



Conflicts of Interest

Scenario 5

Allocation of grants for community-based services

“If a member of the committee is an applicant for a grant, an actual conflict exists and they should remove themselves from any decision-making relating to the allocation of funds.”

“It isn’t wrong or unethical to have a conflict of interest, what is important is that it is identified and appropriately managed”

The Integrity Coordinating Group

The Integrity Coordinating Group (ICG) was formed to promote and strengthen integrity in Western Australian public authorities. ICG members support integrity through their independent roles under their own legislation, and also work collaboratively across the public sector.

Integrity in decision making

Decision makers need to demonstrate integrity by:

- serving the public interest
- using powers responsibly
- acting with honesty and transparency
- addressing improper conduct.

The Integrity in Decision Making guidelines

ICG supports building the capacity of public authorities, and their employees, to demonstrate integrity when making decisions.

These guidelines provide public authorities with information and practical tools about integrity in decision making, which can be used to strengthen and sustain their decision making processes.

Introduction

Almost all functions performed in the public sector can potentially lead to conflict of interest situations. A conflict of interest in itself is not necessarily wrong or unethical, however, identifying and managing the situation is important. Managing conflicts of interest is all about risk management. Identifying at-risk functions in the organisation is the first step to managing the risks conflicts of interest present.

The allocation of public funds for various purposes needs to be a transparent process, free from bias or nepotism. It is often the case that committees established to determine grant allocations for community-based services comprise at least one member with private interests in the field competing for grants. This is not surprising given the subject knowledge and expertise that can be required for the committee to judge the merits of submissions.

Where such private interests exist, the individual needs to be aware of the perception that a conflict of interest exists, and take appropriate action. If a member of the committee is an applicant for a grant, an actual conflict exists and they should remove themselves from any decision-making relating to the allocation of funds.

The following scenario illustrates one example of how conflicts of interest may be identified and what strategies may be employed to manage them. The choice of strategies may vary across the sector, and will be dependent on the operating environment, legislative requirements and practical solutions.

Scenario

Ahmad works as a senior planner for a Government organisation involved with the regulation and conservation of the environment. He has recently been promoted and has special responsibility for a particular region. As a minor part of his job, Ahmad sits on a panel that assesses grant applications from community groups, using his technical knowledge of environmental management and his specialist knowledge of the region, to assess the feasibility of the applications and their benefits.

His wife Devina is involved with an environment advocacy group, as an active and long-term member, although not as a Committee member or office bearer. The environment group applies to the organisation for a grant, seeking to rehabilitate some local wetlands adjacent to a high-profile tourist development the group has been vocally opposed to. It is a competitive grants round, as other groups are also seeking support for a diverse range of projects.

How to identify conflicts of interest

Although Devina does not stand to derive a financial benefit from the grant, her involvement with the group and its ideals give her a non-pecuniary interest in this matter. By association, Ahmad therefore has a private interest in conflict with his public duty. Even if Ahmad managed the situation internally and remained publicly a part of the grants process, it is likely that there would be a significant perception of conflict by other competing grant applicants and stakeholders.

The potential conflict inherent in this scenario is perhaps more significant. As a senior planner, Ahmad has influence over local projects such as the tourism development adjacent to the wetlands. This is a larger and more important part of his job than the grants process.

If Ahmad supports an application from a group publicly critical of a development, his impartiality may come under scrutiny by the tourism developers and supporters, either immediately, or later when an adverse decision is made by the organisation against the developers. It is important that Ahmad's and the organisation's actions withstand that scrutiny. In this case, Ahmad's conflict of interest may discredit the organisation's role as an impartial regulator of this tourism development, or even other local development projects.

How to manage conflicts of interest

Ahmad's organisation has a Conflict of Interest policy that requires him to record his conflict and then consult with his supervisor on the best way to manage it. Ahmad believes that the conflict can be managed by restricting his involvement in the decisions pertaining to the grant application for wetlands rehabilitation.

He thinks he can still take part in the panel assessments for the other applications, and is concerned that to remove him completely would restrict important technical and local expertise from the panel process.

Ahmad's manager has a longer experience of the tensions and stakeholder issues surrounding development applications and environmental regulation, and is concerned more about the perceived and potential, than immediate conflict of interest. As such, she asks Ahmad to remove himself from the process for this whole grant round, and make a public statement as to why.

Further, she suggests to Ahmad that if he is to continue in this senior role with significant influence over local resource use, he needs to consider the potential for future conflicts of interest arising from his wife's involvement with the environment advocacy group.

The 6 Ps

Public duty versus private interests

Do I have personal or private interests that may conflict, or be perceived to conflict with my public duty?

Potentialities

Could there be benefits for me now, or in the future, that could cast doubt on my objectivity?

Perception

Remember, perception is important. How will my involvement in the decision/action be viewed by others?

Proportionality

Does my involvement in the decision appear fair and reasonable in all the circumstances?

Presence of mind

What are the consequences if I ignore a conflict of interest?
What if my involvement was questioned publicly?

Promises

Have I made any promises or commitments in relation to the matter? Do I stand to gain or lose from the proposed action/decision?

The 6 Rs

Record/Register

Recording the disclosure of a conflict of interest in a register is an important first step, however this does not necessarily resolve the conflict. It may be necessary to assess the situation and determine whether one or more of the following strategies is also required:

Restrict

It may be appropriate to restrict your involvement in the matter, for example, refrain from taking part in debate about a specific issue, abstain from voting on decisions, and/or restrict access to information relating to the conflict of interest. If this situation occurs frequently, and an ongoing conflict of interest is likely, other options may need to be considered.

Recruit

If it is not practical to restrict your involvement, an independent third party may need to be engaged to participate in, oversee, or review the integrity of the decision-making process.

Remove

Removal from involvement in the matter altogether is the best option when ad hoc or recruitment strategies are not feasible, or appropriate.

Relinquish

Relinquishing the personal or private interests may be a valid strategy for ensuring there is no conflict with your public duty. This may be the relinquishment of shares, or membership of a club or association.

Resign

Resignation may be an option if the conflict of interest cannot be resolved in any other way, particularly where conflicting private interests cannot be relinquished.

Relevant legislation

- *Public Sector Management Act 1994*
- *Financial Administration and Audit Act 1985* and Treasurer's Instructions
- *State Supply Commission Act 1991*
- *Local Government Act 1995* and associated regulations
- Codes of Ethics and Conduct
- The Public Sector Commission Western Australian Public Sector Code of Ethics (reprinted December 2010)
- Agency Codes of Conduct

Policies and Guidelines

- Department of Local Government (1999) Financial interests handbook: for local governments in Western Australia
- Department of Local Government and Regional Development (2000) Disclosure of interests affecting impartiality (Local Government Operational Guidelines, No. 1)
- State Supply Commission (2004) Funding and purchasing community services policy

Where can I seek further advice?

It is important to first discuss the situation with a supervisor or senior colleague. You may also contact:

State Supply Commission
 4th Floor, Optima Centre
 16 Parkland Road
 OSBORNE PARK WA 6017
 Telephone: (08) 6551 1500
 Freecall: 1800 806 599 (Country only)
 Email: enquiries@ssc.wa.gov.au
 Web: www.ssc.wa.gov.au

Department of Local Government
 PO Box R1250
 PERTH WA 6844
 Telephone: (08) 9217 1500
 Facsimile: (08) 9217 1555
 Freecall: 1800 620 511 (Country only)
 Email: info@dlg.wa.gov.au
 Web: www.dlg.wa.gov.au

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Disclaimer

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