



National Audit Office

# Conflicts of Interest

An overview of UK National Audit Office methodology and findings

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# Conflicts of interest: what is it?

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

Could arise because of:

- *A direct or non-direct financial interest*
- *Non-financial or personal interests*
- *Conflicts of loyalty*

# 5 recent NAO reports on conflicts of interest (see [nao.org.uk](http://nao.org.uk))



Report  
by the Comptroller  
and Auditor General

Cross-government

Conflicts of interest

HC 907 SESSION 2014-15 27 JANUARY 2015

Report  
by the Comptroller  
and Auditor General

Education Funding Agency

Investigation into the Education  
Funding Agency's oversight of  
related party transactions at  
Durand Academy

HC 782 SESSION 2014-15 13 NOVEMBER 2014



Report  
by the Comptroller  
and Auditor General

Department of Health, NHS England and Monitor

Managing conflicts of  
interest in NHS clinical  
commissioning groups

HC 419 SESSION 2015-16 11 SEPTEMBER 2015



Report  
by the Comptroller  
and Auditor General

Cross-government

Accountability to Parliament  
for taxpayers' money

HC 849 SESSION 2015-16 23 FEBRUARY 2016



Report  
by the Comptroller  
and Auditor General

Cross-government

Investigation into the  
acceptance of gifts  
and hospitality

HC 797 SESSION 2015-16 9 FEBRUARY 2016

## **Conflicts of interest:** Are not a bad thing!

- Individuals or organisations can bring valuable local, specialist or business expertise to the public sector.
- The existence, or perception of a conflict should not preclude the public from benefiting.

## **Conflicts of interest:** the importance of recognising them

- Conflicts of interest are a common and unavoidable part of management that can arise in a range of situations and environments.
- Conflicts will become a more frequent part of conducting public business as front line services and back office processing are increasingly provided through complex contracts and delivery models involving the private sector.

# Conflicts of interest: where can they arise?

Design of policies and systems

- Conflicts where organisations assess service needs and provide the service
- Particularly in private or semi-private organisations delivering public services
- We found there needs to be **transparency** in decision making

Operational situations

- Commissioning and procurement of goods and services
- Recruiting, remunerating, appraising and promoting staff
- Additional employment or outside appointments, leading to abuse of office, undue influence or profiteering
- Gifts and hospitality
- **Transparency** is key in holding individuals to accounts

# Conflicts of interest: the importance of managing them

- The risk of conflicts of interest cannot be completely eliminated.
- Need to recognise the risks and put measures in place to identify and manage.

Internal risks	External risks
Decisions not in best interests of organisation	Legal challenge
Compliance with e.g. Bribery Act	Reputation – really important from a public sector perspective

# Conflicts of interest: managing conflicts in the UK public sector

- Takes a principles-based approach
- Considers ethical standards and behaviour, with high-level guidance and codes:
  - *Civil Service Code of Conduct* requires ‘integrity’ and the need to put obligations of public service above personal interest
  - *Civil Service Management Code* includes standards and propriety, and the need for civil servants to disclose business interests
  - *Managing Public Money* outlines measures for management of government departments could take if they encounter a conflict



