

NORTH YORKSHIRE COUNTY COUNCIL

STANDARDS COMMITTEE

15 April 2016

Local Ethical Framework Developments**1.0 PURPOSE OF REPORT**

- 1.1 To update Members on the development of the ethical framework under the Localism Act 2011.

2.0 BACKGROUND

- 2.1 Members receive a report at each Standards Committee meeting setting out any recent developments in the ethical framework.

3.0 CSPL ONLINE GUIDANCE ON ETHICAL STANDARDS FOR PUBLIC SERVICE PROVIDERS

- 3.1 The Committee on Standards in Public Life (“CSPL”) is an advisory Non-Departmental Public Body (NDPB) sponsored by the Cabinet Office. The Chair and members are appointed by the Prime Minister.

- 3.2 The CSPL has published a guidance document “Ethical Standards for Providers of Public Services”, a copy of which is attached at **Appendix 1** to this report for Members’ information and is available to download from:

<https://www.gov.uk/government/publications/online-guidance-on-ethical-standards-for-public-service-providers>

- 3.3 In June 2014 CSPL published a report on Ethical Standards for Providers of Public Services. The latest Guidance builds on the previous report, the aim being to provide “short practical guidance to both providers of public services in building and embedding ethical standards in an organisation, and to commissioners in setting ethical expectations for the delivery of public services as well as ensuring those standards are met.”

- 3.4 Key highlights from the Guidance are:

- a) “High ethical standards are important for society as a whole. They are particularly important where public money is being spent on public services or public functions as commissioning and procurement decisions can have a major impact on the user’s daily lives and their quality of life. When a provider fails to deliver to the standards expected, and particularly where the user may have no other choice, it may have profound consequences for the individual user and damage public trust more generally.”
- b) Examples of measures which could be expected of, implemented and embedded by providers of public services and monitored and evaluated by commissioners to provide assurance of ethical standards:-

- Evidence of leadership commitment to ethical standards

- Evidence of board and individual responsibility for ethical standards
- Evidence of internal control and accountability measures
- Evidence of establishing an ethical awareness and capability in recruitment, induction, progression, training and professional development
- Evidence of appraisal, promotion and reward procedures that take account of values and ethical behaviour
- Evidence of commissioner-provider and user-provider dialogue

3.5 The Committee is requested to note the highlights of the CSPL Guidance.

4.0 LAW COMMISSION CONSULTATION ON MISFEASANCE IN PUBLIC OFFICE

4.1 On 20 January 2016 the Law Commission opened a consultation on the law of misconduct in public office which has since closed. The Commission will publish a further consultation document on options for law reform in 2016, with a final report being published in 2017. The consultation paper and background documents are available on the Law Commission website at:

<http://www.lawcom.gov.uk/project/misconduct-in-public-office/>

4.2 The Commission states that:

Our reform objectives are to decide whether the existing offence of misconduct in public office should be abolished, retained, restated or amended and to pursue whatever scheme of reform is decided upon.

The legal concepts involved in the offence of misconduct in public office are highly technical and complex and not easily accessible to non-lawyers. Furthermore there is often some confusion between what the law is and what it should be. The question of the appropriate boundaries of criminal liability for public officials is clearly a matter of broad public interest ...

Misconduct in public office is a common law offence: it is not defined in any statute. It carries a maximum sentence of life imprisonment. The offence requires that: a public officer acting as such; wilfully neglects to perform his duty and/or wilfully misconducts himself; to such a degree as to amount to an abuse of the public's trust in the office holder; without reasonable excuse or justification.

Historically the offence held public officers to account for their misconduct, where there were no other adequate ways of doing so. Nowadays such misconduct will usually amount to another, narrower and better defined, criminal offence.

The offence is widely considered to be ill-defined and has been subject to recent criticism by the government, the Court of Appeal, the press and legal academics.

Statistics suggest that more people are being accused of misconduct in public office while fewer of those accusations lead to convictions. One possible reason is that the lack of clear definition of the offence renders it difficult to apply.

We have identified a number of problems with the offence:

1. *"Public office" lacks clear definition yet is a critical element of the offence. This ambiguity generates significant difficulties in interpreting and applying the offence.*

2. *The types of duty that may qualify someone to be a public office holder are ill-defined. Whether it is essential to prove a breach of those particular duties is also unclear from the case law.*
3. *An “abuse of the public’s trust” is crucial in acting as a threshold element of the offence, but is so vague that it is difficult for investigators, prosecutors and juries to apply.*
4. *The fault element that must be proved for the offence differs depending on the circumstances. That is an unusual and unprincipled position.*
5. *Although “without reasonable excuse or justification” appears as an element of the offence, it is unclear whether it operates as a free standing defence or as a definitional element of the offence.*

4.3 Members will be kept informed of developments.

5.0 CSPL – TONE FROM THE TOP REPORT

5.1 The Committee on Standards in Public Life has published the 57 responses it has received from police forces, PCCs and Police and Crime Panels in response to its report into policing accountability: Tone from the top - leadership, ethics and accountability in policing. The responses are available to download in PDF format via the following hyperlink:

<https://www.gov.uk/government/news/committee-publishes-responses-to-tone-from-the-top-report>

5.2 “In its report, the Committee calls for greater energy and consistency to be applied to promoting high ethical standards and for a more robust set of checks and balances in the accountability structures of local policing.”

5.3 Members will be kept informed of developments.

6.0 NATIONAL AUDIT INVESTIGATION – OFFICERS’ GIFTS AND HOSPITALITY

6.1 The National Audit Office (“NAO”) has published the findings from its investigation into the acceptance of gifts and hospitality by government officials. A copy of its report is attached as **Appendix 2** to this report and is also available to download, along with an executive summary and other documentation from its website:

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

6.2 The NAO website explains that the report examines the rules and guidance for central government officials and published transparency data on the gifts and hospitality received by departmental board members, directors-general and senior military officers between April 2012 and March 2015. The NAO also reviewed the gift and hospitality guidance and the gift and hospitality registers in three case study departments: the Department for Business, Innovation & Skills (BIS), HM Revenue & Customs (HMRC) and Defence, Equipment and Support (DE&S), a bespoke trading entity within the Ministry of Defence (MoD).

6.3 The website sets out the key findings of the investigation:

- **Accepting modest hospitality is sometimes justified.** Officials often need to engage with a range of external contacts in order to carry out their work efficiently and effectively.
- **The Cabinet Office has a principles-based approach to guiding officials on whether they can accept gifts and hospitality.** The three principles are:

purpose (in the interests of government); proportionality (not over-frequent, over-generous or disproportionate); and avoidance of conflict of interest.

- **Rules and processes on gifts and hospitality could be more stringent.** The NAO found that policies and practices fell short of good practice in some respects.
- **There are some weaknesses in controls over gifts and hospitality.** Departments should use a risk-based and proportionate approach, but the NAO found weaknesses in some areas, for example locating gift and hospitality registers and management oversight of trends and local practices across departmental groups.
- **The publication of hospitality record of senior officials helps to promote public accountability.** Reporting started in 2009 and has become part of the transparency agenda.
- **Some departments are not meeting the transparency requirements.** The Cabinet Office requires departments to report the hospitality accepted by board members and directors-generals and above ('senior officials') each quarter. Twelve out of 17 departments, including BIS and HMRC, have published this information for every quarter from April 2012 to March 2015.
- **The NAO estimates that senior officials in 17 departments accepted some £29,000 of gifts and hospitality in 2014-15.** Senior officials accepted gifts and hospitality 3,413 times between 2012-13 and 2014-15. The total number of reported cases of senior officials accepting gifts and hospitality ranged from 718 times in BIS to 20 times in DFID. Levels of hospitality are likely to reflect different rules and reporting requirements as well the different roles of departments.
- **The NAO estimates that officials in the 3 case study departments accepted a total of over £150,000 of gifts and hospitality in 2014-15.** Although the total value of hospitality accepted may not be high, the reputational risks around accepting it can be substantial.
- **Officials accept hospitality from many organisations and individuals.** Senior officials in the 17 departments reported accepting hospitality (most often dinner) from some 1,495 different organisations (or individuals) between 2012-13 and 2014 15. Frequent acceptance of hospitality from particular organisations is not necessarily wrong, but it does need to be in the proportion to the business relationship.
- **While most cases of gifts and hospitality appear to be reasonable, the NAO found some examples where acceptance may not have been consistent with the Cabinet Office principles.** Most of the hospitality and many of the gifts accepted seem reasonable and consistent with the principles. However, in its review of the registers and transparency data, the NAO identified some concerns. These included: tickets to professional sports and cultural events, sometimes accompanied by a spouse and/or children; bottles of champagne; and iPads.

7.0 **RECOMMENDATIONS**

7.1 That the Committee notes the contents of this report.

BARRY KHAN

Assistant Chief Executive (Legal and Democratic Services) and Monitoring Officer

Background Papers:

Information published on www.gov.uk

County Hall
NORTHALLERTON

3 April 2016



Committee on
Standards in
Public Life

December 2015

Ethical Standards for Providers of Public Services - guidance

Contents



Foreword



In June 2014 CSPL published a report on Ethical Standards for Providers of Public Services.¹ The government has made clear that the Seven Principles of Public Life first set down by Lord Nolan - honesty, integrity, accountability, leadership, openness, selflessness and objectivity - should apply to all those delivering services to the public. The definition of each of these Principles is set out at the end of this document. Our report considered how these Principles were being built into the public service commissioning and contracting and drew on research conducted for the Committee by Ipsos MORI with commissioners of services, providers of those services and members of the public.

It was clear from our research that the public want all providers of public services to adhere to and operate by common ethical standards, regardless of whether those services are provided by the private, public or voluntary sectors. For the public “how” things are done is as important as “what” is done. The report made a number of recommendations to government to ensure that proportionate ethical standards are made explicit in commissioning, contracting and monitoring and that these standards apply to anyone delivering public services on

behalf of the taxpayer. It also recommended that providers ensure they have a high level ethical framework and ethical capability, encompassing principled leadership and governance, clear lines of accountability and encouraging a culture of dialogue, challenge and transparency. I was delighted by the positive response the report received from commissioners and providers including from the business community.

The purpose of this document is to emphasise the key messages from our report and build on its research and conclusions by providing short practical guidance to both providers of public services in building and embedding ethical standards in an organisation, and to commissioners in setting ethical expectations for the delivery of public services as well as ensuring those standards are met. The Committee recognises the efforts and investments which many providers have already made in enhancing awareness of, and adherence to high ethical standards. The Committee recognises the challenges faced by any organisation large or small in ensuring that all employees adhere to high ethical standards of behaviour. We know that standards failures represent a significant

organisational risk which is why the Committee supports the development and use of appropriate systems and processes to encourage and reinforce ethical behaviour.

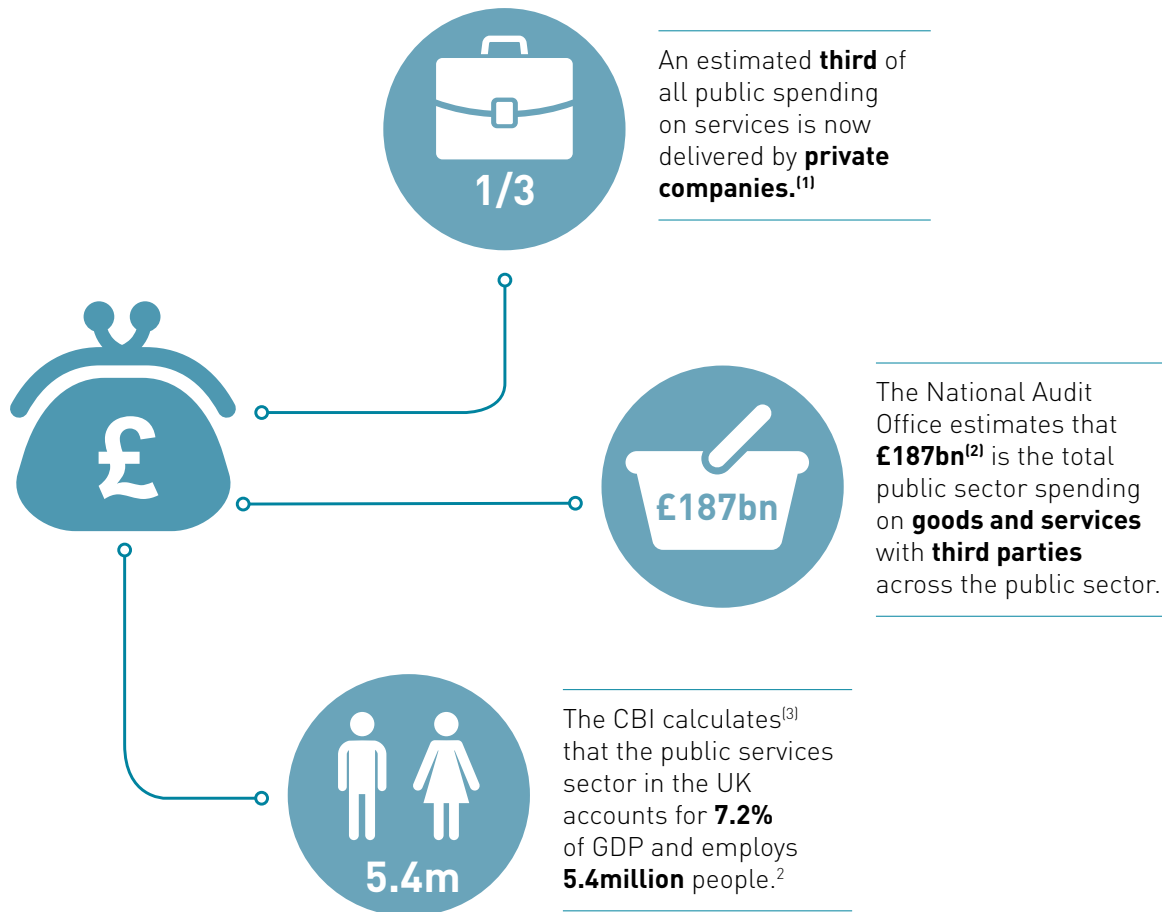
We have included some examples of mechanisms used by commissioners and providers to build high ethical standards but are always keen to learn more, so if you know what works please get in touch.

Ethics matter. This is increasingly recognised by the business community as a necessary part of winning trust and building confidence in the public service markets. Ethical standards should not be taken for granted. Commissioners and providers need to be explicit with each other and the public as to the standards expected in the services which are being delivered.

Lord Bew, Chair of the Committee

December 2015

Background to the report



It makes good business sense to heighten awareness of ethical standards and encourage their staff to adhere to them. Whilst this may involve a cost, organisations need to invest in this aspect of their business. Ethical failures by banks, the press, and most recently in parts of the car manufacturing industry, carry a heavy price. Ethical failures in the NHS, the police and in the public service market more generally have all demonstrated that the damage to reputation and trust, and the financial cost to the business or provider concerned, can be high. Ethical failure by a significant provider of public services can be a major risk to the Government, and can have broader implications for the level of public trust and confidence in the Government and its ability to deliver public services.

About our report

In our report, Ethical Standards for Providers of Public Services, we proposed a high level framework to support and embed high ethical standards in the provision of public services and to provide the necessary assurance to the public and the government that ethical standards are part of service delivery standards. This framework was based around principled leadership and governance including a code of conduct, a culture of dialogue and challenge, clarity of accountability and ethical capability and transparency.

