



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Investigation into the acceptance of gifts and hospitality

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Investigation into the acceptance of gifts and hospitality

Report by the Comptroller and Auditor General

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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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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.

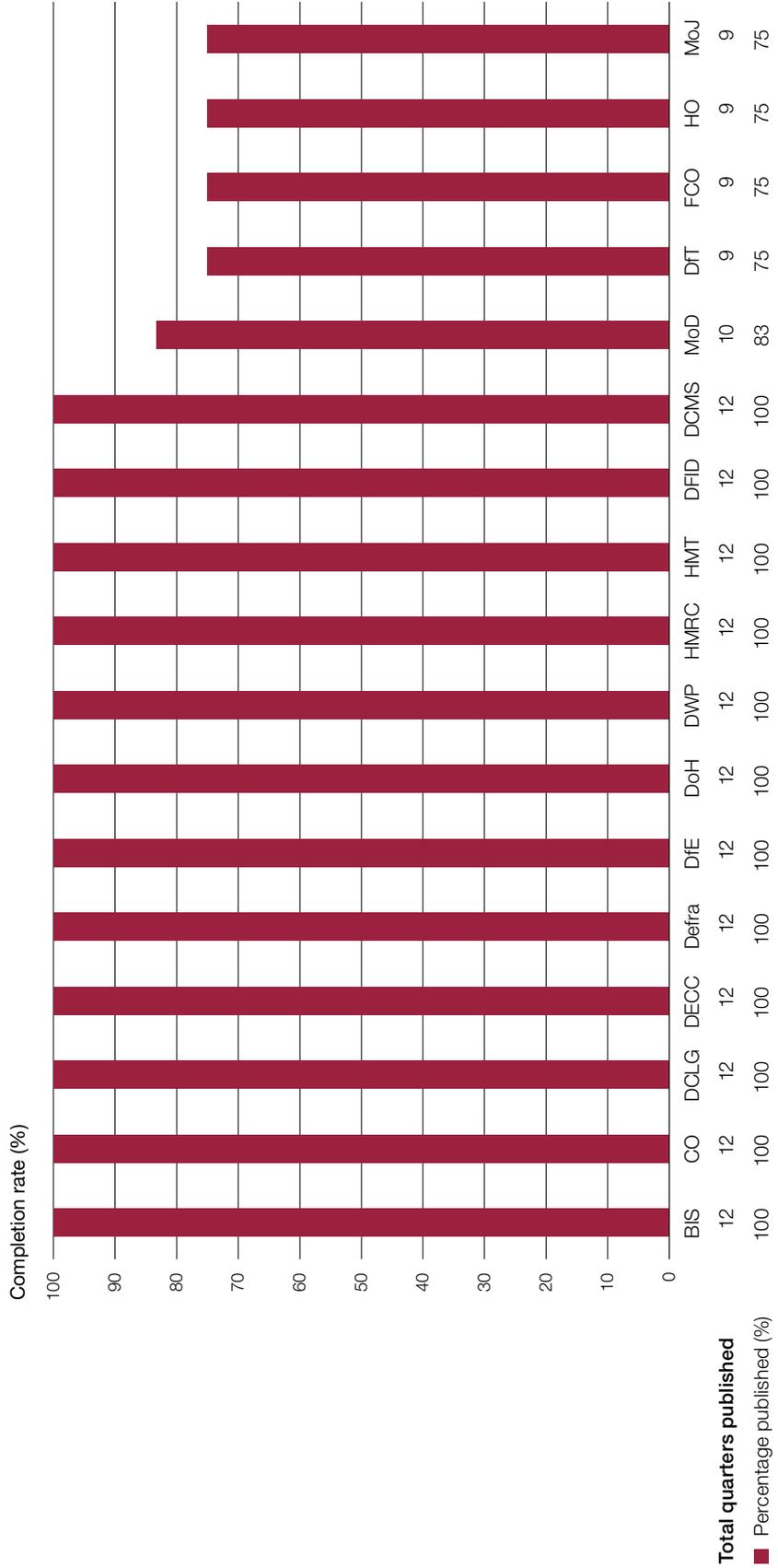
Departmental compliance with public reporting requirements

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



Total quarters published
 ■ Percentage published (%)

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.

