

Conflict of Interest Management in the Community Housing Sector



What is this report about?

The NSW Registrar of Community Housing (the Registrar) conducted a campaign to understand and evaluate current Conflict of Interest (COI) practice and management in the Community housing Sector (the Sector). By doing so, the Registrar will provide guidance on compliant, better and best practice behaviours for managing COI.

The context of this research

The Registrar has the responsibility of ensuring a well governed, well managed and viable Sector that meets the housing needs of tenants and provides assurance for government and investors. Assurance is achieved through the implementation of the National Regulatory System for Community Housing (NRSCH) in New South Wales (NSW).

As part of the NRSCH performance outcomes, COI management is a significant aspect of compliance for governance and probity. Consequently, as a condition of registration, Community housing providers (CHPs) must demonstrate that they can:

- establish or adopt a code of conduct incorporating measures to manage COI and to make policy and business decisions within an ethical framework, and
- operate in accordance with a code of governance, consistent with the ASX Corporate Governance Principles, including in relation to managing COI.

In the 2017-18 assessment round, 35% of Tier 1 and 2 CHPs assessed in NSW were given recommendations to address COI weaknesses around the quality of their policies and 11% were suggested improvement opportunities regarding a disconnect between policy and practice of COI management.

These figures triggered a need to further understand current practices and to determine how best practice in COI management can be achieved in the Sector.

Methodology

The annual compliance assessment was used to collect evidence of how Tier 1 and 2 CHPs in NSW mitigate, identify and manage COI declarations. The entire campaign process was designed to be transparent and flexible to ensure that the Registrar did not place unnecessary burden on the participating CHPs. The request for evidence as outlined in the guidance note was purposefully open-ended and non-prescriptive. This design gave CHPs the freedom to demonstrate practice in a way that was not burdensome whilst accurately reflecting their operational activities.

To achieve consistency and ensure accountability, the NRSCH evidence guidelines around governance and probity were used to guide Compliance Officers in assessing the quality of

COI policies and registers. This process allowed for a critique of the current guidelines around assessing COI management. As a result, the Registrar has identified areas of improvement around the assessment methodology.

Findings

During the 2018-19 compliance round, CHPs had their COI systems scrutinised for better practice with recommendations (total 14) and improvement opportunities (total two) made to remedy identified gaps. The Registrar found that all participating CHPs have a COI policy and procedure and are therefore compliant with expected standards. However, the quality of documentation and its integration into operations differ and can be categorised into two distinct groups.

Group One (66% of the sample group)	Group Two (34% of the sample group)
CHPs in this group have adequate COI management systems that are well embedded into the organisation's culture. Relevant policies are comprehensive and the practice of policies can be clearly demonstrated at all levels of operations.	CHPs in this group have difficulties in demonstrating practice of their policies. The COI policy is general in its guidance, often lacking clear definitions of actual, potential and perceived COI and the recording document lacks management strategies.

A guidance note outlining compliant and best practice behaviours around COI management has been developed to capture better practice expectations identified. The guidance note reflects key gaps identified in the Sector and aims to encourage the continuation of current best practice behaviours (as demonstrated by CHPs in Group One). The Registrar will continue to engage with CHPs to offer consistent and clear guidance around better identifying indicators of potential non-compliance within an increasingly complex Sector.

In addition to the guidance note, the Registrar is committed to improving internal assessment capability to ensure that the Registrar remains proportionate in its engagement as CHPs continue to change in scale and scope.

For more information

If you would like to speak with the Registrar's Office about this report, please call 1800 330 940 or email us at registrar@facs.nsw.gov.au

FURTHER INFORMATION

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