice guide is published at the following location: www.nao.org.uk/insights/managing-conflicts-of-interest-gpg/

Part Two

The systems in place for declaring, identifying and managing conflicts

2.1 In this part we set out:

- the systems in place for managing ministerial and special adviser conflicts;
- the systems in place within public bodies for managing conflicts held by employees;
- how conflicts of interest are managed within specific activity areas of an organisation; and
- the barriers to improvement.

The systems in place for managing ministerial and special adviser conflicts

2.2 Ministers and their special advisers (SpAds) have a duty to declare their interests in line with their respective responsibilities to uphold the *Ministerial Code*¹⁹ and the *Code of Conduct for Special Advisers*.²⁰ For ministers, Cabinet Office and the Independent Adviser on Ministerial Standards set out a standard process for the declaration of interests. This includes the expectation that relevant interests are published quarterly. For SpAds, the declaration and publication processes are managed by the Cabinet Office Special Adviser Human Resources (SpAd HR) team. For both groups, declaration of interests is expected to take place upon appointment and whenever individual circumstances change.

2.3 The accounting officer is responsible for reviewing ministerial declarations and agreeing appropriate mitigations with the minister (**Figure 3**), meaning that it is important that there be a strong relationship between the two. Accounting officers also provide advice on a continuing basis if a minister's circumstances change, or if developments in government business within the department create a possible conflict. In theory, they cannot sign off on expenditure as meeting the requirements for propriety if they believe that a ministerial conflict has not been appropriately managed. In such cases, a Ministerial Direction would be required. In practice, the Independent Adviser on Ministerial Standards told us that they would expect such an issue to have been escalated and resolved before this could occur.

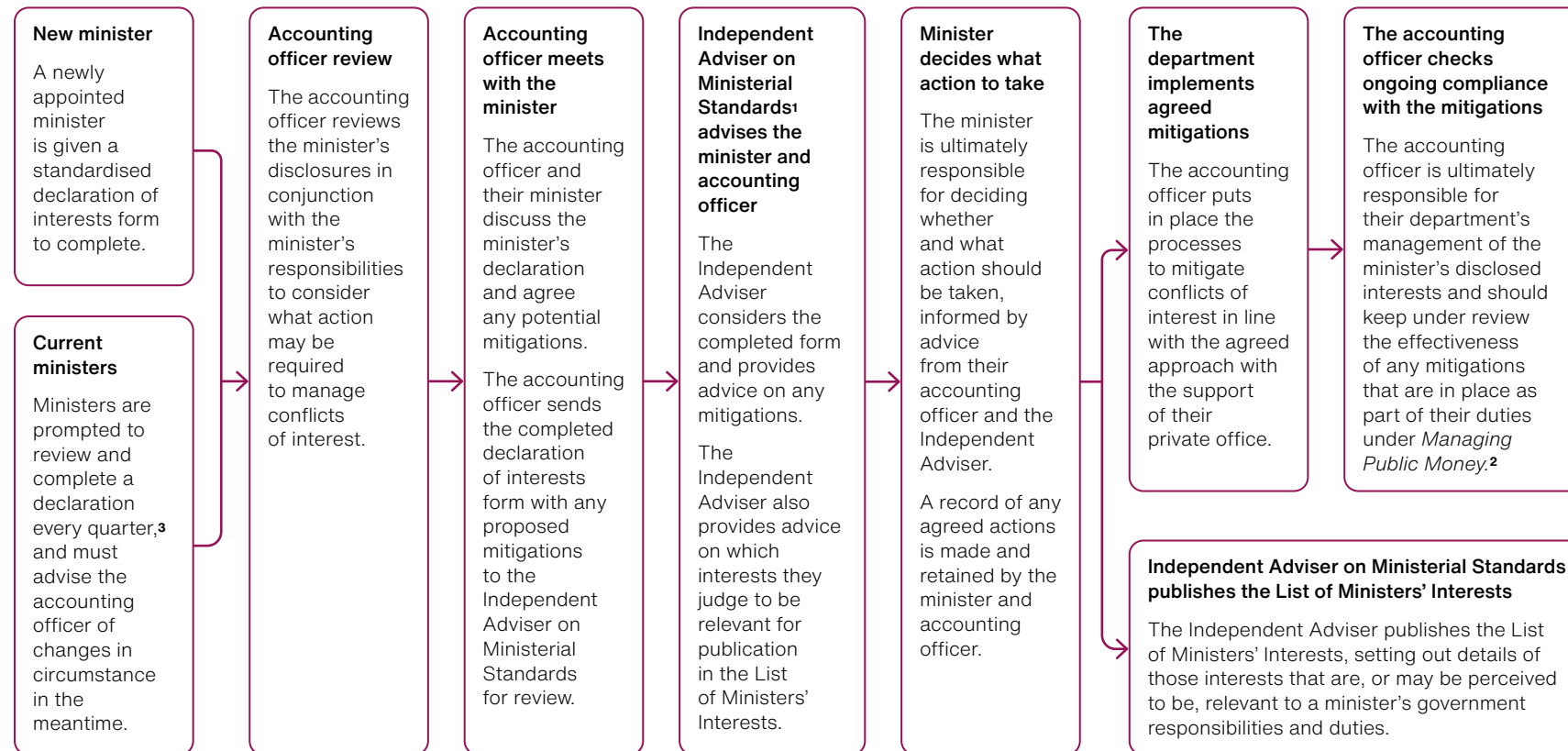
¹⁹ Cabinet Office, *Ministerial Code*, December 2022, updated November 2024.

²⁰ Cabinet Office, *Code of Conduct for Special Advisers*, December 2016.

Figure 3

Process for ministers to declare and manage interests

The accounting officer supports ministers with the declaration and management of their interests as part of their responsibility to ensure that public money is spent with propriety



Notes

- 1 The Independent Adviser on Ministerial Standards was known as the Independent Adviser on Ministers' Interests until 6 November 2024.
- 2 Accounting officers have responsibilities set out in *Managing Public Money* to maintain a high standard of probity in how their department operates which includes operating with propriety and regularity in all transactions.
- 3 Cabinet Office updated the *Ministerial Code* on 6 November 2024. Prior to that, the expectation was that ministers were to disclose interests twice yearly.

Source: National Audit Office analysis of Cabinet Office data

2.4 The accounting officer is also responsible for reviewing and agreeing declarations and mitigations for their department's SpAds. A record of this review is then sent to the Cabinet Office SpAd HR team.

