



National Audit Office

An Overview of how the NAO provides assurance on
good governance and propriety
for the new Parliament 2023-24

December 2024

OVERVIEW

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1.1 Introduction to the National Audit Office

Welcome to our Overview of how the work of the NAO provides assurance on good governance and propriety. This is part our series of Overviews for the new Parliament, covering government departments and cross-cutting issues.

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enables us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account and we use our insights to help those who manage and govern public bodies to improve public services. In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion.

We are funded by, and accountable to, Parliament. As an Officer of the House of Commons, I am committed to ensuring that we support you and your staff in your work as a Member of Parliament, and your scrutiny of public spending and performance.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.



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Gareth Davies

COMPTROLLER & AUDITOR GENERAL
NATIONAL AUDIT OFFICE

Gareth Davies was appointed Comptroller & Auditor General (C&AG) in June 2019. He was appointed by the Monarch, following the approval of the House of Commons.

The C&AG has statutory authority to examine and to report directly to Parliament on whether government departments and other public sector bodies have spent taxpayers' money in the way Parliament intended. The C&AG and his staff are totally independent of government.

Gareth is a Fellow of the Chartered Institute of Public Finance and Accountancy and a Fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive Board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions (SAIs) in developing countries to sustainably enhance their performance and capacity.

1.2 How the NAO can help you as a Member of Parliament



How we support Parliament

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

What we can offer

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Resources available on our website

- **Reports:** Reviews of public spending and how well government is delivering.
- **Insights:** Learning and best practice to help people across government and the wider public sector.
- **Overviews:** Factual overviews of government departments, sectors and services.
- **Work in progress:** Our schedule of future publications.
- **Briefings:** Background information and factual analysis to support Select Committees.

Keep up to date with our work

- Sign up to our [latest report updates](#)
- Follow us on [X](#) or [LinkedIn](#)

How to get in touch

- Via our Parliamentary email inbox: parliament@nao.org.uk.



Auditing the accounts of all government departments and public organisations, helping assure money is being spent the way Parliament intended



Reporting to Parliament on the value for money of how public money has been spent and what has been achieved



Sending you embargoed copies of our reports before they are available to the public



Providing briefings to you or a member of your team on our work



Providing advice and training on examining government departments' annual reports and accounts



Giving evidence to Select Committees



Our fortnightly newsletter with our latest reports and new work



You can write to us with any queries or concerns about the misuse of public money or behaviour in public bodies we audit

1.3 About this Overview



Purpose of this report

This report has been produced to give an overview of how the NAO's work provides assurance on good governance and propriety. It also provides references to guidance from HM Treasury and others about what is expected of government.

By bringing out themes from our work, this report is intended to support the Public Administration and Constitutional Affairs Committee, the Committee of Public Accounts, and Members across the House in their examination of governance and propriety.

It should also be helpful for stakeholders within departments, such as senior officials, members of audit and risk assurance committees and non-executive directors.

What are good governance and propriety?

Good governance is central to the effective operation of government. Government lists the following as characteristics of good governance that departments should follow:

- **Leadership** – Articulating a clear vision for the department and giving clarity about how policy activities contribute to achieving this vision, including setting risk appetite and managing risk.
- **Effectiveness** – Bringing a wide range of relevant experience to bear, including through offering rigorous challenge and scrutinising performance.
- **Accountability** – Promoting transparency through clear and fair reporting.
- **Sustainability** – Taking a long-term view about what the department is trying to achieve and what it is doing to get there.

Good governance requires high standards of propriety. **Propriety** means meeting high standards of public conduct, including robust governance and the relevant parliamentary expectations, especially transparency.

This Overview focuses on **how good governance is supported; structures of decision making;** the processes that ensure **high standards** and a **culture of propriety**; and the systems of **accountability and transparency** that are all necessary to support good governance.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value for money work, and from publicly available sources.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in the Appendix of each report,

including any evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on good governance and propriety, as well as information about our other recent and upcoming reports can be found on the [NAO website](#).



1.4 How to use this Overview



This report provides an overview of the NAO's work relating to issues of governance and propriety in public life.

We produce around 60 value for money reports a year and a number of insight pieces such as good practice guides.

Our reports are published and presented to Parliament and many consider governance and propriety and make conclusions and recommendations on these topics.

This report looks at four broad areas, set out in the **boxes on the right**.

For each topic we cover four questions:

- What is this topic and why is it important?
- How does our work at the NAO interact with this topic?
- What are the key findings from our work?
- What are the key sources of guidance and information?



Part 2: How good governance is supported

- How Parliament, government and independent bodies support good governance and propriety (section 2.1)
- How public bodies support good governance and propriety (section 2.2)



Part 3: Structures and decision-making

- The role and responsibilities of the Accounting Officer (section 3.1)
- Effective boards (section 3.2)
- The role of audit and risk assurance committees (section 3.3)
- Sponsorship of arm's-length bodies (section 3.4)



Part 4: Culture and standards

- Public appointments (section 4.1)
- Managing conflicts of interest (section 4.2)
- Ensuring an effective whistleblowing system (section 4.3)
- Business appointment rules (section 4.4)



Part 5: Transparency and accountability

- Financial reporting and the Governance Statement (section 5.1)
- The role of audit (section 5.2)
- Corporate transparency commitments (section 5.3)
- Maintaining propriety in an emergency (section 5.4)

2.1 How Parliament, government and independent bodies support good governance and propriety



Part 2: How good governance is supported

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There is an ecosystem of bodies, processes and guidance spread out across the public sector designed to provide assurance that government is well-governed and acts with propriety.

The **boxes on the right** set out the main public bodies involved in upholding governance and propriety.