The CBI:

“200 000 charities and companies of all sizes help government provide the public services that we depend on all over the country. This can generate innovation, investment and efficiency, but also requires standards of conduct that are appropriate for organisations funded by and working for taxpayers.”

For the full report: www.gov.uk/government/publications/ethical-standards-for-providers-of-public-services

High ethical standards are important for society as a whole. They are particularly important where public money is being spent on public services or public functions as commissioning and procurement decisions can have a major impact on the user's daily lives and their quality of life. When a provider fails to deliver to the standards expected, and particularly where the user may have no other choice, it may have profound consequences for the individual user and damage public trust more generally.

High ethical standards are important for society as a whole. They are particularly important where public money is being spent on public services or public functions. Commissioning and procurement decisions can have a major impact on the users daily lives and their quality of life. When a provider fails to deliver to the standards expected, particularly where the user may have no other choice, it may have profound consequences for the individual user and damage public trust more generally.

Public Accounts Committee:

“Contractors have not shown an appropriate duty of care in the use of public funds. Too often the ethical standards of contractors have been found wanting. It seems that some suppliers have lost sight of the fact that they are delivering public services, and that brings with it an expectation to do so in accordance with public service standards. The legitimate pursuit of profit does not justify the illegitimate failure to conduct business in an ethical manner.”³

Mark Galloway, Executive Vice President, Skanska UK:

“It has to be recognised that our approach to ethics and embedding ethical behaviours in our business is a journey. We are not the finished article, so we always have more to do.

The benefits, however, are significant. It helps us to attract employees who want to work for an ethically driven business, build long and lasting relationships with our supply chain partners and, ultimately, to win work. Being a leader in ethics makes good business sense.

It is by putting the right framework in place, setting the highest standards and encouraging our employees to become role models for ethics that we can establish a best in class ethical culture.”

It is therefore incumbent on those bodies commissioning and procuring public services, and those who are ultimately responsible and accountable for those services, to obtain assurance that high ethical standards are being met. Accountability does not end and should not dissipate on the commissioning or contracting out of public services.

Whilst many of the requirements for high standards require action at an organisational level, high standards also require individuals to take personal responsibility - by observing high standards themselves, by demonstrating high standards to others through their own behaviour and by challenging inadequate standards when they see them.

In an earlier report, Standards Matter, (14th Report January 2013 Cm 8519), the Committee stated that high standards of behaviour need to be seen as a matter of personal responsibility, embedded in organisational processes and actively and consistently demonstrated, especially by those in leadership positions. One of that report's conclusions was that permanent secretaries and chief executives of all organisations delivering public services should take personal responsibility for ethical standards in their organisations and certify in their annual report or equivalent document that they have satisfied themselves about the adequacy of their organisation's arrangements for safeguarding high standards.

The need for leaders and managers within an organisation to model high ethical standards and to take personal responsibility for their behaviour means that high ethical standards may take time to become established within an organisation. Ethical standards cannot be “fixed” onto an organisation overnight and then forgotten. It takes time for an ethical culture to become the norm and requires regular communications to staff to reaffirm ethical practice and behaviours.

Key conclusions from the report

The research conducted for the Ethical Standards for Providers of Public Services report found that:

- the public want the same ethical standards upheld by any organisation providing public services regardless of sector and supported by a code of conduct
- public and stakeholder views of what should constitute ethical standards are broadly in line with the Seven Principles of Public Life
- “how” the service is delivered is as important to the public as “what” is delivered
- the public felt good outcomes and quality of user/provider interaction - particularly from front line staff behaving with integrity and objectivity - were crucial to ethical service delivery

Quotes from the public

“If it’s taxpayers’ money, the principles are the guidance and all providers should follow them.”

“(They should have) end users’ best interests in mind”

- commissioners expect providers to conform to ethical standards but rarely explicitly articulate ethical standards to providers explicitly;
- commissioners want guidance on how to embed ethical standards in the commissioning and procurement process.

It was also evident from the research that currently there are no consistent structures or arrangements within the commissioning process to promote actively the right ethical culture and behaviours in providers of public services.

The report therefore recommended that ethical standards need to be proportionately addressed within existing commissioning, contractual and monitoring arrangements, as part of the process for securing the regularity and propriety of public services.

Quotes from Commissioners and Providers

“It is up to commissioners to be clear about what they want and expect from suppliers, otherwise the contract is won on price”

“As things stand now, contractors see that they are not being watched and become complacent.”

There has been much debate about increasing transparency in public service contracts. Whilst we agree that one route to improving public service standards is through greater transparency and, particularly in the case of larger service providers, the application of the Freedom of Information Act, transparency of itself is not sufficient. Transparency needs to be underpinned by a culture of high ethical standards in public service contracts.

Follow on work

Following our report we undertook further work, including workshops and discussions with commissioners and providers, to review how they are adapting their procedures and practices to ensure the highest possible ethical standards are adopted and adhered to by staff in their organisations delivering public services.

In addition, we have also identified more extensive examples of good practice in a range of commissioners and providers which might be applied more widely. These organisations recognise the challenge of encouraging their employees to behave with high ethical standards at all times and have adopted a variety of systems and processes to support their employees. And they recognise that an

ethical culture is not achieved by a one-off effort, but through the continuing attention to the importance of ethical behaviour.

This guidance document is intended to provide practical guidance and examples to commissioners and providers in setting and embedding those standards of conduct and agreeing the ethical expectations for the delivery public services. Any ethical framework should be risk-based, flexible and proportionate. How it is implemented in practice will depend on the nature of the public service being provided, the model of delivery and the kind of provider.

The National Audit Office has recommended that government should get *“written representation from contractors on the integrity of the services they supply, covering the control environment for maintaining ethical behaviour and public service standards. Such statements, while not necessarily carrying additional legal implications, would have symbolic and reputational importance, and give Parliament clear accountability.”*⁴

Ruby McGregor Smith
Chair of the Public Services
Network CBI:

“Every organisation has a process around governance, around the controls it exhibits and around its behaviours. It can be done, it just needs to be done and clearly laid out in contracts we are asked to sign, so that everyone does it.”⁵”

Melanie Maxwell Scott
Business Services Association:

“High ethical standards can and should be achieved by any public service provider. The sector they come from is not material as long as expectations are made clear and there exists a culture which supports good behaviour and promotes prompt action whenever people fall short.

Procurement and contract-management processes are vital to aligning the values of the public sector client with any supplier. If a contract is poorly written, the wrong type of behaviour can occur or even be encouraged. If the contract is poorly managed, sub-standard performance can go unnoticed. That is in no-one’s best interests, least of all the service user.”⁶”

Suggested Measures

Set out below are examples of measures which could be expected of, implemented and embedded by providers of public services and monitored and evaluated by commissioners to provide assurance of ethical standards - how does the organisation do its

business and how do individuals within it carry out their roles?

It is not intended as a burdensome checklist to be ticked and regarded as complete; rather it should

be used to encourage not only commissioners to be explicit about their expectations on ethical standards, but also providers to reflect on their capacity and capability to meet those standards.

<p>Evidence of leadership commitment to ethical standards - What is the tone from the top and how is this lived out throughout the organisation? What are the values and behaviours this organisation is encouraging and discouraging?</p>	<p>Public statements and day-to-day behaviour that demonstrate visible commitment to ethical standards and taking responsibility – being publicly accountable – for ethical standards.</p> <p>In a small organisation this could be as simple as telling all staff about the ethical expectations of those in the organisation delivering public services.</p>
<p>Evidence of board and individual responsibility for ethical standards - how are employees and (if applicable) board members held to account collectively and individually for ethical issues?</p>	<p>Board level oversight of ethical matters and board level responsibility for or championing of ethical compliance.</p> <p>Ethics committees can be used as a mechanism to improve and scrutinise ethical decision making but they should be integrated to the governance arrangements and not a “bolt-on”.</p> <p>Annual attestations - individual annual sign off of compliance with the company’s Code of Conduct and compliance regulations or policies.</p> <p>Employees are aware of the code of conduct and the consequences of failing to adhere to the Code.</p>

<p>Evidence of internal control and accountability measures - what is the internal control environment for maintaining ethical behaviour and standards in the organisation?</p>	<p>A suitable code of conduct - typically a series of Do's and Don'ts, publically available and adherence to the code monitored.</p> <p>Identification of key indicators or measures of an ethical culture within the organisation and periodic reviews of their effectiveness.</p> <p>Existence of and adherence to whistleblowing policy or speak up mechanisms, gifts and hospitality registers, anti-bribery and corruption, declarations of interests requirements, procedures for dealing with conflicts of interest, which are regularly reviewed.</p> <p>Ethical risks captured and controlled in the risk management process and evidence they have been identified, assessed and where required mitigated.</p> <p>Transparency and reporting arrangements which encourages "intelligent accountability" putting out good quality information in intelligible and adaptable formats creating a genuine dialogue with stakeholders.</p>
<p>Evidence of establishing an ethical awareness and capability in recruitment, induction, progression, training and professional development - how is ethical awareness embedded in the organisation?</p>	<p>Recruitment procedures that take account of values and ethics alongside other skills.</p> <p>Induction processes that give new starters an understanding of the ethical expectations of them, the Codes of Conduct and ethical framework operating in the organisation.</p> <p>Training and guidance on ethical standards generally through ethical and values based training online and face to face.</p> <p>Self-assessment often web based tools.</p> <p>Employees encouraged to demonstrate achievement of e.g. ethical component of commercial capability requirements such as Chartered Institute of Purchasing and Supply's ethical procurement and supply e-learning module.⁷</p>

<p>Evidence of appraisal, promotion and reward procedures that take account of values and ethical behaviour - how does the organisation encourage (or not) its intended values and behaviours?</p>	<p>Codes of conduct linked to performance incentives.</p> <p>Assessing staff on behaviour based criteria the “how” as well “what” they have achieved. Assessing behaviours against core values - e.g. do they role model behaviours consistently, do they coach and encourage others to achieve similar high standards, for leaders do they develop a working culture which emphasises integrity and ethics? do they champion the company values?</p> <p>Including questions on ethical matters in employees surveys.</p>
<p>Evidence of commissioner-provider and user-provider dialogue - what is the success or failure for this contract including the supply chain and what are the essential behaviours to deliver success? how does the organisation learn from criticism and compliments?</p>	<p>Use of staff feedback surveys and self-assessment.</p> <p>Responding to and acting on feedback.</p> <p>Robust complaints system and evidence of good complaints handling; the effective use of complaints data to evaluate how well standards are being achieved and to help deliver service improvements.</p> <p>Setting out clear expectations and standards throughout the supply chain, monitoring compliance with them and clear explanation provided as to the consequences of failing to meet the standards expected.</p>

Practical examples and case studies

We set out below some further practical examples and case studies of measures or ethical frameworks some organisations have put in place in an attempt to build awareness of and adherence to high ethical standards. These examples were shared with us by the relevant organisations, are illustrative and correct at the time of publication of our reports. We expect that as experience of these arrangements grows they will be further developed.

Case study - Mitie example of tone from the top

As part of their wider ethical business framework Mitie launched a [new] Code of Conduct in 2014. The Code was designed to help employees understand the core values and responsible behaviours enabling them to “do the right thing”. In addition to setting our core company policies and procedures, the Code aims to bring to life through scenarios some of the ethical dilemmas faced by those working in Mitie and to provide a set of guiding principles to follow.

The Code, core values and responsible behaviour have been visibly championed by the Chief Executive and the Group Finance Director. The Code’s importance was reinforced through a series of initiatives such as:

- The launch of the Code at an Executive Board workshop
- Risk management leadership workshops
- Monthly roadshows across the business attended by the CEO and CFO
- the promotion of the confidential Speak Up service

- The use of all staff emails from the CEO emphasising the importance of core values and responsible behaviours and what it means for the company
- Open lines of communication between CEO and employees such as twitter

The NCVO and Good Governance Code for the voluntary and community sector

This code sets out the principles and practices that should be adopted in those sectors for good governance. It can be applied in a flexible way depending on the type and size of the organisation. It covers behavioural governance including the effective board behaving with integrity and being open and accountable. It recognises the applicability of the seven principles of public life to the sector as recognised good practice and complementary to those principles.

www.governancecode.org

Case study – Skanska’s ethical business practices

Skanska, one of the UK’s leading contractors, is an inclusive and responsible business that is helping to build a better society. Known for major projects, such as the Gherkin and Crossrail, it is building, upgrading and maintaining the country’s infrastructure – delivering projects in healthcare, education, defence, transportation and municipal services. Drawing on its Scandinavian heritage, it is green, innovative and progressive. Bringing together people and technology, it is working to make construction a safer and more collaborative industry.

Ethics is a core value for Skanska, which is placed at the heart of its business. It has an aim to be recognised for its commitment to doing the right thing, everywhere that it works.

To make this a reality, it has a range of tools that help to bring ethics to life, demonstrating what it means for its employees.

Ethics Roadmap

Launched as a global tool, the Ethics Roadmap is designed as a practical document that helps

Skanska’s national operations to develop an internal culture and behaviour in the market that is best in class.

Ethics Scorecard

Used to monitor the progress of ethics in national Business Units and throughout Skanska. The Ethics Scorecard is published twice a year with the latest data and examples of best practice to share across the organisation.

Ethics champions

Each global business unit has appointed a senior-level Ethics Champion responsible for driving ethical behaviour and implementation of the Ethics Roadmap. This includes development of an annual ethics plan, which sets out the actions which will be taken over the coming year to help build an ethical culture.

Code of Conduct

Skanska’s Code of Conduct applies to all employees and the principles bind Skanska’s supply chain too. All employees participate in Code of Conduct training every two years, and new recruits within three months of joining. <http://www.skanska.co.uk/About-Skanska/Our-Code-of-Conduct/>

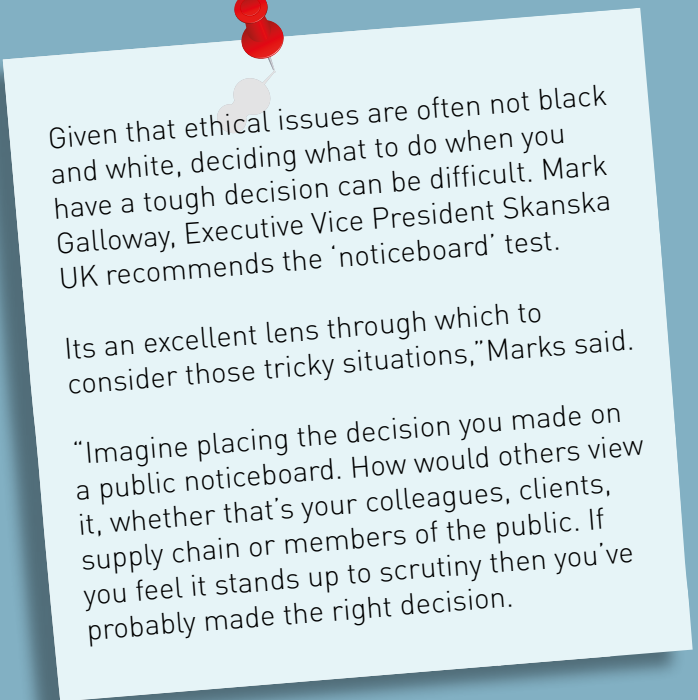
Ethical dilemmas

at least four times a year, all employees take part in informal ethical debates. There are no right or wrong answers, the aim is to facilitate discussion

and encourage employees to feel comfortable discussing ethical dilemmas in business. The ‘notice-board test’ is often referenced – if your decision was posted on a public notice-board, would you stand by your actions?