2.5 Ministerial and SpAd declarations are made to their departmental accounting officer using a standardised form. These forms require more comprehensive declarations about all their interests than the requirements for other public officials, which focus more on any interests that create a potential conflict. However, they do not include details of political donations to the minister or their party, which are declared through the parliamentary process. This means political donations are not automatically discussed with the accounting officer. Cabinet Office told us that as part of the declaration process, ministers are asked to consider with their permanent secretaries whether any recent donations (as published in the parliamentary registers of interests) may have a bearing on the minister's portfolio and duties and to agree appropriate mitigations if necessary.

2.6 The Independent Adviser on Ministerial Standards is responsible for publishing a list of ministerial interests quarterly. These publications contain a summary of the interests the Independent Adviser deems relevant. In practice, these have not been published on time over the past decade due to events like a change in Prime Minister. They were last published in November 2024 and before that in December 2023. This means that where ministers have changed roles rapidly, they may not have had their relevant interests published under each of their roles.

2.7 We found two broad approaches to managing ministerial conflicts once they are declared:

- Five of the 16 ministerial departments we surveyed share information on ministerial conflicts with linked teams in the department. For instance, in the Department for Culture, Media & Sport, a management plan is agreed between the minister and the accounting officer. This sets out how any conflicts should be mitigated within each departmental policy area, with the management plan then shared with relevant area leads so that they can make sure any mitigations are followed.
- Seven of the 16 ministerial departments we surveyed took a centralised approach to managing declarations made by ministers, retaining information about ministerial interests within the relevant private office. The Ministry of Defence is one such body to take this approach, resulting in increased reliance on the due diligence within that office to monitor events across the department that ministers are involved in.

2.8 The non-departmental public bodies that we spoke to all agreed that they would expect any conflict between their business operations and the declarations made by ministers or SpAds to be identified and managed by their parent department.

Systems in place for managing conflicts of interest for staff

Types of system in place

2.9 All public bodies that we spoke to or surveyed have some sort of system to declare and manage conflicts of interest. However, these systems have been implemented in different ways, such as:

- **paying for a bespoke central system** (NHS England);
- **integrating a central register within the existing HR system** (Environment Agency);
- **using inexpensive existing software to facilitate the in-house design and implementation of a central register** (Defence Equipment & Support and the Department for Culture, Media & Sport); and
- **local systems of recording that are devolved to business areas or line managers** (Cabinet Office and the Ministry of Defence).

Internal audit findings on the systems for recording conflicts of interest

2.10 The Government Internal Audit Agency (GIAA) has identified a broad range of weaknesses in the systems that public bodies use to manage conflicts of interest. Since 2019, GIAA has carried out at least twenty reviews of public bodies where managing conflicts of interest featured as part of their findings. Inadequate audit trails limited the assurance it was able to provide over ten of the systems it reviewed. Other issues it raised included:

- **poor record keeping**, including missing declarations, no record of agreed mitigations and no line manager sign-off;
- **the need for improved support for staff** through better guidance and additional training; and
- **the need for improvements in existing processes** such as regularly raising conflicts of interest at senior board meetings and documenting responses in board minutes.

Weaknesses in the systems for recording and managing conflicts of interest

2.11 Most of GIAA's audits were of systems introduced before the June 2022 Cabinet Office guidance announced new requirements for annual declaration by senior civil servants. We assessed the controls in place across our six case study bodies and asked 35 public bodies to self-certify what they have in place against our understanding of best practice (**Figure 4** on pages 26 to 29). Similar to the GIAA's findings, we found that many of the systems public bodies have in place fall short of what is needed, which is a working register of interests that can be used to manage conflicts of interest.

Figure 4
Conflict of interest policy characteristics within our case study bodies and survey responses

Our case study bodies have different approaches to declaration and support

Characteristic	Expectation set out in <i>Declaration and management of outside interests</i>	Departments and executive agencies				Non-departmental public bodies		Survey response	
		Cabinet Office	Ministry of Defence	Department for Culture Media and Sport	Defence Equipment & Support	Environment Agency	NHS England	Departments and executive agencies (%)	Non-departmental public bodies (%)
Governance of conflicts of interest									
Does the organisation issue regular reminders to staff on their conflicts of interest policy?	Yes	●	○	●	●	●	●	75	71
Does the organisation make provision in its conflicts of interest policy to seek advice on sensitive matters directly from the accounting officer or Human Resources director?	Yes	●	●	●	○	○	○	-	-
Does the organisation's annual report and accounts have a statement of assurance about the robustness of conflict of interest policies, including confirmation that the policy is in line with the <i>Civil Service Management Code</i> ?	Yes	○	○	○	●	○	○	-	-
Are the interests of the accounting officer and board members published annually in the organisation's accounts, or is a link provided to where these are published? ⁴	Yes	●	●	●	●	●	●	-	-
Does the policy identify the senior owner for conflicts of interest?	Yes	○	●	●	●	○	●	-	-
Does a nominated senior responsible officer review compliance?	Yes	○	○	●	○	●	○	-	-
Does the accounting officer consider the annual returns of all senior civil servants? ⁵	Yes	○	○	●	○	N/A	N/A	36	-
Does the organisation publish the outside employment of senior civil servants annually and provide a link to this publication in its accounts? ⁵	Yes	●	●	●	●	N/A	N/A	-	-
Does the audit and risk committee review the declarations of senior civil servants?	Yes	○	●	●	●	○	○	18	-
Disclosure of conflicts of interest									
Are conflicts defined with practical examples?		●	●	●	●	●	●	-	-
Are there examples of the relationships the individual has to consider?		○	●	●	●	●	●	-	-
Is it clear where to go for support?		●	●	●	●	●	●	-	-
Is there a central disclosure system?*		○	○	●	●	●	●	79	57
Is there an annual disclosure process for senior staff?	Yes	●	●	●	●	●	●	96	71
Is there an annual disclosure process for all staff? ⁶		○	○	○	●	●	●	36	57
Is there a central gifts and hospitality register?		●	●	●	●	●	●	57	100

● Yes, always ● Yes, sometimes ○ No

Figure 4 continued
Conflict of interest policy characteristics within our case study bodies and survey responses