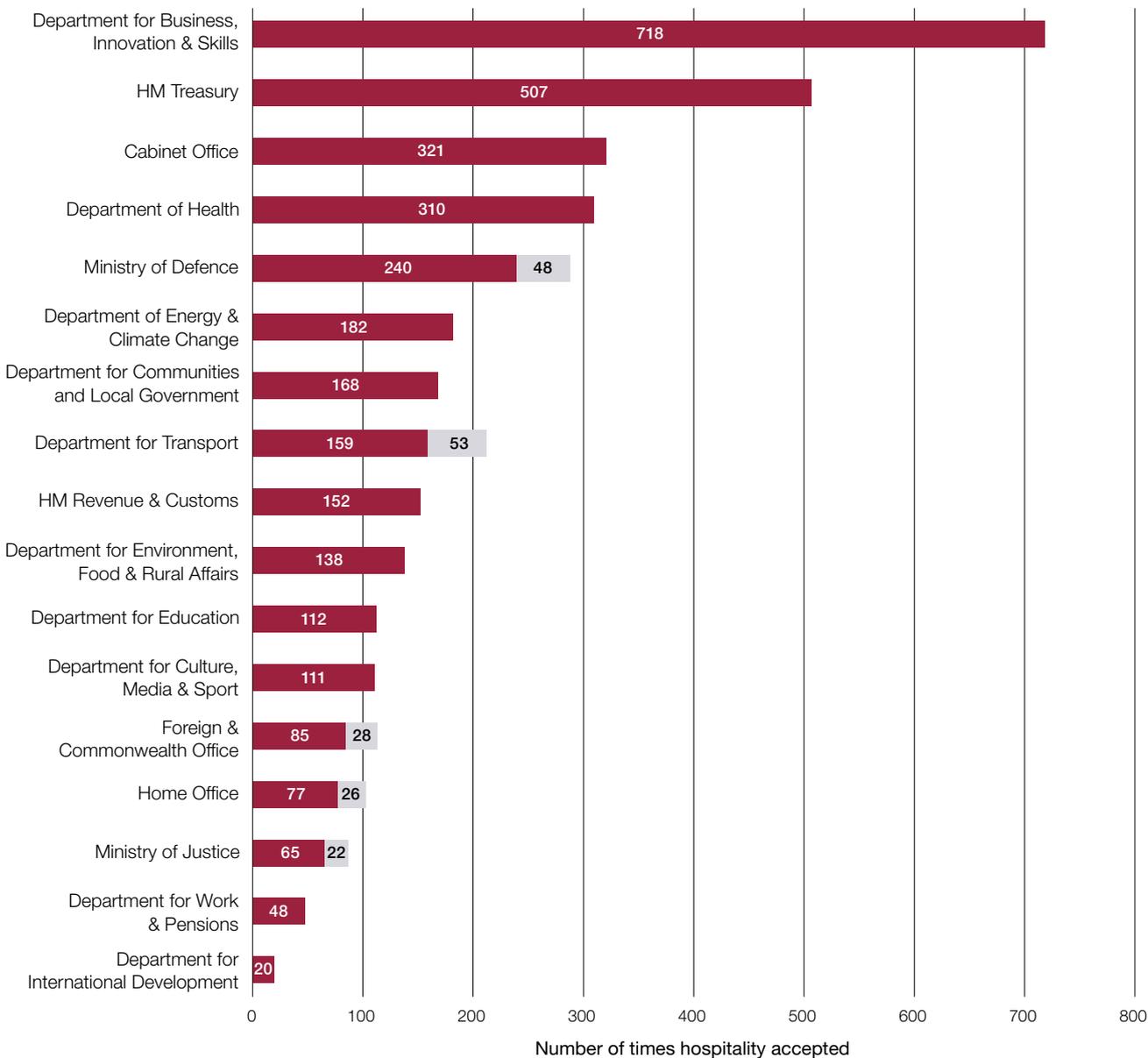
Types of hospitality

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

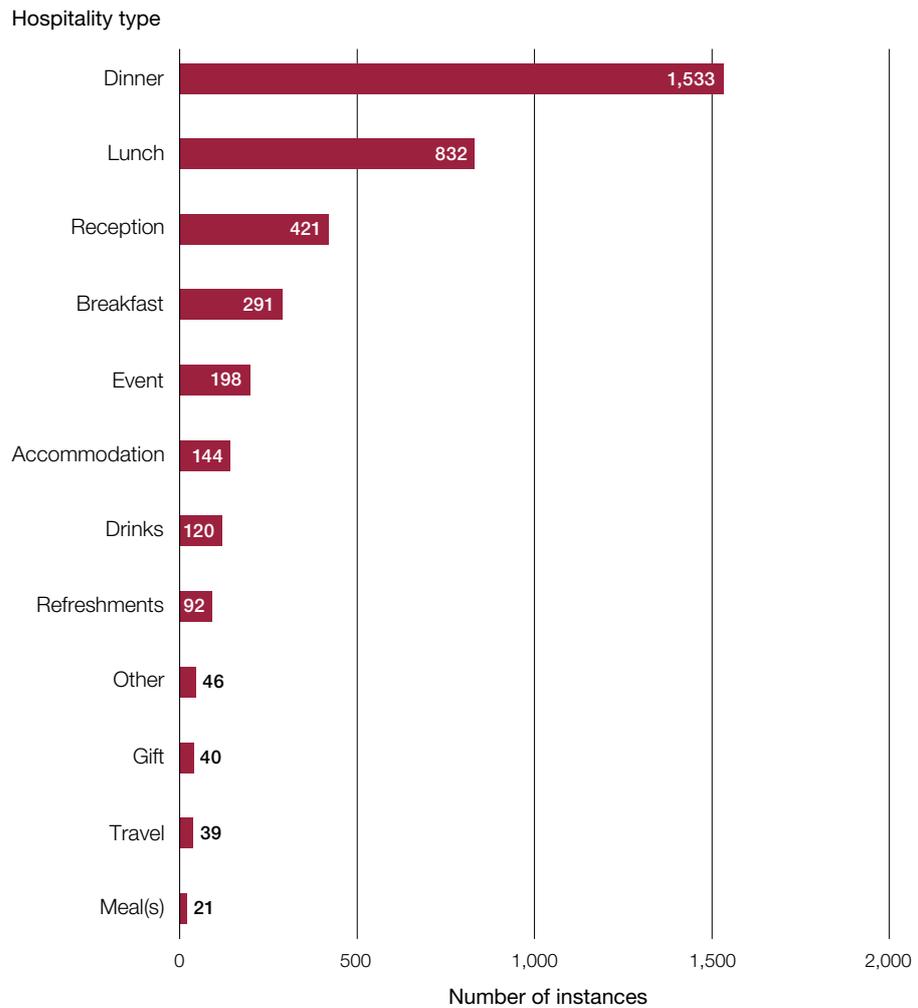
Notes

- 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:

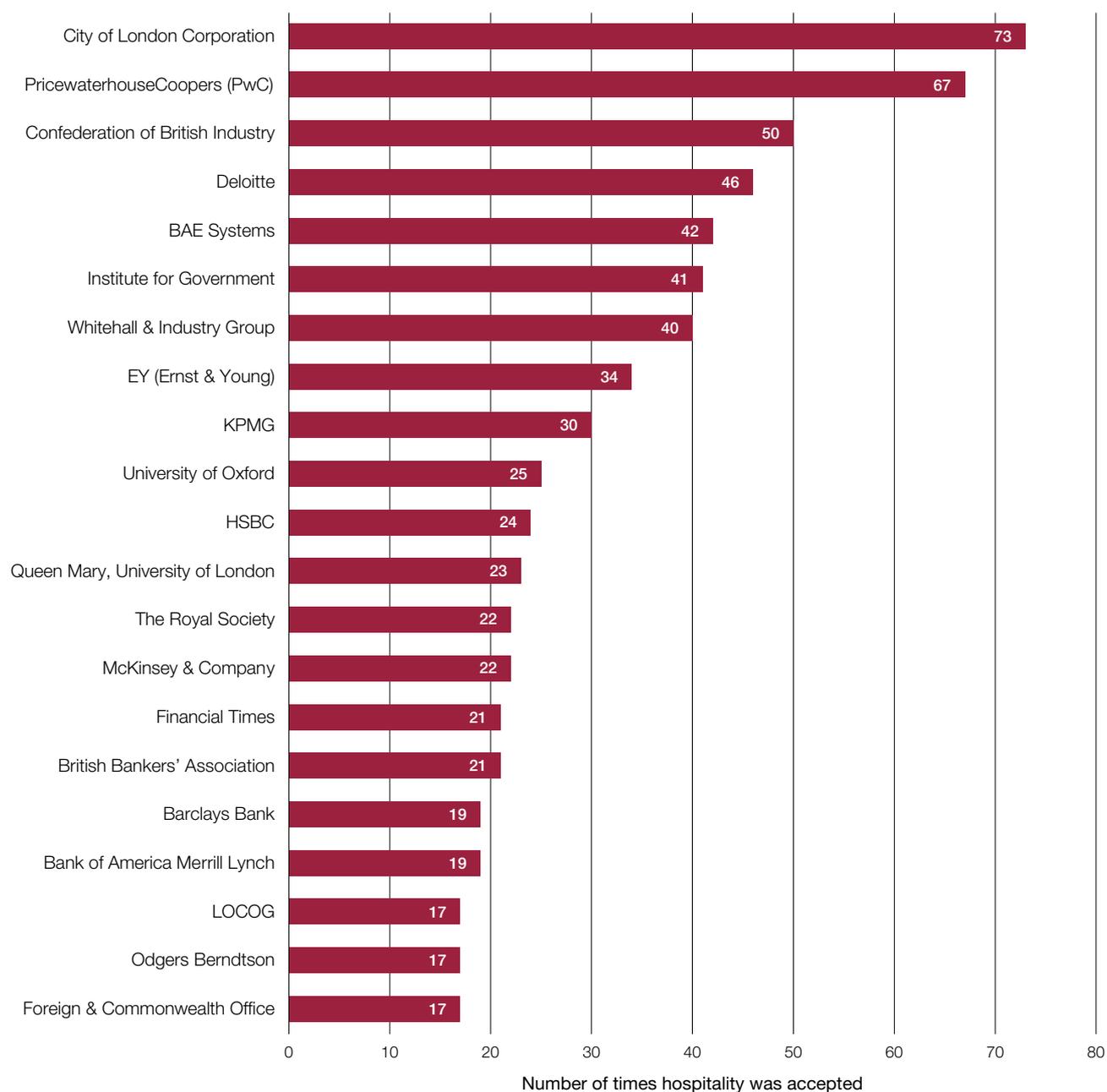
- The City of London Corporation (73 times between April 2012 and March 2015), with senior officials attending dinners hosted by the Lord Mayor or City of London Corporation 59 times;
- PwC (PricewaterhouseCoopers) (67 times, including 31 lunches and 32 dinners), a major contractor to government, provided 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.