The **role of the NAO** is to support Parliament in holding government to account over the use of taxpayer money. We do this through our:

- **financial audits**, which provide assurance that government accounts give a true and fair picture of public finances, and that public money has been spent as intended by Parliament; and,
- **value for money reporting to Parliament**, which may consider instances of impropriety (such as investigating concerns raised through whistleblowing) or examine the effectiveness of systems designed to uphold propriety (such as managing conflicts of interest). We also 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.

Parliamentary scrutiny bodies

Committee of Public Accounts (PAC): Examines the value for money of government projects, programmes and service delivery.

Committee of Privileges: Investigates potential contempts and breaches of privilege, as instructed by the House of Commons.

Public Administration and Constitutional Affairs Committee (PACAC): Examines constitutional issues, and the quality and standards of administration provided by civil service departments.

Centre of government

Cabinet Office

Issues guidance, including on public appointments, managing conflicts and transparency data.

Holds ownership of the *Civil Service Code* and *Ministerial Code*. With HM Treasury, co-sponsors the *Corporate governance in central government departments: code of good practice*.

Advises departments on standards and ethics, corporate governance, and public appointments.

Agrees the classification of public bodies and issues guidance on the different types of delivery agents and their characteristics.

HM Treasury

Produces *Managing Public Money* and the *Audit and Risk Assurance Committee Handbook*.

The **Treasury Officer of Accounts** team advises on compliance with Managing Public Money and Accounting Officer responsibilities, and administers the government's formal response to PAC recommendations.

Independent bodies, commissioners and advisers

National Audit Office (NAO): Supports Parliament in holding the government to account and helps improve public services through our audit of financial statements and value for money reporting.

Committee on Standards in Public Life: Advises the Prime Minister on upholding ethical standards of conduct. Issues The Seven Principles of Public Life (*Nolan Principles*) that apply to anyone who works as a public office-holder.

Independent Adviser on Ministerial Standards: The Independent Adviser is an office-holder appointed by the Prime Minister to provide impartial advice on matters relating to the *Ministerial Code*.

The Commissioner for Public Appointments: Provides assurance that public appointments are made in accordance with the *Corporate Governance Code* and the *Nolan Principles*.

Advisory Committee on Business Appointments (ACOBA): Advises former ministers and the most senior civil servants who take up roles outside of government.

Civil Service Commission: Regulates civil service recruitment, ensuring that civil servants are selected on merit on the basis of fair and open competition. It also hears complaints under the *Civil Service Code*.

Office for the Registrar of Consultant Lobbyists: Manages the statutory Register of Consultant Lobbyists and ensures that the industry complies with registration requirements.

2.2 How public bodies support good governance and propriety



Each public sector organisation has to establish governance arrangements appropriate to its business, scale and culture – this should combine efficient decision-making with accountability and transparency.

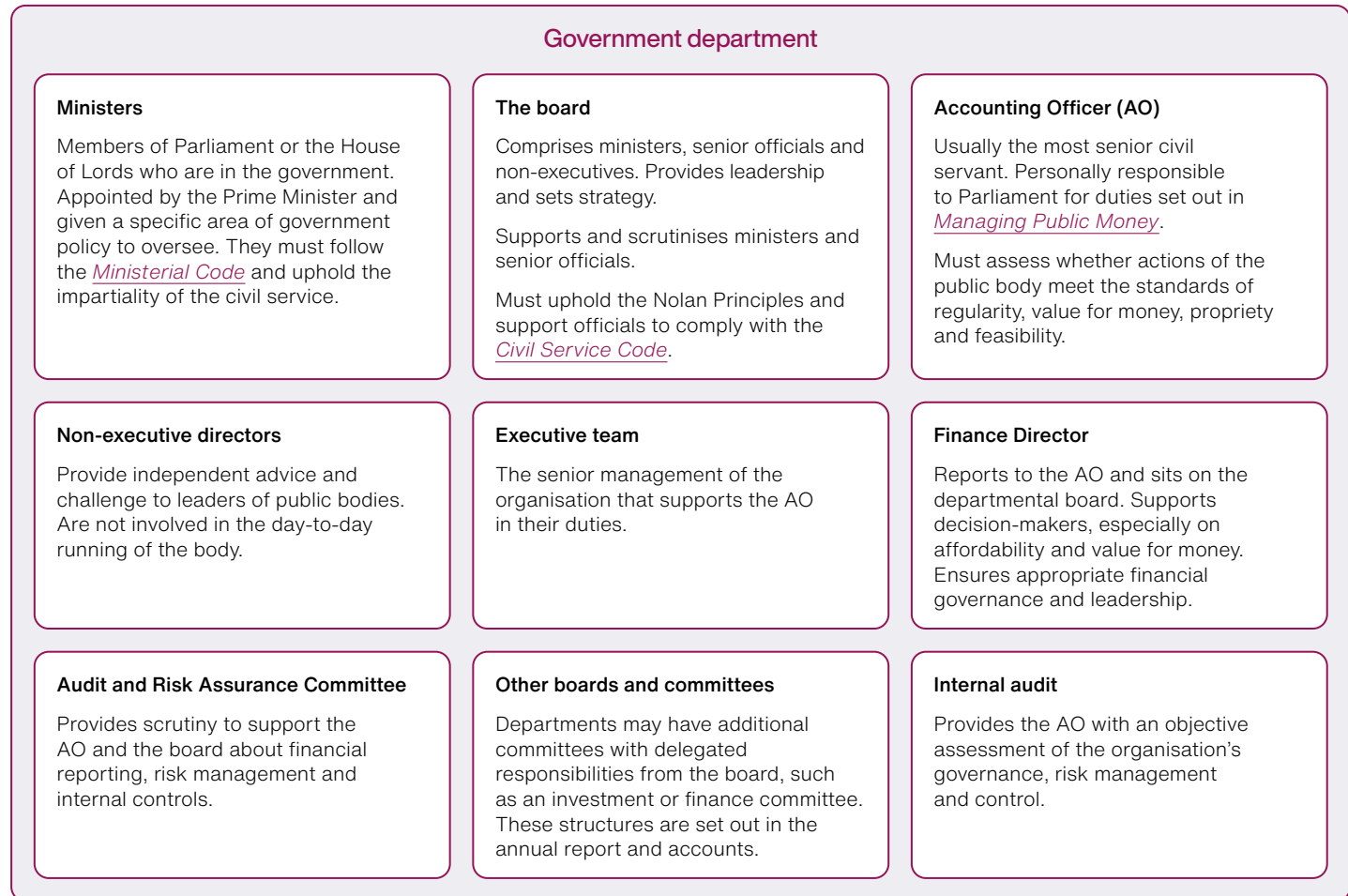
Public bodies need clear leadership, normally provided by a board.