Characteristic	Expectation set out in <i>Declaration and management of outside interests</i>	Departments and executive agencies				Non-departmental public bodies		Survey response	
		Cabinet Office	Ministry of Defence	Department for Culture Media and Sport	Defence Equipment & Support	Environment Agency	NHS England	Departments and executive agencies (%)	Non-departmental public bodies (%)
Identification of conflicts of interest									
Is there mandatory training for all staff?		○	○	○	●	○	○	46	71
Is there training for decision makers (eg line managers)?		○	○	○	○	○	●	-	-
Is there a central helpdesk to provide support and ensure consistency?		●	●	●	●	●	●	71	71
Is there is a clearly defined route for escalation for contentious conflicts?*	Yes	●	●	●	●	●	●	71	29
Management of conflicts of interest									
Does the organisation collate independent management information on compliance rates?		○	○	○	●	●	●	21	57
Are there checks on the completeness of disclosures?		○	◐	○	○	○	◐	-	-
Are mitigations agreed when required? (eg with the line manager)*		●	●	●	●	●	●	96	71
Are mitigations recorded centrally?*		○	○	●	●	○	●	82	29
Are mitigations reviewed by a more senior or independent member of staff when proposed?		◐	○	○	●	●	○	-	-
Are there checks on compliance with mitigations that are agreed?*		○	○	●	○	○	○	18	29

● Yes, always ◐ Yes, sometimes ○ No

Notes

- 1 We compared our case study bodies' policies, guidance and approach to Cabinet Office's guidance on the *Declaration and management of outside interests* which applies to all Civil Service organisations, executive agencies and non-ministerial departments. Non-departmental public bodies are not held to a central standard. For consistency and to understand variation across our case study bodies, we measured non-departmental public bodies' systems against Cabinet Office guidance.
- 2 All public bodies that we spoke to or surveyed require staff to declare outside interests where appropriate, but it is not mandated.
- 3 The survey asked public bodies about their systems in place for different groups, including for senior staff and for more junior staff. For survey responses to criteria marked with an asterisk, public bodies met criteria if they reported that they had such a system in place for senior and/or junior staff.

- 4 All bodies made accounting officer and board member interests, and outside employment of senior civil servants, available online but many didn't include a link in their annual accounts. We have marked them as compliant because the information is published, and Cabinet Office confirmed that is in the spirit of their guidance.
- 5 The Environment Agency and NHS England are non-departmental public bodies which employ public servants and so do not have the senior civil servant (SCS) grade.
- 6 NHS England require an annual declaration from any staff member who has previously declared an interest but do not expect non-senior staff to make a nil return.

Source: National Audit Office analysis of public bodies data and Cabinet Office guidance

The extent of annual declarations

2.12 We surveyed both departmental and non-departmental public bodies, although only departmental public bodies are required to follow Cabinet Office guidance. Of the public bodies we surveyed, 91% have now put in place some sort of centralised system of annual declaration for senior civil servants and equivalent staff. These systems require senior civil servants (or their equivalent in an arm's-length body) to declare their outside interests. However, only 40% of the public bodies we surveyed have extended annual declaration requirements to cover all staff.

2.13 Of the departmental bodies responding to our survey, 96% said they had a system of annual declaration in place for senior staff, but only 36% had a similar process in place for all staff. By contrast, 71% of non-departmental public bodies had a central system of annual declaration for senior staff and 57% extended this to more junior staff. Where public bodies did not have an annual requirement for all staff to declare, junior employees were personally responsible for declaring conflicts as and when they arose.

The scrutiny of senior declarations

2.14 Only 18% of our surveyed departments met all the requirements of the June 2022 guidance for the scrutiny of senior declarations by their audit committee, and only three of our six case bodies confirmed that they had such a system in place (Figure 4). Cabinet Office guidance also requires accounting officers to personally review the declarations of senior staff, but only 36% of surveyed departmental public bodies, including one of the four public bodies we spoke to, were able to demonstrate that their accounting officer did this (Figure 4). We regularly assess the declarations for key management personnel (such as board members and the most senior staff) when testing for related party transactions as part of our financial audit work and ensure that any necessary interests are published in the accounts.

A lack of clarity over what is required to be declared

2.15 Some departmental policies are more specific than others in setting out the interests and relationships that need to be declared. For example, Cabinet Office guidance includes specific examples of the type of financial interest it expects staff to declare, as well as a minimum threshold value. Other public bodies have less specific definitions of financial interests. The Department for Culture, Media & Sport asks staff to declare any scenario “where the job holder stands to gain financially from the work they are undertaking”. The Ministry of Defence asks staff to consider the interests of cousins and in-laws, but Cabinet Office and other public bodies do not specify which relationships count as family. None of our case studies asked for declarations on political donations. In November 2024, Cabinet Office updated its guidance to say that significant political donations must be included in civil service declarations of conflicts of interest.

Poor record-keeping

2.16 We found there was not always a complete audit trail for declarations. This meant we saw examples where individuals we would have expected to make a declaration had chosen not to do so, as well as examples of organisations failing to retain records of declarations made. Complete record keeping is hampered by the number of organisations without a central electronic register for declarations (paragraph 2.14). However, even where these exist they are not always complete. In one of our case studies that did have a central electronic register, we found that line manager sign-off of mitigations had not been completed in many of the cases we reviewed.

Inadequate helpdesks

2.17 Access to help and advice on declaring and managing conflicts is not always available to (or easily located by) staff. Officials we spoke to often referenced seeking guidance on how to manage conflicts of interest declared to them. The sources of help included more senior colleagues, helpdesks and internal HR or legal teams. More than a quarter of the bodies we surveyed did not have a helpdesk that could provide staff with support and help to ensure consistency of approach in making and managing declarations. In two of our six case study bodies, we saw examples of conflicts where helpdesks existed in theory, but were too under-resourced and under-qualified to provide useful advice.

Declarations are not shared with those who need them

2.18 Declarations and any agreed mitigations include personal and sensitive information and public bodies rightly consider who needs access to this. However, we found that this sensitivity sometimes resulted in agreed mitigations not always being made available to those who needed to help manage or review them. In one example, we saw a mitigation put in place that in turn created a new conflict. Had the mitigation been reviewed when it was proposed, this might have been avoided. Access to this information in another of our case studies was subject to even greater restrictions, with information on declarations and mitigations accessible only by specific people within the HR function. Only nine public bodies of 35 responding to our survey said that junior staff declarations were made available to their direct teams.

Poor management information

2.19 Public bodies have a generally poor understanding of whether their systems are working as intended. For instance, 71% of public bodies responding to our survey do not collect management information on staff declarations. Management information on compliance is strongest when automatically generated by an electronic register, but some produce better information than others. Two of our case studies could provide data on compliance across the organisation, while another collected data broken down by directorate to understand compliance in different regions and areas of the business. Cabinet Office does not have an electronic register of conflicts so does not have a system to produce management information. It relies instead on each head of business to provide a confidence rating over staff compliance in their area with the central policy. This is then shared with the audit and risk committee.