Annual employee survey

All employees are asked two ethics-related questions as part of the annual employee survey, so understanding and attitudes can be effectively monitored.



Given that ethical issues are often not black and white, deciding what to do when you have a tough decision can be difficult. Mark Galloway, Executive Vice President Skanska UK recommends the ‘noticeboard’ test.

Its an excellent lens through which to consider those tricky situations,” Marks said.

“Imagine placing the decision you made on a public noticeboard. How would others view it, whether that’s your colleagues, clients, supply chain or members of the public. If you feel it stands up to scrutiny then you’ve probably made the right decision.

Code of Conduct Hotline

An independent Code of Conduct hotline has been set up, which enables employees to report concerns about ethical behaviour, anonymously if they wish.

Governance

Two groups have been created to govern ethics in Skanska's UK business. The Ethics Committee, which drives policy development and provides advice, and the Ethics Representatives, which helps to communicate ethics ideas and messages across the business.

Defra's Ethical Procurement Policy Statement

This statement sets out that Defra's expectation that its suppliers will maintain high standards of integrity, professionalism and transparency and how working in partnership with suppliers it will address wider ethical issues outside the public procurement process. These issues include working conditions, employee health and training, discrimination and child labour.⁸ The policy aims to achieve wider societal benefits

through ethical principles such as requiring "suppliers [to] have systems in place to ensure high standards of propriety which make sure public money is used for the purpose it is intended." Defra was able to point more easily than some Departments, to mechanisms which existed throughout the commissioning and procurement process including pre and post award stages.

Case study – Embedding the College of Policing’s Code of Ethics

The College of Policing’s Code of Ethics is applicable to all members of the police force and places an additional responsibility on chief officers and leaders to promote and reinforce the Code amongst the wider police force. In its recent report on local police accountability - *Tone from the top - leadership, ethics and accountability in policing?*, the Police Superintendents Association of England and Wales, shared with the Committee evidence from the Thames Valley police force about their experience embedding the Code of Ethics. The research found that the most effective code was part of a broader programme of culture change and should be regularly reinforced and monitored.

Thames Valley Police Force research - Code of Ethics	
What works	What hurts
Value-based approach to ethics programmes	
Ethical culture, supported by ethical programme	Standalone ethical programme
Ethical discussion and rewarding ethical behaviour	Too much focus on punishing lack of compliance to the code Unquestioning obedience
Focus on colleagues or society	Focus on self-interest
More time for decision-making promotes ethical behaviour	Rushed decision-making encourages unethical behaviour
Challenging unethical practice	Ignoring unethical practice
Peer influence (positive)	Peer influence (negative)
Thoughtful implementation of goals and targets	Carelessly implemented goals and targets
Regularly reinforcing ethical behaviours Immersive ethical training	

More important for people to know that the organisation is fully committed to code, rather than knowing all the content of the Code of Ethics	
Moral reasoning by leaders	
Fairness and respect	

PwC ethical decision making

Tina Hallett
PwC Partner, Government and
Public Sector Leader:

High ethical standards can and should be achieved by any public service provider. The sector they come from is not material as long as expectations are made clear and there exists a culture which supports good behaviour and promotes prompt action whenever people fall short.

PwC the professional services network reinforces the messages of induction by making it clear that ethics is integral to the operation of the firm. PwC has a dedicated Ethics and Business Conduct section on its website, which includes a code and a framework for ethical decision making, as well as a list of ethics questions to consider when making day-to-day decisions.¹⁰ There is a clear narrative that ethical standards are integral and important, which in turn make the messages of induction that much more likely to be absorbed and taken seriously.

Summary of ethics questions to consider

1. Is it against PwC or professional standards?
2. Does it feel right?
3. Is it legal?
4. Will it reflect negatively on you or PwC?
5. Who else could be affected by this (others in PwC, clients, you, etc.)?
6. Would you be embarrassed if others knew you took this course of action?
7. Is there an alternative action that does not pose an ethical conflict?
8. How would it look in the newspapers?
9. What would a reasonable person think?
10. Can you sleep at night?

Case study – Network Rail

‘Our reputation and future depends on us all behaving with integrity in everything we do’

Mark Carne, CEO

On the 1st September 2014 Network Rail was reclassified as a public sector body. While passengers won't have noticed a difference to the running of the railway, the impact on some areas of our work has been more pronounced.

One consequence of our new status is that we are now subject to the principles of public life. These are an important reminder to everyone who works for or does business with Network Rail of the importance of acting with the highest possible levels of integrity. We welcome the scrutiny and accountability that comes with being part of the public sector, and strongly believe that an open, ethical and fair culture is fundamental to how we operate, every day.

But our work to drive the highest levels of business behaviour is not a knee jerk response to reclassification. We have had a Code of Business Ethics for a long time, and it is complemented by a busy business ethics programme. Our priority this year is delivering ethics training to all our staff – our training packages all have the principles of public life running through them. The Code is supported by a number of policies including anti bribery, gifts & hospitality, conflict of interests, social media and speak out (whistleblowing). We have also set up a register for gifts, hospitality and conflicts of interests called iEthics, and a confidential whistleblowing service, Speak Out.

We launched Speak Out in its current form in 2012 to help our employees and contractors report ethical misconduct. They can do so over the phone or through a secure website. Use of the service has increased steadily over its lifetime, and we have also seen a gradual decrease in the proportion of users who choose to report anonymously. We think this shows that people are beginning to feel more comfortable speaking out about suspected wrongdoing, which is an important indicator of our progress towards the culture we want across the company.

We still have work to do to change the culture of our organisation, but we think we are on the right path. Network Rail has a responsibility to the nation to run a safe, reliable railway, and ethical values like openness, integrity and accountability are at the core of our ability to do so.

Case study – Dudley Metropolitan Borough Council “Supplier Code of Practice”

“Supplier Code of Practice” sets out the values, principles and standards Dudley Council expects of itself and its suppliers. It covers the Seven Principles of Public Life and their application to employees and suppliers, and specific expectations in relation to bribery and corruption, gifts and hospitality, conflicts of interest, fraud, deception and dishonesty, false claims, unfair trading and competition and environmental issues. It also provides details of how to raise any concerns that the code is not being complied with.

<http://www.dudley.gov.uk/business/do-business-with-the-council/tenders-and-contracts/trade-with-dudley/>

Councillor Pete Lowe:

“As Leader of Dudley Metropolitan Borough Council I want everyone to help us work in partnership to deliver high quality services which recognise our commitment to the highest standards of ethics and conduct. Our Council Plan reflects on this by including a key message of everyone articulating and living up to a set of values and behaviours that support good governance.

The public expect the highest standards of ethics from all suppliers of public services and our message to staff and suppliers is clearly articulated in our “Supplier Code of Practice”. We will be asking major suppliers to confirm that they adhere to the Code in all their dealings with the Council and residents of Dudley. We have a Code of Conduct for employees and councillors which also set out our requirement for them to demonstrate the highest standards of conduct”



Case study – Sodexo Public Sector Pledge

In the UK and Ireland, Sodexo employs around 34,000 people across 1,850 locations in the corporate, healthcare, education, leisure, justice and defence sectors. Sodexo delivers a range of services, from catering and hospitality, cleaning, reception to asset management, security, laboratory and grounds maintenance services.

As a company with half its business in the public sector, in 2015 Sodexo published its Public Sector Pledge. The aim of the Pledge is to be an 'ethical manifesto' identifying key public service areas and initiatives which Sodexo will publicly measure and report on annually. Areas covered by the Pledge include client satisfaction reviews, outcome based contracts, business integrity codes and adoption of the living wage.

The pledge focuses on three key themes:

1. fully committed to consistent delivery of our promises, your outcomes, and your value for money;
2. Transparent and truly ethical in how we deliver in our use of public money, and in our conduct;
3. Enhancing quality of life and social justice in our communities through a genuine social conscience.

Through this pledge Sodexo states it hopes to achieve better public services, end stereotypes, to grow and succeed as a business and to do the right thing.

In June 2015, Sodexo joined the Living Wage Foundation's Recognised Service Provider scheme, committing to implement the UK and London Living Wage for all employees working in its head offices in London, Glasgow, Stevenage, Leeds, Salford and Swindon. the commitment also means that Sodexo will, wherever permitted, submit a Living Wage alternative in all its bids and will promote the adoption of the living wage to its clients.

Sodexo intends to publish the progress it has made with each of the commitments within the Pledge around the middle of 2016.

<http://uk.sodexo.com/uk/en/corporate-responsibility/responsible-employer/public-service-pledge.aspx>

Merlin Standard is designed to recognise and promote sustainable excellence within supply chains. Its aim is to encourage excellent supply chain management and to ensure fair treatments of partners and subcontractors by the Prime Contractor. The principles on which it is built include Conduct and elements of the assessment of the organisation validated by supply chain partners includes such criteria as "culture in which communication is open, honest and without unreasonable constraint", "procurement processes are fair and transparent", it "actively seeks users feedback...to inform and improve practices."

www.merlinstandard.co.uk



About the Committee on Standards in Public Life

1. The Committee on Standards in Public Life is an advisory Non-Departmental Public Body (NDPB) sponsored by the Cabinet Office. The Chair and members are appointed by the Prime Minister. The Committee was established in October 1994, by the then Prime Minister, with the following terms of reference:

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.”

2. The remit of the Committee excludes investigation of individual allegations of misconduct.
3. On 12 November 1997 the terms of reference were extended by the then Prime Minister:

“To review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”

4. A triennial review of the Committee was carried out in 2012, the report of which was published by the Government in February 2013. As a result, on 5 February 2013, the terms of reference of the Committee were clarified in two respects: ‘... in future the Committee should not inquire into matters relating to the devolved legislatures and governments except with the agreement of those bodies’ and ‘...the Committee’s remit to examine “standards of conduct of all holders of public office” [encompasses] all those involved in the delivery of public services, not solely those appointed or elected to public office.’

Membership of the Committee

The Lord Bew (Chair)
The Lord Alderdice
The Rt Hon Dame Margaret Beckett DBE MP

Sheila Drew Smith OBE
Patricia Moberly
Richard Thomas CBE
Dame Angela Watkinson DBE MP
Monisha Shah

The Committee’s previous reports

5. The Committee has previously published the following reports.
 - Tone from the Top - leadership, ethics and accountability in policing, June 2015
 - Ethical standards for providers of public services, June 2014
 - Strengthening Transparency Around Lobbying, November 2013
 - Standards Matter: A review of best practice in promoting good behaviour in public life (Fourteenth Report), Cm 8519, January 2013

- Political party finance: Ending the big donor culture (Thirteenth Report), Cm 8208, November 2011
 - MPs' expenses and allowances: Supporting Parliament, safeguarding the taxpayer (Twelfth Report), Cm 7724, November 2009
 - Review of the Electoral Commission (Eleventh Report), Cm 7006, January 2007
 - Getting the balance right: Implementing standards of conduct in public life (Tenth Report), Cm 6407, January 2005
 - Defining the boundaries within the Executive: Ministers, special advisers and the permanent civil service (Ninth Report), Cm 5775, April 2003
 - Standards of conduct in the House of Commons (Eighth Report), Cm 5663, November 2002
 - Standards of conduct in the House of Lords (Seventh Report), Cm 4903, November 2000
 - Reinforcing standards: Review of the First Report of the Committee on Standards in Public Life (Sixth Report), Cm 4557, January 2000
 - The funding of political parties in the United Kingdom (Fifth Report), Cm 4057, October 1998)
 - Review of standards of conduct in executive NDPBs, NHS trusts and local public spending bodies (Fourth Report), November 1997
 - Local government in England, Scotland and Wales (Third Report), Cm 3702, July 1997
 - Local public spending bodies (Second Report), Cm 3207, June 1996
 - Members of Parliament, ministers, civil servants and quangos (First Report), Cm 2850, May 1995
6. The Committee is a standing Committee. It can not only conduct inquiries into areas of concern about standards in public life, but can also revisit those areas and monitor whether and how well its recommendations have been put into effect.

Seven principles of public life

The Seven Principles of Public Life¹¹ apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The Principles also have application to all those in other sectors delivering public services.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Committee on Standards in Public Life

GC05 1 Horse Guards Road, London, SW1A 2HQ
<https://www.gov.uk/government/organisations/the-committee-on-standards-in-public-life>

References

- ¹ <https://www.gov.uk/government/publications/ethical-standards-for-providers-of-public-services>
- ² [1] Julius, D., *Public Services Industry Review*, 2008, Retrieved 15 July 2013: <http://www.bis.gov.uk/files/file46965.pdf>. Note that this estimate includes services procured by government to support service delivery cited in Institute for Government 2012 Testing New Commissioning Models A guide to help policy makers learn about publically funded markets.
- [2] *The role of major contractors in the delivery of public services*. National Audit Office HC 810 Session 2013-14 12 November 2013.
- [3] CBI, *A Value Driven Public Services Sector* page 6 Oxford Economics analysis for CBI.
- ³ Committee of Public Accounts Transforming contract management Twenty-third report of Session 2014-15 HC 585 10 December 2014
- ⁴ National Audit Office Report, Cabinet Office, Transforming government's contract management, para 3.17. HC 269 Session 2013-14, 4 September 2014.
- ⁵ Oral evidence: Contract management within central Government Wednesday 10 September 2014 HC 586 p, 6.
- ⁶ CSPL Blog 26 March 2015 <https://cspl.blog.gov.uk/2015/03/26/commissioners-and-businesses-can-achieve-high-ethical-standards-by-working-together/>
- ⁷ <https://www.cips.org/en-GB/training-courses/Ethical-Procurement-and-Supply-/>
- ⁸ Ethical Procurement Policy Statement March 2011. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69421/ethical-procurement-policy-statement.pdf
- ⁹ <https://www.gov.uk/government/publications/tone-from-the-top-leadership-ethics-and-accountability-in-policing>
- ¹⁰ See <http://www.pwc.com/gx/en/ethics-business-conduct/code-of-conduct.jhtml>, and <http://www.pwc.com/gx/en/ethics-business-conduct/ethics-questions.jhtml>
- ¹¹ The Seven Principles were established in the Committee's First Report in 1995; the accompanying descriptors were revised following a review in the Fourteenth Report, published in January 2013.



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Investigation into the acceptance of gifts and hospitality

Our vision is to help the nation spend wisely.

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

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 810 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.15 billion in 2014.



National Audit Office

Cross-government

Investigation into the acceptance of gifts and hospitality

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 8 February 2016

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

5 February 2016

We investigated whether the acceptance of gifts and hospitality was being managed so as to maintain public trust in the integrity of central government officials.

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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Our investigative approach 39

The National Audit Office study team consisted of: Damian Angelis, Sarah Shakespeare, Paul Wright-Anderson, with additional assistance from Sherif Ali, Natalia Grygiel, Vesta Juodyte, Ajay Kotecha and Chris Sweeney, under the direction of Keith Davis.

