

## **Conflict of Interest**

The Organization for Economic Cooperation and Development (OECD) has undertaken extensive work on conflicts of interest and has developed the following simple and practical definition:

A 'conflict of interest' involves a conflict between the public duty and private interests of a public official, in which the public official has private interests which could improperly influence the performance of their official duties and responsibilities.

A conflict of interest can arise from avoiding personal losses as well as gaining personal advantage – whether financial or otherwise.

Conflicts of interest can be actual, perceived or potential.

- An **actual conflict of interest** involves a direct conflict between a public official's current duties and responsibilities and existing private interests.
- A **perceived or apparent conflict of interest** can exist where it could be perceived, or appears, that a public official's private interests could improperly influence the performance of their duties – whether or not this is in fact the case.
- A **potential conflict of interest** arises where a public official has private interests that could conflict with their official duties in the future. Understanding and defining the differences between actual, perceived or apparent and potential conflicts of interest assists in identifying when a conflict exists and determining which type of management approach may be the most appropriate.

It is important to recognize that a poorly-managed perceived or apparent conflict of interest can be just as damaging as a poorly-managed actual conflict of interest. The critical factor is that public officials must not only behave ethically, they must also be seen to behave ethically. Many internal auditors, including some corporations, through the tripartite (RAA, Internal Audits and ACC) coordination meeting forum have introduced declaration of conflict of interest system.

**Sample form to declare conflict of interest:**

**DECLARATION OF CONFLICT OF INTERESTS**

**(Sample)**

Name of the Committee member/Committee \_\_\_\_\_

Subject: \_\_\_\_\_

Date: \_\_\_\_\_

**Financial Interest:** \_\_\_\_\_

**Close Personal Relationship:** \_\_\_\_\_

**Other Potential Conflicts of Interest/Enmity:** \_\_\_\_\_

I hereby declare that the above details are correct to the best of my knowledge and I make this conflict of interest declaration in good faith.

-Signature (Employee)

Date: \_\_\_\_\_

*(To be filled by Chairperson of the Committee)*

I hereby declare that I have received and appropriately noted this conflict of interest to be:

Top of Form

Actual  Perceived  Potential  Pecuniary  Non-Pecuniary

Bottom of Form

(Additional remarks) e.g. whether or not to let the individual participate in the official dealing after noting the conflict)

Signature (Chairperson)

Date: \_\_\_\_\_

## **Brief descriptions of the types of conflict of interest**

### **Financial/Pecuniary interests**

Money does not need to change hands for an interest to be pecuniary/financial. People have a pecuniary/financial interest if they (or a relative or other close associate) own property, hold shares, have a position in a company bidding for government work, or receive benefits (such as concessions, discounts, gifts or hospitality) from a particular source. Or when there was actual exchange of cash in the form of loan or lending of money between the two parties.

### **Close Personal Relationship:**

Close personal relationship should include anyone who is related through blood.

### **Other Personal relationship:**

Other personal relationship should include everyone who enjoys intimate relationship like family doctors, lawyers, and close friends.

### **Enmity**

Conflict of Interest not only occurs in the form of good relations, it can equally or more seriously occur in the situation of enmity.

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- A perceived or apparent conflict of interest can exist where it could be perceived, or appears, that a public official's private interests could improperly influence the performance of their duties – whether or not this is in fact the case.
- A potential conflict of interest arises where a public official has private interests that could conflict with their official duties in the future.