



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

Investigation: The Department's management of a potential conflict of interest

Our vision is to help the nation spend wisely.

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

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.21 billion in 2015.



National Audit Office

Department for Education

Investigation: The Department's management of a potential conflict of interest

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 25 October 2016

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

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

24 October 2016

Our investigation focuses on how the Department for Education identified and managed a potential conflict of interest between the Chief Social Worker for Children and Families and a company called Morning Lane Associates.

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.

© National Audit Office 2016

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.gsi.gov.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.

Contents

What this investigation is about 4

Summary 6

Part One

The Department's policy on managing conflicts of interest 10

Part Two

Appointing the Chief Social Worker 13

Part Three

Managing conflicts post-appointment 15

Appendix One

Our investigative approach 21

The National Audit Office study team consisted of:
Linda Mills and Sarah Perryman, under the direction of Ashley McDougall.

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

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

What this investigation is about

1 In September 2013, the Department for Education (the Department) appointed the first Chief Social Worker for Children and Families. Before joining the Department, the Chief Social Worker had been a director and shareholder in a company called Morning Lane Associates, a business that provides child protection and early intervention services, consultancy and training to local authorities.

2 The selection of the Chief Social Worker in April 2013 introduced potential conflicts of interest even though at that time Morning Lane Associates did not have any contracts with the Department. The potential conflicts introduced were:

- the possibility that the Chief Social Worker would benefit directly if she continued to own shares in Morning Lane Associates;
- the risk that the Chief Social Worker's actions might favour Morning Lane Associates inappropriately; and
- the risk that the Chief Social Worker's actions might give rise to a perception that her actions might benefit Morning Lane Associates inappropriately.

3 All of the above risks were for the Department to mitigate or manage. The Civil Service Code for senior civil servants sets the framework within which potential conflicts of interest can be managed. As the employer, the Department is also free to set any legal conditions of employment it considers appropriate.

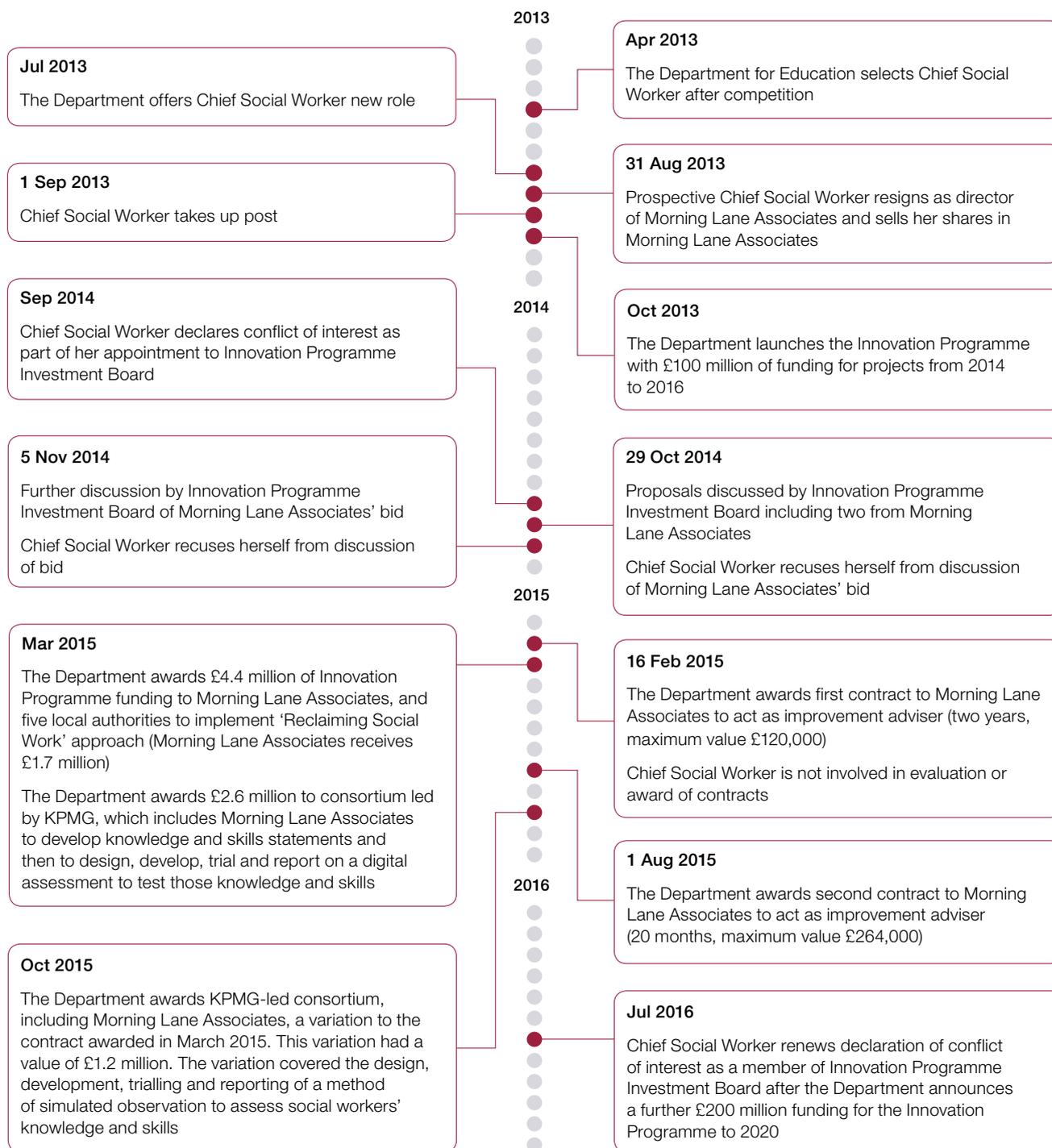
4 Since the Chief Social Worker was appointed, Morning Lane Associates has secured, either on its own or as part of a consortium, four contracts with the Department with a value of around £2.9 million.

