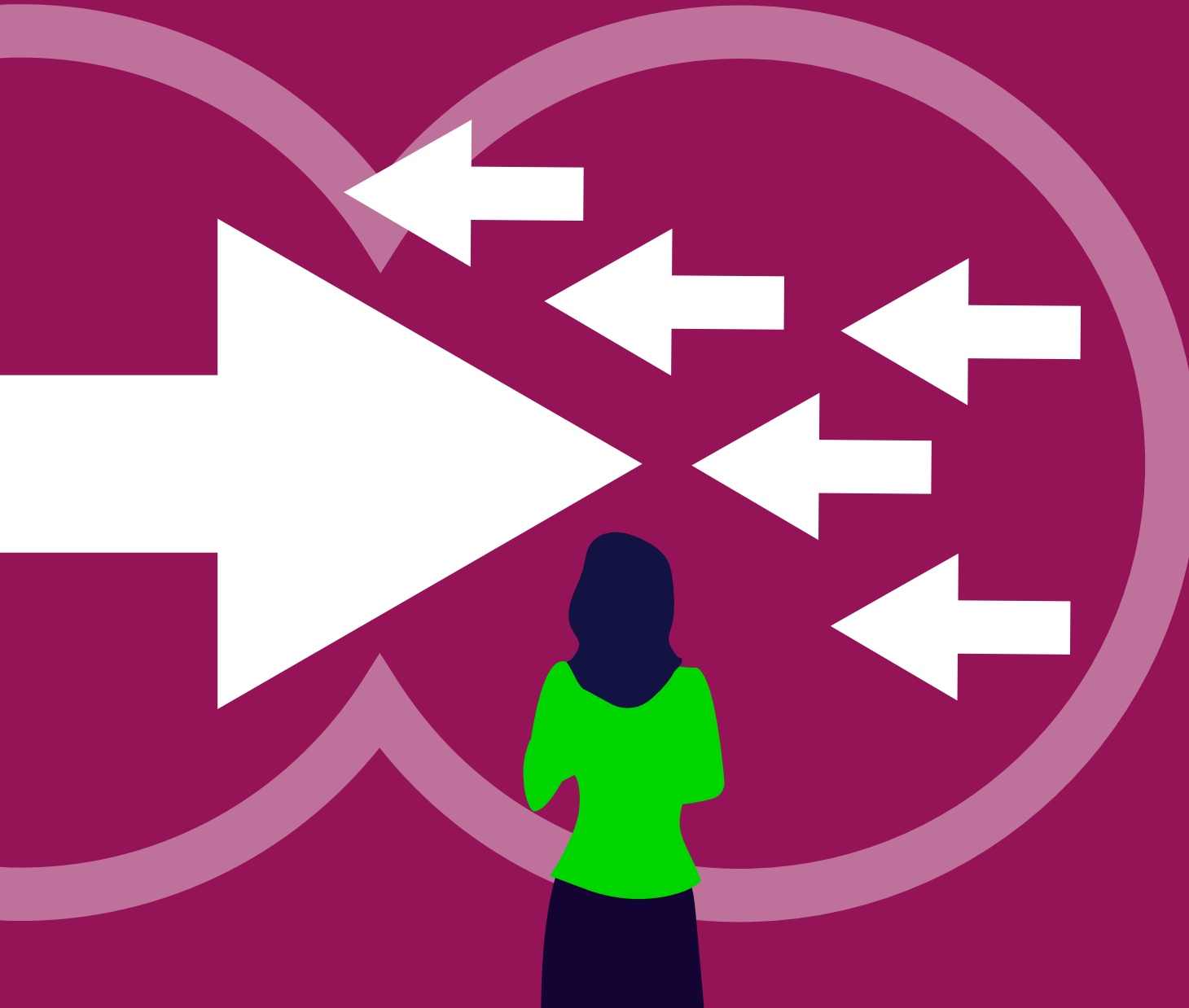


Managing conflicts of interest



Guide for leaders and decision-makers

November 2024

This document is the property of the National Audit Office. It is supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the provisional conclusions reached. It contains information which has been obtained by the National Audit Office under statutory powers solely to discharge statutory functions.

Neither the document nor any of its contents should be disclosed to any other person unless such disclosure is authorised by the National Audit Office. The document must be safeguarded at all times to prevent publication or other improper use of its contents. Unauthorised disclosure may result in legal proceedings.