Central government departments must be guided by the [Corporate Governance Code](#). Within a department:

- the main **decision-makers** are ministers, the Accounting Officer (AO), and the board; and
- the key sources of **independent scrutiny** are non-executive directors, the Audit and Risk Assurance Committee, and internal audit.

Arrangements may differ for other types of public body, such as agencies and non-departmental public bodies.

For example, only certain departments have ministers, and in some bodies the AO is not a civil servant.



3.1 The role and responsibilities of the Accounting Officer



What is this about and why is it important?

Accounting Officers (AOs) are usually the most senior leaders in central government bodies. They are personally responsible and accountable to Parliament for managing public money.

AOs have many responsibilities. We have set out a few that are clearly related to governance and propriety:

- Ensure **proper governance structures**, take a balanced view of risks and opportunities, and ensure effective financial management.
- Take personal responsibility for ensuring plans are **regular** (meaning they conform with Parliament's intent), offer **value for money**, and are **proper** and **feasible**.
- For major projects, document **AO assessments**, again considering regularity, value for money, propriety and feasibility. This is to ensure good decision-making and assurance that the standards have been considered. AOs are also advised to complete assessments for significant novel or contentious spending proposals.
- If an AO deems that a decision by a minister does not meet one of these standards, they must set this out in writing. This requests that the relevant minister acknowledges the concerns and confirms whether the body should continue with the project through a **Ministerial Direction**.

How does our work interact with this?

The AO is responsible for the financial statements that we audit, and for the topics that we address through our value for money reports and investigations.

The AO represents departments and bodies at parliamentary select committees – **such as the Committee of Public Accounts** – where the AO will be questioned about the findings in our reports. We work with the AO to agree that our reports are factually correct before we publish.

The AO is also responsible for AO assessments and ensuring suitable governance structures, which we often assess and report on as part of our work.

What are the key findings from our work?

Our work has, over time, led to clarifications and strengthening of the AO's responsibilities and accountability to Parliament. For instance, we reported on the role of the AO in 2016 ([Accountability to Parliament for taxpayers' money](#)) and 2022 ([AO assessments](#)).

We recommended that AOs should take firmer ownership of systems of accountability. This led to published AO system statements setting out how the AO fulfils their responsibilities. We also recommended that AOs should consider how AO assessments are shared internally to obtain best understanding of risks, and publish a summary of the assessment as soon as possible after it has been signed off.

In our 2024 report [Lessons learned: tackling fraud and protecting propriety in government spending during an emergency](#), we reported that AO assessments had not formed as central a part of the accountability process as they might, and therefore we could not be sure that their purpose as a decision-making tool had been realised.

Key information sources

- HM Treasury sets out the duties of AOs in [Managing Public Money](#).
- HM Treasury produces separate guidance on [AO assessments](#) and [AO system statements](#).
- Annex 1 of [The Orange Book](#) sets out the roles and responsibilities of the AO with regard to risk management.
- The Government Risk Profession has produced a [Risk Control Framework](#) tool. This is a list of questions intended to cover all relevant control aspects of the standards, codes, and guidance that AOs are expected to adhere to.
- HM Treasury collects published [Ministerial Directions](#). Since 2011 there has been a presumption that all ministerial directions are published, unless the matter must be kept confidential.
- HM Treasury also collects [AO assessment summaries](#) and [AO system statements](#). Summary AO assessments should be published for all projects in Government's Major Projects Portfolio. An AO system statement should be published alongside a department's annual report and accounts.

3.2 Effective boards



What is this about and why is it important?

Most government departments and public bodies have a board to provide leadership. Boards are crucial for ensuring good governance and propriety.

Boards are expected to:

- **Set the strategy** for the body (for departments and departmental boards, this would be the strategy to implement the decisions of a minister).
- Lead its business and **determine its culture**.
- **Scrutinise performance**.
- Ensure good **management of its resources**.
- Decide **risk appetite** and monitor emerging threats and opportunities.
- **Promote transparency**.

Departmental boards are normally chaired by the department's most senior minister, with junior ministers as members.

Boards are expected to have comparable numbers of officials and non-executive members.

Non-executive members do not participate in the day-to-day running of the organisation and therefore add an independent, objective perspective.

How does our work interact with this?

As part of our financial audits, we review board meeting minutes to understand the risks that are being escalated and discussed at board level that could indicate issues material to the financial statements.

If we believe risks are not being properly elevated to boards and senior levels, or are not being managed at senior levels, we will state this in our reports.

We also often set out governance and organisational structures in our value for money reports, allowing Parliament and readers to understand accountability structures and how decisions are made on a particular scheme or area of activity. Where relevant, this work can involve looking at programme-level boards.

What are the key findings from our work?

