INTEGRITY COMMISSION
TASMANIA

# Case study: Failure to properly manage a conflict of interest

Senior employee - Conflict of interest in contractor engagement.

## Key lessons

This case study highlights that:

- Conflicts of interest are common, particularly in senior roles. The risk is not in having a conflict; it is in failing to recognise and manage it
- Conflicts of interest must be identified, declared, and actively managed – completing a declaration alone is not sufficient
- Even seemingly minor actions, such as editing resumes or assisting with invoicing, can amount to operational involvement and create actual or perceived conflicts
- Senior public sector employees must be particularly vigilant in maintaining clear boundaries between their public duty and private interests; and
- Public sector bodies must ensure conflict of interest declarations are properly documented, reviewed and actively managed.

Managing a conflict of interest is not a 'set and forget' exercise. Effective management of a conflict of interest requires ongoing review because circumstances can change.

Effective application of the 'identify, declare, and manage' model is essential to protecting public trust, supporting employees to act appropriately, and maintaining integrity in public administration.

The obligation for senior executives to identify, declare, and manage any actual, potential, or perceived conflicts of interest is particularly important, because these employees have access to sensitive information and are in positions of influence over departmental operations. The stewardship of public resources is a critical responsibility for senior employees and contributes directly to ensuring public trust in government.

## The Circumstances

The Integrity Commission (**the Commission**) received a complaint alleging that a senior employee within the Department of XYZ had misused their public position to obtain a financial benefit for a private company (**the company**) they co-owned with their spouse. It was alleged that the employee had been involved in the engagement of contractors from that company to work within the Department.

At the time, the employee held a senior executive role and had identified and declared a financial interest in the company in accordance with the Department's Conflict of Interest Policy.

As part of that declaration, the employee stated that they would step away from the day-to-day operations of the company and would not be involved in recommending or managing contractors engaged by the Department.

## What the investigation found

The investigation confirmed that the employee had identified and declared their financial interest and had documented strategies to manage the conflict.

These strategies included withdrawing from operational involvement in the company and completing additional declarations if contractors from the company were engaged by the Department.

However, the evidence showed that the employee did not effectively manage the declared conflict. Over several months, the employee:

- Edited resumes for contractors associated with the company for the purpose of them being recommended to the Department
- Communicated departmental information to their spouse that was relevant to identifying and supplying contractors to the Department
- Assisted in administrative and logistical matters relating to contractor engagement, contract renewals and invoicing
- Maintained informal personal contact with at least one contractor, despite declaring that no such contact would occur outside of departmental work requirements; and
- Provided support and input into contractor recommendations, even where they did not formally submit or approve those recommendations themselves.

### Financial benefit to private company

The investigation found that the company received a financial benefit through contracts with the Department. The employee acknowledged that the company received this benefit and that their actions in supporting operational activities contributed to that outcome.

The findings made it clear that the employee was aware of the potential for financial benefit and failed to prioritise their public duty over their private interests.

## Departmental record-keeping and oversight

The investigation also identified shortcomings in the Department's management of the conflict of interest. The Department's record-keeping and oversight processes were inadequate in a number of ways, including:

- Incomplete documentation and inadequate management of declared conflicts
- Lack of clarity regarding monitoring of the management strategies; and
- Failures to identify and address inconsistencies between declared intentions and actual conduct.

These weaknesses reduced the effectiveness of the 'identify, declare, and manage framework' and contributed to the situation not being managed and addressed in a timely way.

### The Commission can help

We are available to provide support and assistance with identifying, reporting, investigating, managing and preventing misconduct: contact@integrity.tas.gov.au or 1300 720 289.