

# **Conflict of Interest and Related Party Transactions Policy**

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## DOCUMENT VERSION

Date	Comments
12 August 2017	Conflict of Interest Policy approved by MC.
15 February 2020	Conflict of Interest Policy approved by Board
21 August 2021	Related Transactions additions approved by Board

## POLICY AMENDMENTS

This is a working document and subject to amendment. This Policy will be available in English only.

Any suggestions about this Policy should be directed to the Development Manager, Corporate Manager or Chief Executive Officer/Senior Social Worker (CEO/SSW) so changes can be considered. When suggestions are raised, the matter will be raised with the Executive Management Committee (EMC) for consideration. Any amendments or changes to the Policy will be submitted to the Board for endorsement.

The Development Manager and Corporate Manager are responsible for maintaining this document; including updating confirmed changes, informing staff of the changes, and disseminating the latest version across the organisation.

Any changes or amendments involve the following steps:

- Updating the Document Version table at the top of this page;
- Updating the relevant provision in this manual;
- Replacing the updated version of the manual eg. shared drives, website;
- Printing a hard copy of the updated manual for the office;
- Communicating the changes to all staff; and
- Archiving the old version of manual.

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## 1. Purpose

Femili PNG is committed to high standards of ethical conduct and accordingly places great importance on making clear any existing or potential conflicts of interest and related party transactions. The purpose of this policy is to help board members, staff, volunteers and contractors effectively identify, disclose and manage any actual, potential or perceived conflicts of interest in order to protect the integrity of Femili PNG and manage risks. This policy also outlines procedures to ensure that related party transactions are disclosed and managed, and any conflicts of interest that may arise are appropriately managed.

Femili PNG aims to ensure that board members, staff, volunteers and contractors are aware of their obligations to disclose any conflicts of interest that they may have, and to comply with this policy to ensure they effectively manage those conflicts of interest as representatives of Femili PNG.

## 2. Scope

This policy covers both Femili PNG and Friends of Femili PNG. Both organisations are governed by the same board. For simplicity, the policy will mention only 'Femili PNG' when referring to both organisations. The policy applies to all Board members, staff, volunteers and contractors but, for simplicity, will refer to Board and staff members.

This policy should be read in conjunction with section 4.17 of the Human Resources Manual, which outlines the management of conflict of interest for staff and volunteers.

## 3. Definition of conflicts of interest

A conflict of interest occurs when a person's personal interests conflict with their responsibility to act in the best interests of the organisation. Personal interests include direct interests as well as those of family, friends, or other organisations a person may be involved with or have an interest in (for example, as a shareholder). It also includes a conflict between a board or staff member's duty to Femili PNG and another duty that the board or staff member has (for example, to another organisation). A conflict of interest may be actual, potential or perceived and may be financial or non-financial.

These situations present the risk that a person will make a decision based on, or affected by, these influences, rather than in the best interests of the organisation, and must be managed accordingly.

## 4. Definition of related party transactions

Related parties and related party transactions are defined under *Australian Accounting Standard Board (AASB) 124 Related Party Disclosures*. Femili PNG and Friends of Femili PNG are related parties under AASB 124. The Femili PNG Board are also related parties as responsible persons with control of both entities.

Related party transactions is a transfer of resources, services or obligation between a reporting entity and a related party.

## 5. Policy

Conflicts of interests may occur if an interest or activity influences, or appears to influence, the ability of a board member to exercise objectivity. This policy has been developed because conflicts of interest commonly arise, and do not need to present a problem to the organisation if they are openly and effectively managed.

It is the policy of Femili PNG, and the responsibility of the board and staff, to make clear any ethical, legal, financial or other conflicts of interest. All such conflicts of interest shall be declared by the board or staff member concerned and documented in the Register of Interests in Annex A.

Femili PNG will manage conflicts of interests by requiring board and staff members to:

- Avoid conflicts of interests where possible;
- Identify and disclose any conflicts of interest;
- Carefully manage any conflicts of interests;
- Respond to any breaches;
- Not initiate or take part in board discussions or staff meetings on topics where conflicts of interest exist unless invited to do so by unanimous agreement by other members present; and
- Not vote on matters where there are conflicts of interest.

Conflict of interest may arise in related party transactions. Femili PNG will manage any related party transactions according to clear procedures with an emphasis on disclosure, and in a transparent and accountable manner. Femili PNG will undertake responsible financial management.

### 5.1 Responsibility of the Board and executive Management Committee (EMC)

The board and EMC is responsible for:

- establishing a system for identifying, disclosing and managing conflicts of interest and related party transactions across the organisation;
- acting honestly and fairly in the best interests of Femili PNG and not misusing their positions;
- monitoring compliance with this policy; and
- periodically reviewing this policy to ensure that the policy is operating effectively.

Friends of Femili PNG is registered with the Australian Charities and Not-for-profits Commission (ACNC) and hence must ensure that its board members are aware of the ACNC governance standards and that they disclose any actual or perceived material conflicts of interests as required by governance standard 5.

The ACNC governance standards are available at [acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards/5-duties-responsible-persons](http://acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards/5-duties-responsible-persons) and a copy of governance standard 5 is also provided at Annex B.

### 5.2 Identification and disclosure of conflicts of interests and related party transactions

Board members shall declare any conflicts of interest of which they become aware either at the start of the board meeting concerned or when a relevant issue arises. The nature of this conflict of interest should be entered into the meeting minutes. The interest should also be documented in the Register of Interests.