This report can be found on the National Audit Office website at www.nao.org.uk

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What this investigation is about

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

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

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

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

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

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

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

Summary

Key findings

Rules and processes

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

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

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

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

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

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

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

Gifts and hospitality accepted

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

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

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

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

13 Officials accept hospitality from many organisations and individuals.

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

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

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

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

Role of the Cabinet Office

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

Conclusion

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

Part One

Rules and processes

1.1 This part covers the Civil Service's rules on accepting gifts and hospitality. It examines the rules and processes used in three case study departments: the Department for Business, Innovation & Skills (BIS), HM Revenue & Customs (HMRC), and Ministry of Defence (MoD).

Principles-based approach

1.2 Officials often need to engage with a range of external contacts in order to carry out their work efficiently and effectively, and officials are sometimes offered gifts and hospitality by these contacts. As noted in our 2015 report *Conflicts of Interest*, this can create potential conflicts in providing public services.² To manage these risks, the Cabinet Office has set up rules governing the conduct of officials, and the current version was produced in 2010.³ Officials are allowed to accept gifts and hospitality, but the Cabinet Office recognises that:

“...while accepting hospitality in certain circumstances may further the Government's interests, this must be balanced with upholding high standards of propriety and guarding against any reasonable suspicion of perceived or actual conflicts of interest or an undue obligation being created.”

1.3 Both the United Nations and the European Commission have stricter policies on the accepting of gifts and hospitality. The United Nations prohibits its officials from accepting gifts or hospitality from people or entities doing business or seeking to do business with the United Nations, 'with no exceptions'.⁴ The European Commission has a general rule that staff members should not accept any direct or indirect gifts or hospitality offered by third parties. However, it may authorise gifts and hospitality where it will not compromise, or be perceived to compromise, objectivity and independence and will not damage the Commission's public image.⁵ While barring UK officials from accepting gifts and hospitality is an option, it would run the risk of hampering the legitimate activities of the departments and officials, including engaging with stakeholders.

² Comptroller and Auditor General, *Conflicts of Interest*, Session 2014-15, HC 907, National Audit Office, January 2015.

³ UK Government, *Civil servants receiving hospitality*, 2010.

⁴ United Nations, *United Nations Ethics Guide*, 2012.

⁵ European Commission, *Guidelines on gifts and hospitality for the staff members*, 2012.

1.4 The UK Civil Service has a principles-based approach to guiding officials on whether they can accept offers of gifts and hospitality, indirectly addressing the risk of conflicts of interest through ethical standards and behaviour.⁶ Similarly, the Civil Service Code sets out the values (including 'integrity') and behaviours expected of civil servants. When deciding whether to accept hospitality, officials are expected to use their judgement and apply three principles:⁷

- Purpose – acceptance should be in the interests of departments and should further government objectives.
- Proportionality – hospitality should not be over-frequent or over-generous. Accepting hospitality frequently from the same organisation may lead to an impression that the organisation is gaining influence. Similarly, hospitality should not seem lavish or disproportionate to the nature of the relationship with the provider.
- (Avoidance of) conflict of interest – officials should consider the provider's relationship with the department, whether it is bidding for work or grants or being investigated or criticised, and whether it is appropriate to accept an offer from a taxpayer-funded organisation.

1.5 The guidance issued by the Cabinet Office also outlines what hospitality must be recorded, and under what circumstances. However, it is not clear whether gifts accepted also need to be reported. The guidance states that there is no need for officials to record minor refreshments or sandwich lunches. It requires officials to record hospitality involving a personal friend where the purpose of the hospitality was to discuss business or was paid for by the friend's company expense account. The guidance also states that civil servants are not required to record hospitality from other civil servants in government, the Devolved Administrations, the Palace, non-departmental public bodies or overseas government.

1.6 The Cabinet Office expects departments to supplement Civil Service guidance with their own internal rules and guidance on gifts and hospitality. This enables departments to set rules that fit their circumstances and the particular risks that they face. As departments have different roles, vary in size and work in different contexts, a single policy might not be able to take account of the differing needs and circumstances of all departments. Military officers must also comply with the Queen's Regulations, which state that they are allowed to accept gifts or hospitality only in exceptional circumstances.

⁶ Includes those on short-term or agency contracts.

⁷ Cabinet Office, *Guidance on civil servants receiving hospitality*, September 2010.

Hospitality

1.7 We reviewed the guidance in our case study departments. All the case study departments used similar principles to those set out in the Cabinet Office guidance (**Figure 1** overleaf). All three departments had similar policies on what hospitality can be accepted, although HMRC was stricter in that it stated that invitations to 'cultural events' were not normally to be accepted.

1.8 Departments' rules also varied on what they required staff to record:

- BIS required staff to record anything more than tea and coffee, such as sandwich lunches, as well as hospitality accepted from other organisations within the BIS group;
- HMRC required staff must record anything more than tea and coffee or sandwich lunches; and
- MoD staff must record all offers received, whether accepted or declined. This goes beyond the Civil Service policy.

Gifts

1.9 All three case study departments allowed their staff to accept occasional, low-value gifts, such as diaries, flowers, and boxes of chocolates, as well as gifts where refusal would cause offence. All departments have a policy on when gifts should be surrendered, and they have different rules on when gifts should be recorded:

- BIS required gifts worth £10 or more to be recorded;
- HMRC required gifts worth £25 or more to be recorded; and
- MoD required staff to record all offers of gifts, whether accepted or declined.

Figure 1 Comparison of guidance and registers against good practice

There is scope to improve guidance and rules

Requirement from the Civil Service guidance and/or good practice	Civil Service guidance	Department for Business, Innovation & Skills (BIS)	HM Revenue & Customs (HMRC)	Ministry of Defence (MoD)/Defence Equipment & Support (DE&S)
Are the principles consistent with Civil Service guidance?	N/A	Yes	Yes	Yes
Does the guidance cover what can and can't be accepted?	No – principles-based	No – principles-based	Yes, outlines principles and provides advice	Yes, provides examples
Is there a minimum level for recording type or value of gifts?	No	Yes	Yes	No, all gifts must be recorded
Is there a minimum level for recording type or value of hospitality?	Yes	Yes	Yes	No, all hospitality must be recorded
Is prior approval required?	No	No	No	No
Is it clear whether there are sanctions for not following the rules?	Yes	Yes	Yes	No
Is there a reference to the Bribery Act 2010?	Yes	No	Yes	No

Information required to be recorded in register

Date offered/received?	Yes	Yes	Yes	Yes
Recipient?	Yes	Yes	Yes	Yes
Name of host organisation?	Yes	Yes	Yes	Yes
Type of hospitality?	Yes	Yes	Yes	Yes
Estimated value of gifts/hospitality?	No	Yes	No	Yes
Offers that are declined?	No	Yes – some parts of BIS	No	Yes
Reasons for accepting or declining?	No	Yes – some parts of BIS	Yes	Yes
Managerial review/sign-off?	No	Yes – some parts of BIS	No	Yes

Notes

- 1 The Cabinet Office's guidance on the acceptance of gifts and hospitality and the Civil Service Management Code are covered in the column headed 'Civil Service guidance'.
- 2 The MoD analysis is based on the guidance for the time period covered by our review. Since then, MoD published updated guidance in September 2015 and the changes include a requirement to obtain approval for all hospitality accepted.
- 3 The register information for MoD is based on DE&S data.

Source: National Audit Office review of guidance and registers of the Department for Business, Innovation & Skills, HM Revenue & Customs, Ministry of Defence and Defence Equipment & Support

Comparison with good practice

1.10 We compared Civil Service and departmental policies and guidance on accepting and recording hospitality with recognised good practices. These good practices draw on material published by the Institute of Business Ethics⁸ and the report of an inquiry by Sir Alex Allan into practices at the Serious Fraud Office.⁹ We found that policies were in some respects less stringent than the good practice we identified (Figure 1) including:

- there was no clear definition of what constitutes gifts and hospitality in Civil Service, BIS or HMRC guidance, for example whether the provision of a taxi fare should be recorded;
- Civil Service, BIS and HMRC guidance did not require all staff to record all offers of gifts and hospitality that were declined;¹⁰
- Civil Service and HMRC guidance did not require staff to record the estimated monetary value of gifts and hospitality; and
- BIS does not require a manager to review and sign off the register and HMRC does not require formal sign off.

These policies may in part reflect departments' views on the level of risk they are willing to accept in relation to acceptance of gifts and hospitality. BIS, for example, told us that it adopts a 'risk-based and proportionate approach that it considers is more appropriate for its business and focuses on avoiding improper activities'.

Departmental governance arrangements

1.11 The Civil Service guidance states that accounting officers should ensure records are maintained as and when staff receive hospitality. They should also ensure procedures are in place to review registers to assess compliance with the guidance and gauge if there is potential for conflicts of interest to arise. We consider that both centralised and decentralised governance arrangements should be workable if implemented effectively. Arrangements also need to be risk-based and proportionate, without being onerous.

⁸ Institute of Business Ethics, *The Ethics of Gifts and Hospitality*, 2012.

⁹ Sir Alex Allan, *SFO Inquiry Report*, 2011.

¹⁰ Department for Business, Innovation & Skills guidance requires all staff involved in procurement or contract management to record offers received and declined.

1.12 We found that case study departments had different governance arrangements covering gifts and hospitality. BIS and MoD had a decentralised approach while HMRC's approach was more centralised.¹¹ For example, HMRC uses a standard format for recording gifts and hospitality in local registers, and the registers are submitted through the management chain for central collation and review. In BIS, the Accounting Officer has appointed senior responsible officers who are expected to ensure that registers are maintained and rules are complied with. However, there were problems with the approach used in BIS and MoD:

- in BIS, we found that 3 out of 37 registers were missing or clearly incomplete in 2014-15. The centre did not seek assurance from individual directorates that registers were being maintained and reviewed to ensure staff were complying with guidance, but instead relied on reporting by exception which BIS considers is a proportionate and risk-based approach; and
- in MoD, most parts of the department (but not DE&S) use only a hard copy register in each location, making it very difficult to see the overall picture.

¹¹ Within the Ministry of Defence, Defence Equipment & Support does have a centralised approach and uses an electronic register.

Part Two

Senior officials' acceptance of gifts and hospitality

2.1 This part of the report presents the results of our review of the gift and hospitality registers for directors-general and other board-level officials that are published under the government's transparency arrangements. It covers:

- departmental compliance with public reporting requirements;
- frequency of gifts and hospitality accepted;
- types of gifts and hospitality;
- providers of gifts and hospitality;
- the estimated value of gifts and hospitality; and
- results of our review of cases compared with Cabinet Office principles.

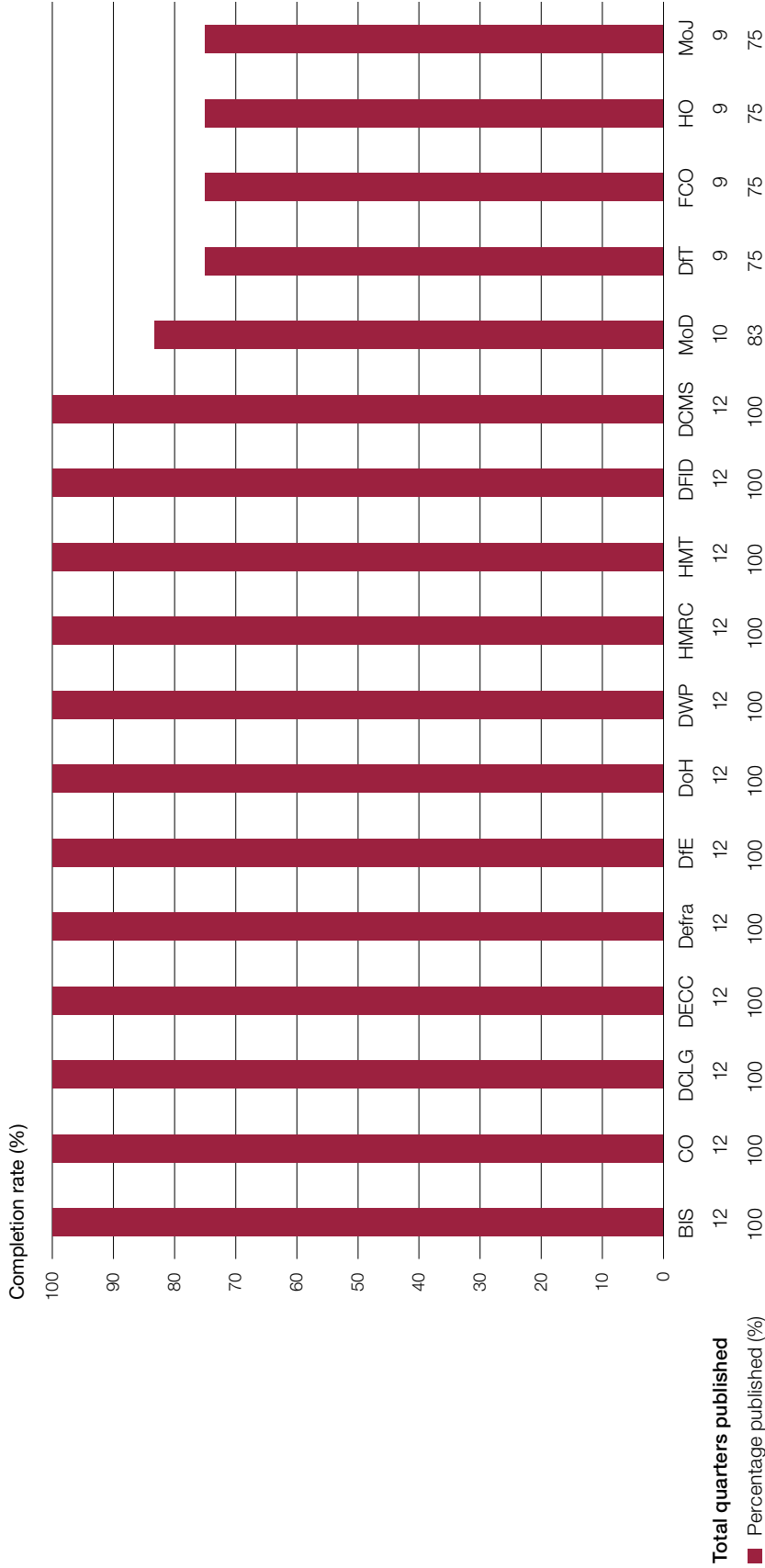
Departmental compliance with public reporting requirements

2.2 Since 2009, government has published the hospitality records of the most senior civil servants, board members, directors-general and senior military officers ('senior officials'). This practice has continued as part of the transparency agenda to improve accountability to the taxpayer for public money. Departments are expected to publish their data on a quarterly basis.¹²

2.3 We examined whether departments have been publishing the required data. By 18 January 2016, 12 of the 17 main departments had published data for every quarter for the period April 2012 to March 2015 (**Figure 2** overleaf). Some departments have published their returns much later than required. The Department of Health had not published any data until November 2015 when it was prompted to do so by the Cabinet Office, while the Department for International Development and the Department for Culture, Media & Sport published previously-missing returns in December 2015 and January 2016. Some of the data was difficult to find on the government website because it is not all brought together in the same place.