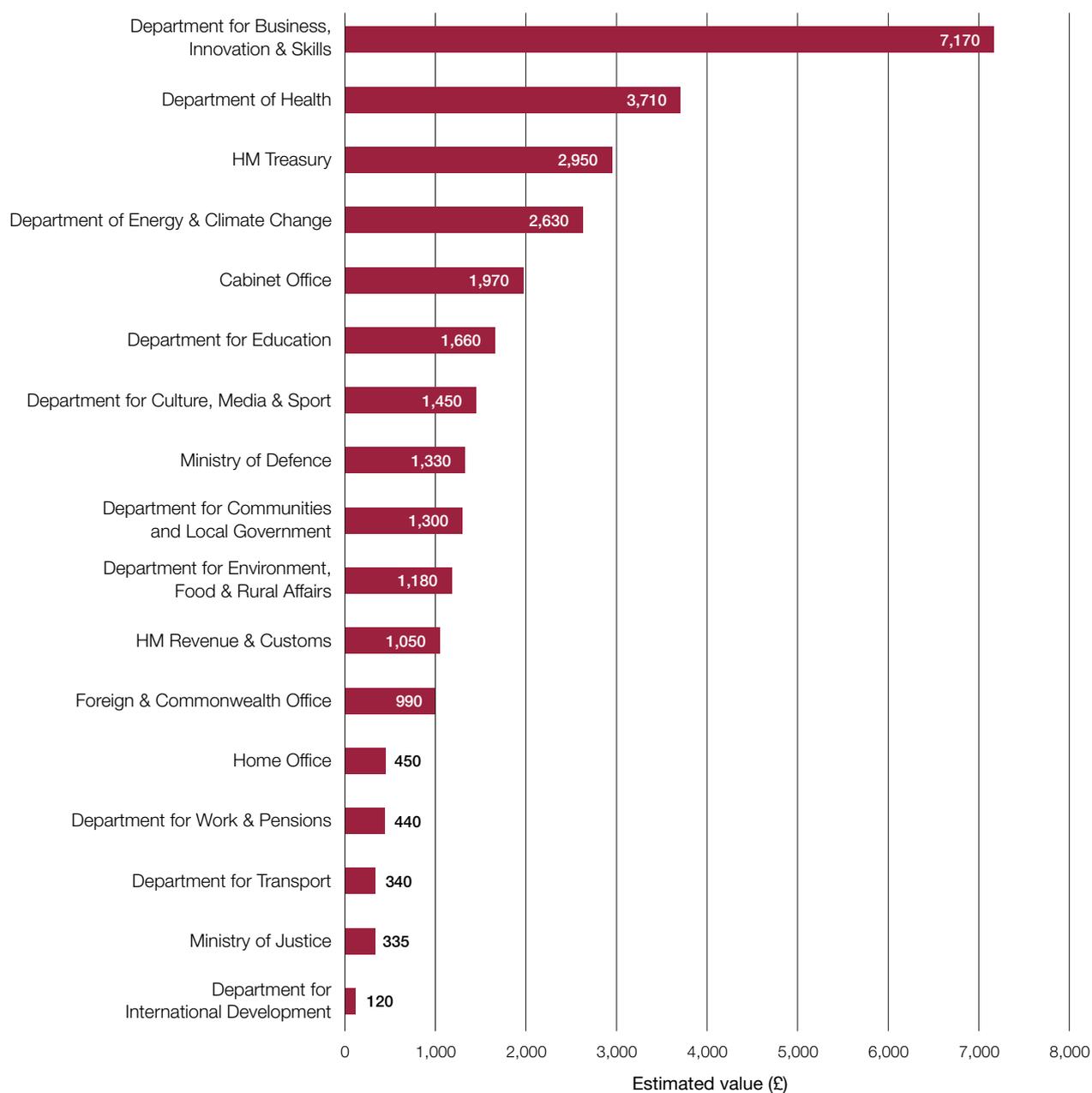
Proportionality

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 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.

