

**STEWARDSHIP & RISK**

Conflicts of Interest: Policy Versus Practice

Disclosure is the easy half of the obligation. Leaving the room is the half that matters

Almost every association board now has a conflict of interest policy. Almost every one of those policies stops one step short of where the protection actually lives. Declaring a conflict is the easy half of the obligation. What happens in the room immediately afterward is the half that determines whether the disclosure meant anything at all.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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What The Standard Actually Requires

ACNC Governance Standard 5 requires registered charities to take reasonable steps to ensure their responsible people disclose any perceived or actual material conflicts of interest, a deliberately broad threshold. If your association is not a registered charity, the rules come from elsewhere: the Corporations Act (sections 191 and 195) for a company limited by guarantee, or your state or territory Associations Incorporation Act and your rules for an incorporated association. Check which applies and what it requires on disclosure, presence and voting. A useful test the ACNC itself recommends is the reasonable person test: would an ordinary person, aware of your personal interests, believe you might be influenced by them when making a decision on the charity's behalf? If the honest answer is yes, or even uncertain, disclosure is required regardless of whether you privately believe you would act with complete impartiality.

The Gap Between Disclosure And Management

Disclosure is only the first step, and it is the step most boards actually complete. The ACNC's own worked guidance illustrates the second, more consequential step clearly. Where a board member has disclosed a conflict, in the ACNC's example, a director whose own consultancy is among the options being considered for a contract, meeting the standard requires that director to leave the room while the board discusses the proposal on its merits, and to take no part in the vote. For a material conflict, the ACNC's guidance is that the conflicted person should usually leave the room and not vote, and disclosure on its own will rarely be enough to show the conflict has been properly managed. Disclosure without exclusion satisfies the appearance of compliance while leaving the substance of the conflict entirely intact.

A conflict of interest register that only records disclosures is half a governance system. The half that actually protects the organisation is whether the conflicted director left the room, not whether their name appears on a list.

The Scenario Most Policies Do Not Address

A difficult situation arises when every available decision-maker shares the same conflict, or when an association has only a single responsible person who cannot make a conflicted decision without breaching their duty entirely. ACNC guidance is direct that this is not a situation a board can simply push through. It requires the charity to consider its options: obtaining independent professional advice, checking the governing document for any relevant exception, referring the decision to a general meeting of members, or appointing new board members specifically to break the conflict. This connects directly to the bias risk discussed in the previous article on disciplinary procedures, the same structural problem small associations face when every available decision-maker has some connection to the matter at hand, applied here to ordinary financial and contractual decisions rather than discipline.

Related Party Transactions: The Formal Disclosure Layer

For medium and large charities, discussed earlier in this quarter, conflicts of interest that involve a related party carry a further, formal reporting obligation. Medium and large charities must disclose related party transactions and balances in their financial statements, whether they prepare general or special purpose statements, drawing on the Australian Accounting Standards Board's AASB 124, including details of the relationship, the nature of the transaction, and its value. Large charities must also disclose key management personnel remuneration. Confirm the requirement with your auditor or reviewer. This is not a substitute for the board-level disclosure and exclusion process discussed above. It is an additional, external layer of transparency that makes internal management practices visible to auditors, reviewers, and ultimately the public record.

- Maintain a living register of interests, disclosed at appointment and updated whenever circumstances change, not a form completed once and forgotten.
- Make disclosure a standing agenda item at every meeting, not an occasional reminder, so declaring a new or changed interest becomes routine rather than exceptional.
- Treat exclusion from discussion and voting as the actual compliance step, not disclosure alone, and record in the minutes that the conflicted director left the room and did not participate.
- Have a pre-considered plan for the scenario where every available decision-maker shares a conflict, rather than discovering in the moment that no clean path exists.
- For medium and large charities, confirm related party transactions are properly identified and disclosed in the financial report consistent with AASB 124, connecting directly to the audit relationship discussed earlier in this quarter.

A conflict of interest policy that exists only on paper protects nobody. One that is practised, disclosure followed by real exclusion from the discussion and the decision, protects both the organisation and the individual director whose judgement was never actually put to the test in the first place. This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Conflicts of Interest: Policy Versus Practice

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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