5 In response to concerns raised with us we have examined:

- whether the Department managed the potential conflict of interest adequately when appointing the Chief Social Worker; and
- whether the Department managed the potential conflict adequately after appointing the Chief Social Worker.

6 Our investigation covered the period from April 2013, when the Department notified the prospective Chief Social Worker that she had been successful in the competition for the new role, until the end of September 2016. The key events are set out in **Figure 1**.

Figure 1
Timeline of key events covered by our investigation



Summary

Key findings

The Department's policy for managing conflicts of interest

1 The Department for Education (the Department) has guidance on conflicts of interest and what people need to do. The Department makes it clear that people must declare any potential conflicts of interest to their manager at the earliest opportunity. It requires all senior civil servants to record their interests and any occurrences of conflict as part of their annual Assurance Framework Record. They must also discuss the conflict and agree a proportionate response with their line manager, for example, divestment of financial interests, recusal from involvement in procurements or restriction of activity. Any agreed actions should be recorded in the individual's annual Assurance Framework Record (paragraphs 1.3, 1.9 and 1.10).

Appointing the Chief Social Worker

2 The Chief Social Worker was selected in April 2013 after a competition overseen by the Civil Service Commission. The 2011 Munro review on improving the child protection system called for the appointment of a Chief Social Worker for the government. After an initial unsuccessful competition, the post was split to cover children and adults separately. At the time she applied for the post the prospective Chief Social Worker was a director of Morning Lane Associates, a consultancy that supplied local authorities with training and support on children's social work. At that time, Morning Lane Associates did not have any contracts with the Department (paragraph 2.1).

3 The prospective Chief Social Worker stood down as a director of Morning Lane Associates and sold her shares in the organisation prior to taking up post. The Chief Social Worker told us that, upon being offered the role, she immediately stated her intention to sell her stake in Morning Lane Associates. There is no Departmental note which explicitly references the sale of shares, but the Department told us that it understood the share sale was discussed with the then Director General whose record of the conversation noted the importance of the Chief Social Worker being completely distanced from Morning Lane Associates. She subsequently stood down as a director of Morning Lane Associates and sold her shares in the organisation on 31 August, before taking up post on 1 September 2013 (paragraphs 2.2 and 2.4).

4 The Chief Social Worker's letter of appointment in July 2013 makes clear the need to adhere to the Civil Service Code, which includes the management of potential conflicts of interest. However, the Department has no record of agreed actions to manage any actual or perceived conflict of interest flowing from the Chief Social Worker's previous involvement with Morning Lane Associates. The Department required the Chief Social Worker to conduct herself in accordance with the provisions of the Civil Service Code (paragraphs 1.4 and 2.5).