In 2009 we published [a framework for board reporting](#) to support decision-making.

In 2023, in [Overcoming challenges to managing risks in government](#), we again highlighted the importance of good risk reporting to effective boards. We noted that timely reporting about new threats and opportunities can help to:

- drive the right conversations;
- improve engagement with the board; and
- reduce surprises.

In 2024, we reported on the process for [appointing non-executive directors to government boards](#) (see section 4.1 on public appointments).

Key information sources

- HM Treasury and Cabinet Office set out the expected role and composition of departmental boards in their 2017 [Corporate governance in central government departments: code of good practice](#).
- Cabinet Office sets out the standards expected for members of public sector boards in the [Code of Conduct for Board Members of Public Bodies](#).
- HM Treasury also provides information around the role of boards in governance and management in [Managing Public Money](#).
- The Northern Ireland Audit Office sets out guidance for board members and officials administering public appointments in [Board Effectiveness – A Good Practice Guide](#).
- The Financial Reporting Council revised the [UK Corporate Governance Code](#) in January 2024. The changes include enhancing how boards monitor an organisation's internal controls. While aimed at companies, it may indicate where enhancements to requirements for public bodies could be made.

3.3 The role of audit and risk assurance committees



What is this about and why is it important?

Audit and risk assurance committees (ARACs) are advisory bodies that provide support and advice to AOs and boards about financial reporting, risk management and internal controls. They provide scrutiny and challenge to help ensure propriety. HM Treasury has said that ARACs should “act as the conscience of the organisation”.

An ARAC typically consists of a non-executive chair with relevant experience, another non-executive board member, and independent non-executive members from outside the board.

HM Treasury’s [Audit and Risk Assurance Committee Handbook](#) sets out five good practice principles:

- 1 Be **independent and objective**, with each member understanding the organisation’s objectives and their own role on the committee;
- 2 Have an **appropriate skill mix** to allow it to carry out its overall function and duties;
- 3 **Support the board and AO** by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the controls in place to guard against risks, and the integrity of financial statements and the annual report;
- 4 Have **terms of reference** that encompass all the assurance needs of the board and AO; and
- 5 Have **effective communication** with all key stakeholders, for example, the board and the head of internal audit.

How does our work interact with this?

ARAC meetings should be attended by the NAO as the provider of external audit assurance – and we are required to communicate with the ARAC on all matters relating to financial audit, such as the timing, scope, and any significant issues arising from our work.

We may also provide other insights where these may be helpful for ARACs, for example on our value for money reports or insight work (for example good practice guides).

ARACs should consider the results of our value for money reports and insight work, and how the weaknesses we have identified are being resolved.

What are the key findings from our work?

In May 2022, we published our [Audit and Risk Assurance Committee effectiveness tool](#). We reported that ARACs play a crucial role in supporting effective governance. We also said ARACs operate in a highly challenging context, and they need to be responsive to the changing risk profiles and demands of their organisations.

Against this background, we produced a tool that ARACs can use to assess their effectiveness on a regular basis.

We include an accompanying ‘outcome analyser’ that generates an overall view of effectiveness and can help ARACs to analyse specific areas of strength of improvement.

Key information sources

- HM Treasury details the responsibilities of the ARAC, including the role of the chair, and sets out best practice principles in its [Audit and Risk Assurance Committee Handbook](#).
- The Government Finance Function and HM Treasury have published the [Orange Book: Management of risk – Principles and Concepts](#), which establishes the concept of risk management and provides an introduction to its implementation in government. There is associated guidance on topics such as risk appetite and reporting.
- The Financial Reporting Council issued [Guidance on Audit Committees](#) in 2016.
- Stakeholders, including ARACs, can review the status of NAO recommendations using our published [Recommendations tracker](#).

3.4 Sponsorship of arm's-length bodies



What is this about and why is it important?

Effective relationships between departments and arm's-length bodies (ALBs) are critical to the delivery of high-quality public services.

ALB is a term commonly used to cover a wide range of public bodies, executive agencies and other bodies, such as public corporations.

The government relies on ALBs to carry out a range of important functions to deliver departments' strategic objectives in vital areas such as healthcare, education and housing.

Sponsorship is the activity that promotes and maintains an effective working relationship between departments and ALBs.

Nearly all government departments sponsor ALBs, for which they take ultimate responsibility, while allowing a degree of independence.

Cabinet Office has said that sponsorship plays a vital role in providing AOs with:

“assurance that the ALBs for which they are accountable are operating effectively, managing and escalating risks appropriately, and operating with a high degree of probity.

Conversely, ineffective sponsorship can undermine the relationships between departments and public bodies. This can in turn have a detrimental effect on delivery of effective public outcomes that offer value for money.”

How does our work interact with this?

Our financial audits look at the 'group accounts' of departments and their ALBs.

In the past decade, we have published a range of value for money work on ALBs, including on public bodies reform and departmental oversight of ALBs.

What are the key findings from our work?

Our work has highlighted that types and classifications of ALBs are inconsistently applied, departments take different approaches to oversight, and oversight tends to focus on compliance and control rather than making the most of the operational expertise of their ALBs.

Our 2016 report *Departments' oversight of arm's-length bodies: a comparative study* and the subsequent report by the Committee of Public Accounts found that while there is no one-size-fits-all approach to departmental oversight, the government did not always understand how its bodies were performing and it was not clear whether oversight arrangements were “proportionate to the relative risks and opportunities”.

Our 2021 report *Central oversight of arm's-length bodies* found that continuing inconsistency in how ALBs are set up and overseen is a barrier to further improvement.

We concluded that the centre of government needed to make considerably more progress in understanding the risks in relation to ALBs and needed to work with departments and ALBs to ensure that requirements, guidance and good practice were effectively implemented and monitored.

