

GUIDE: How to use a conflict of interest register

This guide is designed to help you and your charity identify and record conflicts of interest in your charity. It is intended to be used with the following template:

- **Interest Register** – this is to allow you to keep a running document of all ongoing conflicts or potential conflicts in your charity.

The purpose of using this guide is to reduce risk and increase transparency for charities. It is aimed at small to medium charities that do not have complex financial arrangements¹ however, this may also help larger and more complex charities begin a conversation on conflicts of interest.

What is a conflict of interest?

A conflict of interest is any situation where a person's personal interest or loyalties could affect their ability to make a decision in the best interest of the charity. It is common for conflicts of interest to occur in charities of all types and sizes, particularly where people are related by blood, marriage, or domestic partnership.

Key decision makers, particularly officers of registered charities, should be especially mindful of their conflicts. Best practice is that a charity maintains a conflict of interest register which keeps a track of the interests and ensures that those involved in running the charity (the governing body) are aware of them.

Identifying potential conflicts of interest can prevent larger issues down the line. Conflicts of interest are a common cause of disputes and governance issues for charities. Being clear about any real, perceived or potential conflicts from the outset is good practice and is a vital part of effective governance.

Identifying the different types of interests

A conflict of interest can arise when:

- a person involved with a charity could benefit financially or otherwise from the charity, either directly or indirectly, **or**
- a person's duty to the charity competes with a duty or loyalty they have to another organisation or person.

This includes any situation where it could be perceived that someone's personal interest or loyalties could affect their decision making.

Family member interests

Family and whānau member interests are any interests that a decision maker's immediate family, or their spouse/partner may have in the charity or the work that the charity does. These interests may change over time, which is why it is important to continually review and update your conflict of interest register.

For example:



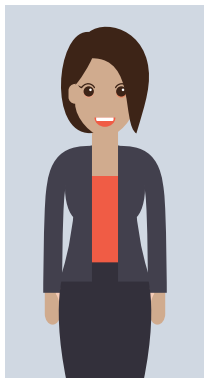
Ahmed is a member of the governing body of a charity that administers scholarships. His nephew puts his name forward for the scholarship. Ahmed must disclose this as a conflict of interest and the charity will need to decide what action to take. Best practice is that Ahmed does not take part in the scholarship decision-making process this round.

¹ For example: related for-profit companies that provide goods and services to the charity.

Contract/employment interests

An decision maker may have a contract to provide a service(s) to the charity (such as accountant or a solicitor who provides professional services to the charity.) In this case it would need to be recorded as a related party transaction. (You can learn more about **related party transactions** in the resources linked below).

If your charity provides goods or services, people should think about their employment outside of the charity. If their employment is in a similar field, they should consider how this could impact their work with the charity or its charitable purpose and declare it as a potential conflict of interest.



For example:

Aroha is a doctor who has her own local practice and also sits on the governing body of her local Primary Health Organisation (PHO), a registered charity. At a meeting, the governing body of the PHO discuss opening a new private practice in the town. The town population is small, and Aroha is concerned that she may lose patients if the new practice opens.

In this example Aroha may be unable to act in the best interest of the charity due to her own professional interest. If Aroha has already registered her interest, being that her work is in a similar field to the charity, then there should be steps in place to determine what to do next. In this case best practice would be that Aroha leave the room and excuse herself from the decision-making process.

Other interests

These might include:

- a person's involvement with other charities or not-for-profit groups that are relevant to their position in the charity
- if a person has someone in their life who might have influence over them and who is linked to the charity in a significant way.

For example:



Sarah is on the governing body of the Parent Teacher Association of her child's school. She also is on the governing body of a charity, Swim for Life, that provides swimming lessons to refugee women. Swim for Life uses the school's pool to provide this service. An opportunity has arisen for the school to rent out the pool to a local sport's club, however, this

would mean that Swim for Life would no longer be able to make use of the pool.

This is a conflict of interest for Sarah as the decision affects both charities she is involved with. The Parent Teacher Association needs to decide what steps to take, such as Sarah not taking part in the decision or removing herself from the room when the decision is being made.

For example:



Mika is applying for a job as administrator at his local church. His partner, Talia, is employed as the Pastor. **Talia** would need to register this as a conflict of interest as she holds a position of influence within the charity and her relationship with Mika could impact on her ability to remain impartial on the decision whether to hire him.

Identifying and mitigating any conflicts



- 1. Identify:** Declare any interests at the beginning of each meeting.
- 2. Record:** Develop an interest register and record any potential conflicts. When your charity makes a decision, carefully consider whether any of the conflicts identified in the conflicts of interest register affect the decision being made.
Here is an example of a template which you can use to keep a record of any potential or perceived conflicts a person may have. This template is optional; feel free to modify it to suit your charity.
- 3. Discuss:** At the start of each meeting of the governing group the charity should determine if there are any conflicts that may be relevant to the agenda. If there is a conflict, the governing body should consider whether the people concerned can be involved in the decision making or if they should leave the room. Record details of the discussions and decisions made in both the minutes and interest register.

It may be helpful to include “conflicts of interest” on your agenda to ensure that you discuss any conflicts that may have arisen since the last meeting, or any changes (for example, if an officer has changed jobs).

If a conflict is going to be ongoing, take additional steps to ensure that decisions remain in the best interest of the charity. When a conflict of interest is serious, it may be best to resolve the conflict by:

- not pursuing the course of action
- proceeding in a different way so that the conflict of interest does not arise
- appointing further independent officers (if this is applicable)
- not appointing a particular person or requesting the person to resign from the position, or
- seeking independent legal advice on whether the person should continue to be involved in the charity’s decision making.

Check to see if your charity has a **Conflict of interest clause** in its rules (governing document, deed or constitution) and/or policies. It is good practice to have a conflict of interest clause in the rules and a conflict of interest policy, as they provide guidance about how to identify and disclose conflicts of interest. You can use the **Example conflict of interest policy** to help your charity develop a policy.



Additional information

The following resources provide additional information:

The Charities Services Officer Toolkit – Conflict of Interest: Goes into more details about what a conflict of interest is.

Blog series on conflicts of interest: **Conflicts of Interest and making decisions; Conflicts of Interest and registering as a charity; Conflicts of Interest and the consequences when they lead to private benefit; Conflicts of Interest and the Related Party – When to disclose the guest list.** This series of blogs discusses the different scenarios that may result in a conflict of interest and gives examples of when this has led to charities being deregistered.

Related Party Transactions: As part of their reporting requirements charities must disclose any related party transactions. This page gives different examples of what constitutes a related party transaction and how they should be recorded.