Managing the potential conflict after appointment

5 The Chief Social Worker raised a potential conflict of interest when she was appointed to the Investment Board of the £100 million Innovation Programme in September 2014. The Department invited applications from the public and private sectors, and from not-for-profit and voluntary organisations to develop, test and spread more innovative and effective ways of supporting children and families who need help from children's social care services. The Innovation Programme had a budget of £100 million for 2014 to 2016 and the Department appointed the Chief Social Worker to the programme's Investment Board. On appointment to the Investment Board, the Chief Social Worker immediately raised the issue of a potential conflict of interest, should Morning Lane Associates bid for funding, which she defined as a close and personal relationship with the sole remaining director at Morning Lane Associates. The Chief Social Worker asked the Department for advice on how to manage the potential conflict. The Department advised that the potential conflict should be discussed with the Board Chair and registered in board minutes. The Chief Social Worker told us that she did discuss her situation with the Chair, but there is no record of the conflict being declared or how it should be managed in the initial meeting of the Investment Board (paragraphs 3.2, 3.4 and 3.5).

6 The Chief Social Worker recused herself from discussion of Morning Lane Associates' bid for the Innovation Programme on conflict of interest grounds. When the Investment Board considered a bid for a grant from Morning Lane Associates and five local authorities in October 2014 the minutes record the Chief Social Worker as recusing herself from the decision-making. The bid was not initially accepted, as more information was required. When the revised bid was considered in November 2014, the Chief Social Worker is again recorded as recusing herself from the discussion (paragraphs 3.7 and 3.8).

7 There is no evidence that the Chief Social Worker had any role in considering or approving the grant to the consortium which included Morning Lane Associates. However, there is no record of how the Chief Social Worker recused herself from decision-making for the Innovation Programme. The board minutes do not record, on either occasion that Morning Lane Associates' bid was discussed, whether she actually left the room at this point or just did not take part in the discussion. The Chief Social Worker and Departmental officials told us that she left the room and returned after the Morning Lane Associates discussion had finished. The Chief Social Worker did participate in the consideration of other bids for the cash-limited programme funding (paragraph 3.8).

8 In July 2016, the Department reminded the Chief Social Worker about declaring conflicts of interest when she was reappointed to the Innovation Programme Investment Board. Her letter of reappointment asked that she declare any personal or business interests, which might, or might be perceived to, influence her judgement in performing her functions. The Chief Social Worker recorded that she would need to declare a conflict of interest as she had done previously, as she had a close and personal relationship with the director of Morning Lane Associates (paragraphs 3.9 and 3.10).

9 The Chief Social Worker was not involved when the Department contracted with Morning Lane Associates to appoint it to a call-off contract as an expert adviser. In 2015, the Department appointed Morning Lane Associates to its call-off contract for expert advisers. The Chief Social Worker told us she was not involved in assessing or moderating bids under both rounds and the evidence we have seen supports this (paragraph 3.11).

10 There is no record of how the Chief Social Worker and Department determined in advance what action was appropriate to manage her potential conflict of interest in the process to procure a partner to run the assessment and accreditation scheme for social workers. The Department ran an open competition to select a third party to develop and test a system of assessment and accreditation for social workers. The tender document was clear that the proposed assessment system would need to command the confidence of the Chief Social Worker, Ministers, employers and professional bodies. The Chief Social Worker was originally due to chair the panel that assessed bids for the scheme. The Chief Social Worker's interaction with Morning Lane Associates was expected to be in line with the Civil Service Code, however there was no agreed protocol for any contact the Chief Social Worker should have with Morning Lane Associates, against the background of a declared conflict of interest (paragraphs 1.4, 2.5, 3.13 and 3.14).