# Conflicts of interest: methodologies

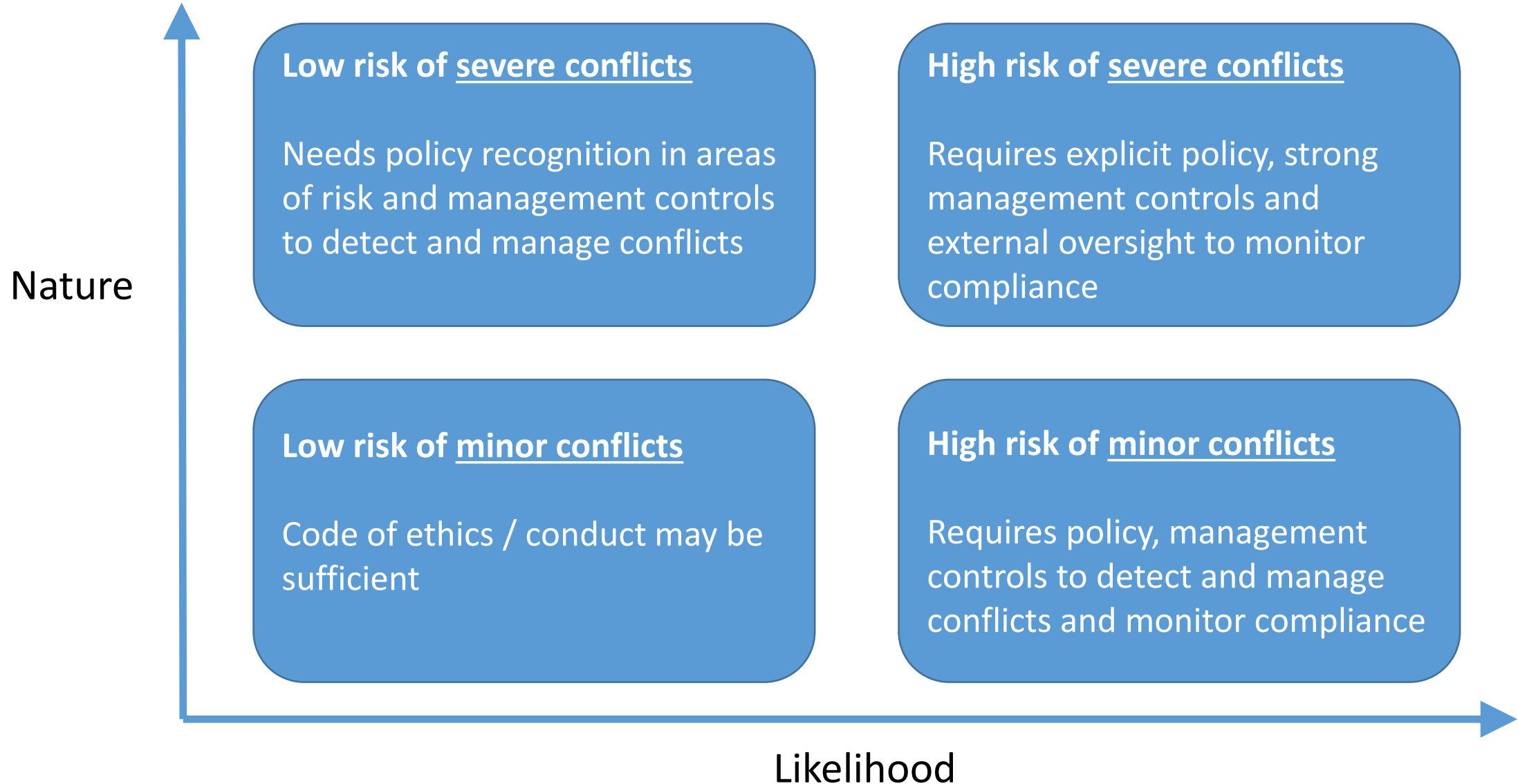
Primarily documentary review and interviews:

- Considered central policy and guidance for the UK public sector on Col
- NAO back catalogue of financial audit, value for money and investigative work
- Investigative reports by other bodies
- Media coverage on reported cases of conflicts of interest

# Conflicts of interest: the NAO review findings – good practice

- Departments should have a Code of Conduct or Ethics, and staff should regularly confirm compliance
- A culture of openness and honesty should exist
- There should be openness and transparency with the intention to **proportionately** manage, not eliminate, conflicts
- Departments should share policy, procedures and guidance with private sector providers
- Arrangements should be in place to declare and register gifts, benefits, private, personal and financial interests
- Conflicts that arise should be clearly documented and mitigating actions taken – with **responses proportionate to the risk**
- **Prompts and checks should be proportionate** to reinforce policies, both external or an internal reporting system
- **Sanctions should be proportionate to the risk**, enforceable and incorporate personal and management consequences

# Taking a proportionate approach to managing conflicts





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# Questions



## Web links:

Conflicts of interest, Jan 2015

<https://www.nao.org.uk/report/conflicts-interest-2/>

Managing conflicts of interest in NHS clinical commissioning groups, Sept 2015

<https://www.nao.org.uk/report/managing-conflicts-of-interest-in-nhs-clinical-commissioning-groups/>

Accountability to Parliament for taxpayers' money, Feb 2016

<https://www.nao.org.uk/report/accountability-to-parliament-for-taxpayers-money/>

Investigation into the acceptance of gifts and hospitality, Feb 2016

<https://www.nao.org.uk/report/investigation-into-the-acceptance-of-gifts-and-hospitality/>

Investigation into the Education Funding Agency's oversight of related party transactions at Durand Academy

<https://www.nao.org.uk/wp-content/uploads/2014/11/Investigation-into-the-Education-Funding-Agency's-oversight-of-related-party-transactions-at-Durand-Academy.pdf>