

**COMMUNITY LEADERS FORUM (CLF) SHARING 2019**  
**Sharing Session with the Malay Muslim**  
**Organisations on Governance**

## **Managing Conflict of Interest**

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# About the Speaker

- Name: **Sarjit Singh**
- Tel: **+(65) 9363 5888** Email: **sarjitsingh@ardent.com.sg**

- **Executive Chairman, Ardent Associates LLP**  
**Winner for Best Practice Award (SMP), Singapore Accountancy Awards 2016**
- PricewaterhouseCoopers – 16 years
- Chief Financial Officer, AIA – 5 years
- Chief Financial Officer, Aviva Asia – 3 years

*My Journey*



- BBM, PBM, FCA (Australia), FCA (Singapore), CVA
- Chartered Valuer and Appraiser, Institute of Valuers and Appraisers of Singapore (IVAS)
- District Councillor and Chairman of Finance Committee, Central Singapore CDC
- Honorary Secretary, Executive Committee of SINDA
- Member, Investigation & Disciplinary Panel, Institute of Singapore Chartered Accountants
- Chairman of the Learning and Assessment Committee – Foundation Programme, Singapore Accountancy Commission (SAC)
- Master Facilitator for Singapore CA – Business Value, Governance and Risk Module
- **Committee on the Future Economy – Legal and Accounting Services Working Group**
- National Honours : Public Service Medal (PBM) 2007 & Public Service Star (BBM) 2011
- University Award : Nanyang Alumni Achievement Award in 2012



# Governance *Menu* for Today: Managing Conflict of Interest



Deep Dive into the Code of Governance



It's Story Time! Learning Lessons from Past Failures



Recap with Quiz: Who Wants To Be A Governance Guru?

*Today's Special: 3 Real Life Cases In Our Neighbourhood ...*  
A Hospital, A Temple and A Foundation!



Be a  
Governance  
Guru,  
Today!





A photograph of a classroom scene from behind several students. They are all raising their right hands towards a chalkboard in the background. The chalkboard is filled with faint, illegible mathematical equations and diagrams. The students are wearing various colored shirts: light blue, dark blue, red, orange, and green. The text 'be engage & proactive' is overlaid on the image, with 'be' in white, 'engage' in yellow, '&' in white, and 'proactive' in green.

be engage & proactive

ask questions

have fun



## **Key Governance Areas for Discussion**

## **Understanding Conflict of Interest**

**How to Deal with a  
Conflict of Interest?**

# Conflict of Interest

“

A situation where a Board member, staff, or other person with an existing or potential financial or other material interest that might impair his or her independence or objectivity in the discharge.

”

## CONFLICT OF INTEREST

### GENERAL PRINCIPLE

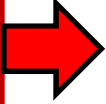
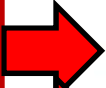
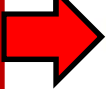
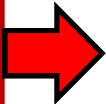
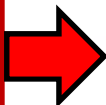
Board members and staff should act in the best interests of the charity. Clear policies and procedures should be set and measures be taken to declare, prevent and address conflict of interest.





# Guidance in the Code of Governance

## Conflict of Interest

- 
- 2.1 The charity should set in place **documented procedures** for Board members and staff to declare actual or potential conflicts of interest to the Board at the earliest opportunity.
- 
- 2.2 A Board member or staff should **not be involved** in setting his or her **own remuneration**.
- 
- 2.3 There should be special procedures to deal with the conflict of interest when Board members have:
- Any interest in **business transactions or contracts** that the charity may enter into; or
  - Any interest in other organisations that the charity has dealings with or is considering entering into **joint ventures** with; or
  - Any interest as the charity's **suppliers, service users, beneficiaries or staff**.
- 
- 2.4 Where a conflict of interest arises at a Board meeting, the Board member concerned **should not vote** on the matter **nor participate** in discussions.  
He or she **should recuse** himself or herself from the meeting. The reason for how a final decision is made on the transaction or contract should be **recorded in the minutes** of the meeting.
- 
- 2.5 Any appointment of staff who is a **close member of the family** of the current Board members or staff should undergo the established human resource procedures for recruitment, performance evaluation and remuneration.  
Board members or staff should make a **declaration of such relationships** and not influence decisions made during these procedures.





It's Talk Time!

Two Questions  
One Minute Each



# It's **Pop Quiz** Time!



The Guidelines in the Code on Conflict of Interest are **applicable to:**

- A. Basic and Intermediate Tiers only.
- B. Enhanced and Advanced Tiers only.
- C. IPCs only.