¹² For example, Cabinet Office senior officials' hospitality is available at: www.gov.uk/government/collections/business-expenses-and-hospitality-for-senior-officials

Figure 2
 Publication of hospitality transparency data, April 2012 to March 2015
 Twelve departments out of 17 have published transparency data for every quarter since April 2012



Notes

- 1 FCO has published all of its returns since April 2013.
- 2 BIS = Department for Business, Innovation & Skills; CO = Cabinet Office; DCLG = Department for Communities and Local Government; DECC = Department of Energy & Climate Change; Defra = Department for Environment, Food & Rural Affairs; DfE = Department for Education; DoH = Department of Health; DWP = Department for Work & Pensions; HMRC = HM Revenue & Customs; HMT = HM Treasury; DFID = Department for International Development; DCMS = Department for Culture, Media & Sport; MoD = Ministry of Defence; DfT = Department for Transport; FCO = Foreign & Commonwealth Office; HO = Home Office; MoJ = Ministry of Justice.

Source: National Audit Office analysis of transparency data, April 2012 to March 2015, as at 18 January 2016

2.4 To help assess whether the published data covered all of the appropriate officials, we checked whether all board-level officials were mentioned (including 'nil returns'). We estimated that the returns covered around 80% of the expected individuals. The shortfall is due to missing returns for whole departments and some departments not including individuals' nil returns in their quarterly returns.

Frequency of gifts and hospitality

2.5 In total, departments reported that senior officials accepted gifts and hospitality 3,413 times between April 2012 and March 2015. There was a wide range between departments: BIS senior officials accepted hospitality 718 times, whereas DFID senior officials reported accepting hospitality only 20 times (**Figure 3** overleaf). However, BIS has complied with the reporting requirement each quarter, while MoD, Department for Transport, Foreign & Commonwealth Office, Home Office and Ministry of Justice have not published some quarters. Variations are also likely to reflect the policy remit of departments, with the departments that need to engage a lot with the private sector (beyond just procurement) and those with responsibility for strategic issues across government being more likely to accept hospitality. In addition, some variation may reflect different rules and cultures in departments.

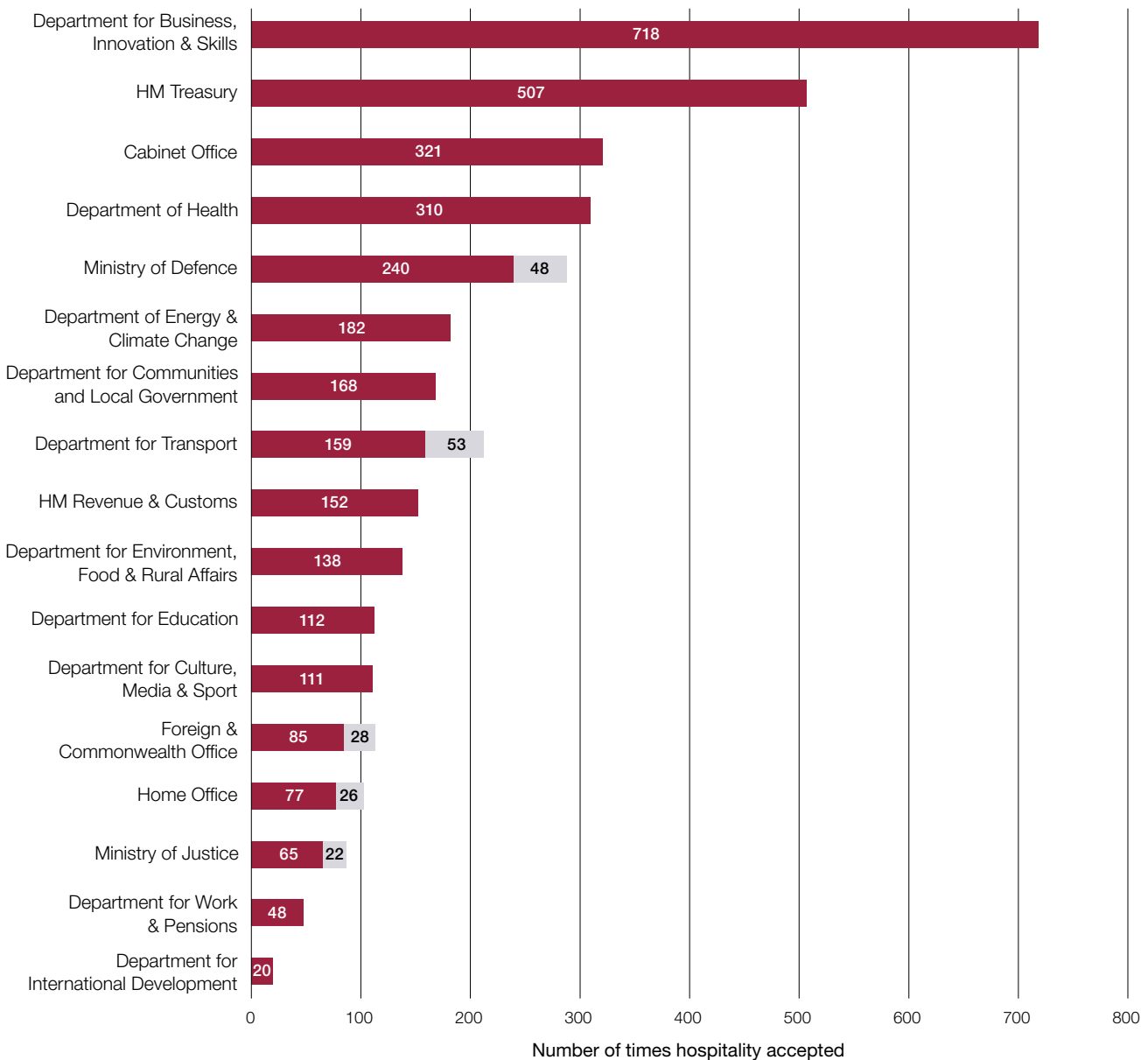
Types of hospitality

2.6 Senior officials reported receiving 1,533 dinners, representing 41% of the hospitality accepted. Lunch was the second most common type (832 instances, 22% of the total) (**Figure 4** on page 19). The distribution varies by department. For example, dinners are most frequently accepted by the senior officials of BIS, Department of Health and HM Treasury. The number of gifts in the senior officials' public hospitality returns is low, with only 40 reported in the period.

Figure 3

Frequency of hospitality accepted, by department, April 2012 to March 2015

Senior officials at the Department for Business, Innovation & Skills accepted hospitality the most frequently



- Reported cases
- National Audit Office estimate of missing cases

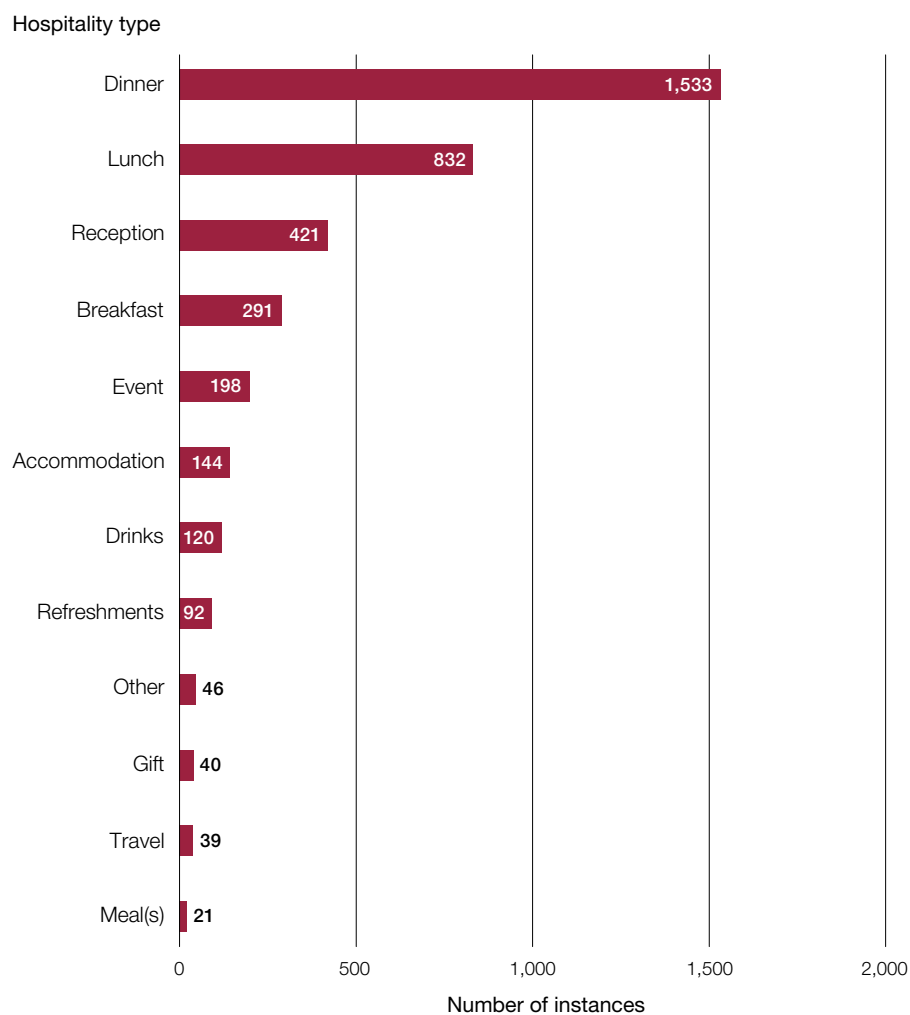
Notes

- 1 Each 'case' is an occasion when a senior official accepted a gift or hospitality.
- 2 For each of the five departments with missing quarterly returns (see Figure 2), we added an estimate for the missing data based on the average number of cases in the quarters where a return had been published.

Source: National Audit Office analysis of transparency data, April 2012 to March 2015, as at 18 January 2016

Figure 4

Types of hospitality accepted by senior officials, April 2012 to March 2015

Senior officials accept offers of dinner most frequently**Note**

1 This analysis produces a higher total than the number of cases of hospitality because some cases involve an official accepting more than one type of hospitality (for example, a reception followed by dinner).

Source: National Audit Office analysis of transparency data, April 2012 to March 2015, as at 18 January 2016

Providers of gifts and hospitality

2.7 Senior officials accepted gifts and hospitality from a wide range of organisations. Between April 2012 and March 2015, the government's transparency data shows that, some 1,495 different organisations and individuals provided hospitality, of which some 1,015 provided it only once. Relatively few organisations are frequent providers of hospitality to senior officials. It should be noted that frequent acceptance of hospitality from particular organisations is not necessarily wrong (it just needs to be in proportion to the business relationship), and that in some cases the hospitality was no more than food and drink provided as part of working events or training.¹³ The most frequent providers (**Figure 5**) were:

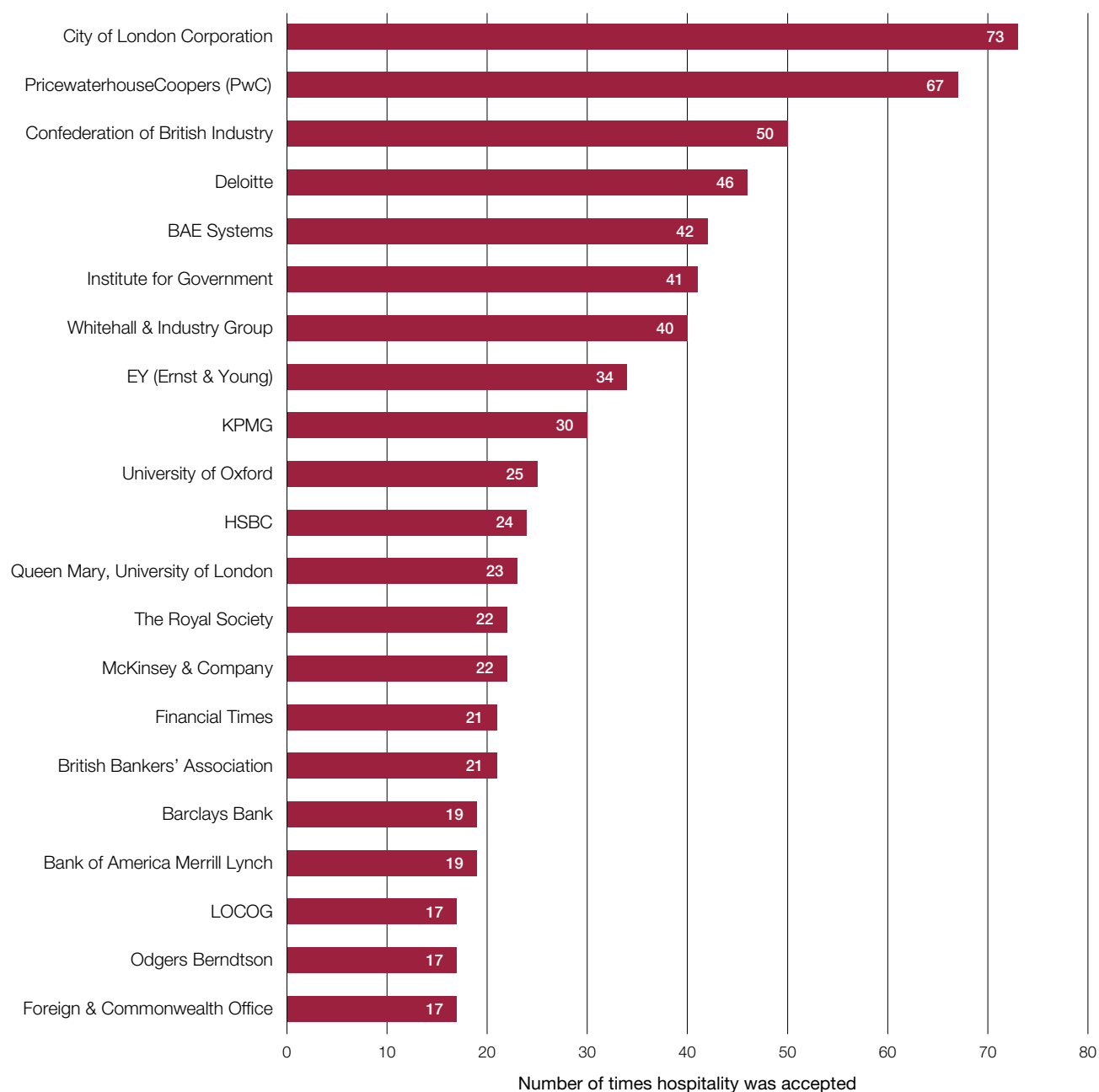
- The City of London Corporation (73 times between April 2012 and March 2015), with senior officials attending dinners hosted by the Lord Mayor or City of London Corporation 59 times;
- PwC (PricewaterhouseCoopers) (67 times, including 31 lunches and 32 dinners), a major contractor to government, provided hospitality to senior officials in 16 departments including invitations to PwC's Building Public Trust Awards;
- Confederation of British Industry (50 times), the employers' representative body, most of which were invitations to its annual dinner and/or involved Cabinet Office senior officials 19 times;
- Deloitte (46 times), a major contractor to government, including hospitality provided as part of its running of the Major Programme Leadership Academy and the Public Sector Finance Directors' Leadership programme;
- BAE Systems (42 times), a major contractor to government, provided hospitality to senior officials in four departments, MoD (27 times), BIS, FCO, and the Cabinet Office;
- Institute for Government (41 times), an independent charity working to increase government effectiveness, including running lunchtime seminars where a sandwich lunch is available and evening seminars where networking drinks are available afterwards; and
- The Whitehall & Industry Group (40 times), an independent charity that aims to help leaders across business, public and the voluntary sector to learn from one another. This includes briefings, leadership courses and exchange programmes. Leadership courses and development programmes are paid for by delegates' employers and include food and/or refreshments within the cost. It is likely that some of the 40 reported cases of 'hospitality' actually relate to such refreshments and meals.