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

The guide

Who is this guide for?

This guide supports those responsible for developing conflicts of interest policies within public bodies. It will help them to put in place the systems and processes that will allow for effective management of declarations and mitigations.

What does the guide cover?

It sets out a framework of things that an effective system for declaring, identifying and managing conflicts of interest should have. This includes systems to manage staff, contractors and other postholders such as non-executive directors. Departments have separate systems to cover the management of conflicts of interest for ministers and special advisers, who are asked to declare more of their interests even where they do not believe they pose a potential conflict.

We have drawn up this framework using a range of case study examples taken from public bodies, regulated professions and international comparisons, as well as our own experience of managing conflicts in audit. We are publishing this guide alongside our report to Parliament on *Managing conflicts of interest* (HC 307, 22 November 2024) in which we have assessed how public bodies across central government have implemented the features of the framework set out in this guide.

Guide topics



Introduction

- What we mean by conflicts of interest
- Systems and culture
- Recent history
- Glossary



Governance for conflicts of interest

- Accounting officers
- Named responsible individual
- Audit and risk committees



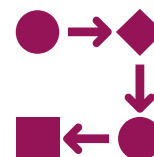
Declaring conflicts of interest

- Scope of requirements
- Frequency of declaration
- Method of declaration
- Prompts and reminders



Identifying conflicts of interest

- Support for staff
- Verification and completeness of declarations
- Activity-level arrangements
- Access to declarations



Managing conflicts of interest


- Identifying, recording and reviewing mitigations
- Management information
- Effective sanctions
- Audit and review





Managing conflicts of interest


Guide for leaders and decision-makers

Introduction

 **Governance for conflicts of interest**

 **Declaring conflicts of interest**

 **Identifying conflicts of interest**

 **Managing conflicts of interest**

Introduction: Why it's important to get this right

What we mean by conflicts of interest

A conflict of interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in a role is, or could be, impaired or influenced by a secondary interest. The perception of competing interests, impaired judgement or undue influence can also be considered a conflict.

Conflicts of interest are not uncommon and are a normal part of business in any organisation, but it is important to manage them well. This is particularly crucial for government given its duty to uphold [the Seven Principles of Public Life](#) and for office holders to act with integrity, objectivity and accountability. Failure to recognise or mitigate conflicts can damage the reputation of, and undermine confidence in, the government and its operations.

What a system for managing conflicts of interest involves

Public bodies must put in place appropriate governance, systems and processes that allow them to manage conflicts effectively. This will allow staff to:

- **declare** any interests they have;
- **identify** when these interests may give rise to a conflict; and
- **manage** the risk this conflict presents through mitigation or removal.

The role of systems to support an appropriate culture

Any system for managing conflicts of interest is to an extent reliant on individuals declaring their interests and being willing to agree appropriate mitigations. This in turn is dependent on a strong organisational culture.


For the public sector, the appropriate tone of this culture is set out in the Seven Principles of Public Life. To be effective, these values need to be reinforced within the processes and rituals of each organisation. A good system for declaring, identifying and managing conflicts is therefore a part of setting a culture where conflicts are managed well.





Managing conflicts of interest


Guide for leaders and decision-makers

Introduction

 Governance for conflicts of interest

 Declaring conflicts of interest

 Identifying conflicts of interest

 Managing conflicts of interest

Introduction: Why it's important to get this right (continued)

