

## **Board/Group/Member Conflicts of Interest**

### **What is this document?**

This document sets out the key issues, rules and mechanisms that have been put in place to protect the commercial interests of SECBE Ltd and individuals (and their businesses) involved or associated in SECBE's governance and membership.

### **Why is it needed?**

It exists to provide a robust mechanism that ensures and demonstrates probity and transparency in the strategy development and decision making processes, particularly on the management board of SECBE Ltd

The Board and individuals should act according to ethical standards, and ensure that conflicts of interest are properly declared and dealt with.

At its base is the principle that Directors, members or staff must not benefit from their position beyond what is allowed by the law and is in the interests of the organisation.

SECBE Ltd's Articles of Association were amended in July '08 specifically ensure potential or actual Conflicts of Interest are properly addressed:

#### **14 DIRECTORS' INTERESTS**

*14.1 No person may be a Director of the Company if they have a direct or indirect interest in any contracts or arrangements with the Company, unless ALL of the following conditions are met to the complete satisfaction of the board of Directors:*

*14.1.1 There is no credible risk to the good reputation of the Company the Director or any associated organization*

*14.1.2 The Director informs the Company within 28 days of becoming aware of an issue, by completing and returning a "Potential Conflict of Interest" form to the Company Secretary who will immediately advise the Chairman and update a Register of Interests which will be reviewed at the next available meeting of the board of Directors*

*14.1.3 The Director concerned will demonstrably not participate or influence any discussions or decisions relating to themselves.*

### **Circumstances likely to create a Conflict of Interest**

Potential or actual Conflicts of Interest can occur, be at risk of occurring, or even be perceived as a risk in a variety of circumstances. The following is intended as a guide, not as an exhaustive list; if any doubt exists, the Member [company] and their representatives should declare a potential Conflict of Interest. A Member could have a Conflict of Interest if they:

- 1) Directly influence a third party's procurement that affects a competitor
- 2) Receive confidential information that would unduly disadvantage a third party organisation
- 3) Name their company in a SECBE funding bid as an expert supplier
- 4) Develop, submit or jointly authorise/approve a proposal to SECBE Ltd for provision of its chargeable services
- 5) Receive services from SECBE Ltd

### **What to do in the event of a Conflict of Interest**

- 1) Any SECBE Members or SECBE staff should indicate their concerns of the key details of the potential/actual self-interest to the Chief Executive at the earliest opportunity when commercial gain is recognised as probable.
- 2) A Register of such interests is kept and regularly reviewed by SECBE's Chairman and formally by the Board. Such reviews should note any limitations for Member involvement

If a commercial arrangement is proposed, that the interested party must demonstrably abstain from any proposal review or contract decision making and this must be specifically noted in minutes.

## **Guidance and Best Practice in other public and private sector organisations**

### **Board integrity**

The key principle is that the Board and individual should act according to ethical standards, and ensure that conflicts of interest are properly dealt with. Supporting principles:

- 1) **No personal benefit.** Directors must not benefit from their position beyond what is allowed by the law and is in the interests of the organisation.
- 2) **Dealing with conflicts of interest.** Directors should identify and promptly declare any actual or potential conflicts of interest affecting them.
- 3) **Probity.** There should be clear guidelines for receipt of gifts or hospitality by Directors.

### **No personal benefit**

- 1) Directors must not benefit from their position beyond what is allowed by the law and is in the interests of the organisation.
- 2) Directors must be scrupulous to avoid gaining any private benefit from their position, whether financial or other, except:
  - (a) as permitted by law and the organisation's governing document; and
  - (b) where this is agreed by the Board as demonstrably in the interests of the organisation.
- 3) Where the law and the organisation's governing document permit payment of Directors, this must not exceed the prescribed limits, and it should be demonstrably in the interests of the organisation to make the payment.
- 4) No Director should be involved in setting their own remuneration. Mechanisms for setting the level of payment to Directors should be set up to avoid conflicts of interest, including where appropriate making use of independent advice.
- 5) Full disclosure of any payments made to Directors is required by law for some organisations, in the organisation's annual accounts and annual report. All organisations should do the same, even where not required by law.
- 6) The organisation should have procedures for Directors to claim legitimate travel and other expenses incurred while carrying out the organisation's business; Directors should not be out of pocket for the work they carry out for the organisation.

### **Conflicts of interest**

Directors should identify and promptly declare any actual or potential conflicts of interest affecting them.

- 1) The organisation must have procedures for Directors to declare actual or potential conflicts of interest to the Board; such declarations should be made at the earliest opportunity. They should be recorded in Board minutes or in a register kept for the purpose.
- 2) Where a material conflict of interest arises at a Board meeting, the Director concerned should not vote on the matter or participate in discussions. She or he should also offer to withdraw from the meeting, and the other Directors should decide if this is required.
- 3) Where a Director has a major or ongoing conflict of interest, she or he should offer to resign from the Board.
- 4) Boards should have special procedures or standing orders to deal with conflicts of interest for Directors who are the organisation's service users, beneficiaries or members of staff.