¹³ A number of the organisations mentioned in this report also told us that they have strict policies and processes covering their staff's provision of gifts and hospitality to public officials.

Figure 5

Most frequent providers of gifts and hospitality to senior officials, April 2012 to March 2015

Senior officials report accepting hospitality frequently from some organisations

**Notes**

- 1 Where an event was reported once in the transparency data but involved more than one official, we counted each attendee as a 'case'.
- 2 The totals are likely to be understated because of missing quarterly returns from five departments.
- 3 LOCOG = London Organising Committee of the Olympic Games and Paralympic Games.

Source: National Audit Office analysis of transparency data, April 2012 to March 2015, as at 18 January 2016

Estimated value of gifts and hospitality accepted

2.8 Only some records include the estimated value of the hospitality accepted. We have used data from BIS's hospitality registers which includes monetary values for most cases, to produce estimates for all departments based on the types of hospitality accepted in 2014-15. We estimate that some £29,000 of hospitality was accepted by senior officials in 2014-15 (**Figure 6**). BIS senior officials accepted the most valuable hospitality, estimated at £7,170. These estimated values do not include the 6% of hospitality cases that fell outside these main categories.

Review against the principles

2.9 The Civil Service guidance on gifts and hospitality outlines three main principles: purpose, proportionality and conflict of interest (paragraph 1.4). We have reviewed the registers with these principles in mind, focusing on high-frequency or high-value cases. Aside from these cases highlighted below, much of the hospitality accepted seemed reasonable and consistent with the principles.

Purpose

2.10 The 'purpose' principle states that acceptance should be in the interests of departments and government objectives. We have identified cases where officials accepted hospitality that may not have been in line with this principle, including:

- tickets to sporting events, including the FA Cup Semi-Final and Wimbledon Tennis Championships; and
- invitations to events where the guest was accompanied by their spouse and or children on 35 occasions.

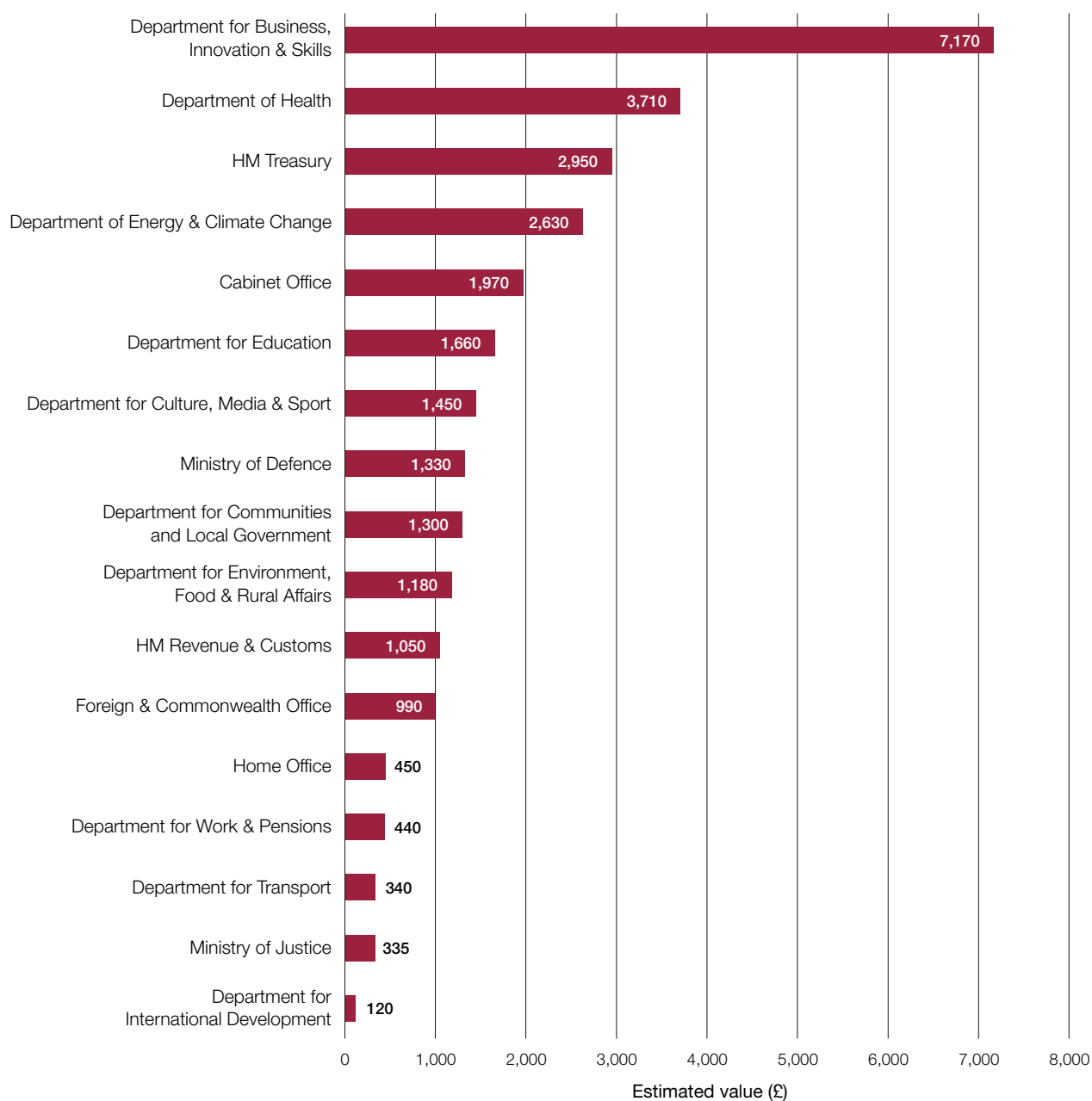
Proportionality

2.11 The 'proportionality' principle states that any gifts or hospitality accepted should not be excessive, either in terms of value or frequency. Decisions on whether to accept should reflect the nature of the relationship that the official has with the provider of the hospitality. While it is difficult to identify what is over-generous due to a lack of monetary value estimates in the transparency data, we identified some cases that might not be considered proportionate, examples of which include expensive gifts such as a Fortnum & Mason hamper, a painting valued at £300; and a £300 Mont Blanc pen (although this was surrendered to the department, BIS).

Figure 6

Estimated value of hospitality accepted by senior officials, 2014-15

Senior officials at the Department for Business, Innovation & Skills accepted the most hospitality by total value

**Notes**

- 1 The estimated values are based on average values in the BIS hospitality registers between 2012 and 2015.
- 2 This analysis excludes hospitality types for which reliable estimates could not be determined, including travel.
- 3 The analysis excludes estimates for periods where data has not been published. As a result, figures for five departments are likely to be understated. See Figure 2.

Source: National Audit Office analysis of transparency data, 2014-15

Conflicts of interest

2.12 The conflict of interest principle is difficult to test by reviewing the internal registers. However, the transparency data does include the following examples of where senior officials accepted hospitality from organisations involved in contracting with government, or being investigated (which might be considered to be a conflict under the Civil Service guidance):

- BAE Systems, Deloitte and PwC were among the most frequent providers of hospitality while also being major suppliers to government;
- British Bankers' Association was among the most frequent providers of hospitality, at the same time that some of its members were being investigated in the UK for market manipulations and by the competition regulator; and
- dinner paid for by companies which are government-owned or in which government has a shareholding.

We are not suggesting there was an actual conflict of interest in these or other, similar cases. But accepting hospitality can sometimes risk creating a perception of a conflict of interest. The act of recording and publishing the hospitality might be considered to mitigate this risk, at least in part.

Part Three

Review of case study gift and hospitality registers

3.1 This part of the report presents the results of our review of the internal registers of two departments – the Department for Business, Innovation & Skills (BIS), including Intellectual Property Office, National Measurement Office, Shareholder Executive, Skills Funding Agency, and UK Space Agency; HM Revenue & Customs (HMRC) – and one agency, the Ministry of Defence’s (MoD) bespoke trading entity Defence Equipment & Support (DE&S).¹⁴ It covers:

- frequency and types of gifts and hospitality accepted;
- providers of gifts and hospitality;
- comparisons of case study departments; and
- results of our review of cases compared with Cabinet Office principles.¹⁵

Frequency and type of hospitality accepted

3.2 The frequency of hospitality accepted varies between our case studies. DE&S officials recorded receiving the most gifts and hospitality between April 2012 and March 2015 at 18,542 cases, compared with 4,427 cases in BIS, and 2,638 cases in HMRC (in two years only, from April 2013 to March 2015).

3.3 MoD follows good practice in requiring officials to record all offers of gifts and hospitality, including those that are declined. Between April 2012 and March 2015, DE&S officials declined hospitality 6,250 times out of 24,792 invitations.

3.4 The most common type of hospitality accepted is lunch, representing almost half of the hospitality accepted in each case study department (**Figure 7** on pages 26 and 27). DE&S officials recorded the most lunches accepted, with over 11,600 in the three years, of which 5,564 were recorded as a ‘working lunch’.

3.5 The ‘other types’ category includes gifts. BIS officials accepted 520 gifts, HMRC officials accepted 293 while DE&S accepted 1,630. Most gifts recorded were of low value, such as a box of chocolates and a box of biscuits, but some were higher value items such as bottles of champagne and gift vouchers.

¹⁴ Defence Equipment & Support changed status within Ministry of Defence to become a bespoke trading entity from April 2014.

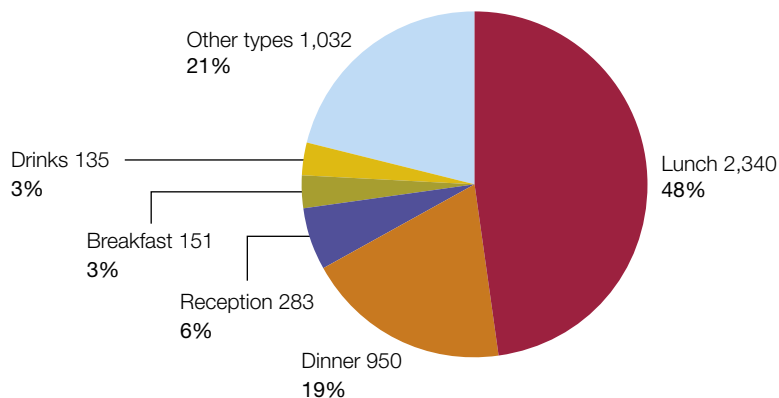
¹⁵ Because some individuals appear in both departmental registers and transparency data, the hospitality totals for departments in Parts Two and Three of this report should not be added.

Figure 7
Types of hospitality accepted, April 2012 to March 2015

Lunch is the most common type of hospitality in all three departments

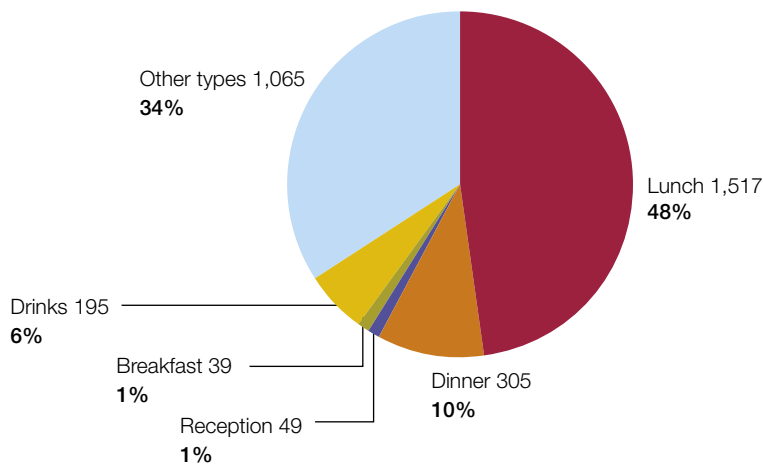
Proportion of the total accepted

Department for Business, Innovation & Skills



Total number of accepted instances 4,891

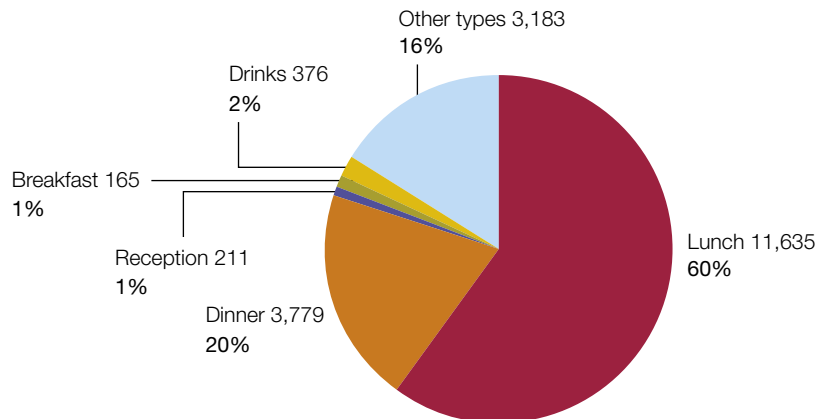
HM Revenue & Customs



Total number of accepted instances 3,170

Figure 7 continued

Types of hospitality accepted, April 2012 to March 2015

Defence Equipment & Support
(Ministry of Defence)**Total number of accepted instances 19,349****Notes**

- 1 'Other types' includes accommodation, afternoon tea, event, gift, meal(s), refreshments, supper, travel, other and unknown.
- 2 The data for Ministry of Defence covers only Defence Equipment & Support.
- 3 The data for HM Revenue & Customs covers the core department only and is for two years (April 2013 to March 2015) rather than three years.
- 4 The data for the Department for Business, Innovation & Skills covers the core department and Intellectual Property Office, National Measurement Office, Shareholder Executive, Skills Funding Agency, and UK Space Agency.
- 5 The data is based on the number of 'instances'. The total number of instances counts all types of hospitality accepted in an evening. For example, one case of hospitality may include a reception followed by dinner (which would be two instances).

Source: National Audit Office analysis of the Department for Business, Innovation & Skills, HM Revenue & Customs and Defence Equipment & Support internal registers

Most frequent providers of hospitality

3.6 All three case study departments accepted gifts and hospitality from a wide range of organisations, and relatively few organisations are frequent providers of hospitality. Hospitality might involve no more than sandwiches provided during a meeting in the middle of the day. Frequent acceptance of hospitality from particular organisations is not necessarily wrong – it just needs to be in proportion to the business relationship.¹⁶ We found that the most frequent providers of hospitality vary by department and reflect both the business relationships of the different departments and their recording rules. For example, DE&S requires all hospitality to be recorded; staff at BIS record hospitality received from other organisations within the BIS group; and, HMRC does not require sandwich lunches to be recorded (also see paragraphs 1.7 and 1.8).

¹⁶ A number of the organisations mentioned in this report also told us that they have strict policies and processes covering their staff's provision of gifts and hospitality to public officials.