No validation of declarations

2.20 None of the case study bodies we spoke to could demonstrate that they routinely checked the completeness of staff declarations across their organisation. However, we saw evidence that some specific activity areas – such as grants, procurement and public appointments – searched social media or used external registers like Companies House to check the completeness of applicant declarations.

A lack of follow-up and audit checks

2.21 Only one of the case study bodies we spoke to could demonstrate that they had follow-up checks in place to verify that mitigations had been implemented. Of those we surveyed, seven public bodies reported doing follow-up checks for non-executive directors and for senior civil servants, and two reported the same for all staff.

Systems in place at an activity level

2.22 Public bodies rarely expect leaders of functions, projects or activities to prompt declarations and check for conflicts within their teams, with centralised declaration systems rarely set up to support them to think in this way. While an individual has responsibility to declare interests when moving between roles, those responsible for specific activities – such as paying a grant, designing a policy, or making a regulatory decision – are not normally expected to consider any conflicts as they put together a new team or start a new piece of work. Public bodies instead rely on individuals complying with corporate policies on conflicts of interest, in line with central government policy. This means that those responsible for such activities may not be aware of conflicts even if declarations have been made by the relevant staff. The failure to consider conflicts at a project or activity level has also resulted in little to no established process for considering the declarations of senior staff outside a core project team, but who remain in a position to influence the work.

2.23 A small number of areas of government activity have better systems in place. We found stronger examples in procurement, where there is additional guidance to support public bodies. However, whilst these additional controls and scrutiny can tighten a public body's approach to managing conflicts of interest in procurement, they still rely on effective corporate systems of declaration and management. A corporate-wide system helps to set a culture of declaration, means that there are standing records of potential conflicts to consider and ensures that those outside of an immediate activity area are asked to make a declaration.

Procurement

2.24 There is additional guidance and regulation on how to manage conflicts of interest in commercial activities given the potential risk of unethical financial gain. These place greater responsibility on those managing procurements to understand and manage conflicts. These rules have been recently strengthened through the Procurement Act 2023,²¹ which:

- **requires a conflicts assessment to be prepared** by public bodies engaged in a procurement;
- **requires mandatory exclusion of bidders** where there is an unmitigable conflict of interest that provides an unfair advantage in a procurement; and
- **offers improved guidance to public bodies** on who is in scope and on how any declared conflicts should be managed during the planning stage.

2.25 The Government Commercial Function (GCF) has been supporting public bodies as they look to implement the required changes ahead of the legislation coming into force in February 2025. The GCF released new guidance in July 2024 on how to manage conflicts in procurements and has provided a range of training opportunities for public procurement officials.

2.26 Within the commercial teams that we spoke to, we saw examples of additional controls being built into procurement processes (**Figure 5** overleaf). These included prompts for evaluators to consider whether they were suitably independent and a clear option to recuse themselves if there were any concerns. Some teams also had a dedicated conflicts lead within the commercial space, whose responsibilities included overseeing and managing any conflicts associated with procurement activities.

²¹ *The Procurement Act 2023*, Chapter 54.

Figure 5

Layered measures used to mitigate a procurement conflict of interest

A public body needed expertise from a company to help define the specification for an item that it needed to procure. The same company could then have benefitted from insider knowledge had it decided to bid for the procurement contract

The public body put in place a number of mitigations to help manage this risk. These included:

- an ethical wall agreement requiring separation of staff advising the public body from those bidding for the contract;
 - 'Rules of Engagement' to help officials manage relationships with suppliers;
 - mandatory training for all staff onboarded onto the programme to avoid conflicts; and
 - recusal of individuals with conflicts from decision making.
-

Source: National Audit Office analysis of public body evidence

Barriers to improvement

2.27 Many of the officials we spoke with at our case study bodies highlighted the shortcomings in their own processes. Similarly, 83% of public bodies responding to our survey said they could improve their systems further. Public bodies responding to our survey most commonly identified three ways in which their systems could be improved: increased digitalisation and automation of systems and processes, increased staff compliance, and more mandatory training. However, multiple bodies cited limited capacity within digital teams and an inability to collect centralised management information as barriers to making these improvements (**Figure 6** on pages 35 and 36).

2.28 We saw examples of organisations that had developed systems at a modest cost using off-the-shelf software. One case study body uses Google Forms to collect and record evidence of declarations and mitigations. Another uses a system built in Microsoft Power Apps to meet the needs of its policy. In the latter example, this system was developed by a small team within the organisation and included both an inbuilt risk rating and automatic prompts to both employees and managers to complete their declarations and assessments. Whilst this shows that systems can be implemented at modest cost, public bodies must ensure that they retain the expertise required to maintain and update these systems.

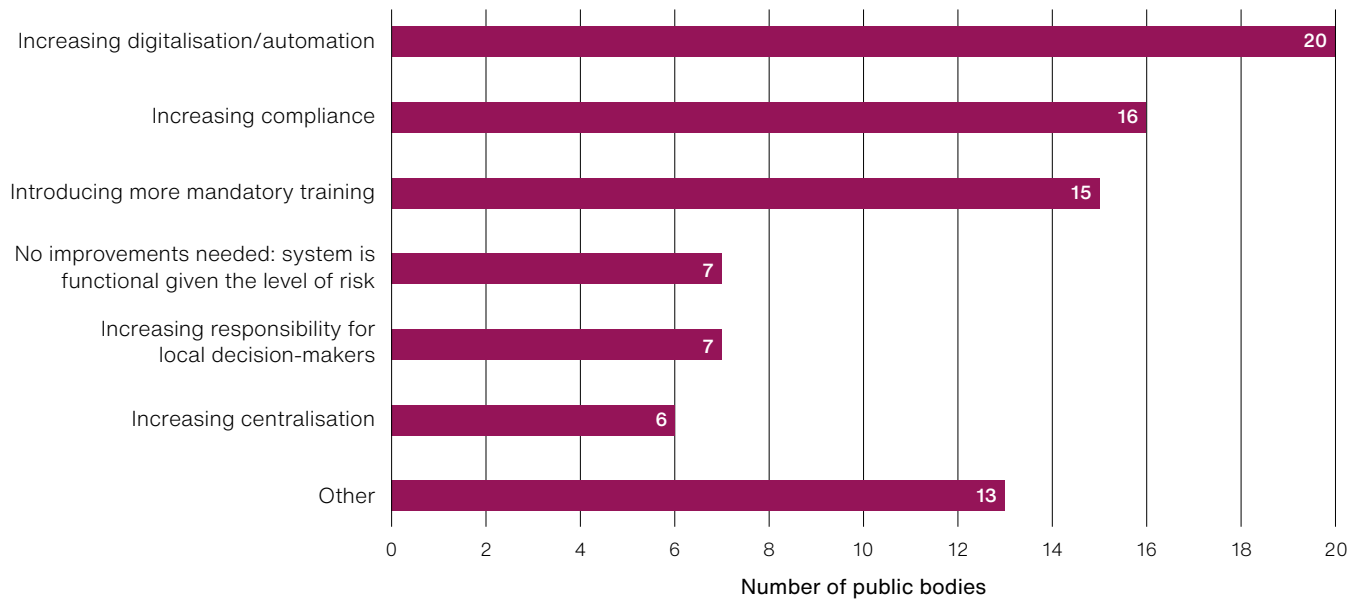
2.29 We did not find any examples of public bodies sharing good practice on how they managed conflicts.

