INTEGRITY COMMISSION TASMANIA

Conflict of Interest

Conflict of interest in procurement

Conflicts of interest may arise in various work areas of a public sector organisation. One of the high-risk areas is procurement. All employees must follow conflict of interest processes and procedures to maintain the integrity of procurement practices.

What is procurement?

Procurement refers to the entire process of acquiring resources such as goods, services, facilities, capital, and human resources. It includes:

- planning and designing;
- determining standards;
- writing specifications;
- selecting suppliers;
- financing;
- administering contracts;
- disposal of assets and
- other related functions.

As it involves spending public money, procurement is a high-risk area for misconduct, fraud and corruption, and requires stringent adherence to policy and procedures.

Your organisation must ensure that its procurement and contracting practices are transparent and meet the standards set out in legislation, codes and policies.

Why is procurement a high misconduct risk area?

Because it involves spending public money, procurement is a high risk area for misconduct, and require strict adherence to policy and procedures.

Procurement can:

- involve money exchange, potentially of substantial sums
- provide work opportunities for individuals and companies
- relate to a service that is needed urgently
- involve processes that can be seen as an administrative burden.

What is a conflict of interest?

A conflict of interest occurs where a person's interests, associations or relationships either:

- affect their impartiality, or
- might be perceived by a reasonable person as potentially affecting their impartiality, or
- result in a conflict with the public duties they are required to carry out, such as undertaking procurement or administering a grant.

Public sector decision-making must be done in a way that protects the public interest, and puts public duties ahead of personal interests.

Conflict of interest in procurement

A conflict of interest occurs when a public sector employee cannot be completely impartial in their procurement role because of their personal interests, for example:

- they have a friend or family member who will potentially benefit from a public sector purchase or contract – this may be through employment or as an owner or shareholder of the business;
- they harbour feelings of ill-will towards a supplier or prejudice against a particular product or service that could unfairly bias the selection process;
- they hold a second job with a supplier who is about to do (or is already doing) business with the public sector organisation;
- they have a relationship with a supplier who owns property that will be affected by the organisation's activities; or
- they share an interest in a sporting or community organisation, which could influence their decision making;
- they have received or been offered a gift, benefit, or hospitality by a person or organisation involved in bidding for a tender or grant.

Managing conflict of interest

Conflicts of interest are not wrong in themselves, and they can't always be avoided. What is important is that they are identified, declared, and managed effectively, and transparently.

Managing conflicts of interest is a continuous process because circumstances may change over time.

Why does it matter?

In the public sector, decisions must be made – and be seen to be made – on proper grounds, with fairness, and in the public interest.

Ignoring or not properly managing a conflict of interest can undermine public trust in government and lead to the community being suspicious of the decisions you make, even when they are fair and proper.

Good practice tips

- Spot your conflicts of interest early, with help from our resources and tools.
- Talk over your possible conflict of interest with your manager, supervisor, or colleagues.
- Record all documents (like papers, forms, or emails) related to your conflict of interest.
- Plan out how you will manage your conflict of interest with help from your supervisor, or other members of your procurement panel - and write it down.
- Managing a conflict of interest is not a 'set and forget' exercise. A conflict of interest, especially at procurement, doesn't simply disappear once the selection report is submitted, or the goods or services are procured.
- Refer to the 'Six R's' for managing conflicts of interest: Register, Restrict, Recruit, Remove, Relinquish and Resign (on the Integrity Commission website).

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.