3.7 Staff at BIS accepted gifts and hospitality from a wide range of organisations. In 2014-15, some 580 different organisations and individuals provided hospitality, of which 300 provided it only once. Relatively few organisations are frequent providers of hospitality to officials (**Figure 8**). The most frequent were:

- Airbus Group (47 times);
- European Space Agency (40 times), which is part-funded by BIS; and
- Satellite Applications Catapult (31 times, including 29 lunches, 1 dinner and a shared taxi), an independent innovation firm established by Innovate UK and sponsored by BIS.

3.8 HMRC officials accepted gifts and hospitality from a wide range of organisations. From April 2014 to March 2015, some 400 different organisations and individuals provided hospitality including some 200 that provided it only once. Relatively few organisations were frequent providers of hospitality to officials (**Figure 9** on page 30). The most frequent providers were the Government of the French Republic (19 times) and Capgemini (18 times), the prime contractor for HMRC's Aspire contract.¹⁷

3.9 DE&S officials accepted gifts and hospitality from a wide range of organisations. From April 2014 to March 2015, some 600 different organisations and individuals provided hospitality, of which over 240 provided it only once. Relatively few organisations were frequent providers of hospitality (**Figure 10** on page 31). The most frequent were all major suppliers to MoD:

- BAE Systems (581 times, including 121 dinners);
- Finmeccanica (298 times, including 225 lunches);¹⁸
- Thales Group (280 times);
- QinetiQ (228 times); and
- MBDA, which is jointly owned by Airbus Group, BAE Systems and Finmeccanica (183 times).

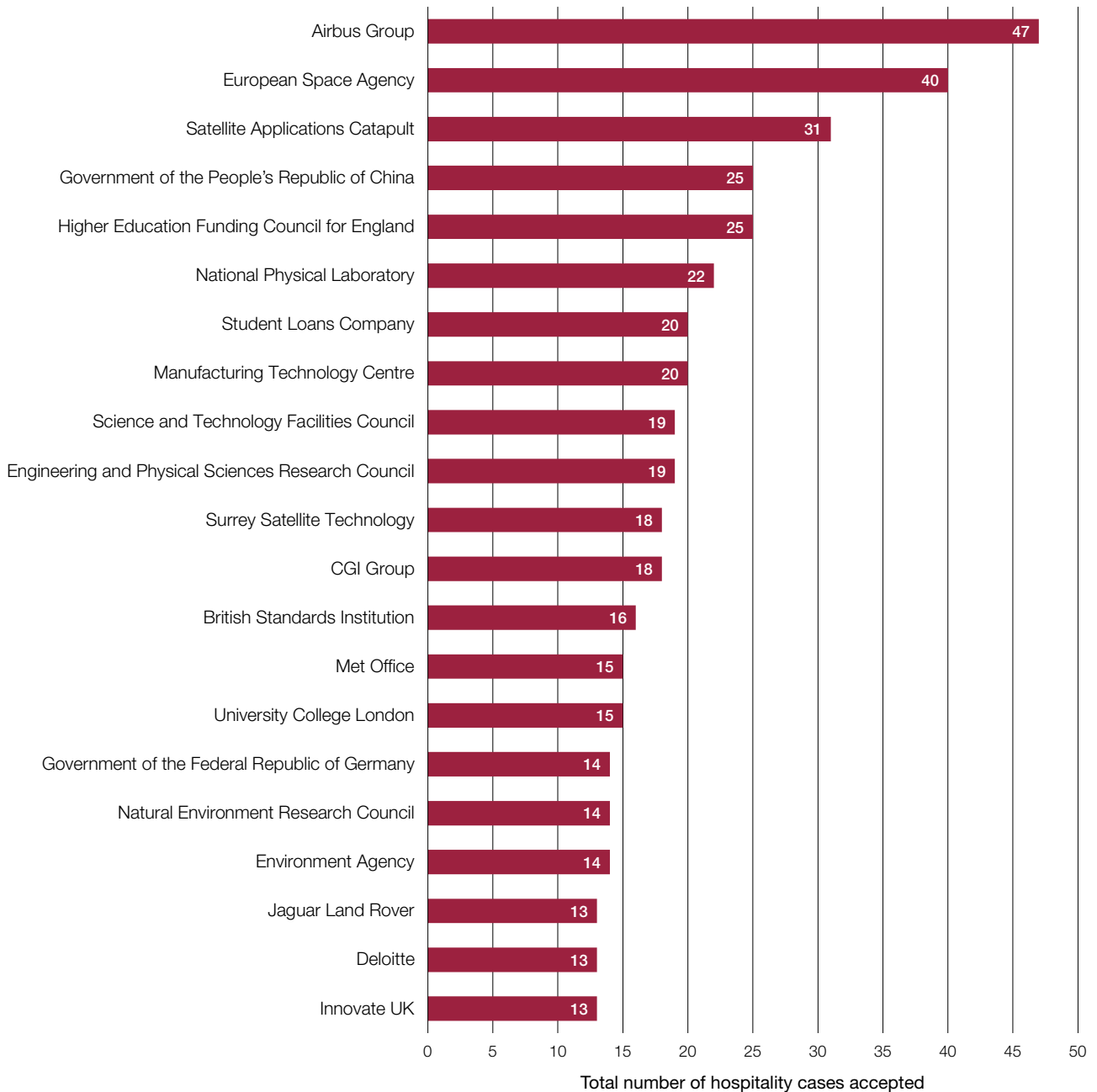
¹⁷ Comptroller and Auditor General, *Managing and replacing the Aspire contract*, Session 2014-15, HC 444, National Audit Office, July 2014.

¹⁸ Finmeccanica told us that, as a major supplier to MoD, it entertains DE&S staff where there is a business need. It considers that most cases of hospitality relate to working lunches.

Figure 8

Most frequent providers of gifts and hospitality to BIS and its agencies, 2014-15

BIS officials reported accepting hospitality most frequently from Airbus Group

**Note**

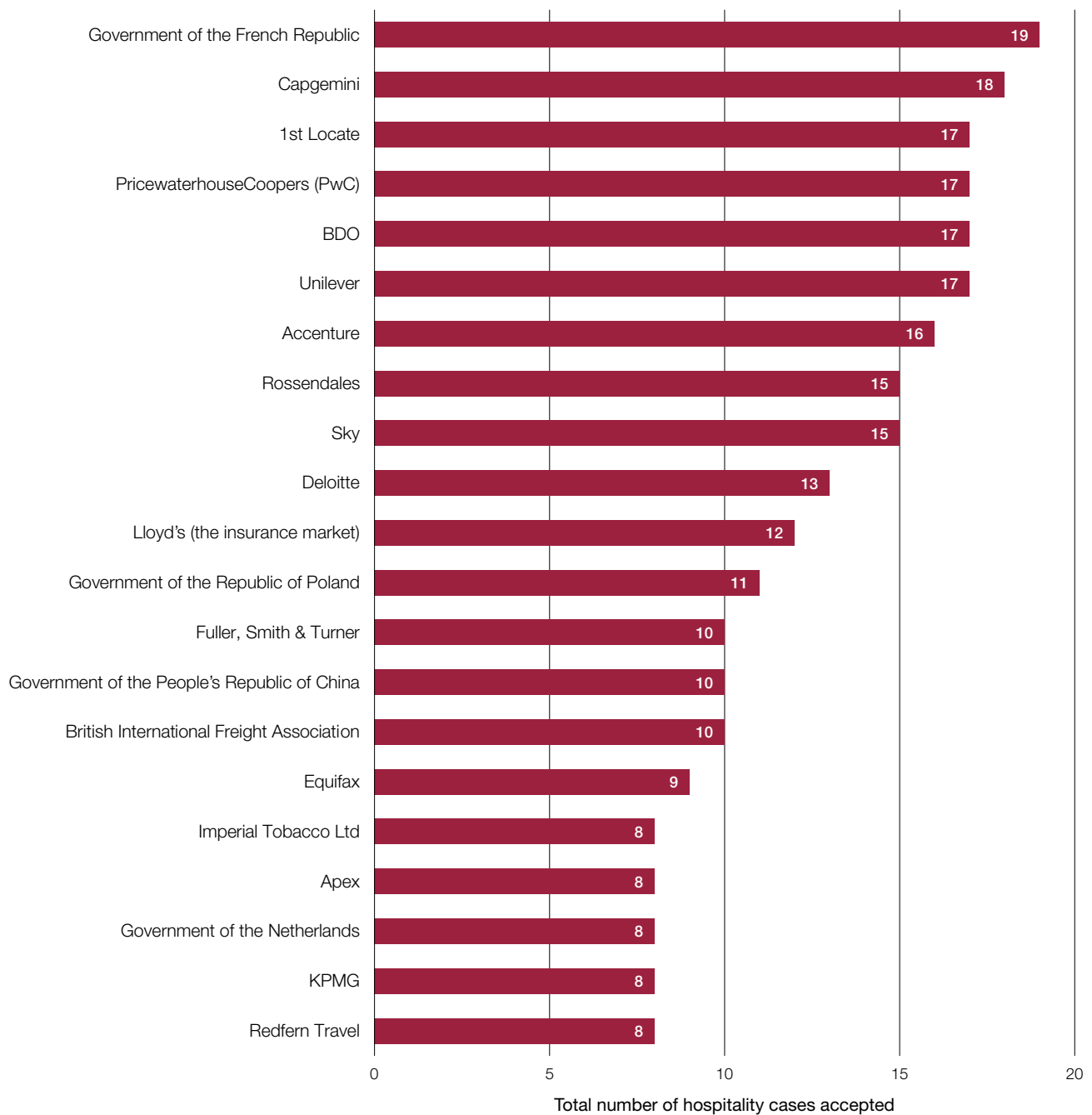
1 This analysis covers BIS core department, Intellectual Property Office, National Measurement Office, Shareholder Executive, Skills Funding Agency, and UK Space Agency.

Source: National Audit Office analysis of the Department for Business, Innovation & Skills internal registers, April 2014 to March 2015

Figure 9

Most frequent providers of gifts and hospitality to HMRC, 2014-15

HMRC officials reported accepting hospitality most frequently from the Government of France



Note

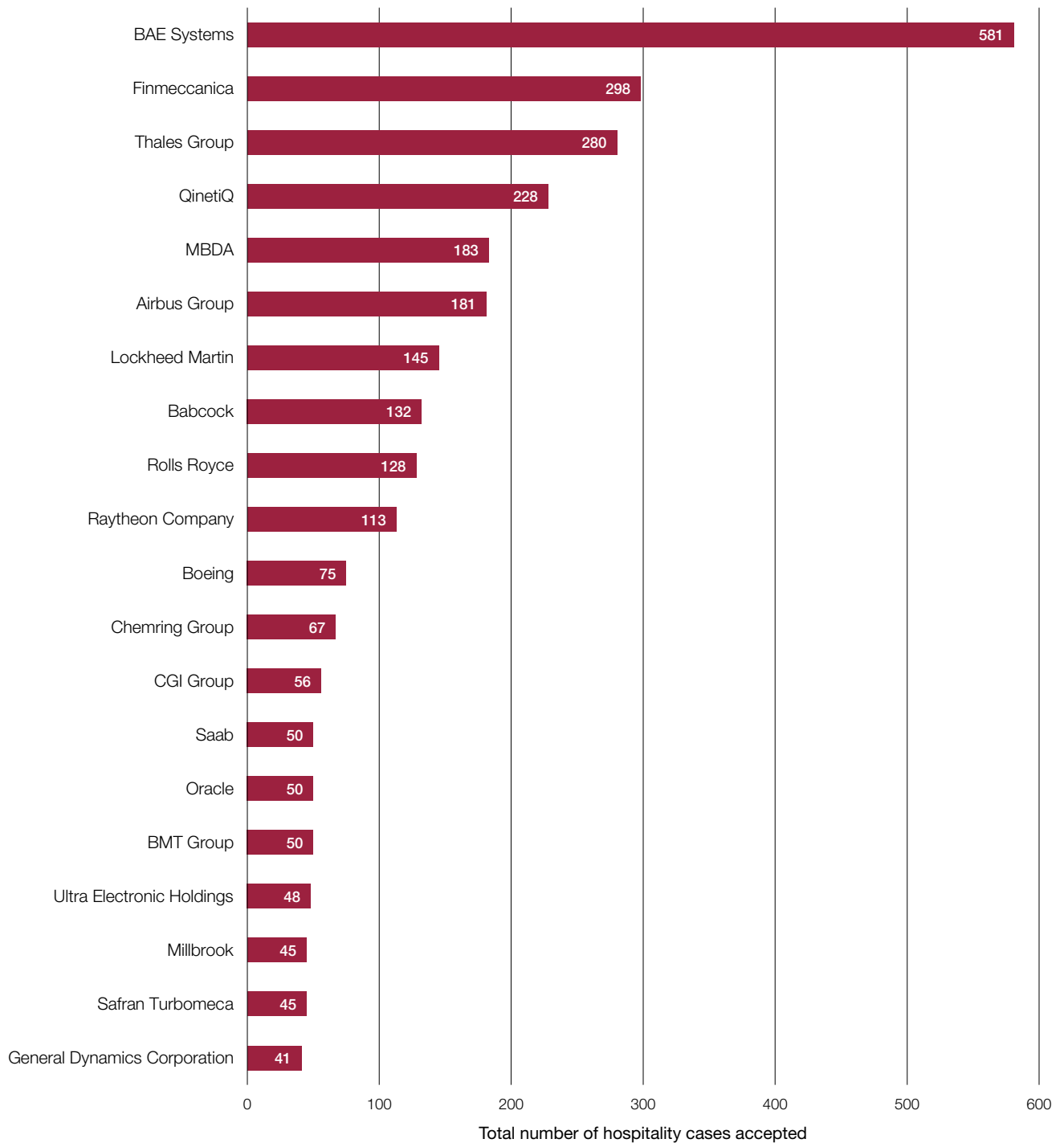
1 Does not include the Valuation Office Agency.

Source: National Audit Office analysis of HM Revenue & Customs internal registers, April 2014 to March 2015

Figure 10

Most frequent providers of gifts and hospitality to Defence Equipment & Support, 2014-15

DE&S officials reported accepting hospitality most frequently from BAE Systems



Source: National Audit Office analysis of Defence Equipment & Support registers, April 2014 to March 2015

Comparison of case study departments

3.10 BIS and DE&S both encourage staff to estimate the value of gifts and hospitality accepted. We have calculated averages of some types of hospitality (including breakfast, lunch, dinner, drinks, reception and accommodation) using BIS's data to calculate an estimated value of hospitality for the case studies (**Figure 11**). These estimated values do not include the 4% of hospitality that fell outside these main categories. We estimate that officials in the three case study departments accepted over £150,000 of gifts and hospitality in 2014-15. Of this total:

- DE&S accepted some £100,000 worth of gifts and hospitality;
- BIS accepted some £35,000 worth of gifts and hospitality; and
- HMRC accepted some £19,000 worth of gifts and hospitality.

As well as reflecting the amount and type of hospitality accepted, these values are likely to be affected by differences in rules about what hospitality should be recorded.

3.11 We also calculated metrics for the three departments to compare the extent to which their staff were accepting gifts and hospitality (**Figure 12** on page 34). DE&S staff on average report accepting much more hospitality than staff from BIS and HMRC.