Figure 6

Improvements to the management of conflicts of interest systems and the barriers to achieving them as reported by public bodies in our survey

The most commonly identified improvements needed were increasing digitalisation and increasing compliance. The most commonly cited barriers included limited digital team capacity and limited capacity to collect management information that could be used to measure compliance

Improvements needed



Barriers to improvement

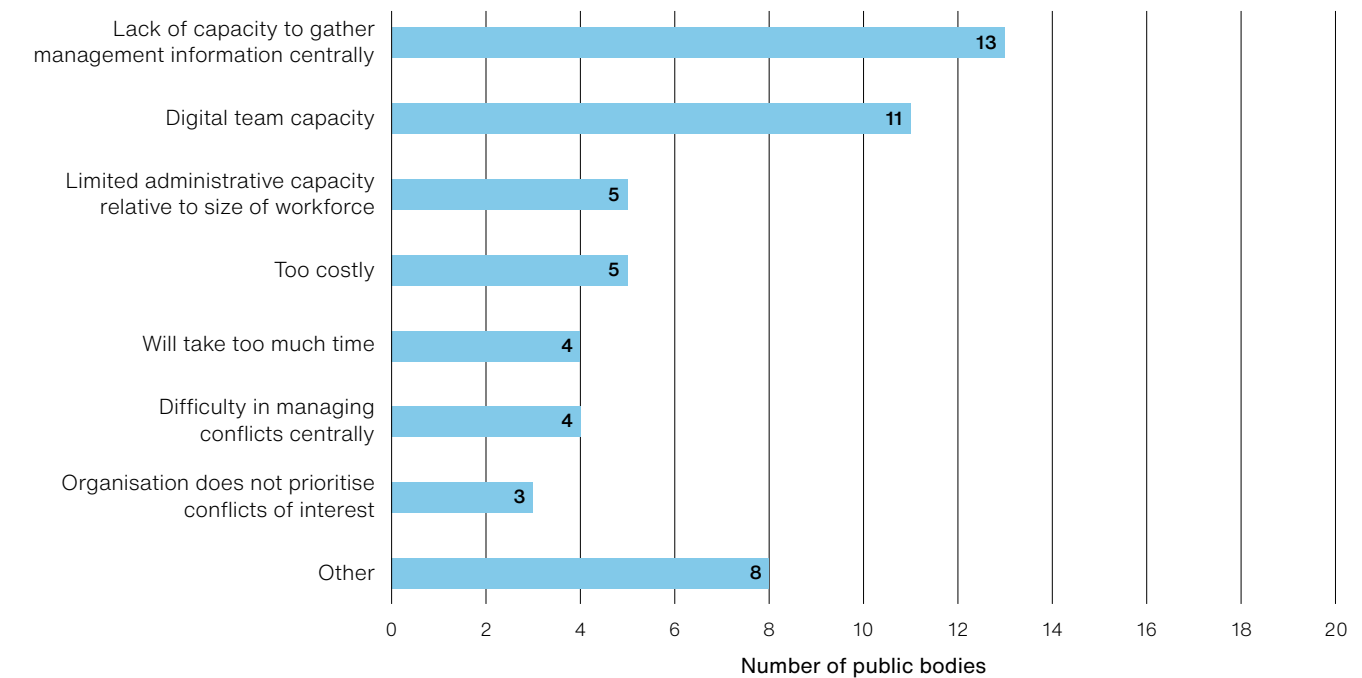


Figure 6 *continued*

Improvements to the management of conflicts of interest systems and the barriers to achieving them as reported by public bodies in our survey

Notes

- 1 The sample size of the survey was 35.
- 2 13 “other” responses to the improvements question include, for example, introducing a minimum grade for decision-makers, embedding conflicts of interest compliance in development activities, improved management information and increasing awareness.
- 3 7 “other” responses to the barriers question include, for example, recent organisational restructure and consolidation, and high staff turnover complicating compliance activities.
- 4 In the ‘Barriers to improvement’ figure, “Limited administrative capacity relative to size of workforce” data was collated from five “other” responses, removed from the “other” count.

Source: National Audit Office analysis of survey of departmental public bodies and the largest non-departmental public bodies; data collected in August 2024

Part Three

Culture and support

3.1 In this part we set out:

- the cultural approach to managing conflicts of interest within government;
- the training available to support staff in identifying and managing conflicts of interest;
- the availability of management information to understand compliance; and
- the use of sanctions by public bodies to guard against non-compliance.

Government culture

3.2 Any system for managing conflicts of interest is to an extent reliant on individuals declaring their interests and being willing to agree appropriate mitigations. This in turn is dependent on a strong organisational culture. For the public sector, the desired tone of this culture is set out in the *Seven Principles of Public Life*.²²

3.3 We saw examples of leadership setting a culture in line with the principles. Officials at one case study body told us that leadership had brought a renewed focus on effective declaration and management of conflicts, with staff being told to make managing conflicts of interest 'core, not a chore'. A leader at another case study body was doing more than the rules required, with the accounting officer at the Department for Culture, Media & Sport voluntarily publishing all of their interests. Guidance only required them to make 'relevant interests' public.