Key information sources

- In 2017, in response to reports from the Committee of Public Accounts and the NAO, Cabinet Office issued the *Partnerships with arm's-length bodies: code of good practice* to bring greater consistency to relationships between departments and ALBs.
- In response to 2021 reports from the Committee of Public Accounts and the NAO, Cabinet Office produced the *Arm's-length body sponsorship code of good practice*.
- A list of [government departments, agencies and public bodies](#) – including ALBs is available on Gov.uk.
- Cabinet Office agrees the classification of public bodies and issues *Guidance for Departments on the Classification of Public Bodies*.
- The [Public Bodies Review Programme](#) was launched by the Cabinet Office in 2022 to evaluate the governance, accountability, efficacy, and efficiency of existing ALBs.

4.1 Public appointments



What is this about and why is it important?

Public appointments are where ministers select people for important roles in public bodies and take responsibility for those appointments. This can include people with a key role in ensuring good governance and propriety, for example, non-executive directors, and members of advisory committees.

Ministers are expected to act solely in the public interest in making appointments. They must ensure they do not place themselves under any obligation to people or organisations that might try inappropriately to influence them, or take decisions in order to gain financial or other material benefits for themselves.

The process should be fair and open, appointments should be on merit and reflect diversity of society, and there should be established assurance processes with appropriate checks and balances.

Ministers agree to the job description, remuneration, and how long the role will last for. They also agree the selection process, make up of 'advisory assessment panels' that assist them in their decision, and can provide names of individuals who should be approached. At the end of the process, ministers are provided with a choice of appointable candidates to choose from.

In exceptional cases, ministers may appoint a candidate without a competition. To do so, ministers must consult the Commissioner for Public Appointments, and publicly justify this.

How does our work interact with this?

We consider governance and propriety in our financial audits, as well as our value for money reports, and so the decisions that public appointees make on behalf of their organisations are of real interest.

We are also interested in the processes in place to ensure the right people are appointed to such roles.

What are the key findings from our work?

Our February 2024 report *Non-executive appointments* examined issues associated with the appointment of non-executive directors (NEDs) and their experiences once appointed. It focused on regulated appointments where Cabinet Office has a defined oversight role.

We concluded the following:

- The government needs to do more to ensure the best quality candidates are recruited.
- This includes fixing the often lengthy appointments process, which poses risks to the quality and diversity of boards and to the governance of those organisations when vacancies are not filled.
- Cabinet Office's new applicant-tracking system, launched in April 2023, is a positive step towards addressing delays and tracking the quality and diversity of candidates. But we also found that the system could not yet provide the insights needed, because not all departments were using it properly.

Key information sources

- The Cabinet Office publishes a [Governance Code on Public Appointments](#). This also sets out the principles on which public appointments are made.
- The Cabinet Office also publishes [12 Principles of Governance for all Public Body Non-Executive Directors](#).
- A [list of bodies and offices](#), for which the public appointments process is regulated by the Commissioner for Public Appointments.
- The Commissioner for Public Appointments publishes an [Annual Report](#) highlighting issues relating to appointments, including information on diversity and delays.

4.2 Managing conflicts of interest



What is this about and why is it important?

Conflicts of interest occur when an individual's ability to apply judgement or act in a role is, could be, or could appear to be, impaired or influenced by a secondary interest. If conflicts of interest are not managed appropriately, they can undermine confidence in the integrity of government and its operations.

All organisations need to manage conflicts of interest. For government departments and public bodies, managing conflicts forms part of an AO's responsibilities for ensuring the propriety of public expenditure.

In some circumstances, such as commercial arrangements, failing to recognise, mitigate and manage conflicts of interest can also lead to risks of unethical financial gain for individuals and losses for the taxpayer.

Failure to manage and mitigate conflicts of interest would also represent a failure to meet the high ethical standards of **integrity, objectivity and openness** set out in the [Seven Principles of Public Life](#) that those working in the public sector are required to adhere to.

How does our work interact with this?

We have produced several reports and investigations looking at how individual public bodies have handled conflicts of interest.

These are often prompted by public concerns over the transparency and accountability of such issues. For example:

- [Investigation into potential conflicts of interest in the award of Disabled Students' Allowance](#);
- [Managing conflicts of interest in NHS clinical commissioning groups](#);
- [Investigation into government procurement during the COVID-19 pandemic](#); and
- [Investigation into the Department for Education's management of a potential conflict of interest](#).

What are the key findings from our work?

Our reports have repeatedly emphasised the importance of making sure that public bodies have strong oversight arrangements in place to effectively manage and mitigate conflicts of interest.

In our 2015 [Good practice guide on conflicts of interest](#), we said that public bodies should design an approach to identifying and managing conflicts that takes into account their risk appetite and reflects the nature and scale of the conflicts they are exposed to.

Our November 2024 report, [Managing conflicts of interest](#), found that there are well-established systems in place to manage ministerial conflicts, but many public bodies lack an effective system for managing the conflicts of civil servants and other public officials.

We found that the risk of unmanaged and unmitigated conflicts makes it difficult for government to be sure it is acting with propriety and making decisions in the public interest. One of our recommendations was that Cabinet Office should set a clear minimum standard for the governance, systems and processes that public bodies should put in place to help them manage conflicts.

Key information sources

- The Cabinet Office published [Guidance on the declaration and management of outside interests](#) in 2022, following concerns about propriety during the COVID-19 pandemic.
- The [Boardman review](#) into the use and development of supply chain finance in government made recommendations to improve the management and monitoring of conflicts of interest within the civil service. These included mandatory training for officials on identifying and managing conflicts effectively and the publication of material conflicts for senior appointees.
- In 2021, following recommendations by the NAO and Boardman review, the Cabinet Office issued new [guidance](#) around conflicts of interest and whistleblowing in procurement. This outlined a framework for public bodies to prevent, identify, record, and remedy conflicts of interest in a commercial context. This guidance is in addition to the existing [Civil Service Management Code](#), which requires public bodies produce their own conflicts of interest policy and guidance.