Review against the principles

3.12 Civil service guidance on gifts and hospitality outlines three main principles; purpose, proportionality and conflict of interest (paragraph 1.4). We have reviewed the registers with these principles in mind, focusing on high-frequency or high-value cases. Aside from these cases highlighted below, most of the hospitality accepted seemed reasonable and consistent with the principles, including nominal-value items such as calendars, refreshments and sandwich lunches.

Government purpose

3.13 The 'purpose' principle states that acceptance should be in the interests of departments and government objectives. We have identified some examples where this might not have happened:

- tickets to, or hospitality at, sporting events (8 occasions, including 4 professional football matches);
- tickets to, or hospitality at, cultural events, including private viewings of art exhibitions, museum exhibitions, a movie premiere¹⁹ and a concert at the O2,²⁰ and entry to entertainment attractions including the Warner Bros Harry Potter Studio Tour; and²¹
- in some cases, hospitality was extended to spouse and/or children.

19 Department for Business, Innovation & Skills told us that a civil servant attended this event which offered the opportunity to discuss with Warner Bros copyright issues in the context of the 'digital single market'.

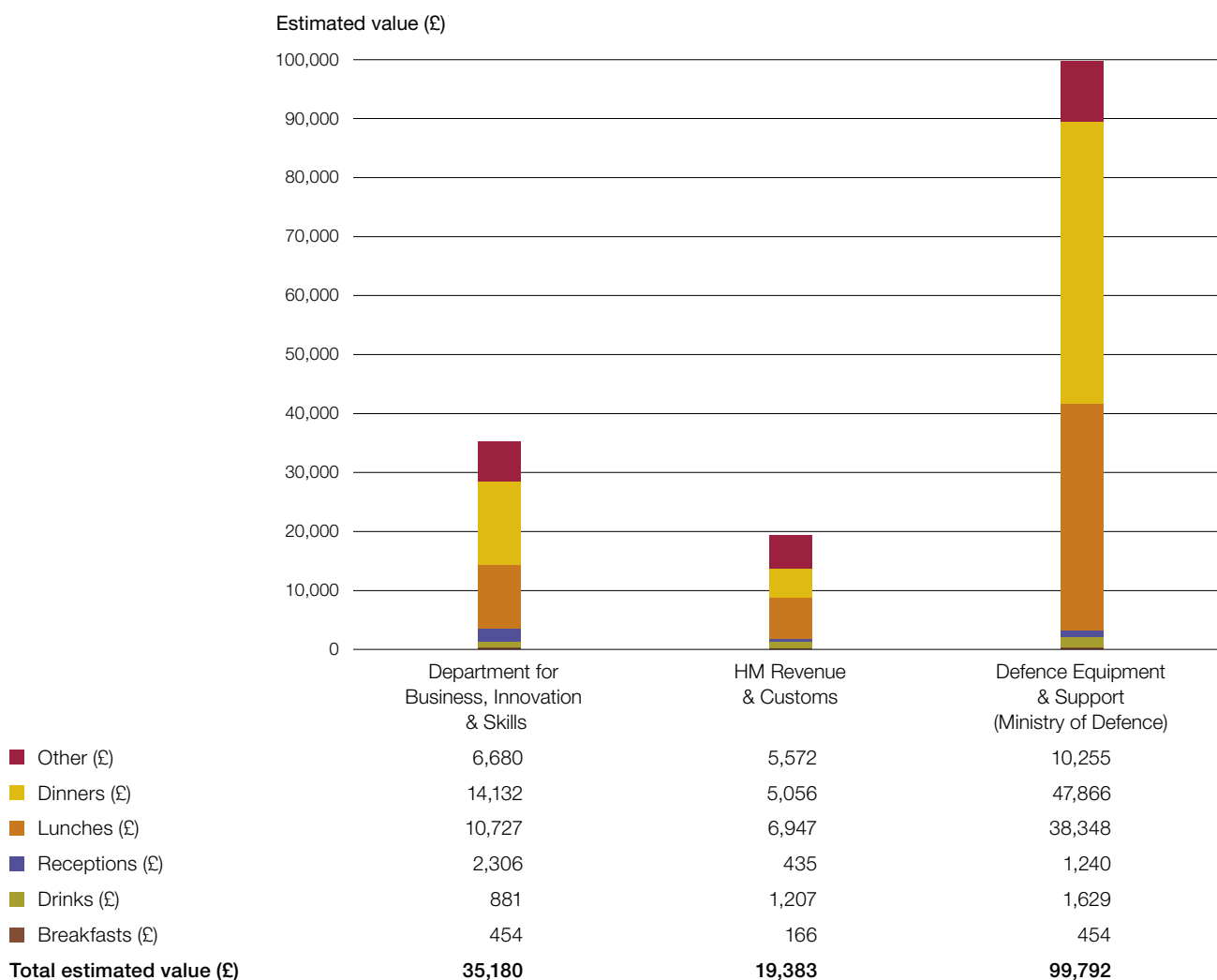
20 Department for Business, Innovation & Skills told us that while the register showed hospitality valued at £100, the individual did not in fact attend the concert.

21 Department for Business, Innovation & Skills told us that six of its Intellectual Property Office staff attended a meeting with Warner Bros on site at Leavesden Studios which included the Tour as part of site visit covering issues from copyright protection, film production through to distribution.

Figure 11

Estimated value of most common hospitality types by case study department or agency, 2014-15

Defence Equipment & Support staff accepted some £100,000 worth of gifts and hospitality

**Notes**

- 1 This analysis does not include types of gifts and hospitality for which reliable estimates could not be determined, including travel.
- 2 The data for the Department for Business, Innovation & Skills includes the core department and the following agencies: Intellectual Property Office, National Measurement Office, Shareholder Executive, Skills Funding Agency, and UK Space Agency.
- 3 The data for HM Revenue & Customs is for the core department only.
- 4 The information on values is calculated based on the range of estimated values provided by the Department for Business, Innovation & Skills, because its data was the higher quality.

Source: National Audit Office analysis of case studies' internal registers using the Department for Business, Innovation & Skills value estimates for hospitality types

Figure 12
Metrics for case study departments, 2014-15

	Department for Business, Innovation & Skills	HM Revenue & Customs	Defence Equipment & Support
Total cases of hospitality	1,688	1,079	5,213
Headcount at March 2015	16,710	64,310	12,087
Cases per 100 staff	11	2	45
Individual staff who accepted hospitality (%)	3	1	17
Average estimated value of a case (£)	21	18	19
Estimated value per 100 staff (£)	211	30	826

Notes

- 1 The values analysis does not include types for which reliable estimates could not be determined, including travel and events.
- 2 Headcount for Department for Business, Innovation & Skills and HM Revenue & Customs is based on the Office for National Statistics' *Annual Civil Service Employment Survey, 2015*. Headcount for DE&S is based on civilian and military headcount taken from the *MOD roles and salaries: 2015* (gov.uk).

Source: National Audit Office review of case study departments and Office for National Statistics

Proportionality

3.14 The principle states that any hospitality accepted should not be over-frequent or over-generous and that it should not be disproportionate to the nature of the relationship that the official has with the provider of the hospitality. We have identified some examples that might not be seen as proportional:

- Nine DE&S officials accepted frequent hospitality (over 20 times) from BAE Systems between April 2012 and March 2015.
- Officials from BIS and its agencies accepted hospitality from Airbus Group over 120 times between April 2012 and March 2015. This included 18 officials from the UK Space Agency attending a Christmas reception in 2013 and 17 attending the equivalent event in 2014.²²
- Lockheed Martin paid for the wine at a Skills Funding Agency Christmas lunch for two separate years.²³
- Dinners in restaurants such as Quirinale, Savoy Grill and The Athenaeum.
- Four iPads or other tablets, which were recorded as either having been won in prize draws or given to all conference delegates.

22 Department for Business, Innovation & Skills (BIS) told us the Airbus Group's Christmas cocktails event is the most well-attended industry-sponsored event of the year for the space sector and represents an excellent opportunity for BIS's UK Space Agency to connect with key partners. In BIS's view, its attendance is proportionate and appropriate.

23 Department for Business, Innovation & Skills told us that Lockheed Martin staff were working on site at the time and bought the wine as a Christmas gesture, and with no obligations attached. Staff felt it appropriate to record it for openness and transparency. The hospitality was provided by Amor Group, which was taken over by Lockheed Martin in 2013.

Conflicts of interest

3.15 The conflict of interest principle is difficult to test by a simple review of internal registers. However, we did identify the following examples of where officials accepted hospitality from organisations who were contracting with the government or a government company (which the Cabinet Office guidance suggests might be considered inappropriate):

- The main hospitality providers to DE&S are major defence suppliers. For example, the contractors contributed towards dinner (£25 a head) and drinks during the evening for 26 DE&S officials to mark the entry into service and delivery of the first Airbus A400m. This project had seen lengthy delays and substantial cost overruns.²⁴
- The main hospitality providers to HMRC are some of its major contractors. For example, Capgemini provided a table for four HMRC officials at an industry awards event at a cost of £300 a head.²⁵
- On a number of occasions, BIS officials have accepted dinners in restaurants from government-owned companies including Ordnance Survey and the Green Investment Bank.

We are not suggesting there was an actual conflict of interest in these or other, similar cases, but accepting hospitality can sometimes risk creating a perception of a conflict of interest. The act of recording and scrutinising the hospitality might be considered to mitigate this risk, at least in part. In some cases, officials may also obtain prior approval or not accept offers around the time of business decisions relating to the provider. However, details of these decisions may not be recorded in the register.

²⁴ Comptroller and Auditor General, *Major Projects Report 2014 and the Equipment Plan 2014 to 2024*, Session 2014-15, HC 941-II, National Audit Office, January 2015.

²⁵ HM Revenue & Customs (HMRC) told us that HMRC and Capgemini were nominated for an award, and that it considered attendance to be appropriate.

Part Four

The Cabinet Office role

4.1 This part sets out the Cabinet Office's responsibilities regarding gifts and hospitality and how it fulfils them. We consider that there are four areas where there is a role for the centre of government:

- maintaining central policy and guidance, including on publication of senior officials' data;
- obtaining assurance on compliance with policies;
- managing Civil Service-wide risks; and
- supporting departments in applying the policy and guidance.

Maintaining policy and guidance

4.2 The Cabinet Office provides corporate leadership for the Civil Service as a whole, including on ethical issues such as the acceptance of gifts and hospitality. Its Propriety & Ethics team is responsible for ensuring the highest standards of propriety, integrity and governance within government. The team is headed by a director-general, supported by five officials.

4.3 The Propriety & Ethics team has published three sets of guidance covering hospitality, which apply to all parts of the Civil Service:

- *Civil Service Code*, which is statutory guidance, updated March 2015;
- *Civil Service Management Code*, updated March 2015; and
- *Guidance on the acceptance of gifts and hospitality*, 2010.

4.4 Government first published senior officials' hospitality records in 2009, with the aim of helping to account to the taxpayer for the use of public money. Since then, publication of this information has become part of the wider transparency agenda. In August 2015, the Cabinet Office decided to extend significantly the public reporting requirement for hospitality. From 2015-16, departments will be required to publish quarterly returns of the hospitality accepted by their officials at director-level (Senior Civil Service level 2) and above, bringing it in line with existing transparency requirements on travel. This will mean that departments will publish their data for around 960 officials, compared with around 200 previously. The Cabinet Office expects them to publish it quarterly, one quarter in arrears. The information will no longer be published alongside information relating to ministers and special advisers and the Cabinet Office will no longer fix a publication date.

Obtaining assurance

4.5 It is the accounting officers' responsibility to ensure appropriate procedures are in place in relation to gifts and hospitality. The Cabinet Office does not have, or consider it necessary to have, proactive systems to provide assurance that the system is working well.

4.6 However, there is a good awareness among officials of the Civil Service Code, with 91% of respondents to the 2015 Civil Service People Survey stating they were aware of the Code. Awareness has increased from 81% in 2010, and officials in the BIS core department have a very high level of awareness of the Code (98% in 2015). However, the Cabinet Office (and departments) do not have information on officials' awareness specifically of the rules on gifts and hospitality.

Managing risks

4.7 We examined whether the Cabinet Office took responsibility for identifying and managing Civil Service-wide risks in relation to gifts and hospitality. The Cabinet Office focuses its attention on managing risks by issuing guidance on gifts and hospitality and by answering queries on how to apply the guidance. It does not consider it necessary to manage the system risks within the current delegated arrangements.

4.8 Cabinet Office carries out some monitoring of the implementation of the guidance, and once prevented officials accepting hospitality from an organisation. This occurred in 2011, when the Cabinet Office was concerned that The Chemistry Club, which runs networking events, might be perceived to be arranging paid access to senior officials. The Chemistry Club made some changes and the Cabinet Office lifted its restriction.

4.9 The Cabinet Office does not base its monitoring on a review of hospitality registers. As a result, it does not have a picture on emerging trends or differing departmental practices. For example, it lacks information on who are the major providers of hospitality across government and whether departmental officials have accepted inappropriate gifts and hospitality.

Supporting departments

4.10 We consider that the Cabinet Office as part of its leadership role has a responsibility to support departments implementing the principles within its guidance, including providing advice when departments have difficulty resolving issues themselves. The Cabinet Office has some contact with departments, most often the permanent secretaries' private offices. Departments tend to seek advice on transparency requirements and on specific issues where a department is unsure where an individual case sits against the wider principles. Some staff responsible for setting and overseeing gifts and hospitality rules and policies in the case study departments would though welcome more engagement with the Cabinet Office, particularly in providing advice and facilitating the sharing of best practice.

Appendix One

Our investigative approach

Scope

- 1 We conducted an investigation into three specific areas:
 - rules and processes on accepting gifts and hospitality;
 - gifts and hospitality accepted by directors-general and other board-level officials and by other officials; and
 - Cabinet Office oversight of policies and practices on acceptance of gifts and hospitality.

Methods

- 2 In examining these issues, we drew on several sources of evidence:
 - We interviewed key individuals from the Cabinet Office, Department for Business, Innovation & Skills, HM Revenue & Customs, Ministry of Defence and Defence Equipment & Support to establish: the rules and policies on gifts and hospitality; how they were applied in practice; the governance processes; and the Cabinet Office's oversight arrangements.
 - We reviewed policy and guidance issued by the Cabinet Office and case study departments' guidance. We also reviewed good practice guidance from the Institute of Business Ethics and Sir Alex Allan's report of his inquiry into practices at the Serious Fraud Office.
 - We collected and analysed the gifts and hospitality information of senior officials published under the transparency agenda and covering the period from April 2012 to March 2015.

- We obtained and analysed three case study department's gift and hospitality registers. The case study departments were: the Department for Business, Innovation & Skills (April 2012 to March 2015), HM Revenue & Customs (April 2013 to March 2015) and Defence Equipment & Support (April 2012 to March 2015).
- We estimated the monetary value of gifts and hospitality accepted by using the average value estimates by type recorded in the BIS registers (April 2012 to March 2015). The types and values were: breakfast £7, lunch £12, dinner £41, drinks £12, reception £22, accommodation £68, afternoon tea £10, event £26, gift £15, refreshments £4, supper £20.
- The gifts and hospitality types that we did not estimate were: other, meal(s) and travel.

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