3.4 We also saw examples across our case study bodies of public and civil servants trying to do the right thing when declaring and handling conflicts of interest, and often erring on the side of caution when implementing mitigations. However, a strong organisational culture requires reinforcement through the processes and rituals of the organisation. Poor behaviour is therefore more likely where public bodies do not have simple systems for recording declarations and mitigations embedded across the organisation.

²² Committee on Standards in Public Life, *Guidance on The Seven Principles of Public Life*, 31 May 1995.

Training on declaring and managing conflicts

3.5 The Cabinet Office Propriety and Ethics Team provides training for staff who give advice on and oversee conflicts of interest policies across government, and those responsible for managing conflicts of interest. The training includes a section on conflicts of interest as part of general propriety and ethics training; however, there is no central training offer available to all civil servants on managing conflicts of interest. One public body we spoke to offers its own training to staff to raise awareness of, and improve compliance with, its policy on identifying, declaring and managing conflicts. However, training within public bodies is sometimes limited to particular activity areas (such as public procurement) and is not provided consistently or across the board. This limits how well decision-makers can manage conflicts of interest.

3.6 Many bodies we surveyed provide training on ethical behaviour or conflicts of interest, with 26 of 35 respondents noting that they provided such training. However, this training was mandatory in only 18 of those cases. Whilst all of our case study bodies were able to show us examples of well-managed conflicts with appropriate mitigations put in place, we were also shown an example of a line manager misjudging the required mitigations. In this extreme case, the decision maker was subject to disciplinary action for managing a conflict poorly. Other officials at the same case study body told us that clearer and more timely guidance on proportionate mitigations would help them to manage conflicts of interest effectively.

3.7 In addition to timely and relevant training, public bodies can also use all-staff communications to raise awareness of declaration and management processes. Some of our case study bodies used emails to heads of business units, emails to line managers and all staff, and articles on internal intranet pages to remind staff of their responsibilities and to encourage compliance as the annual declaration deadline approached.

Compliance and management information

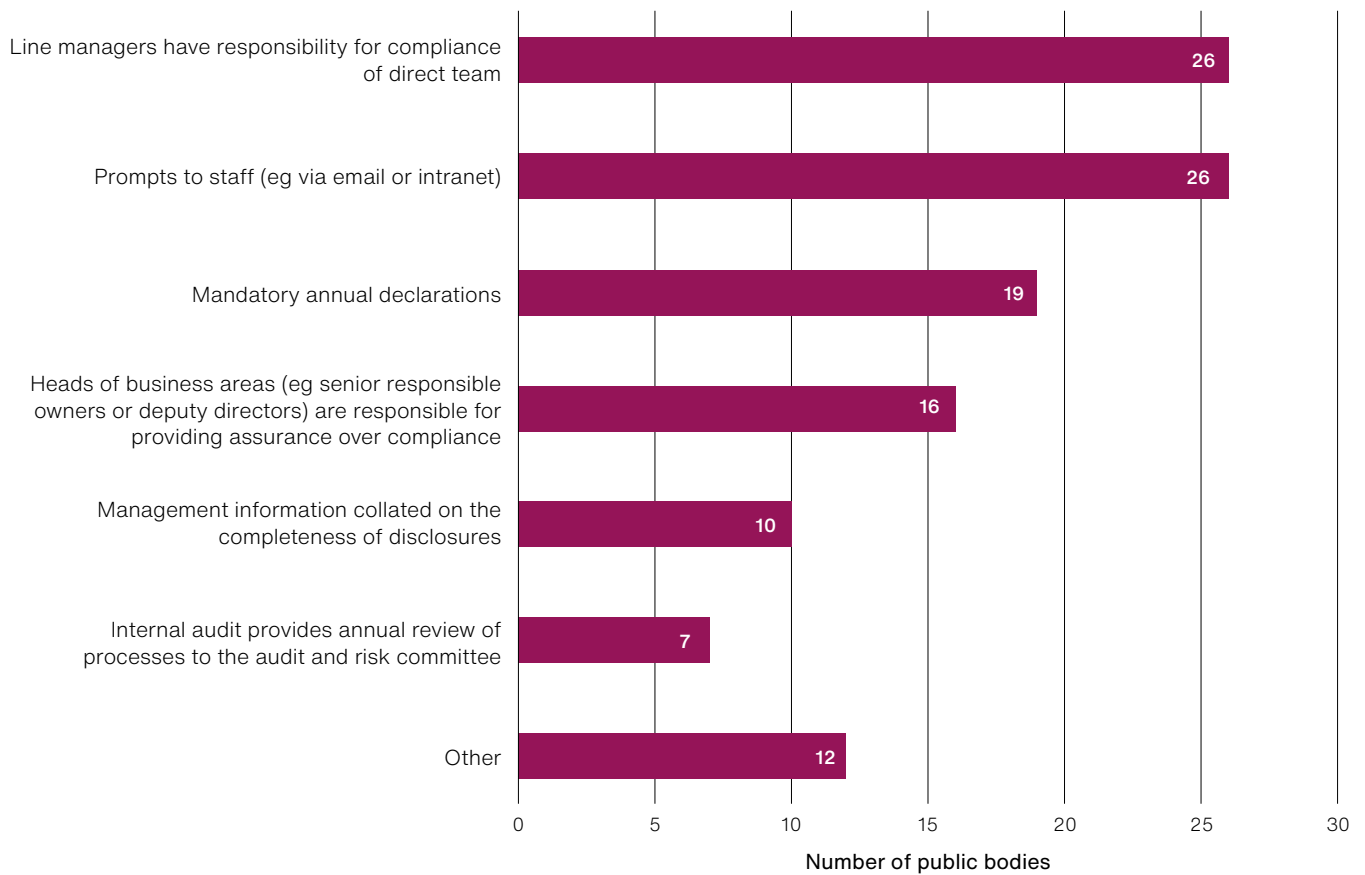
3.8 Limited management information on conflicts of interest in public bodies (paragraph 2.19) makes it difficult to understand levels of non-compliance (for example, staff not meeting declaration requirements or following mitigations). The majority of the public bodies responding to our survey (71%) did not collect management information, with most relying on line managers, prompts via email, staff intranet pages and mandatory annual declarations to understand and encourage compliance (**Figure 7**). Government guidance does not require public bodies to record instances of non-compliance, which is required for some professions – such as regulated financial institutions.

Figure 7

Compliance with annual conflicts of interest declaration processes

Surveyed bodies most commonly leave compliance up to line managers and prompt staff to engage with declaration processes via email and intranet reminders. Only 10 of the 35 public bodies responding to our survey reported that they collect central management information in this area

Activities to understand compliance



Notes

- 1 The sample size of the survey was 35.
- 2 12 “other” responses include, for example, use of Power BI programme to visualise completion rates, notifications to staff to self-declare at the start of each new procurement activity, and including an annual declaration reminder in annual mandatory training.