### **Probity**

There should be clear guidelines for receipt of gifts or hospitality by Directors.

- 1) Directors should declare all personal gifts received and hospitality accepted while on the organisation's business, or from people or organisations connected with the organisation; such declarations should be recorded in Board minutes or in a register kept for that purpose.
- 2) Directors should not accept gifts with a significant monetary value or lavish hospitality; where this may be a frequent issue, the organisation should set a policy to define what is and is not acceptable.
- 3) Directors should under no circumstances accept gifts or hospitality where this could be seen as being likely to influence the decisions of the Board.

**SECBE's Purchasing & Procurement Policy for Staff. (included for reference only)**  
(Provided with CE approval for SECBE to adapt)

This document outlines SECBE's Purchasing Policy and replaces previous policies and procedures issued. It is intended to be the guidelines for staff to work to

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- Gifts and Hospitality
- Confidentiality of Information
- Authorisation Limit
- System and Procedures
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**Introduction**

All staff involved in the purchasing function should ensure that they conduct all business not only efficiently but also in a fair and reasonable manner whilst ensuring openness and integrity at all times. To achieve this aim, staff should be aware of several guiding principles which under-pin good purchasing practice. Observing these principles of good conduct and behaving in an honourable and transparent manner is important not only to ensure trust and respect between all parties but also because purchasing is often subject to scrutiny. Staff should also realise that being aware of and following these principles can reduce the threat of fraud, theft and corruption being levelled at themselves and SECBE Ltd. The rules outlined below can vary in application depending on particular circumstances; however, in most cases common sense applies. This guide sets out some of the basic principles and practices, which should be followed and/or taken into consideration.

**Management Responsibility**

Managers should ensure that staff involved in the purchasing function process are aware of the reasons behind the principles and ensure that their staff adheres to them.

**Disclosure of Interest**

There should be no conflict of interest between the official duties and private interests of those staff involved in purchasing.

Any member of staff involved in the purchase processes relating to procurement of goods or services should disclose any form of personal interest which arises, for example, where a relative or friend is involved in the quotation or tender process on the supplier's side or where a relative or friend owns the business or can provide the service.

Impartiality and fairness must be evident at all times. An interest in any element of a proposed purchase should be made known to both the member of staff's line manager.

The line manager will give consideration to the appropriateness of using the supplier suggested and, if deemed appropriate, the purchase will proceed in this open and transparent manner.

Where there is concern with the use of the suggested supplier, the staff member will be advised accordingly.

The purchase requisition used to generate a purchase order contains a declaration placed under the authorised signatory's signature "I have no related interest in this requisition as outlined in the Purchasing and Procurement Policies and Procedures".

This means that if a person who is an authorised signatory has a related interest in the firm supplying the goods/services (or has been directed by their Manager who has a related interest), and then that person is prohibited from signing the requisition.

**Gifts and Hospitality**

Staff should not be influenced by personal considerations to show favour to any person or organisation - nor should there be any suspicion of this.

Gifts - No gifts or money should be accepted from suppliers other than gifts of a trivial or inexpensive nature (e.g. pens, calculators, goods worth less than ten pounds) It should be noted however that small gifts and

hospitality are often an accepted part of commercial life and care must be taken not to offend or damage relationships with suppliers when explaining that acceptance is contrary to normal SECBE practice.

Any attempts by suppliers to undermine the honesty of staff by the offer of more substantial gifts or other inducements should be reported to the Line Manager immediately.

Hospitality - Hospitality arises in many forms but the commonest are invitations to working lunches and other meals, sporting, cultural and social events. It is accepted that the informal contacts created by these offers may sometimes be beneficial to mutual understanding and efficient conduct of business.

Therefore modest hospitality may be accepted on isolated occasions where this may enhance the relationship between supplier and client. Such hospitality should neither be so lavish nor so frequent that it might appear to have influenced a business decision in favour of a particular company.

### **Confidentiality of Information**

Any information provided by suppliers should be regarded and treated as confidential.

Staff should note that in order to maintain integrity, information received in the course of a purchasing exercise should be treated as confidential. Details of the tender documentation and contracts including price etc should not be divulged to competitors or others, and all paperwork regarding the exercise should be kept secure.

### **Authorisation limit**

All staff (to include PAYE employees, Secondees and Consultants) are not permitted to commit SECBE to any purchase or contractual obligation unless specifically given that authority in writing (e-mail is acceptable) by the appropriate authorised official.

### **Systems and Procedures**

Staff should be aware of the importance of written records. These will demonstrate that proper ethical standards have been observed and are used both as an audit trail and a record of reasons for making a particular procurement decision.

Such written records should include adherence to the proper procedures laid down for the raising and placing of orders, receipt of goods/services and the authorisation of invoices for payment.

### **Summary**

Staff should be aware of good practice and the principles outlined above but as can be seen, detailed rules cannot be drawn up to cover every situation. Clarification on any of the general points discussed, or guidance on specific issues, should be sought from the member of staff's line manager.

### **Derek Rees**

Chief Executive

Revised 30<sup>th</sup> June 2010