11 The Chief Social Worker withdrew from the process of assessing bids for developing a 'proof of concept' social work assessment system once it became clear Morning Lane Associates were part of a bidding consortium. KPMG disclosed in its tender for this contract the relationship between the Director of Morning Lane Associates and the Chief Social Worker. Once it became clear in January 2015 that Morning Lane Associates were part of the bidding consortium led by KPMG to develop a 'proof of concept' social work assessment system, it was agreed that the Chief Social Worker should withdraw from the procurement process. The bid evaluation and interviewing process was led by Departmental officials with support from the Department's procurement and commercial experts and an external expert. The Department received three proposals but the proposal from KPMG with Morning Lane Associates was the highest scored proposal, assessed as 40% better than the next closest proposal. The KPMG proposal was given preferred bidder status, as the Department considered that it was the only viable bid, in February 2015 (paragraph 3.14).

12 The Chief Social Worker was involved in discussions about whether or not the successful bid would fully deliver what Ministers required. Once the competitive process was complete and the KPMG proposal was identified as the only bid the Department considered to be viable, the Chief Social Worker was invited to consider the proposal, having previously been excluded from the process. The Chief Social Worker and the Department told us that this course of action was taken to consider whether the winning bid would fully deliver what Ministers required and ensure that value for money was achieved and it was considered acceptable at the time for her to discuss the proposal with officials and the preferred bidder. The Chief Social Worker raised concerns about the proposal because it did not include an element of observation of social work practice. Officials organised a meeting with KPMG and Morning Lane Associates, which the Chief Social Worker also attended. Following this conversation, officials agreed with KPMG that it would commission an independent review of assessment approaches to determine whether an element of observation of social work practice was necessary (paragraphs 3.14 to 3.18).

13 Following the independent review of assessment approaches, the Department negotiated a contract extension to include an element of observed simulated practice in the assessment process. The original contract for £2.6 million, agreed in March 2015, increased to £3.8 million in October to incorporate the additional work. The Chief Social Worker played no role in contract negotiations. The Department told us that the decision to consult the Chief Social Worker after the competitive procurement process was taken in order to ensure the strongest possible assessment system and thereby ensure maximum value for money. It has also told us that it considers the results of the 'proof of concept' work show this was achieved. However, the Department recognises that alternative approaches might have been taken to more fully manage any perception of a conflict – for example, seeking the views of other social work practice leaders, rather than the Chief Social Worker, on the preferred bid (paragraphs 3.18, 3.19 and Figure 2).

14 There is no record that the Chief Social Worker had been asked to complete an Assurance Framework Record since her appointment in September 2013, despite this being the Department's policy. Under the Civil Service Management Code of Practice, all members of the senior civil service have to complete an annual return outlining any actual or perceived conflicts of interest. The Department told us that a review of Departmental records showed that as a result of an error a very small number of senior civil servants, without budget or management responsibilities were not asked to complete the relevant parts of an Assurance Framework Record. This included the Chief Social Worker and some policy advisors. The Department is taking action to collect assurances from all those involved, and will take further action to ensure this error does not recur (paragraphs 1.9, 2.5 and 3.20).

Part One

The Department's policy on managing conflicts of interest

What is a conflict of interest?

1.1 Our report on *Conflicts of interest* in 2015 outlined the importance of recognising and adequately managing conflicts of interest in the public sector.¹ We define a conflict of interest as a set of circumstances that creates a risk that an individual's ability to apply judgement or act in a role is, or could be, impaired or influenced by a secondary interest. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest. Conflicts might occur if individuals have, for example:

- a direct or indirect financial interest;
- non-financial or personal interests; or
- conflicts of loyalty that is where decision-makers have competing loyalties between an organisation they owe a primary duty to and some other person or entity.

1.2 Public procurement is particularly vulnerable to conflicts of interest. Selecting a contractor to provide supplies or services offers opportunities for personal and professional connections to influence choice. For example, someone could influence the tender procedure to allow a relative, friend or commercial or financial partner to increase their chances of success. They could leak information on the tendering procedure, bias the selection criteria or influence the final evaluation.

How conflicts of interest should be managed in government

1.3 There is high-level central government guidance on how to manage conflicts of interest. The Cabinet Office issues guidance and codes of conduct to outline principles and expected behaviour for civil servants, board members and accounting officers. This includes:

- the Committee on Standards in Public Life's 'Nolan principles';
- the Civil Service Code; and
- the Civil Service Management Code.

