

Managing Conflict of Interest – Guideline for Churches

Background

The purpose of this guideline is to provide churches with a framework and key things to consider when identifying and managing conflicts of interest in a church ministry and governance setting.

Conflicts of interest may be actual, potential or perceived and all three must be acknowledged and addressed. Conflicts of interest are not inherently bad in and of themselves, but must be managed as part of ensuring a healthy ministry, governance and church family.

Types of conflict of interest

Merely having a common interest is not in itself a conflict of interest. A conflict of interest occurs when a person's personal interests conflict with their responsibility to act in the best interest of the organisation. This may relate to employment, goods and services or funding accessed by the church.

The conflict may arise due to a person having a substantive interest in or being a decision maker in either the matter or the other party(ies) involved, or because they are in a close personal relationship (e.g. spouse, child, parent, sibling) with the other party(ies) involved¹. For example, an elder may own the cleaning company used by the church, or the Treasurer's brother is an electrician and does all the electrical work.

Where conflicts of interest occur that involve financial transactions, there are a number of risks to be managed:

- The economic interests of the church may not be best served if a personal interest is placed above that of the church,
- If an employee or close relation of an employee gains an economic benefit from a transaction, this is unethical, and may also cause issues in an audit by a charity regulator,
- There is a risk of reputational damage when a conflict of interest relationship is exposed, and
- Embezzlement or fraud risk increases when there are conflict of interest relationships relating to financial transactions².

Conflicts of interest can also arise when family members or close relatives are involved in paid or volunteer ministry and governance/leadership of a church at the same time. Examples include the husband of the youth pastor is an Elder, or the Treasurer is a relative of a staff member, or the wife of the Senior Pastor is employed as the Worship Pastor and the role reports to the Senior Pastor. These are not necessarily situations that should be avoided completely, but the implications and conflict of interest this creates should be prayerfully thought through, documented and adequately addressed, with transparency.

Further, significant caution should be applied around creating a staff position specifically for someone in the church and/or not advertising and interviewing multiple candidates, even where there is a preferred candidate from the church. Potential issues include:

- Creating a paid position to fit a specific person, without a full review of the needs of the church family and overall staffing structure, may result in a non-ideal staffing and skills mix,
- Creating a difficult relational situation if the employee ends up being unsuitable or underperforming, and

¹ <https://www.freechurchforms.com/support-files/conflictinterestpolicy.pdf>

² <https://danreiland.com/conflict-of-interest/>

- May prevent others with different or more suitable skills, experience and calling from applying for a role, potentially doing the church family and that person a disservice.

Managing conflict of interest

Ideally churches should manage conflicts of interest in three ways:

- Develop a Conflict of Interest Policy
- Determine how best to address identified conflicts of interest [suggestions provided in this guideline]
- Maintain a Register of Interests for all paid staff, and individuals in leadership, ministry and volunteer roles and document how any conflicts of interest are managed

Once identified and determined as a valid conflict of interest, the conflict can be managed or resolved in the following ways³:

Restrict	Place restrictions on the person's involvement in the matter. <i>This is a good option when it is easy to separate the person from the matter and it does not arise frequently.</i>
Recruit	Recruit a disinterested third party to oversee the particular matter. <i>This is an option where it's not desirable for a person to be removed from the decision making process because their skills and input into the process are still required, but they cannot lead it because of the conflict.</i>
Remove	Remove the person completely from the matter. <i>This would include not participating in formal or informal discussions, and not being in situations where the person might be perceived as exerting an influence on decisions.</i>
Relinquish and Resign	If it can't be resolved any other way, the private/personal interest that is causing the conflict should be relinquished or resigned. <i>This would occur where a person's position at church outweighed the private/personal matter that is causing a significant conflict of interest, and there is no other workable solution that reduces the conflict to an acceptable level.</i>

A decision should then be made as to whether the person with the conflict of interest should:

- Vote on the matter (as a minimum they should not do this);
- Participate in any discussions regarding the matter; or
- Be in the room during discussion and voting on the matter.

This should be recorded on a Register of Interests and noted in any meeting minutes any time the conflicted situation/matter arises.

If a conflict of interest is so significant that it will prevent someone from regularly participating in discussions and decisions relevant to their role, and there is no other way to sufficiently avoid the conflict (e.g. relinquish or resign from the other party/matter), then it may not be the right time for that person to be in the church role that results in the conflict of interest.

³ Much of the following is adapted from <https://nswact.uca.org.au/media/7656/ssc-conflict-of-interest-policy-september-2019-final.pdf>

Examples and considerations

For financial transactions where actual or potential conflicts of interest exist, ensuring more than one quote is obtained, more than one person is involved in the decision and making of payments, or removing the person with the conflict from the decision is appropriate.

A church should have a stated position on whether more than one family member (spouse, sibling, parent, child or other close relation) can be employed on staff. This may depend on whether the positions would report to each other or if one is administration/technical and the other a pastoral position.

A church should also have a stated position on whether a family member of someone on staff can serve as an Elder/Board member, or Treasurer. Neither necessarily presents an unresolvable conflict of interest, but must be carefully managed for the health of the family relationships and the church. It would require clear expectations about who does what in ministry and clear accountability and limits of authority, including the role of the Elders/Board.

Examples of ways to proactively manage these types of situations are:

- Family member of a pastor is the Treasurer: annual independent audit, with results presented to Board/elders, minimum two signatories on church accounts and double approval of pays and payments, replacement when possible with a non-family member.
- Family member is a direct report of a pastor: involve others in performance reviews to ensure balanced perspective and reduce potential pressure on personal relationship. For example: 6 monthly review by elders, annual 360 reviews to enable input from a range of people on performance.
- Treasurer's brother is an electrician: get more than one quote for all electrical work, Board approves which quote to accept (Treasurer abstains), double approval of payments.

All paid staff and leadership roles should be made aware of the Conflict of Interest Policy and abide by it when identifying and managing conflicts of interest.

Other resources

The Australian Charities and Not-for-profits Commission also has good resources and templates in this area: <https://www.acnc.gov.au/tools/templates/conflict-interest-policy>

This article provides an excellent overview of the principles and approach discussed here (from a US NFP perspective): <https://churchexecutive.com/archives/when-personal-loyalties-and-ministry-responsibilities-collide>