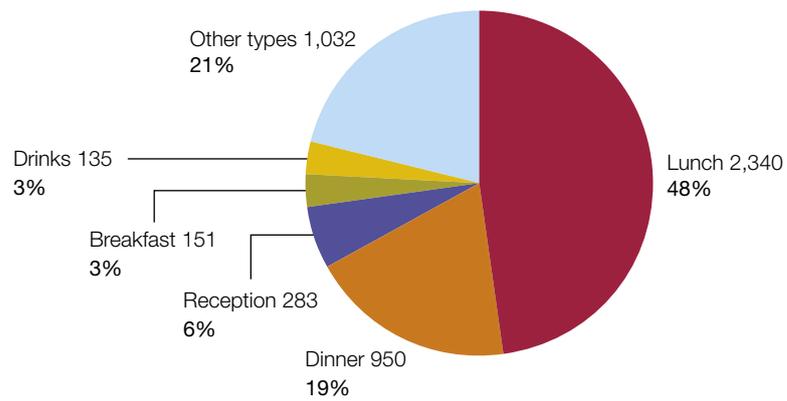
Figure 7

Types of hospitality accepted, April 2012 to March 2015

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

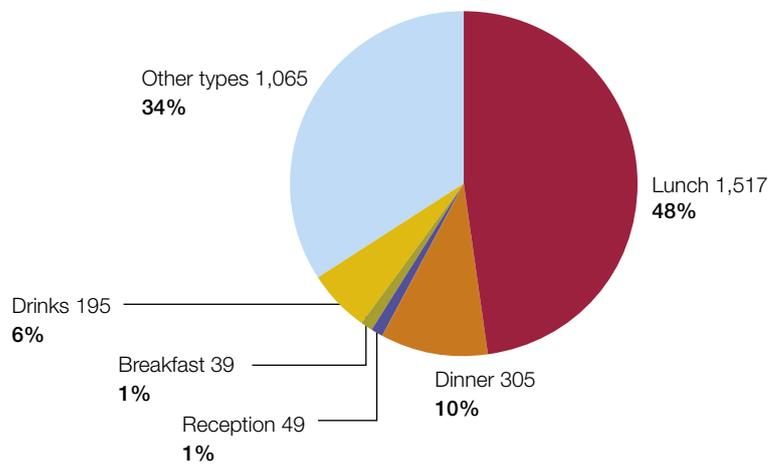
Proportion of the total accepted

Department for Business, Innovation & Skills



Total number of accepted instances 4,891

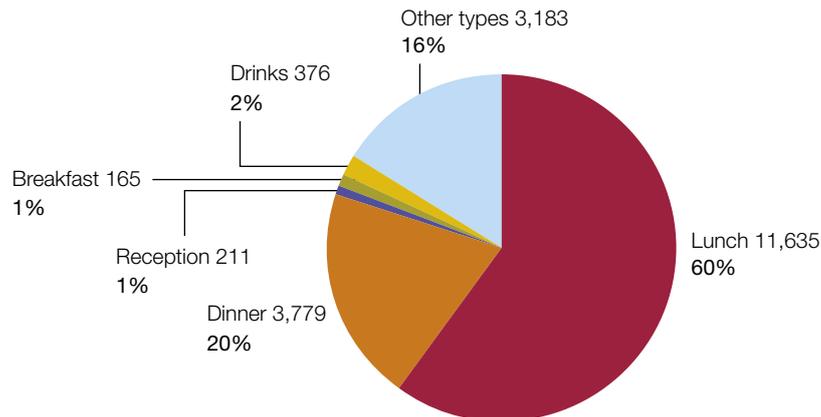
HM Revenue & Customs



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).