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

1.4 The Civil Service Management Code sets out principles and rules for departments on terms and conditions of service. It includes sections on standards and propriety, including a requirement for civil servants to disclose business interests. According to the Management Code:

- Civil servants must not misuse their official position or information acquired in the course of their official duties to further their private interests or those of others. Where a conflict of interest arises, civil servants must declare their interest to senior management so that senior management can determine how best to proceed; and
- Civil servants must not receive gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal judgement or integrity.

1.5 Departments are expected to develop and set up their own approaches to managing conflicts of interest. They should set out the standards of conduct they require of their staff and ensure these reflect the Civil Service Management Code and framework. They should also make everyone aware of what to do if they suspect a conflict, for example in a 'conflicts of interest policy'. Such a policy should require staff and contractors to declare routinely all private, personal and financial interests, usually on an annual basis.

1.6 Where conflicts are declared, the department should make sure that they are clearly recorded, for example in the minutes of meetings, including a record of the action taken to manage the conflict. There should be clear rules on abstention and withdrawal from decision-making when participating places an individual in a conflicted position. Options could include divestment, recusal, transfer or restriction of activity.

1.7 The system assumes that people will act honestly, volunteer information about conflicts and exclude themselves from decision-making where conflicts exist. However, departments should have appropriate checks and balances in place to reinforce compliance, particularly where the risk of conflicts of interest is high.

The Department's approach to managing conflicts of interest

1.8 We examined the Department for Education's (the Department's) approach to identifying and managing conflicts of interest and whether it:

- sets out the standards of conduct it requires of its staff and ensures that these reflect the Civil Service Management Code and framework;
- makes everyone aware of what to do if they suspect a conflict; and
- ensures that decision-making is efficient, transparent and fair.

1.9 We found that the Department has guidance on conflicts of interest and on what people should do. The guidance includes what people need to know about conflicts of interest; defines an interest; and sets out how different grades need to record interests. In particular the Department requires:

- Senior Civil Servants to record their interests and any occurrences of conflict as a part of their annual Assurance Framework Record.
- All staff to inform their line manager if they have a conflict of interest, to record the interest, and between them to decide on a proportionate response.

1.10 In addition, the Department sets out the standards it expects from academies in the Academies Financial Handbook. This includes guidance on how academies should deal with, and record, conflicts of interest including in the minutes of meetings. The minutes should explain what sort of conflict of interest it was; who it affected; an outline of the discussion; and how the board made a decision in the best interests of the academy.²

Part Two

Appointing the Chief Social Worker

2.1 The 2011 Munro review on improving the child protection system recommended that the government should create the role of Chief Social Worker for England for children and adults to advise Ministers on what they can do to assist social workers in improving practice. After an initial unsuccessful competition, the post was split to cover children and adults separately. The Department for Education (the Department) selected the Chief Social Worker for Children in April 2013 after a competition overseen by the Civil Service Commission. At the time she applied for the post the prospective Chief Social Worker was a director and shareholder in Morning Lane Associates. The company provided child protection and early intervention services, consultancy and training to local authorities, but did not have any contracts with the Department or any other government departments at that time.

2.2 Between April 2013 and September 2013 when the Chief Social Worker took up the post, we saw that the Department had discussed with her the issues of her association with Morning Lane Associates and the importance of disengaging fully from the company before taking up the new post. However, there was no evidence that this potential conflict of interest or any required action were formally noted. Records provided show that the Department considered it important that the prospective Chief Social Worker “is seen to be completely distanced” from Morning Lane Associates and that the time prior to her taking up post should be used “fully to disengage from Morning Lane Associates”. There is no Departmental note which explicitly references the sale of shares, but the Department told us that it understood the share sale was discussed with the then Director General whose record of the conversation noted the importance of the Chief Social Worker being completely distanced from Morning Lane Associates.

2.3 In July 2013, when the Department wrote to the prospective Chief Social Worker and formally offered her the role, it set out the need for her to conduct herself in accordance with the provisions of the Civil Service Code, and supplied her with a copy. The Department also drew her attention to its requirements governing the avoidance of conflicts of interest, the receipt of gifts and hospitality and the standards of conduct expected as set out in the Department's staff handbook.

2.4 The Chief Social Worker told us that, upon being offered the role, she immediately stated her intention to sell her stake in Morning Lane Associates. On 31 August 2013, the Chief Social Worker formally resigned as a director of Morning Lane Associates and sold her shares in the company to the sole remaining director. She took up post as Chief Social Worker on 1 September 2013.

