

Guidance Note

Managing conflicts of interest

Purpose of this guidance note

This guidance note provides advice on conflicts of interest and how these should be managed by organisations registered with us.

Introduction

To demonstrate that an organisation is meeting the governance Performance Standards and maintaining high standards of probity, it needs to have in place policies for managing conflicts of interest. In addition, applicants are expected to declare any conflicts of interest when they complete the Application Form.

Once an organisation is registered, we also review its Board minutes as part of annual monitoring to ensure that any conflicts are recorded, and put before the Board regularly for consideration.

What is a conflict of interest?

A conflict of interest arises if someone's interests or obligations conflict, or are perceived to conflict, with their professional responsibilities. It means their independence, objectivity or impartiality may be called into question.

The conflict of interest can already exist, be about to exist, or could happen sometime in the future. It may also be a perceived conflict – where other people might reasonably think that a person or organisation has been compromised.

Some conflicts of interest may be unavoidable, and it is important they are effectively managed for all parties.

There are high expectations placed on Class 1 Social Landlords, not only because these organisations are housing some of the community's most vulnerable people, but for

some organisations, these housing activities are partly funded by the taxpayer.

Examples of conflicts of interest

There are many situations in which conflicts can arise. Some of the most common examples are:

- a Board member or employee could benefit financially from a contract or work awarded by the organisation (e.g. they hold an ownership interest in a company that is awarded a contract)
- situations arising from secondary employment or other appointments, e.g. a Board member holding a position on two separate Boards where the interests of those organisations may overlap
- a Board member or employee has a close relationship with another person (e.g. a spouse, partner, family/whānau member, neighbour or friend) who could potentially influence that Board member or employee in some way that conflicts with their work responsibilities
- a Board member or employee is in a position where they could provide, or be perceived as able to provide, an undue advantage or benefit to an individual or an organisation.

How to manage conflicts of interest

The following are some strategies we would expect an organisation to implement to manage identified conflicts:

- have effective policies for disclosure and management of conflicts of interest and ensure Board members and staff are aware of them
- Board members and employees declare any interests or conflicts at key times, i.e. during the appointment process, as a

standing agenda item for the Board to consider, or at the beginning of meetings etc.

- maintain and regularly review a dedicated Conflict of Interest Register
- discuss and record conflicts at Board meetings, minute these discussions along with what steps are taken to manage them
- restrict the conflicted person's involvement in matters that relate to the conflict, e.g. reassign certain aspects of their tasks, ask them to stand aside from discussions or voting, or prohibit them from signing documents relating to matters in which they have a pecuniary interest
- if necessary, bring an independent person in to check or verify the process for managing the conflict
- where necessary, ensure the interest which has created the conflict is removed, or proceed in a different way to remove the conflict
- in serious cases, require the person with the conflict to step down if it cannot be satisfactorily managed/resolved.

Conflict of interest policy

When we evaluate an organisation's Conflict of Interest policy, we look to see if protections are in place to ensure:

- decisions are made in the best interest of the organisation, particularly when it enters into contracts or arrangements that could potentially benefit the private interests of a Board member or employee
- the Board and employees act in the best interests of your organisation at all times
- Board members and employees do not use their position to gain undue financial advantage
- all financial interests are disclosed

- Board members or employees do not use information obtained from their position to *inappropriately* receive a financial benefit either for themselves or a family/whānau member
- there are links to disciplinary policies/procedures, so that Board members and employees are aware of the possible repercussions of failing to declare a potential/actual conflict.

Conflicts of Interest Register

We would expect a Conflict of Interest Register to contain the following information:

- the Board member or employee affected
- a description of the conflict
- the date the conflict is disclosed
- how the conflict is being managed to ensure decisions are made in the best interests of the organisation, including links to the risk register if necessary
- how often the conflict is reviewed.

Further information

There is a lot of information available to help providers identify and manage conflicts of interest. Helpful websites include the [Office of the Auditor General](#), [Charities Services](#) and the [Institute of Directors](#).

If you have any concerns or questions related to whether your organisation's management of conflicts of interest is compliant with the Performance Standards, please contact us at chra@hud.govt.nz