4.3 Ensuring an effective whistleblowing system



What is this about and why is it important?

Whistleblowing is when an individual reports concerns or serious wrongdoing in an organisation, in the public interest. It provides a way for organisations to hear concerns, around, for example financial mismanagement or environmental damage, that they may not otherwise have discovered.

When the whistleblowing system works well in government, it helps to identify early problems about the proper conduct of public business, value for money, or fraud and corruption in providing public services, that could otherwise cause significant harm.

Whistleblowers are protected by the Public Interest Disclosure Act 1998 ('PIDA'). This means that whistleblowers can take a case to an employment tribunal if they have suffered detriment for raising a concern in the public interest.

A whistleblower will usually approach their employer with their concerns. If this is not appropriate, then they can also approach a 'prescribed person' or body with their concerns. The prescribed person or body is independent of the organisation and will usually have an authoritative relationship with it, such as being the relevant regulatory or legislative body.

Departments are expected to consider including information from whistleblowers in their Governance Statement, published alongside the annual report and accounts (see section 5.1).

How does our work interact with this?

PIDA prescribes the Comptroller and Auditor General (the head of the NAO) as a 'prescribed person' that people can raise a concern with about "the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services".

Our value for money and insights work have also examined the implementation of whistleblowing arrangements across government and highlighted good practice.

Information provided by whistleblowers often prompts us to initiate investigations or value for money reports into the issues raised.

What are the key findings from our work?

- In our 2015 [Investigation into the role of prescribed persons](#) we recommended that prescribed persons should work together to provide more confidence in the system.
- Our December 2023 [Investigation into whistleblowing in the civil service](#) identified that government faces significant challenges in how it raises awareness and encourages people to raise concerns, improves the experience for whistleblowers, and uses learning to improve whistleblowing arrangements.
- In 2024, we published a [Good practice guide on whistleblowing in the civil service](#) aimed at providing a practical 'how to' handbook to help improve whistleblowing in government and address the challenges our December 2023 report highlighted. The guide was aimed at people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government.

Key information sources

- The [Public Interest Disclosure Act 1998](#).
- The NAO publishes an annual report setting out the whistleblowing incidents we have received: [NAO Whistleblowing Annual Report 2023-24](#).
- The Department for Business and Trade's [Whistleblowing: Guidance for Employers and Code of Practice](#) outlines examples of whistleblowing policy and how it should be managed. Alongside this, it publishes a [full list of prescribed persons and bodies](#).

4.4 Business appointment rules



What is this about and why is it important?

Ministers and crown servants are subject to rules about accepting other appointments or employment after leaving office. This is to prevent them being able to profit from their knowledge of and contacts within Whitehall, and to protect against those in public service being influenced in carrying out their duties by the hope or expectation of future employment.

These 'Business Appointment Rules' (the Rules) state that:

“when a former civil servant takes up an outside appointment or employment there should be no cause for justified public concern, criticism or misinterpretation.”

The [Ministerial Code](#) requires former ministers to seek advice from the Advisory Committee on Business Appointments (ACOBA) for any new appointments or employment they wish to take up within two years of leaving office, and also prohibits them from lobbying the government for two years after leaving office.

Departments must publish their decisions, and any restrictions imposed, on applications under the Rules from senior civil servants and special advisers (see section 5.3 on transparency).

The Rules are important. It is in the public interest that people with experience of public administration can move between public and other sectors without suspicion of impropriety, and so that people can offer their expertise to both. Rules are needed to mitigate any risks and support public confidence.

How does our work interact with this?

As part of our value for money work we undertake cross-government studies into issues of propriety in public life, such as conflicts of interest or business appointments.

We may also consider business appointments as part of investigations into specific areas of government activity.

For example, our 2022 [Investigation into the government's contracts with Radox Laboratories Ltd](#) reported on the advice that a former member of Parliament received from ACOBA in relation to taking up a new role outside of public office.

What are the key findings from our work?

In 2017 we conducted an [Investigation into government's management of the Business Appointment Rules](#). We reported that:

- a variety of different guidelines were in use across departments;
- the centre of government had no oversight of departmental compliance with the Rules; and
- it was not possible to know from transparency data whether all those leaving the civil service who should have made an application under the Rules had done so.

Key information sources

- The Cabinet Office publishes a [collection of business appointment rules and guidance](#) on what to do when you are leaving the Crown service or ministerial office. Additionally, it provides the [Ministerial Code](#), which sets out business appointment rules for former ministers.
- The Chair of ACOBA [writes](#) to all ministers who leave the government to advise on what is expected of them.
- The Public Administration and Constitutional Affairs Committee will at times hold [inquiries](#) to scrutinise the performance of ACOBA.
- The [Civil Service Management Code](#) sets out the standards of propriety for civil servants, including in relation to taking up outside appointments or employment after leaving the civil service.
- It is expected that applicants under the Rules uphold the highest standards of propriety, including acting in accordance with the [Seven Principles of Public Life](#) ('Nolan Principles').

5.1 Financial reporting and the Governance Statement



What is this about and why is it important?

Public bodies must produce an annual report and accounts (ARA) each year. The ARA is the primary document of record for central government departments and a crucial mechanism for accountability.