Source: National Audit Office analysis of survey of all departmental public bodies and the largest non-departmental public bodies; data collected in August 2024

3.9 Of the five organisations which were able to share management information with us and require all staff to complete a declaration or nil return, four showed between 81% and 95% compliance. Only one body was able to demonstrate 100% compliance. One reason our case study bodies gave for this lack of compliance was the difficulty of navigating online e-registers, with departments not always considering the user-friendliness of their systems. Other bodies do not have central declaration systems which makes it difficult to track compliance.

3.10 Those that do collect management information can use it to improve compliance rates. For example, the Environment Agency found that in 2023 only 31% of line managers had followed the annual requirement to review their staff declarations. This figure rose to 76% in 2024 after management efforts to increase compliance rates in this area.

Sanctions for non-compliance

3.11 All six of our case study bodies made clear within their conflict of interest policies that non-compliance could lead to disciplinary action. Four out of six case studies went further and warned that policy breaches or gross misconduct could result in dismissal from the organisation.

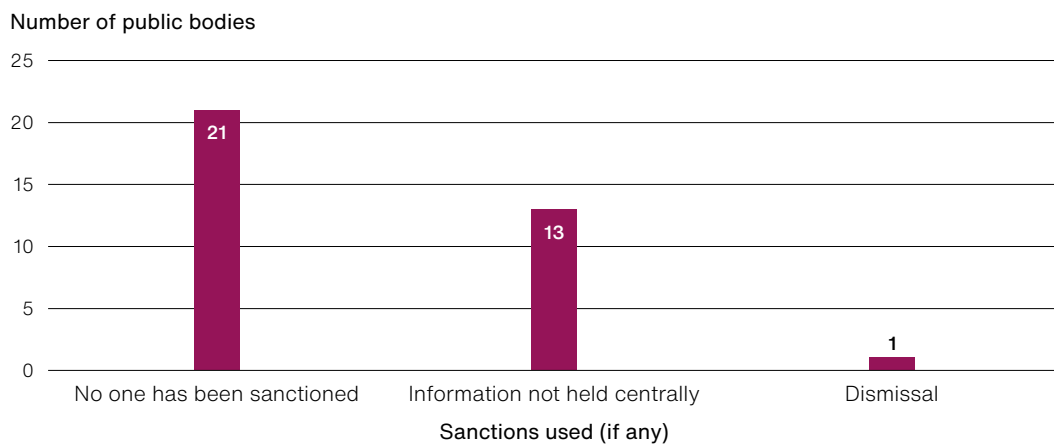
3.12 It is not obvious how much non-compliance is tolerated because not all bodies collect management information on compliance. We saw examples of non-compliance within our case study bodies where sanctions were not used, such as where a public body believed that a county councillor had tried to use their position at the body to gain access to privileged information and use this as part of their council responsibilities. In another, an individual was ultimately dismissed for poor performance, rather than for their breach of the conflicts of interest policy.

3.13 Of the 35 public bodies we surveyed, only one told us that they had used both formal warnings and dismissal in the 12 months up to August 2024. This was for two serious cases of misconduct, including non-compliance with the conflicts of interest policy and, in one case, fraud (**Figure 8**). A further 13 public bodies told us that they did not collect or hold this information centrally. We would expect sanctions to be used wisely by public bodies and agree that it is more appropriate to encourage late declaration than to punish honest mistakes. However, not visibly using sanctions in the most serious cases of deliberate non-compliance can hamper an organisation's ability to effectively deal with and deter future breaches.

Figure 8

Types of sanctions used for non-compliance with conflicts of interest policy by departmental public bodies and the largest non-departmental public bodies

Of the 35 public bodies surveyed, 20 had not used sanctions in the 12 months up to August 2024, while one had used dismissal. A further 13 public bodies did not hold this information centrally so were unable to provide sanctions information



Notes

- 1 The sample size of the survey was 35.
- 2 “Information not held centrally” data was collated from 13 “other” responses.

Source: National Audit Office analysis of survey of all departmental public bodies and the largest non-departmental public bodies; data collected in August 2024

Appendix One

Our audit approach

Our scope

- 1 Our report focuses on three areas, understanding:
 - whether there is an effective cross-government governance framework to support public bodies to manage conflicts of interest;
 - whether public bodies have effective governance and processes in place to identify and record conflicts of interest; and
 - whether public bodies have effective governance in place to manage actual, potential or perceived conflicts of interest.

Our evidence base

- 2 We conducted our fieldwork between April 2024 and September 2024.

Interviews with public officials

3 We attended four teach-ins with Cabinet Office in April 2024 to understand the government's definition of conflicts of interest, the role Cabinet Office plays in managing conflicts of interest and the processes for managing conflicts of interest for ministers, special advisers, civil servants and in procurement.

4 We also interviewed officials from Cabinet Office responsible for conflicts of interest policies and for providing central government support to public bodies. The aim of these interviews was to understand the central government role in supporting public bodies and understand the processes and advice that Cabinet Office provides. We interviewed the following teams/individuals:

- Propriety and Ethics Team;
- Special Adviser HR team; and
- Commercial policy team.

5 We also met with the Independent Adviser on Ministerial Standards, an independent office holder appointed by the Prime Minister, to understand how they support ministers to meet their responsibilities.

Walkthrough testing with case study public bodies

6 We selected six public bodies as case study bodies and examined the processes, systems and governance in place for identifying and managing conflicts of interest. These bodies were selected to give us coverage over the areas where it is more likely that conflicts of interest may need to be managed (policy, procurement, grants and regulatory decisions). We had no specific intelligence that there were any concerns about conflicts of interest management at our six case study bodies, nor was our walkthrough testing designed to find examples of failure in how conflicts of interest have been managed. We also did not review the application of the *Ministerial Code* except to define what it is and how it overlaps with an accounting officer's responsibilities as set out in *Managing Public Money*. Our case study bodies are:

- Cabinet Office;
- Ministry of Defence;
- Department of Culture, Media & Sport;
- Environment Agency;
- NHS England; and
- Defence Equipment & Support.

7 The walkthrough testing comprised three elements of fieldwork: a design survey, a document review and interviews. We interviewed officials who line managed an individual with a conflict that needed mitigating, or who were responsible for conflicts of interest management in an area of activity (for example, the secretariat for non-executive directors or a grants lead).