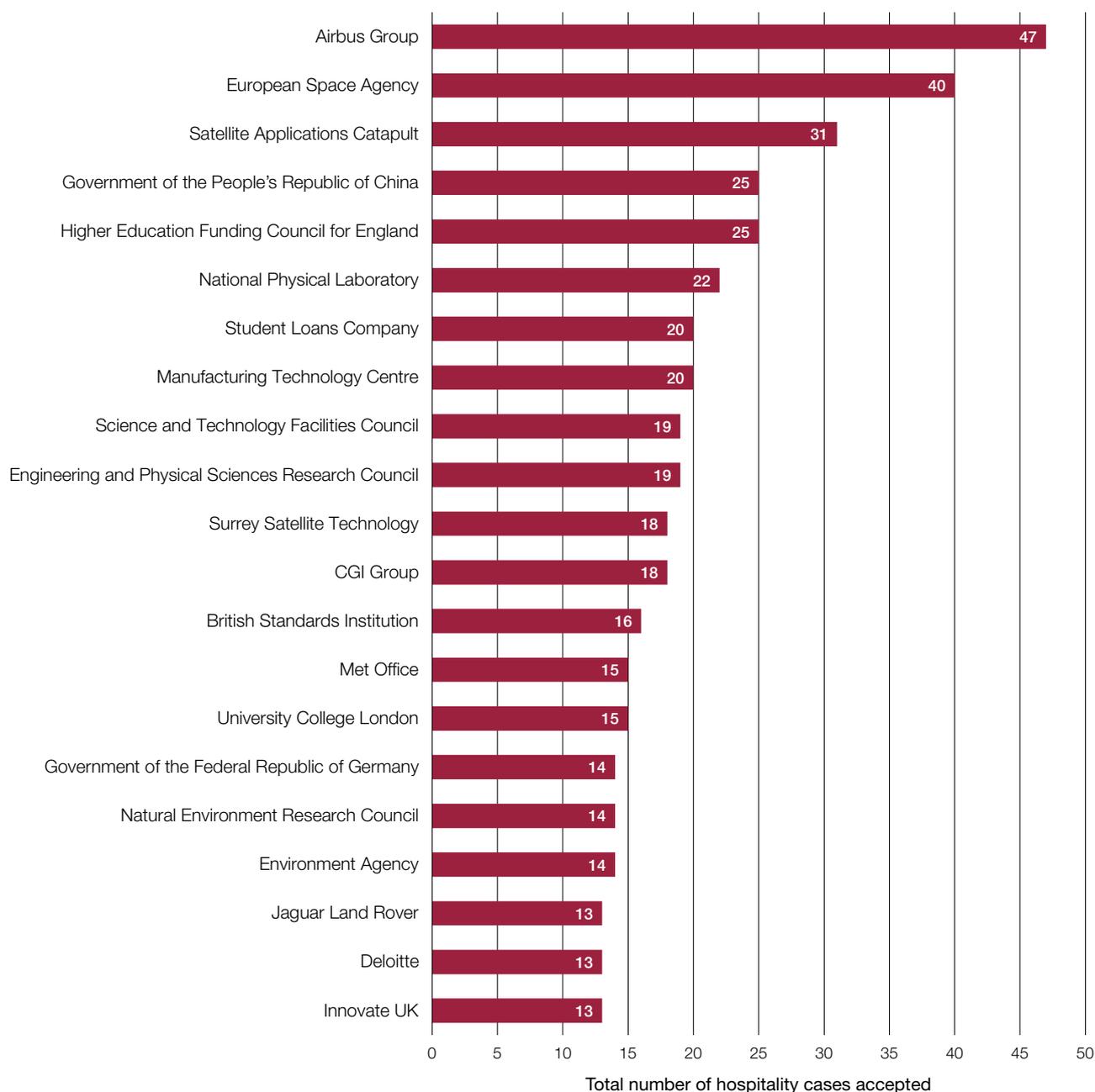
¹⁷ Comptroller and Auditor General, *Managing and replacing the Aspire contract*, Session 2014-15, HC 444, National Audit Office, July 2014.

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**

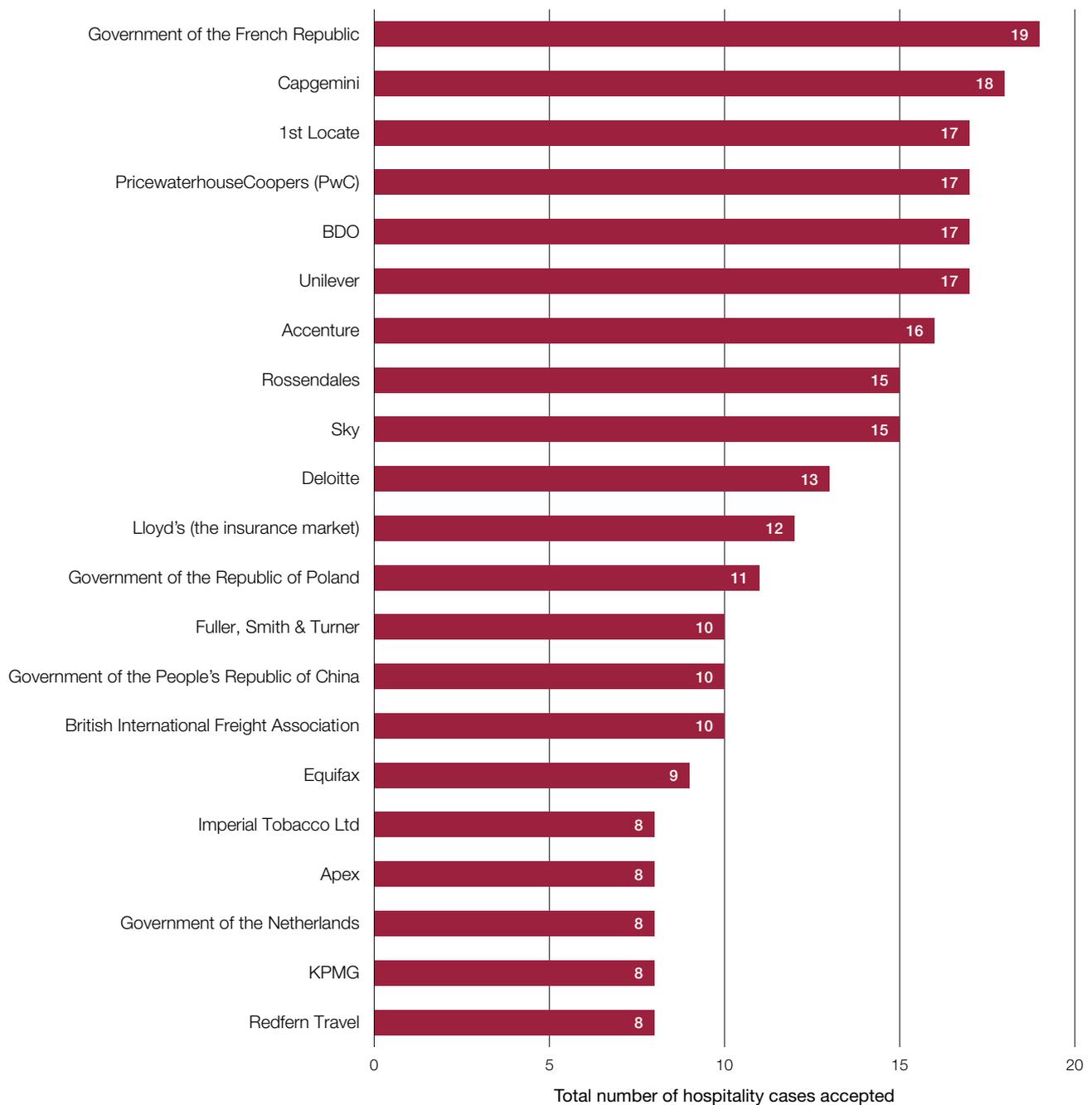
1 This analysis covers BIS core department, Intellectual Property Office, National Measurement Office, Shareholder Executive, Skills Funding Agency, and UK Space Agency.