Where all of the other board members share a conflict, the board can refer to governance standard 5 to ensure that proper disclosure occurs. The Register of Interests will be maintained by the Femili PNG and Friends of Femili PNG CEOs. The Register of Interests records information related to a conflict of interest including the nature and extent of the conflict of interest and any steps taken to address it.

Staff can declare a conflict of interest at any time, by raising it with their supervisor, their Operations Director or the CEO. The conflict is reported to the Executive Management Committee, and a separate Register of Interests is maintained for staff, contractors and volunteers, also noting the nature and extent of the conflict of interest and any steps taken to address it.

Related party transactions are registered by the Friends of Femili PNG Technical Support Officer on the Related Party Register. These transactions include donations from Responsible Persons and their family members, their pro bono work, and transfers between Friends of Femili PNG and Femili PNG. The Register is provided to the Australian auditor to determine whether the related party transactions need to be disclosed under AASB 124.

### 5.3 Confidentially of disclosures

Only the following people will have access to the information relating to conflicts of interest disclosed by board and staff members:

- board members and board observers; and
- the Femili PNG Executive Management Committee.

## 6. Action required for management of conflicts of interest

### 6.1 Conflicts of interests of board members

Once the conflict of interest has been appropriately disclosed, the board (excluding the board member disclosing and any other conflicted board member) must decide whether or not those conflicted board members should:

- vote on the matter (this is a minimum);
- participate in any debate; and
- be present in the room during the debate and the voting.

In exceptional circumstances, such as where a conflict is very significant or likely to prevent a board member from regularly participating in discussions, it may be worth the board considering whether it is appropriate for the conflicted person to resign from the board.

### 6.2 What should be considered when deciding what action to take

In deciding what approach to take, the board and EMC will consider:

- whether the conflict needs to be avoided or simply documented;
- whether the conflict will realistically impair the disclosing person's capacity to impartially participate in decision-making;
- alternative options to avoid the conflict;

- the organisation's objects and resources; and
- the possibility of creating an appearance of improper conduct that might impair confidence in, or the reputation of, the organisation.

The approval of any action requires the agreement of at least a majority of the board (excluding any conflicted board member/s) or EMC who are present and voting at the meeting. The action and result of the voting will be recorded in the minutes of the meeting and in the Register of Interests.

## 7. Related Party Transaction Procedures

Related party transactions details are recorded appropriately to ensure the transparency and integrity of its financial reporting. Board Members, staff, volunteers and their family members will declare any related party transactions.

The following procedures will apply to related party transactions:

- EMC to approve and fully document any transfers between Femili PNG and Friends of Femili PNG.
- Pro bono contributions by responsible persons and their family members to Friends of Femili PNG will be tracked and disclosed.
- Donations by responsible persons and their family members to Friends of Femili PNG will be tracked and disclosed.
- Donations, pro bono activities and funds transfers to Friends of Femili PNG will be registered by the Technical Support Officer and provided to the auditor.
- Related parties to act in accordance with the conflict of interest provisions and ACNC Governance Standard 5.

## 8. Compliance with policy

If the Board or EMC has a reason to believe that a person subject to the policy has failed to comply with it, it will investigate the circumstances.

If it is found that this person has failed to disclose a conflict of interest, the Board or EMC may take action against them. This may include seeking to terminate their relationship with the organisation.

If a person suspects that a Board or staff member has failed to disclose a conflict of interest, they must discuss with the person in question and notify the other board members, or the CEO in the case of staff.



## Annex B – ACNC Governance Standard 5

### **Governance standard 5: Duties of responsible persons**

This standard requires charities to take reasonable steps to make sure that the following duties apply to responsible persons and that they follow them. The duties can be summarised as follows:

- to act with reasonable care and diligence
- to act honestly and fairly in the best interests of the charity and for its charitable purposes
- not to misuse their position or information they gain as a responsible person
- to disclose conflicts of interest
- to ensure that the financial affairs of the charity are managed responsibly, and
- not to allow the charity to operate while it is insolvent.

Generally, the duties mean that responsible persons should act with standards of integrity and common sense.

#### **Purpose of this standard**

A charity must make sure that its responsible persons are required to meet a set of legal duties. This ensures that they act in the best interest of the charity and in a way that doesn't endanger its work. Responsible persons have a responsibility to put the interests of their charity above their own personal interests. Generally, they need to be careful and conscientious in their roles and act with standards of common sense and integrity.

The purpose of this standard is to give the public confidence that your charity's responsible persons are managing the charity well and meeting these duties.

#### **Ways to meet this standard**

Steps your charity can take to meet this standard are to:

- bring these duties to the attention of responsible persons (such as providing them with a copy of this guidance or other resources) or outline their duties in a [letter of appointment](#) or by setting them out in a board or committee charter
- regularly provide information or training to responsible persons on their duties to refresh their knowledge (such as by advising of ACNC webinars on relevant topics, such as [Welcome to the board](#))
- encourage responsible persons to attend, prepare for, and participate at meetings
- have processes for the [responsible management of money](#)
- have processes in place to manage conflicts of interests, and
- **take action** if your responsible persons are failing to meet their duties.

#### **Other laws on the duties of responsible persons**

Your charity's responsible persons may already be subject to duties under other laws that apply to it. For example:

- equivalent duties exist in state or territory incorporated associations legislation – if your charity and its responsible persons comply with these duties, your charity will meet this standard
- for companies under the *Corporations Act 2001 (Cth)*, the governance standards replace most requirements relating to director duties under this Act. However, some criminal offences under this Act and similar duties under common law continue to apply. Read more about the changes for [charities registered with ASIC and ACNC](#), and
- trustees will generally have higher duties (for example, under the common law).