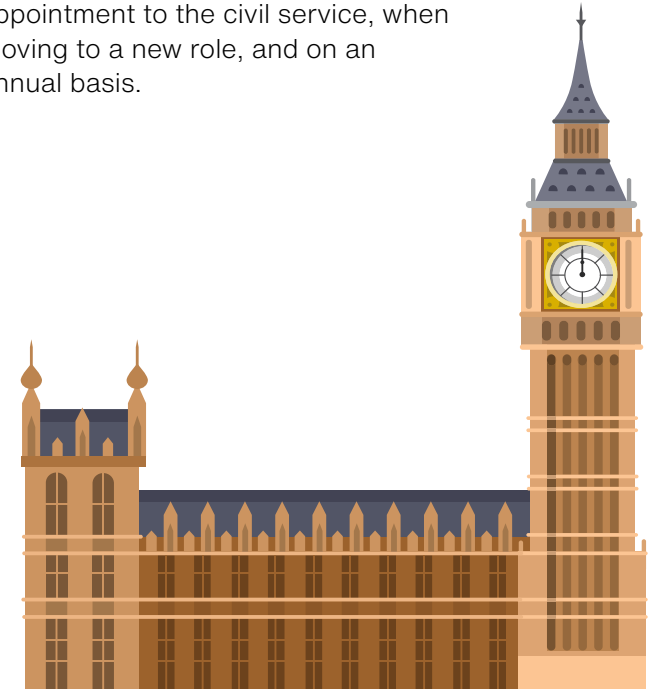


Recent history

The government's response to the COVID-19 pandemic highlighted a number of concerns regarding conflicts of interest not having been identified or managed sufficiently robustly. This led the government to commission Nigel Boardman to conduct reviews into procurement activity during the COVID-19 pandemic and the use of supply chain financing in government.

His final report on supply chain financing was published in July 2021 and recommended that the government should improve the management and monitoring of conflicts of interest within the civil service. As part of this, Boardman recommended the following: mandatory training for officials on how to identify and manage conflicts effectively; the introduction of pre-appointment rules which prevent a civil servant from dealing with or promoting their former employer for a period of time after joining the civil service; and the publication of any material conflicts for all senior appointees. The Committee on Standards in Public Life reinforced the recommendations made in the Boardman report in November 2021, recommending that the civil service should review its approach to managing and enforcing ethical standards across government.

In response to these and other reports, the government has sought to improve its systems for declaring, identifying and managing conflicts of interest. This has included issuing new guidance on the *Declaration and management of outside interests*, first published in June 2022. This guidance applies to all departments, executive agencies and non-ministerial departments and is intended to: provide a consistent approach to understanding relevant outside interests and what might present a conflict; support departments with the development of their own policies in this area; establish a minimum set of information to be captured when senior civil servants declare outside interests; and clarify the points at which a declaration is required – including prior to appointment to the civil service, when moving to a new role, and on an annual basis.



Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Introduction: Key terms

Glossary

We have come across similar but slightly different definitions for various terms over the course of our work. For the purpose of this guide, we use the following definitions:

Conflict – a conflict of interest is a set of circumstances that creates a risk that an individual’s ability to apply judgement or act in a role is, or could be, impaired or influenced by a secondary interest. The perception of competing interests, impaired judgement or undue influence can also be considered a conflict.

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

Potential conflict of interest – where an interest may become a conflict due to the nature of the postholder’s role or organisation. These require declaration and may require mitigations.

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

Mitigations – the agreed actions to manage a conflict of interest. These can range from letting other people know about the conflict through to removing the interest (for example, by selling shares).

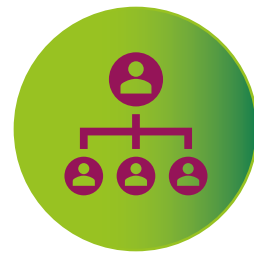
Functional and project leaders – those who need to know that there are no conflicts of interest in the activity they are responsible for. This includes people of all levels of seniority and different types of activity, from those leading a recruitment in a local office to the senior responsible owner of one of the government’s major projects.

Managed conflict of interest – where appropriate mitigations have been put in place to manage actual and perceived conflicts such that a reasonable person would say that the activity was carried out with objectivity, integrity and accountability.



Public servants and office holders should consider the definitions set out in guidance and legislation (eg the Procurement Act 2023) relevant to their role.

Governance for conflicts of interest: What good looks like



Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Effective management of conflicts of interest requires good governance and oversight. This includes ensuring effective scrutiny by the audit and risk committee of the systems, processes and controls in place, as well as appointing a named responsible individual. Good governance relies on the leadership from key individuals in the organisation and effective challenge from an audit and risk committee.

Good practice we have seen includes:

ACCOUNTING OFFICERS

As the head of the organisation, the accounting officer is ultimately responsible for how the organisation manages conflicts of interest. This includes leadership in setting the tone on the standards expected, and culture over the declaration and management of conflicts. Accounting officers need to know that the conflicts in their organisation are properly managed as part of their duties for assuring the propriety of public expenditure. In departments, they are also responsible for advising and working with ministers to help them manage their conflicts.

NAMED RESPONSIBLE INDIVIDUAL

Public bodies need a senior member of staff, such as the human resources director, to provide leadership on managing conflicts on behalf of the accounting officer. This named responsible individual acts as an expert on how conflicts of interest are managed in their organisation and provides advice on complex cases. They will need oversight of the development, maintenance and use of the systems and processes to manage conflicts, making sure that the conflicts of interest policy is complied with, and that there is adequate support available to all staff and decision-makers to help them comply.