2.5 We have seen no evidence that the Department or the Chief Social Worker formally recorded any potential conflict of interest at the time of her appointment. For example, the Department did not require her to complete an annual Assurance Framework Record. There is therefore no record at that time of how the Department expected the Chief Social Worker to manage the potential conflict flowing from her previous involvement with Morning Lane Associates. The Department continued to require the Chief Social Worker to conduct herself in accordance with the provisions of the Civil Service Code.

Part Three

Managing conflicts post-appointment

3.1 We examined how the Department for Education (the Department) has managed the Chief Social Worker's potential conflict of interest with Morning Lane Associates since her appointment in September 2013. **Figure 2** and **Figure 3** on page 16 set out details of the grants and contracts awarded to Morning Lane Associates and its partners by the Department since 2014.

Figure 2

Grants and contracts awarded by the Department to Morning Lane Associates and partners (2014-15 to 2016-17)

Morning Lane Associates has secured either directly, or as part of a consortium, four contracts with the Department

Programme	Contract	Value	Contract duration
The Children's Social Care Innovation Programme	Reclaiming Social Work	£4.4 million (See Figure 3 overleaf)	2014-15 to 2016-17
Assessment and Accreditation	Development of assessment and accreditation system for three new statuses in child and family social work	£3.8 million (of which Morning Lane Associates received some £530,000)	26 March 2015 to 31 May 2016
External Advisers	Improvement and Intervention Advisers' call-off contract	Maximum Contract Value: £120,000	16 February 2015 to 31 March 2017
	Children's Social Care Services Advice, Support and Challenge	Maximum Contract Value: £264,000	1 August 2015 to 31 March 2017

Source: Department for Education

Figure 3

Morning Lane Associates and partners – Innovation Programme grant funding

Organisation	2014-15	2015-16	Total
	(£)	(£)	
Morning Lane Associates	–	–	1,972,848
Buckinghamshire County Council	28,360	411,627	439,987
Derbyshire County Council	38,000	490,007	528,007
Kingston upon Hull City Council	38,000	490,007	528,007
London Borough of Harrow	47,168	472,206	519,374
London Borough of Southwark	28,000	411,507	439,507
Total	–	–	4,427,730

Note

1 The Innovation Programme re-opened for transitional funding for projects that had delayed starts or needed longer to evidence their outcomes. Morning Lane Associates applied for £180,000, and was awarded £45,000 to fund evaluation, but not the continuation of the project.

Source: Department for Education data

The Innovation Programme

3.2 In October 2013, the Department launched the Children's Social Care Innovation Programme. The Department invited applications from the public and private sectors, and from not-for-profit and voluntary organisations to develop, test and spread more innovative and effective ways of supporting children and families who need help from children's social care services. The programme had a budget of £100 million for 2014-15 and 2015-16. In reaching decisions on which projects to fund, the Department took the advice of the Programme's Investment Board. The Department's Ministers took the final decisions. The Department set up the Investment Board in spring 2014 and appointed an external Chair and other members to the board, including the Chief Social Worker. Members of the Innovation Programme Investment Board, including the Chief Social Worker, were asked in the 2 September appointment letters to declare any conflict of interest. Immediately upon appointment to this board, the Chief Social Worker raised with senior officials a conflict of interest should Morning Lane Associates bid as part of the Programme.

3.3 In July 2014, the Department received an initial bid from Morning Lane Associates requesting up to £4.4 million from the Innovation Programme. The bid was assessed by the Department's officials and its external delivery partner – Spring Consortium. Morning Lane Associates was shortlisted and invited to submit a full bid. Full bids were considered by the Investment Board.

3.4 The Department requires its staff to inform their line manager if they have a conflict of interest, to record the interest, and between them to decide on a proportionate response. The Chief Social Worker asked the Department for advice when accepting her position on the Investment Board as to how she should record her potential conflict of interest arising from her previous association with Morning Lane Associates and her personal relationship with the sole remaining director.

3.5 The Department advised that the potential conflict should be discussed with the board Chair and registered in board minutes. The Chief Social Worker told us that she did discuss her situation with the Chair, but there is no record of the conflict being declared or how it should be managed in the initial meeting of the Investment Board. However, minutes from the Investment Board meeting on 4 September 2014 show that board members were reminded that they must recuse themselves from any discussions of bids in which they might be deemed to have a personal interest.