8 We commissioned a design survey from each case study body. The survey was designed to understand how the case study body managed conflicts of interest across different areas of activity (procurement, recruitment, public appointments, regulatory decisions, policy management and grants). For each area of activity, we asked the same set of questions:

- Who are the key people involved in the process?
- Who makes the decision about how conflicts of interest are managed?
- What are the key stages and processes/controls for staff and SCS/senior staff and when do these happen in the general process:
 - For declaration?
 - For the identification and management of conflicts of interest?

- Where in the process and how do you check for conflicts of interest of people outside of the immediate team who have influence (for example, ministers, special advisers, non-executive directors or senior staff)?
- Who is responsible for updating the policy/processes in this area and when was it last updated?
- Who do you ask for help?
- What information, outside of the declaration register, is recorded on an identified conflict, and where is this recorded?
- How do you, as the centre, ensure that processes and controls are operating as intended?
- What updates do you give on conflicts to those charged with governance?
- Is there any other useful information on managing conflicts of interest within this area you want to share with us?

9 The aim of the design survey was to provide an understanding of the policies, governance and management of conflicts of interest across the different areas of activity within the public body. This understanding informed our approach to the interviews with officials managing conflicts of interest in different areas of the case study body. We analysed the design survey and document review against the expectations set out in Cabinet Office's *Declaration and management of outside interests*; our assessments are set out in Figure 3 and Figure 4.

10 We reviewed select documents from each case study body. We sent each case study body a form requesting documents on the following categories: policies, guidance, training, compliance, checking, support, communications and assurance. In response, case study bodies sent relevant documents to us. We reviewed each case study body's conflicts of interest policy, alongside various other material depending on availability. We used Microsoft Word to manage the data collected through document analysis; each case study had a dedicated Word document which included links to documents provided and their summaries. All documents were reviewed consistently and systematically, in line with good data management practice. Any documents received after the initial tranche were added to the relevant document review file and summarised in time for analysis.

11 The aim of interviews with line managers and process owners was to understand whether the policy and governance we saw through the design survey and document review reflected how conflicts of interest were managed in practice. We also wanted to understand what challenges staff may have in complying with their organisation's requirements. Interviewees were self-selected either by the organisation or by their own nomination in response to our request. We asked organisations to cover conflicts of interest management for both different areas of activity (procurement, recruitment, public appointments, regulatory decisions, policy design and grants) and different types of people working in the organisation (ministers, non-executive directors, special advisers, senior staff and all staff). Some of our case studies did not have all the types of activity or individuals (for example, non-departmental public bodies do not have special advisers).

12 For each interview we documented the process and general details of the conflict of interest being managed. We were shown, via screensharing, any documentary evidence that supported the description the officials gave us about the process of managing conflicts of interest. We did not record any personal sensitive information about the interest being declared, including the name the individual who declared the interest. We summarised the case studies into vignettes that evidenced the area, type of individual making the declaration and elements of good practice or areas of improvement. These examples informed our understanding of the issues with how different case study bodies managed conflicts of interest described in Parts Two and Three of the report. They also provided the case study examples shown throughout the report.

Cross-government survey

13 We carried out an online cross-government survey throughout August 2024. A survey link was emailed to liaison teams in the public bodies in our sample, together with a blank copy of the complete survey to assist them in coordinating their organisation's response. Our survey sample covered all 16 ministerial departments. We also included 19 non-ministerial departments, executive agencies and non-departmental public bodies with spend over £0.5 billion and at least 1,000 full-time equivalent employees. Our sample of non-ministerial departments, executive agencies and non-departmental public bodies is 8% of the total population of 244 bodies. We received responses from all 35 surveyed bodies, equating to a 100% response rate.

14 The aim of the survey was to test how representative the governance and process of conflicts of interest management we found in our case study bodies are of approaches that public bodies typically use. The design of survey questions drew upon our case study evidence and expectations of good practice in managing conflicts of interest. Questions were predominantly multiple choice with options based on examples we were aware of from our case study bodies. Questions also had an 'other' option to allow a free text response. Respondents could select more than one answer to cover the range of approaches their public body may have for a specific area (for example: how could you improve your conflicts of interest management system?).

15 The cross-government survey therefore differed from the case study design survey in its purpose and sample. The design survey was completed by six case study bodies and collected in-depth information on conflicts of interest policies, training and management systems across specific areas of activity. The cross-government survey sought to understand broader similarities and differences in management systems across a larger sample of departmental public bodies and non-departmental public bodies.

16 We analysed the survey with descriptive statistics and considered any variation in the responses between departmental public bodies and non-departmental public bodies. We followed up with individual public bodies where their responses suggested examples of potential good practice or where there was an unusual variation in responses.

17 The survey has some limitations. Public bodies' responses were self-reported and independent verification was only carried out in two areas where more detailed information was needed for the report: management information and sanction use. While all ministerial departments responded to the survey, it is not designed to act as a census of conflicts of interest management across all government bodies. Caution should be exercised when generalising findings, especially in relation to non-departmental public bodies with smaller workforces and budgets, which were not included in the sample.

Survey of Supreme Audit Institutions

18 We sent a survey on conflicts of interest guidance and good practice to all Supreme Audit Institutions (SAIs) whose respective country is a member of the Organisation for Economic Co-operation and Development (OECD). In total the survey was sent to 37 SAIs. In the survey pack, we provided the background and scope for this audit. We also provided an introduction to conflicts of interest declaration and management in the UK, including on the cross-government landscape and systems in place. As part of the survey pack, we also sent SAIs example responses to our four survey questions using the UK as a case. The questions in the survey centred on government guidance provided by the relevant country on conflicts of interest management, examples of good practice in the country's system, weaknesses in the country's system and any recent reports published by the SAI on conflicts of interest.

19 We received 20 responses. We considered each SAI's response for good practice in particular and used survey findings to support the good practice guide published alongside this report.

Interviews with professional bodies for regulated professions

20 We interviewed six professional bodies for regulated professions between July 2024 and October 2024. The aim of these interviews was to identify potential good practice in managing conflicts of interests in those sectors. We selected bodies where we were aware that there was a need to manage conflicts of interest. We interviewed:

- General Medical Council;
- Institute of Chartered Accountants of England and Wales;
- Financial Conduct Authority;
- Financial Reporting Council;
- Royal Institution of Chartered Surveyors; and
- Solicitors Regulation Authority.

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