AUDIT AND RISK COMMITTEES

Audit and risk committees have a key governance role in overseeing the management of conflicts of interest within public bodies. This includes satisfying themselves that the organisation has a robust system in place that meets good practice, reviewing the annual declarations and agreed mitigations of senior staff, and gaining assurance on the application of the organisation's policies and that agreed mitigations are working as expected. Audit and risk committees can ask internal audit to help them discharge their duty to ensure effective oversight.

CASE STUDY EXAMPLE:

The Accounting Officer for the Department for Culture, Media & Sport voluntarily published their own interests to aid transparency. This demonstrates leadership and reinforces to their department the importance they place on managing conflicts of interest well.

CASE STUDY EXAMPLE:

At the Environment Agency, a board paper is submitted annually to its audit and risk committee that sets out:

- the systems in place to manage conflicts of interest;
- the outcome of internal audit work in this space, including any improvements that have been implemented as a result;
- management information on both submission of staff declarations and evidence of line manager sign-off, including data on year-on-year changes; and
- future plans to encourage greater compliance.

This supports its audit and risk committee to satisfy itself that the organisation has designed and effectively implemented robust systems to manage conflicts of interest.

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Declaring conflicts of interest: What good looks like



It is important that there is a clear minimum standard expected of staff when it comes to the nature of conflicts that need to be declared and the frequency with which these declarations need to be made. This should include clear articulation of the relationships and interests that are expected to be considered.

Good practice we have seen includes:

SCOPE OF REQUIREMENTS – including clarity and prompts on what to include

Policies should make it clear that they expect all staff and postholders to declare any conflicts of interest, irrespective of role, grade or seniority. This includes any perceived conflicts of interest, where a reasonable outsider may conclude that an individual's judgement has been impaired. It is helpful to set out the categories of interest that staff are expected to consider – including personal, financial and professional – with relevant examples provided for each. The policy should also be clear about the relationships that an employee needs to think about when making a declaration: to support the Seven Principles of Public Life, the interests of both family and close friends should be considered.

FREQUENCY OF DECLARATION – including annual attestation and when circumstances change

All staff should be required to make a declaration of interests and reaffirm on an annual basis that this remains accurate. Annual declaration for all employees, including nil returns, helps to build an organisational culture where conflicts are routinely considered, and to reduce the risk of undeclared and unmanaged conflicts within an organisation. Annual attestation of conflicts can be combined with agreeing to ethical codes of conduct and other required submissions. Policies should make it clear that staff are still expected to submit a new declaration whenever their interests change, irrespective of where they are in the annual declaration cycle.

CASE STUDY EXAMPLE:

The Ministry of Defence provide extensive examples within their conflicts of interest policy of the type of interests that should be considered. These include business interests, financial interests, shareholdings, secondary employment, previous employment, and voluntary roles.

CASE STUDY EXAMPLE:

NHS England, an arm's-length body of the Department of Health & Social Care, asks all staff to declare any conflicts. The policy is clear that staff are expected to consider their interests when moving to a new role or when their responsibilities materially change. This makes it clear that managing conflicts of interest is a live process, not just an administrative exercise.

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Declaring conflicts of interest: What good looks like (continued)



The starting point for managing individual conflicts is a system that prompts and enables staff to easily declare interests that may one day need to be managed.

Good practice we have seen includes:

METHOD OF DECLARATION – including central electronic registers

Processes for making declarations need to be simple to follow and allow for the right information to be recorded. Central electronic registers are the best way to do this, providing a consistent process and a record that is searchable and open to review. Such systems should cover both annual and continuous declaration and include:

- the recording of all interests that create potential conflicts (regardless of whether they represent actual or perceived conflicts of interest and require mitigations at that point);
- the declaration of gifts and hospitality, as these can represent potential conflicts of interest; and
- the ability to search records, albeit with strict access controls to limit who can see what.

These systems should cover all office holders, staff and contractors working within the public body. Departments should have separate processes in place that cover declarations made by ministers and special advisers.

CASE STUDY EXAMPLE:

Defence Equipment & Support, an arm's-length body of the Ministry of Defence, uses a system built in Microsoft Power Apps to send the relevant senior manager a prompt to review the declaration upon submission. The system logs both the employee's declaration and the manager's assessment, together with any mitigations, on a central electronic register. It also provides the employee with an electronic copy of the completed form for their own reference.



Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Declaring conflicts of interest: What good looks like (continued)



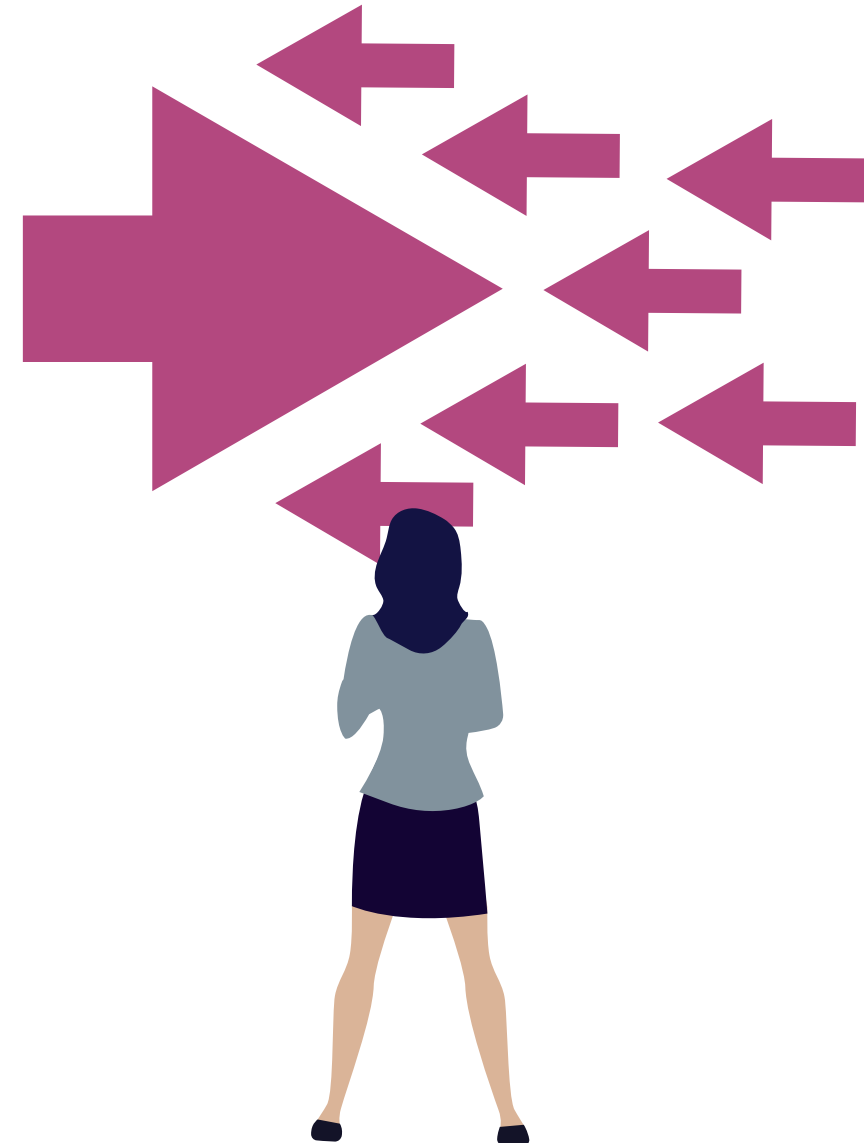
PROMPTS AND REMINDERS – including automatic prompts at the right point

Public servants have numerous competing calls on their time. Regular prompts and reminders can help signpost them to what the organisation expects. This should include prompting staff when:

- they are expected to make routine declarations (for example, at the start of an annual declaration cycle, upon starting or changing roles, or upon starting a new activity);
- line managers or decision-makers are expected to review declarations and consider mitigations;
- functional and project leaders are expected to check whether their team have any declared interests and, if so, whether the mitigations put in place are appropriate to manage any risks of conflict; and
- there are new expectations, systems or processes that staff need to follow. Organisations must communicate what has changed clearly to staff to enable them to correctly comply.

CASE STUDY EXAMPLE:

The Environment Agency, an arm's-length body of the Department for Environment, Food & Rural Affairs, issues communications to staff reminding them of the annual declaration process. These communications set out what and when staff are expected to declare and what is expected of line managers. They provide simple examples of what interests should be considered and provide links to relevant supporting guidance.