3.6 The Department told us that since we started this work it now has a policy whereby conflicts of interest in relation to agenda items should be a standing item on the agenda of all Departmental committee, board and panel meetings.

3.7 The Investment Board considered a bid for Innovation Programme funding from Morning Lane Associates and five local authorities at a meeting on 9 October 2014. In advance of a decision being made by the board on whether to recommend funding of the Morning Lane Associates' bid, the Department's officials and the Investment Board agreed they needed more information from Morning Lane Associates. This information was provided to a meeting of the Investment Board on 5 November 2014. At this meeting, the Investment Board decided to recommend funding of up to £4.4 million for Morning Lane Associates' bid.

3.8 Minutes of both board meetings record the Chief Social Worker as recusing herself from discussion of the Morning Lane Associates' bid on conflict of interest grounds. However, the minutes do not record whether she actually left the room during the discussion or just did not take part. We did see from the minutes of the October meeting that the Chief Social Worker took part in the discussion of a bid from another organisation, not Morning Lane Associates, even though she had declared a conflict of interest. The Chief Social Worker and the Department's officials have told us that she left the room and returned when the discussion of the Morning Lane Associates' bid was over. There is no evidence that the Chief Social Worker had any role in considering or approving the grant to the consortium which included Morning Lane Associates.

3.9 In July 2016, the Department reappointed the Chief Social Worker to the Investment Board, following the Department's announcement of a second wave Innovation Programme. The letter of reappointment sent to the Chief Social Worker and other board members asked them to declare any personal or business interests which might, or might be perceived to, influence their judgement when performing their functions.

3.10 In response, the Chief Social Worker recorded that she would need to declare a conflict of interest, as she had done previously:

“In the event that Morning Lane Associates applies to the Innovation Board for funding, I would need to declare a conflict of interest, as I have done previously. Whilst I left Morning Lane Associates before taking up my appointment, and I have no financial interest in the company, I do have a close and personal relationship with the sole director of the Company.”

Expert advisers

3.11 In 2015, the Department appointed Morning Lane Associates to its call-off contract for expert advisers. The Chief Social Worker told us she was not involved in assessing or moderating bids under either round and the evidence we have seen supports this.

3.12 Morning Lane Associates was appointed to the call-off framework having had its bids assessed against the criteria, in line with all other bids made, and met the required standard. At the point at which suppliers were appointed to the framework, the Department was not awarding them work or incurring costs. To date the Department has paid Morning Lane Associates £92,880 for its intervention adviser work with the London Borough of Lambeth.

Assessment and accreditation of social workers

3.13 In November 2014, the Department advertised for a third party to develop knowledge and skills statements and then to design, develop, trial and report on a digital assessment to test those knowledge and skills. The procurement process was run by the Department's officials. The tender document made it clear that the proposed assessment system would need to 'command the confidence of the Chief Social Worker, Ministers, employers and professional bodies'. As the Chief Social Worker had developed a 'knowledge and skills' statement relating to Approved Child and Family Practitioners, which was to be tested, initially it was envisaged, and agreed with Ministers, that she would chair the assessment panel to select the strongest bid.

3.14 KPMG disclosed in its tender for this contract the relationship between the Director of Morning Lane Associates and the Chief Social Worker. Once it became clear in January 2015 that Morning Lane Associates were part of the bidding consortium led by KPMG to develop a 'proof of concept' social work assessment system, it was agreed that the Chief Social Worker should withdraw from the procurement process. The bid evaluation and interviewing process was instead led by the Department's officials with support from the Department's procurement and commercial experts and an external expert. The Department received three proposals, but the Chief Social Worker did not receive any of the bids. The proposal from KPMG with Morning Lane Associates and other organisations was the highest scored proposal, assessed as 40% better than the next closest proposal. The Department decided that the KPMG led consortium were therefore the preferred bidder – indeed the only viable bidder – and notified the consortium on 25 February 2015. At this point, a 10-day standstill period began. During this time bidders who had not been successful had the right to appeal, but the Department did not receive any challenge during this period.