The ARA comprises three main sections:

- **Performance report:** Provides the reader with an understanding of the entity and how it has performed.
- **Accountability report:** Provides Parliament with an understanding of how the organisation is governed, how risk is managed, how management is remunerated and the opinion of the external auditor.
- **Financial Statements:** Provide a ‘true and fair’ view of the financial activities of the organisation.

Each accountability report must contain a ‘**Governance Statement**’ for which the AO is personally responsible.

This is important because it is the key document for explaining to Parliament how the organisation is governed, the key risks, and how decisions are made.

For example, *Managing Public Money* requires that the Governance Statement includes information about the board’s committee structure, attendance records, an assessment of its own effectiveness, the organisation’s risk profile, any newly identified risks, a record of any ministerial directions given, and any significant lapses of security (for example, data losses).

How does our work interact with this?

We review hundreds of annual reports and their Governance Statements each year, as part of our financial audits of government’s accounts.

We ensure that the various sections of the ARA – including the Governance Statement – contain the required disclosures and reporting to Parliament.

What are the key findings from our work?

In our 2024 report *Good practice in annual reporting*, we showcased real-world examples of good practice. In an earlier *fact sheet on good practice*, we observed that good Governance Statements should be:

- **concise and transparent** as they sign-post key messages and help the reader understand the important points;
- **tailored to organisational circumstances** and contain an open and honest discussion of risks;
- **drafted by a suitably senior member of staff** with a strategic understanding of the organisation;
- **underpinned by robust evidence and assurance** and not treated as a one-off exercise; and
- **driven by the early engagement of the Accounting Officer and board** and subject to robust scrutiny and challenge by the Audit and Risk Assurance Committee and non-executive members.

Key information sources

- Annex 3.1 of *Managing Public Money* sets out the purpose, preparation and content of the Governance Statement.
- HM Treasury publishes a *Government Financial Reporting Manual* (‘FReM’) which provides a technical guide for the preparation of financial statements.
- We issue **guidance** to help audited bodies ensure they have complied with all disclosure requirements in their ARAs. This is in the form of a checklist that bodies can use to check all relevant disclosure requirements and see how well they are complying.

5.2 The role of audit



What is this about and why is it important?

Audit is an independent and objective assessment that provides insight or assurance on some aspect of a public body. Stakeholders such as Parliament and board members rely on the findings of auditors to inform decision-making and monitor performance.

Audit is typically categorised as follows:

- **Internal audit:** Provides independent insight and assurance to improve how government operates. For example, by helping to develop better governance, risk management, or internal controls. In doing this work, internal audit has the responsibility to act as the ‘eyes and ears’ of the AO. The **Government Internal Audit Agency (GIAA)** provides internal audit services to central government. Public bodies may also have their own internal audit function or engage third-party support (e.g. audit firms).
- **External audit:** External financial audits give an independent opinion on whether government accounts are ‘true and fair’ and whether public money has been spent in line with the intentions of Parliament (i.e. is ‘regular’). The **NAO** is the independent external auditor for central government.

How does our work interact with this?

The NAO is the external auditor of central government. We provide an independent audit opinion on around 400 accounts per year.

The head of the NAO, the Comptroller & Auditor General, certifies these accounts and reports the results to Parliament.

We regularly use the work of internal audit in financial audits and value for money reports.

What are the key findings from our work?

Our 2012 report [The effectiveness of internal audit in central government](#) found that government was not getting value for money from its internal audit services, that quality was variable and it was not consistently focused on key risks. This was before the GIAA was launched in 2015.

We have also reported extensively on the timeliness of audit in local government, [most recently in 2023](#). The NAO does not audit local government financial statements.

Since 2017-18 there has been a significant decline in the number of local government body accounts published on time. In 2019-20, 45% of accounts were published on time, down from 97% in 2015-16.

Key information sources

- The role of the NAO is [set out](#) on our website.
- The role of the GIAA is set out in [Better Insights, Better Outcomes: A guide to the Government Internal Audit Agency](#).
- The [Public Sector Internal Audit Standards](#) are mandatory for all central government departments, agencies and executive non-departmental public bodies.
- HM Treasury has issued a [Good Practice Guide: the internal audit role in information assurance](#).

5.3 Corporate transparency commitments



What is this about and why is it important?

Transparency around the use of public money is key to enabling Parliament to hold government to account on topics including propriety and governance.

Government has committed to publishing many types of core transparency information. This includes:

- Central government contracts over £12,000.
- Central government spending over £25,000.
- Hospitality and meetings for ministers, special advisors, and senior officials.
- Gifts for ministers and special advisors.
- Senior civil servants' business appointment applications.

These are known collectively as the [Central Government Corporate Transparency Commitments](#).

These requirements are in addition to the accounts process and help to enable the public to hold government to account on delivering value for money and upholding standards of propriety.

How does our work interact with this?

Some transparency information must be disclosed in the ARA, which we review as part of the financial audit.

For example, the accountability report must include remuneration of senior officials, and details of gifts made by the department over £300,000.

Our value for money and insights work has examined government transparency, such as information on the acceptance of gifts and hospitality.

What are the key findings from our work?

In our 2012 report [Implementing transparency](#), we found that Cabinet Office had significantly increased the amount of public sector information released, but that arrangements around data quality and evaluating the benefits of transparency were lacking.

In 2016 we conducted an [Investigation into the acceptance of gifts and hospitality](#) and found that:

- some departments were not meeting the transparency requirements around gifts and hospitality; and
- Cabinet Office needed to do more to address weaknesses in the oversight and control of gifts and hospitality.

Keep in mind

The Procurement Act 2023 is intended to bring about a more open and transparent procurement regime. The legislation will require government bodies to publish more information about contracts and procurement:

- The **publication of notices** at additional stages of the procurement lifecycle, and to provide information on procurement and contracting activities.
- Introducing a **central digital platform** to provide a single place for contracting authorities and suppliers to access commercial information such as tender opportunities and contract awards.

