

CONFLICT OF INTEREST & GOVERNANCE

Conflict of interest refers to a conflict or the appearance of conflict between the private & personal interests and the official responsibilities of a person in a position of trust. Conflict of interest relates broadly to ethical behavior, which includes legal issues and considerations in every aspect of governance.

Conflict of Interest exists in the context of the best interests of the organisation.

There is certainly potential for board members to be at odds with the best interest of the organisation. Board members are likely to be affiliated with other organisations in their communities, both on a professional and personal basis, so it is not unusual for actual or potential conflict of interest to arise.

Trustees are bound to serve the interests of the organisation over their own personal interests. The board should be seen as making decisions that are based on a fair process. Organisations serve the broad public / community good and trustees must exercise reasonable care in their oversight of the organisation or they are not living up to their public / community trust. In addition, trustees have a legal responsibility to ensure the prudent management of the organisations resources, therefore a breach of their fiduciary duties can place a trustee in a position of personal liability for conflict of interest. This places them in a vulnerable position to legal challenges and public misunderstanding, along with loss of public confidence and damaged reputation.

CONFLICT OF INTEREST MAY ARISE, WHEN:

- The board's decision could lead to employment for a board or family member
- A board member stands to gain financially from any business dealings, program's or services provided to the organisation.
- Information provided to the board in confidence might give an advantage to your business if they decide to seek a contract with that organisation or make some financial gain.
- A trustee serves on two boards in the community and finds they are seeking funding for both boards from the same grant maker.

CERTAIN TRANSACTIONS ARE ACCEPTABLE WHEN:

- They benefit the organisation and the decisions are made in an objective and informed manner.

METHODS OF PREVENTING AND MANAGING CONFLICT OF INTEREST:

- Develop a conflict of interest policy.
- Establish checks and balances to circumvent actual or potential conflict of interest
- If a board member offers their services to that organisation or seeks a contract, they should:
 - Contribute their services voluntarily.
 - Declare a conflict of interest and abstain from discussions and the agreement / voting process when the board is seeking this type of expertise.

CONFLICT OF INTEREST POLICY EXAMPLE

POLICY

The purpose of the Conflict of Interest policy is to ensure that decisions made for an organisation are made in the interest of the organisation when contemplating entering into a transaction, contract or arrangement that might benefit the private or personal interest of a board member. A board member may not use their position to obtain information in order to achieve financial benefit for themselves or another close family member or friend or for another community organisation. The family of any individual shall include anyone related by blood, marriage or domestic partnership. Board members shall act at all times in the best interests of this organisation. No board members shall directly or indirectly receive any profit from his or her position. Any financial interest must be disclosed. A person has a financial interest if the person has directly or indirectly, through business, investment or family an existing or potential investment in any entity with which the organisation has a transaction, contract or other arrangement.

All disclosure and declaration of conflict of interest must be recorded in the meetings of the minutes of the meeting.

THERE MAY BE POTENTIAL FOR CONFLICT OF INTEREST WHEN:

- A board member is related to a staff or board member by blood, marriage or domestic partnership
- A board member stands to benefit from an organisational transaction
- A board member involved with another organisation receives grant funding from this organisation
- A board member is a governing member or grant maker to this organisation
- A board member is considering employment with the organisation

Sources:

www.boardsource.org

www.governance.tpk.nz



**COMMUNITY
WAIKATO**

"Unearthing the wisdom"

Hurahia te whakaaronui

33 Victoria Street, P O Box 391, Hamilton 3204.

Ph: 07 838 1583 Fax: 07 957 1981

www.communitywaikato.org.nz