3.15 During the standstill period, given that the preferred bidder had already been selected, the Department decided to share the preferred bid with the Chief Social Worker to get her expert view on whether the proposal was likely to fully meet the requirements to develop a valid and credible assessment system against the 'knowledge and skills' statements as required by Ministers. The Chief Social Worker and the Department told us that this course of action was taken to consider whether the winning bid would fully deliver what Ministers required and ensure that value for money was achieved and it was considered acceptable at the time for her to discuss the proposal with officials and the preferred bidder.

3.16 The Chief Social Worker raised concerns about the proposal because it did not include an element of observation of social work practice. Officials organised a meeting with KPMG and Morning Lane Associates, which the Chief Social Worker also attended. Following this meeting, officials agreed with KPMG to include in the bid the commissioning of an independent review of assessment approaches to determine whether an element of observation of social work practice was necessary. That review was subsequently undertaken by Research in Practice.

3.17 Following the meeting with KPMG, the Chief Social Worker considered that since she had now provided her expert view to the Department it was not appropriate for her to be involved in any further discussions. As a result of the meeting, the Department agreed with KPMG that it would include in the bid the commissioning of an independent review of assessment approaches to determine whether an element of observation of social work practice was necessary. This work was included in the contract signed in March 2015 for £2.6 million.

3.18 The independent review of assessment approaches was carried out by Research in Practice and completed in June 2014. The Department judged that the report supported the Chief Social Worker's view that simulated observation should also be tested as part of the piloting and proof of concept phase. This led to the Department negotiating with KPMG between July and October 2015 a methodology plan and contract extension to include simulated observation. The contract variation, for a value of £1.2 million, was agreed in October 2015. The Department and KPMG told us that the Chief Social Worker was not party to those contract negotiations.

3.19 The Department told us that the decision to consult the Chief Social Worker at the conclusion of the competitive process was taken in order to ensure the strongest possible assessment system and thereby ensure maximum value for money. It has also told us that the results of the 'proof of concept' work – which supports the case for observed practice – show this was achieved. However, the Department recognises that alternative approaches might have been taken to more fully manage any perception of a conflict – for example, seeking the views of other social work practice leaders, rather than the Chief Social Worker, on the preferred bid.

Recording conflicts of interest

3.20 Under the Civil Service Code, all members of the senior civil service have to complete an annual return outlining any actual or perceived conflicts of interest. As the Chief Social Worker is a Director at the Department she is a member of the senior civil service. The Department requires all of its senior civil servants to record their interests and any occurrences of conflict every year as part of their Assurance Framework Record. The Department told us that a review of Departmental records showed that as a result of an error a very small number of senior civil servants, without budget or management responsibilities were not asked to complete the relevant parts of an Assurance Framework Record. This included the Chief Social Worker and some policy advisors. The Department is taking action to collect assurances from all those involved, and will take further action to ensure this error does not recur.

Appendix One

Our investigative approach

Scope

- 1 We conducted an investigation into three specific concerns. These were:
 - the possibility that the Chief Social Worker would benefit directly if she continued to own shares in Morning Lane Associates;
 - the risk that the Chief Social Worker's actions might favour Morning Lane Associates inappropriately; and
 - the risk that the Chief Social Worker's actions might give rise to a perception that her actions might benefit Morning Lane Associates inappropriately.
- 2 Our investigation covers the period from April 2013, when the Department for Education (the Department) selected the prospective Chief Social Worker that she had been successful in the competition for a new Chief Social Worker, until the end of September 2016.

Methods

- 3 In examining these issues, we drew on a variety of evidence sources. We liaised closely with the Department as the main department responsible for managing this potential conflict of interest.
- 4 We interviewed key individuals and reviewed procurement information and documents. This included internal briefings and correspondence with the Chief Social Worker including evidence of her resignation and share divestment from Morning Lane Associates.
- 5 We also reviewed central government guidance and good practice in this area including:
 - the Committee on Standards in Public Life's 'Nolan principles';
 - the Civil Service Code; and
 - the Civil Service Management Code.

This report has been printed on Evolution Digital Satin and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation, which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.



National Audit Office

Design and Production by NAO External Relations
DP Ref: 11298-001

£10.00

ISBN 978-1-78604-086-2



9 781786 040862