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

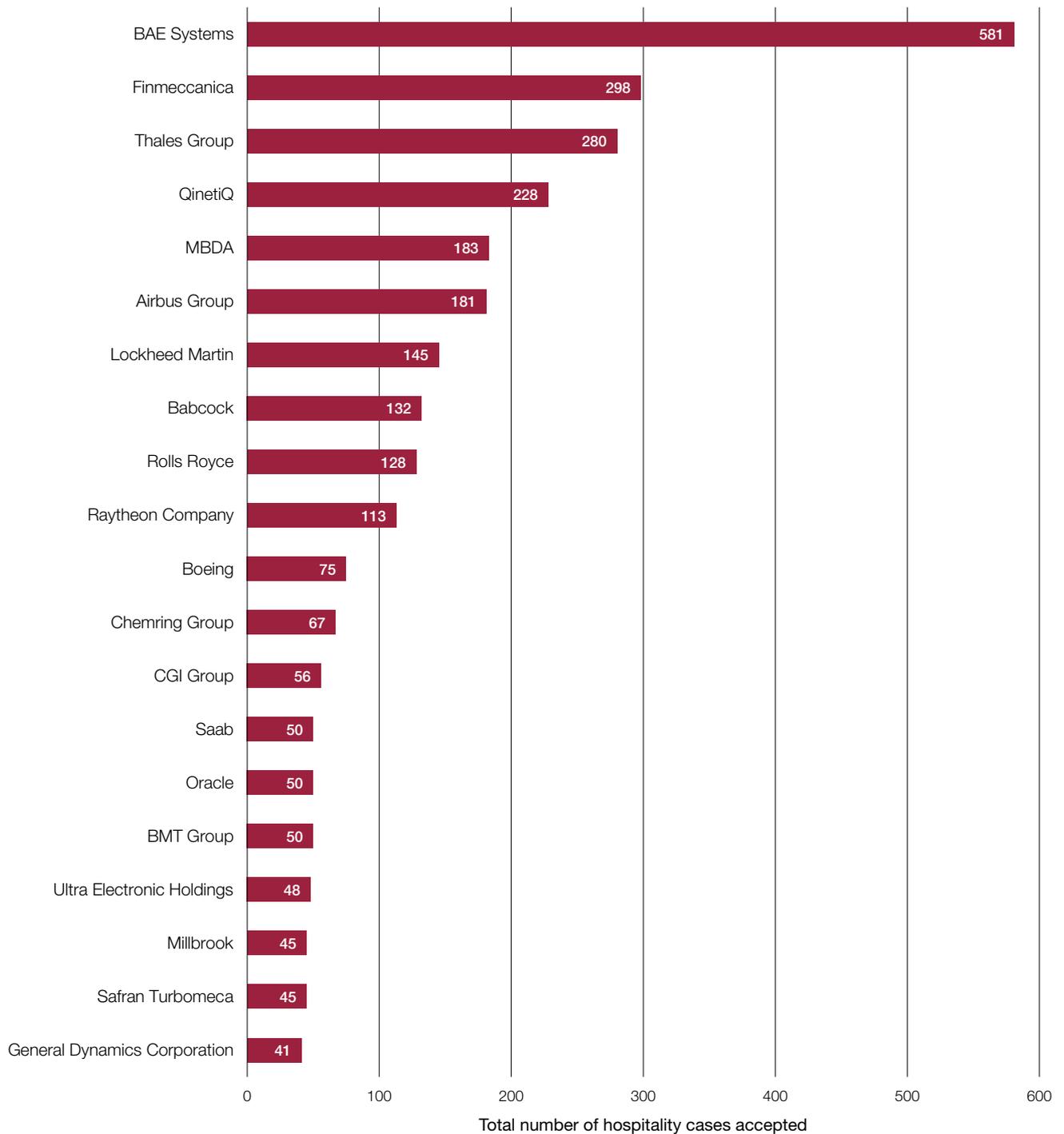
1 Does not include the Valuation Office Agency.