D. All the Abovementioned Tiers.





# It's **Pop Quiz** Time!



Which of the following statements are specifically included in the **Governance Evaluation Checklist**?



A. There are documented procedures for Board members and staff to declare actual or potential **conflicts of interest** to the Board at the earliest opportunity.



B. Board members **do not vote or participate** in decision-making on matters where they have a conflict of interest.

C. Board members and staff are **not involved in setting their own remuneration**.

D. Board members have **no interest as the charity's suppliers, service users and beneficiaries**.



# Governance Evaluation Checklist

## Conflict of Interest



| Conflict of Interest |  |     |  |
|----------------------|--|-----|--|
| 7                    | There are documented procedures for Board members and staff <sup>1</sup> to declare actual or potential <b>conflicts of interest</b> to the Board at the earliest opportunity. | 2.1 | <input type="checkbox"/> Complied<br><input type="checkbox"/> Not Complied |
| 8                    | Board members <b>do not vote or participate</b> in decision-making on matters where they have a conflict of interest.  | 2.4 | <input type="checkbox"/> Complied<br><input type="checkbox"/> Not Complied |

- **Removal** of the “Not Applicable” option
- The Code still operates on the principle of ‘**Comply**’ or ‘**Explain**’

# Different Types of Conflict of Interest



*Hire me!*

Members\* hiring a friend/ relative as an employee or vendor



Members\* buying or selling goods or services from/ to a family business for which others might compete



Members\* having personal relationship where there is an immediate reporting relationship



Members\* volunteering and/ or having memberships in other charities



Members\* receiving goods or services as beneficiaries.

**Examples of Conflict of Interest**

*\* A member refers to a board member, management member, staff member or volunteer member.*

*Source : Social Service Institute*

# Actual vs Potential vs Perceived

## ① **ACTUAL** YOU ARE BEING INFLUENCED BY A CONFLICTING INTEREST

**For example** – Your charity is considering whether to give a grant to a kindergarten that your child attends and you cannot make the decision impartially.

---

## ② **POTENTIAL** YOU COULD BE INFLUENCED BY A CONFLICTING INTEREST

**For example** – You've taken up employment with another charity and you may, at some point, apply for a grant as an employee of one charity and a board member of another.

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## ③ **PERCEIVED** YOU COULD APPEAR TO BE INFLUENCED BY A CONFLICTING INTEREST

**For example** – You are reviewing quotes for a service and one of the potential providers is the employer of your sibling. While you believe you can make an impartial decision in the best interests of the charity, it could be perceived as being made in your own interest.





# It's **Movie** Time!



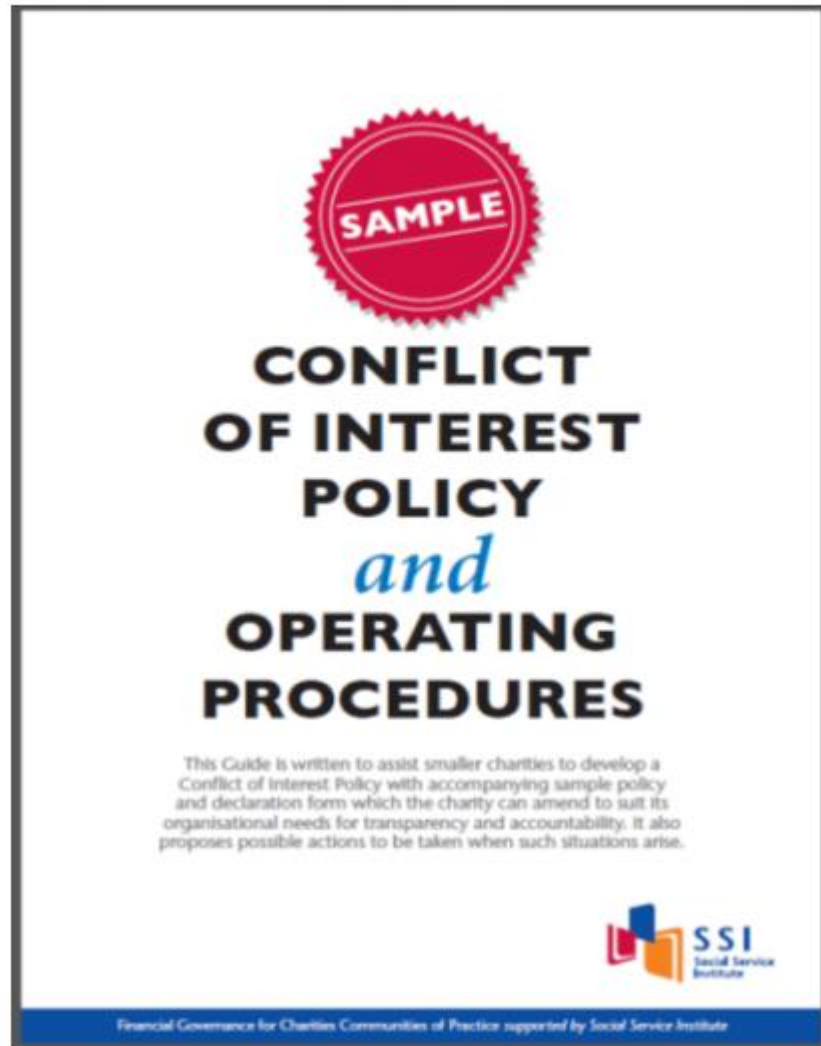
## Dealing Effectively with 3 Types of Conflict of Interest