Identifying conflicts of interest: What good looks like

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

All organisations are to an extent reliant on staff to identify their own potential conflicts of interest. Staff need to have the right training and support to know what is expected of them. Public bodies may need to prompt staff – particularly in senior or sensitive posts – to identify a potential conflict by verifying the completeness of their declarations against other information.

Good practice we have seen includes:

SUPPORT FOR STAFF – including training and helpdesks

Staff need training if they are to have clarity over what is expected of them in managing their own potential conflicts and those of others they are responsible for. This should include case studies on how conflicts can be managed. It might be provided as part of an induction, for general awareness building purposes, or be aimed at those with a specific responsibility. It could also be part of wider training and point to additional guidance and support.

Helpdesks can provide advice to managers on how to deal with specific cases, help provide consistency on how cases are managed across the organisation, and help the organisation to implement best practice. Such helpdesks need to be staffed by people who know how to deal with complex cases, have access to the register to know how other similar cases have been managed, and be resourced so that they can provide timely advice.

VERIFICATION AND COMPLETENESS OF DECLARATIONS – including external checks

It is possible to test whether people have declared all relevant interests by using information that is publicly available. This information can be sourced from online searchable databases such as Companies House and social media. Verification processes can be automated to some extent but can also be labour intensive. Organisations should therefore consider which activities they are undertaking or who presents the highest risk for potential conflicts of interest and develop proportionate verification processes in response.

CASE STUDY EXAMPLE:

The Royal Institution of Chartered Surveyors (RICS) proactively provides training to firms to support them in managing conflicts of interest before issues arise. This training includes templates and practical examples to support those that RICS regulates to comply with their obligations, alongside interactive workshops.

CASE STUDY EXAMPLE:

Cabinet Office guidance on public appointments sets out a range of pre-appointment checks that should be carried out when appointing a non-executive director to the board of any central government department. These include reviewing registers of charity trustees, disqualified directors, and those who have been declared insolvent. There are also checks made on social media. These searches are intended to help the assessment panel discuss potential conflicts of interest with prospective candidates.



Identifying conflicts of interest: What good looks like (continued)

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Functional and project leaders need to make sure that, for the activities they are responsible for, any conflicts of interest declared by staff they lead are managed effectively. Local arrangements such as building in prompts to procurement and recruitment processes can help with this, as can giving local leaders access to relevant declarations on the electronic register.

Good practice we have seen includes:

ACTIVITY-LEVEL ARRANGEMENTS – including responsibility at a functional and project level

Those responsible for specific activities should also be responsible for ensuring the conflicts of those involved with the activity are appropriately managed. This may involve processes and prompts that are tailored to the specific activity. These can be as simple as the chair of a selection panel prompting other members to declare their conflicts at the start of the meeting, or can be more formal arrangements like in the procurement space, details of which are set out in the case example shown on the right. Such activity-level arrangements can reinforce the organisational requirements but remain dependent on culture and systems that work. Functional and project leaders should also consider declarations made by senior staff who may not be part of the core project team, but who remain in a position to influence the direction or outcome of the work.

ACCESS TO DECLARATIONS – including sharing information with those who need to know

Declarations of interest are by their nature often sensitive personal information. Public bodies need to balance guarding this information against sharing it with the people who need to know. This is likely to include those that make the declaration, their line managers, those providing advice and reviewing proposed mitigations, and those who are involved in managing the conflict on a day-to-day basis.

CASE STUDY EXAMPLE:

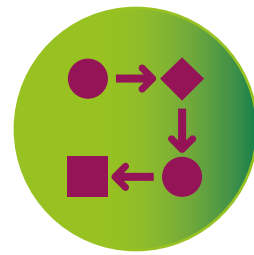
The Procurement Act 2023 strengthens how the government manages conflicts of interest in public procurement activities by:

- requiring a conflicts assessment to be prepared by public bodies engaged in a procurement;
- excluding bidders where there is an unmitigable conflict of interest that provides an unfair advantage in a procurement; and
- offering improved guidance on the scope of conflicts of interest and their management from the start of a procurement process.

CASE STUDY EXAMPLE:

Defence Equipment & Support, an arm's-length body of the Ministry of Defence, built its own conflicts of interest process using Microsoft Forms. This included designing access controls that allow the head of each function or profession (and their delegated representatives) to see declarations in the register that are relevant to their area of responsibility, in addition to senior managers and human resources professionals. Defence Equipment & Support have since built an updated system using Microsoft Power Apps.