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'.

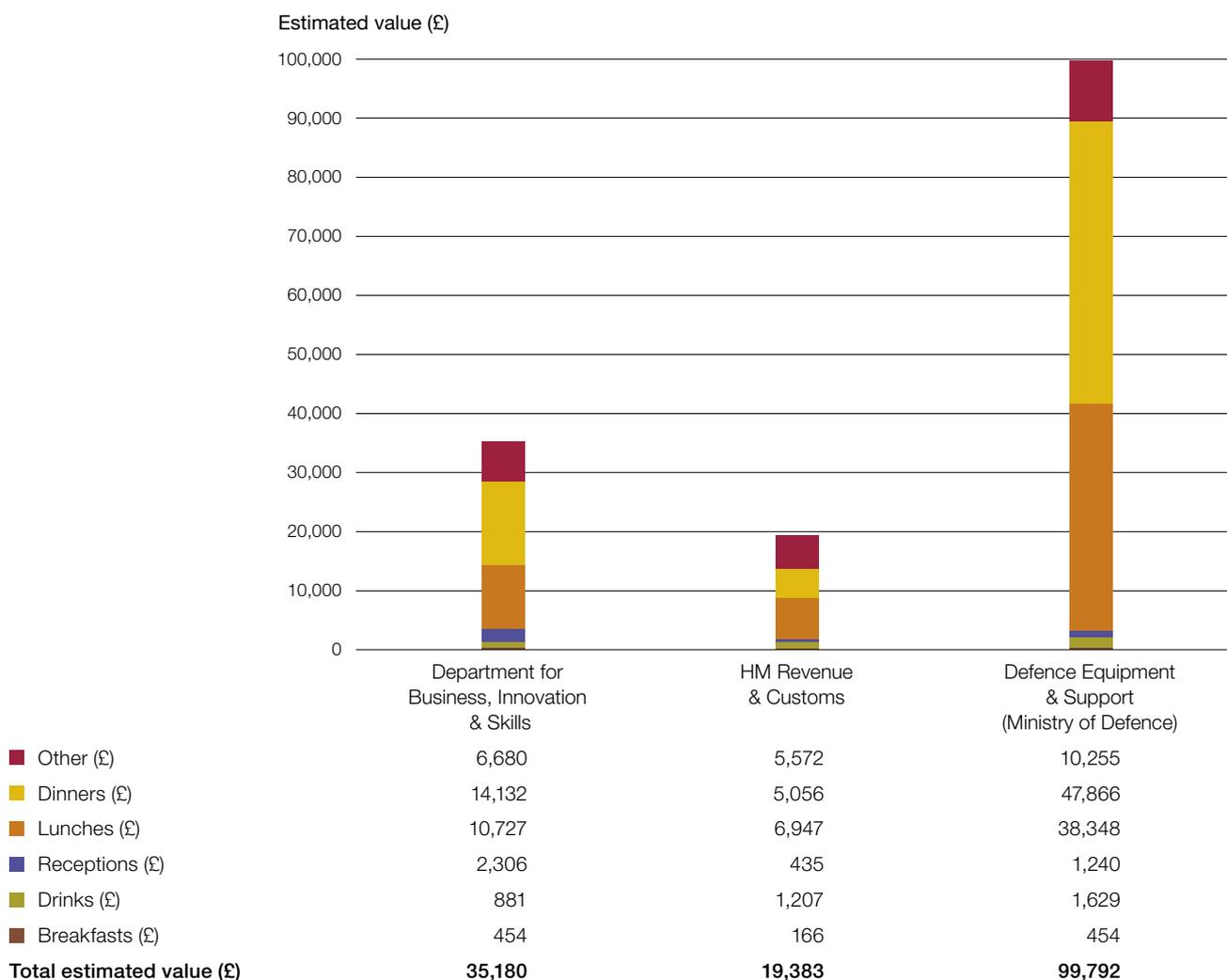
20 Department for Business, Innovation & Skills told us that while the register showed hospitality valued at £100, the individual did not in fact attend the concert.

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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