



Management Support Unit (MSU)



Information sheet 14: Managing Conflicts of Interest

Introduction

This information sheet explores some of the issues relating to conflicts of interest that non governmental organisations (NGOs) are likely to encounter. Policies and procedures for identifying and dealing effectively with conflicts of interest are an important part of developing 'ethical intelligence' within the human services sector.

This information sheet aims to assist Board members and paid workers to deal with a range of issues that may present as a potential conflict of interest. It also includes a process for dealing with potential conflicts of interest, using a working example of a conflict of interest policy.

Clearly, as an 'ethical' issue there is a strong relationship between conflict of interest issues and more general legal and technical obligations that NGO Board members, managers and staff have in relation to governance, due diligence and responsibilities to stakeholders, particularly service users / consumers,

Definition

In general, a conflict of interest can be said to arise if it is likely that a Board member, or staff member could be biased or influenced by their other interests (private, personal or professional), or that a reasonable person would believe that the person could be influenced. The policy principle underpinning this is that all staff, volunteers and Board members of an NGO have a duty to avoid situations of potential conflict of interest.

For Example...

If you were a Board member for an NGO, potential conflicts of interest **would include things like:**

- Renting a building or buying materials or services from your family or private company on behalf of your NGO
- Being employed by a funding body which provides grants to your NGO

- Being employed by or involved in the management of another organisation which compete for funds (from the same funding body) or representation of the same target group as your NGO
- Having an association with another body, e.g. a local council whose decisions may affect your NGO. You might represent your NGO on the council or another body and raise other matters for the body you are representing in another capacity rather than solely representing only the interests of your NGO in that forum
- You may visit a politician, or attend a public meeting with a department official; representing another body with ideas or platforms which are unknown to, or contentious, or not agreed to, or oppositional to the views of your NGO when your profile is well known and associated with your NGO and its business;
- You may have or enact plans for a project, committee or sub-group within your NGO which is at odds with, or cannot be resourced by or in agreement with the plans, resources or the interests of your NGO as a whole;
- You may be on a committee which refers clients to private or other services in areas under the mandate of your NGO
- You may participate in making direct decisions which might benefit you personally e.g. by selling a property

If you were a staff member or volunteer for an NGO, examples of potential conflict of interest could include

- Accepting financial contracts with suppliers who are relatives or close friends;
- Accepting freelance consultation work when you are employed by an NGO;
- Assisting your NGO in writing policy as an employee and providing consultancy to another similar organisation as if to pass on the intellectual property of your NGO without obtaining consent of the Board to do so;
- Providing consultancy services to a similar organisation or to a potential client of your NGO at no charge (i.e. for some other personal gain unrelated to the interests of your NGO where it has no policy of collaboration, partnership, membership or joint venture with that other organisation;
- Being on the Board of another organisation of which your NGO is a client or partner – and not having the consent of the Board to represent your NGO in this capacity;
- Representing your NGO formally on another committee and taking part in decisions of vital interest to it without reporting back to the Board;
- Gaining private contracts for financial gain through knowledge, training and contracts gained through your employment with an NGO.

It would be reasonable for an NGO to expect its Board and staff members to be mindful of potential conflicts of interest, and declare a conflict of interest before it arises. Appropriate action can then be taken in consultation with supervisor and management, or Board colleagues. For instance, a staff member may need to withdraw from a particular selection panel or committee where their participation presents a conflict of interest. A Board member will usually be expected to withdraw from a particular selection panel or lobbying delegation, or absent him/herself from discussion about particular issues if it presents a conflict of interest. Minutes of the meeting should note the conflict of interest, and the relevant minutes are not to be forwarded to the member who has absented him/herself.

As a result, it would be reasonable (and good practice) for an NGO to expect that all new Board and staff members declare their involvement in external activities related to its work when they are employed, and discuss and plan with their supervisor how any potential conflicts of interest can be managed. For instance, appropriate procedures to support these principles at a Board level would include those in *Box 1: Procedures for Identifying and Managing Conflicts of Interest*.

Box 1 : Procedures for Identifying and Managing Conflicts of Interest

1. All Board members and workers will declare any potential conflicts of interest that may arise, at the next Board meeting or when that person becomes aware of the potential conflict of interest
2. All declarations of potential conflicts of interest will be recorded in the minutes of each meeting
3. The Board will examine each potential conflict of interest on its merits and assess the possible risk factors. The Board may then implement contingency plans or arrangements for dealing with each particular circumstance.
4. Board members will abstain from voting or deciding on any question where that person's interests conflict with the decision at hand
5. Any person with an agreed conflict of interest may be asked to leave the meeting during discussion and decisions where such an important conflict of interest may influence decisions to be made
6. The Board will grant leave of absence for a person from the Board for the times in which the decisions where such an important conflict of interest may influence decisions (positively or negatively) to be made
7. The Board will respond to any complaints made to the Board (or Director in the case of conflict for staff), which assert that they have ignored conflicts of interest. The critics will be informed of the decision and reason in writing within x days

8. Where conflicts of interest are not declared by staff or continued once declared and determined as in appropriate, the Director will ensure that the Disciplinary Procedure will be followed
9. Where the disciplinary process is implemented to a conflict of interest, the chairperson of the Board will be advised, consulted and involved as needed

Keeping it Real: *Box 2 below contains a sample declaration that could be used when new Board members, staff and volunteers are inducted.*

Box 2: Sample declaration pro-forma

*This*NGO requests that the standard of behaviour of all Board members, volunteers and staff carefully avoid conflicts of interest. This includes avoiding potential and actual conflicts of interest as well as perceptions of conflicts of interest

I understand that the Conflict of Interest Statement is vital to the reputation and integrity of the organisation, its Board members, volunteers and staff. As such, before and on election, in matters of hiring and appointment, I will make a full, written disclosure of any interests, relationships, and holdings that could **potentially** result in a conflict of interest.

During meetings or any other activity, I will disclose any personal interests in a decision, including those that affect my family or close friends, employer or close associates. I accept that after disclosure, I will be asked to either leave the room and/ or refrain from any discussion on the matter or any vote taken.

I accept that any disclosure will be kept on file and will be updated regularly and I understand and whdly support this policy and will respect its intention in the interests of the organisation.

Signed:.....Date:.....

Other Resources

Relevant resources available from the Management Support Unit (MSU)

- **MSU Information Sheet No 2** Board Code of Conduct
- **MSU Information Sheet No 3** Roles and Responsibilities of office bearers and general members of Boards of Management of Incorporated Associations
- **MSU Information Sheet No 4** A Code of Conduct for Executive Officers of Voluntary Organisations
- **MSU Information Sheet No 6** Ensuring a productive relationship between Board Members and the Executive Officer
- **MSU Information Sheet No 7** Qualities for Good Leadership
- **MSU Information Sheet No 12** Board Performance, Monitoring and Adopting Standards
- **MSU Information Sheet No 13** Ethical Decision Making

If you have any suggestions about how this information sheet can be improved for the benefit of NGOs in the human services sector please contact the management support unit at msu@ncoss.org.au.

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