Managing conflicts of interest: What good looks like



Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

It is important to record the mitigations that have been agreed to manage specific conflicts of interest. This allows public bodies to demonstrate propriety and protects the individuals against any future accusations. Good management information provides assurance to those charged with governance that conflicts of interest are being effectively managed within their organisation.

Good practice we have seen includes:

IDENTIFYING, RECORDING AND REVIEWING MITIGATIONS – including setting out what has been agreed

Conflicts and mitigations need to be recorded with sufficient detail to allow them to be effectively managed and reviewed. This means that the central register of conflicts should include a written description of each conflict, the relationships involved, and any mitigations agreed to manage the conflict. The central register should also record who has agreed the mitigations, including evidence of escalation to a senior or independent reviewer for contentious declarations. Advice received and correspondence trails can be linked to the central register so key stakeholders can be contacted if conflicts or mitigations need to be reviewed.

MANAGEMENT INFORMATION – including understanding compliance rates

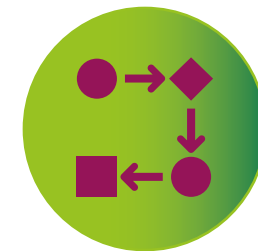
Electronic registers should produce automatic management information to provide assurance to senior leaders and those charged with governance that conflicts are being effectively managed. This should facilitate analysis of compliance with the conflicts of interest declaration system and should also allow for organisations to understand compliance across areas of business or geographical regions where relevant. Electronic registers can also provide data on the type of conflicts that arise within an organisation and the mitigations being put in place, helping an organisation to understand the impact of conflicts on its operations.

CASE STUDY EXAMPLE:

The effective running of Number 10 Downing Street falls under the jurisdiction of the Cabinet Office. The operations team in place hold a central register of all declarations made by any staff employed within the building. Each declaration within this central register is backed up by a personnel file that contains evidence of the employee declaration, line manager review and sign-off, and any further support or guidance requested.

CASE STUDY EXAMPLE:

NHS England, an arm's-length body of the Department of Health & Social Care, collects management information on compliance rates with its annual requirement to declare. This is broken down by both area of business and geographical region, with organisation-wide compliance also analysed. NHS England's management information allows senior leaders to understand where extra effort may be needed to increase compliance.



Managing conflicts of interest: What good looks like (continued)

Managing conflicts of interest

Guide for leaders and decision-makers



Introduction



Governance for conflicts of interest



Declaring conflicts of interest



Identifying conflicts of interest



Managing conflicts of interest

Public bodies should use proportionate and reasonable sanctions to deter non-compliance with conflicts of interest policies. Conflicts of interest management systems should be available for audit and should be checked on a risk-based rolling cycle.

Good practice we have seen includes:

EFFECTIVE SANCTIONS – including encouraging compliance and sending clear signals

Staff need to be made aware of the potential consequences of non-compliance with conflicts of interest policies. It may be more appropriate for organisations to encourage late declaration than to use sanctions to punish honest mistakes. However, in serious cases of deliberate non-compliance, sanctions should be visibly used to effectively deal with and deter future breaches.

AUDIT AND REVIEW – including making sure systems are open to audit

Conflicts of interest declaration and management systems should be open to review. Declarations and any agreed mitigations should be available to management teams, as well as to both internal and external audit, so that it is possible to see that the agreed mitigations have worked in practice. Management may require internal audit to check that the organisation's overall system for managing conflicts of interest is working as part of a risk-based rolling cycle of audit.

CASE STUDY EXAMPLE:

According to a report by Switzerland's Federal Audit Office (the NAO's Swiss counterpart), the German government names a clear set of sanctions in its *Federal Disciplinary Act*.

The Act sets rules on the procedures to be followed in cases of misconduct by German civil servants, including in cases of non-compliance with the conflicts of interest policy. Sanctions highlighted include warnings, fines, pay reductions, and demotions.

CASE STUDY EXAMPLE:

Since 2019, the Government Internal Audit Agency (GIAA) has reviewed at least 20 public bodies' approaches to managing conflicts of interest. Inadequate audit trails limited the assurance it was able to provide over 10 of the systems it reviewed in this period. It is important to make sure that declarations are available for audit and review to reassure governance and leadership teams that conflicts are being well-managed.