Key information sources

- Government transparency data is available on Gov.uk: [Transparency and freedom of information releases](#).
- Cabinet Office and Government Digital Service jointly provide guidance on [how to publish central government transparency data](#).
- The Government Digital Service, and the Central Digital and Data Office have issued guidance on [how to publish ministerial gifts, hospitality, travel and meetings](#).
- The Cabinet Office publishes the [Cabinet Office: ministers' transparency series](#). The series sets out details of hospitality, overseas travel and meetings for the Prime Minister, Cabinet Office ministers and business managers.
- In 2024, the Government Commercial Function issued [guidance on transparency measures](#) under the Procurement Act 2023.

5.4 Maintaining propriety in an emergency



What is this about and why is it important?

Spending to support individuals, families and businesses in an emergency can carry a higher risk of fraud and impropriety.

Achieving propriety in public spending means meeting high standards of public conduct, including robust governance, and the relevant parliamentary expectations, especially transparency.

This includes managing the risk of fraud and ensuring that the right amount of money reaches the right people and businesses.

Fraudsters may target emergency spending believing there are greater opportunities to exploit initiatives that have been set up at pace.

The government will need to make difficult decisions, based on imperfect information, and it may not be possible to conduct processes such as full risk analysis or normal levels of due diligence.

AOs and Ministers may need to make difficult judgement calls involving trade-offs between effective response and protecting propriety and value for money.

The impact of actual or perceived impropriety may persist for some time after an emergency, even if proven to be incorrect. This can undermine public trust in the government.

How does our work interact with this?

We have produced a body of value for money and insight work on emergency initiatives at a higher risk of impropriety – including work on COVID-19 schemes and energy bills support.

During the pandemic we published an interactive [COVID-19 cost tracker](#) tool to increase transparency and promote parliamentary accountability for government spending.

What are the key findings from our work?

We drew together insights from our body of work in our 2024 report [Lessons learned: tackling fraud and protecting propriety in government spending during an emergency](#).

We highlighted **seven lessons** that government should apply now to be better prepared to respond to future emergencies:

- 1 Be clear on governance and rules.
- 2 Prioritise, but communicate that you will return to things you cannot cover immediately.
- 3 Embed the fraud and error risk management cycle.
- 4 Create a flexible counter-fraud capability.
- 5 Plan for the data you will need.
- 6 Increase transparency.
- 7 Plan how to buy in a seller's market.

Key information sources

- Propriety is one of the four standards that AOs must scrutinise significant policy proposals against – as set out in HM Treasury's [Managing Public Money](#) (see section 3.1 on the role and responsibilities of the Accounting Officer).
- Following the pandemic, the government accepted the recommendations from the two [Boardman reviews](#), including recommendations about procurement processes and the way government manages actual and perceived conflicts of interest.
- In 2020, the Government Counter Fraud Function produced a [briefing](#) on fraud control in emergency management.
- Also in 2020, the International Public Sector Fraud Forum issued guidance on [Fraud in Emergency Management and Recovery: Principles for Effective Fraud Control](#).

Appendix A: What to look out for

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Does leadership make proper use of Accounting Officer assessments and ministerial directions to record difficult judgements around propriety?

Senior decision-makers are likely to have to make difficult judgement calls involving trade-offs, such as between protecting propriety and responding rapidly to a pressing issue. It is essential for accountability that the thinking around these trade-offs is clearly set out and documented. Accounting Officer assessments and ministerial directions provide the framework for doing this but are not always used to their full potential.

Is there a culture that celebrates finding threats to propriety and are issues transparently communicated when they are found?

The UK government system of accountability depends on public officials feeling empowered to speak up about issues that come to light (for example, whistleblowers).

To support this, leaders should make it clear that discovering threats to propriety is a good thing, as it means that action can be taken to address it. Timely communication to the relevant scrutiny body should be encouraged – be that the board, Audit and Risk Assurance Committee, centre of government, Parliament (directly or through the Annual Report and Accounts), or the NAO.

Does the organisation have well-designed systems in place to support propriety?

For instance, are declarations of interest required at the right level of seniority and at the right frequency to support propriety? Are there central registers in place for conflicts of interest so that staff can find out about any relevant issues in their area? Is there awareness training in place for all staff? Those tasked with scrutiny – such as the boards and Audit and Risk Assurance Committee – depend on the basic oversight mechanisms working well in order to govern effectively.



Appendix B: More information about our work on good governance and propriety

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Effective boards (section 3.2)	<i>Performance Frameworks and Board Reporting</i> <i>Good practice guide – Overcoming challenges to managing risks in government</i>
The role of audit and risk assurance committees (section 3.3)	<i>Audit and Risk Assurance Committee effectiveness tool</i>
Sponsorship of arm's-length bodies (section 3.4)	<i>Departments' oversight of arm's length bodies: a comparative study</i> <i>Central oversight of arm's-length bodies</i>
Public appointments (section 4.1)	<i>Non-executive appointments</i>
Managing conflicts of interest (section 4.2)	<i>Managing conflicts of interest</i> <i>Investigation into government procurement during the COVID-19 pandemic</i> <i>Investigation: The Department for Education's management of a potential conflict of interest</i> <i>Managing conflicts of interest in NHS clinical commissioning groups</i> <i>Investigation into potential conflicts of interest in the award of Disabled Students' Allowance</i> <i>Good Practice Guide – Conflicts of interest (2015), (2024)</i>
Ensuring an effective whistleblowing system (section 4.3)	<i>The role of prescribed persons</i> <i>Investigation into whistleblowing in the civil service</i> <i>Good practice guide – Whistleblowing in the civil service</i>
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