Undeclared Conflict of Interest can put Charity at Risk

*An Animated Cartoon Specially Brought to You  
by Prof Sarjit Singh's Studio Productions*

3 mins

# On Site Help Guides



## Conflict of Interest Policy & Operating Procedures

By Social Service Institute (SSI)

Available on:

[www.charitycouncil.org.sg](http://www.charitycouncil.org.sg)

- Resources For You > Guides and Templates

[www.charities.gov.sg](http://www.charities.gov.sg)

- Resources > Publications > Sample Templates for Charities and IPCs

# Sample COI Declaration Form



## Conflict of Interest Policy & Declaration Form

Date

### Conflict of Interest Disclosure Statement

\*With regard to my voluntary service as \_\_\_\_\_ on the Committee of **ABC Charity**, I have the following potential conflict of interest to report:

OR

\*With regard to my employment as \_\_\_\_\_ with **ABC Charity**, I have the following potential conflict of interest to report:

\* Delete whichever is appropriate

- ☐ Affiliated to another VWO.
- ☐ Affiliated to a vendor, supplier, or a party providing or bidding for providing services, having a direct or indirect interest in any business transaction(s), agreement or investment with **ABC Charity**
- ☐ Affiliated to business dealings/ transactions with a vendor, supplier or a party, which could result in benefit to me
- ☐ Affiliated to a party which have interest in purchasing services from Crocodile Foundation.
- ☐ Affiliated to a staff of **ABC Charity**
- ☐ Affiliated to person(s) involved in or have an interest in any pending legal proceedings involving **ABC Charity**
- ☐ Others: \_\_\_\_\_

*(Note: Affiliated refers to the following: Spouse, domestic partner, child, mother, father, brother or sister or close associates; any corporation, business or non-profit organisation of which you serve as staff, officer, board member, partner or participate in management or are employed by; or any trust or other estate in which you have a substantial interest or as to which you serve as a trustee or in a similar capacity.)*

Please elaborate on the potential conflict arising from the above situation with regards to the transaction concerned (e.g. nature of service/ transaction, if affiliated person involved, the identity of the affiliated person and your relationship with that person):

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### Declaration

I hereby confirm that the disclosure made above are complete and correct to the best of my information and belief. I shall not be participating in the discussion and decision making of this matter. I agree that if I become aware of any information that might indicate that this disclosure is inaccurate or that I have not complied with the conflict of interest policy, I will notify the appropriate authority immediately.

Signature

Name & Designation

Date



# Managing Conflict of Interest

## Declaration of Interests



- ✓ The declaration of interests should be updated at least annually, or when any changes occur
- ✓ In situations where members are unsure what to declare or whether/ when the declaration needs to be updated, they are strongly encouraged to make a declaration or seek advice from the Board

*Source : Social Service Institute, "Conflict of Interest Policy and Operating Procedures"*

# A Sample Illustration: Enterprise Risk Management

Based on our audit experience with risk assessments completed for Charities.

## Sample Risk Assessment for Conflict of Interest Risk

The sample risk register provides a guideline of how a risk register on this risk may be completed.

| R1   | Conflict of interest   | Category          | Compliance  | Risk Owner | Typically Head of Compliance or Finance function |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
|--|--|-------------------|---|------------|--|--------------------|--|--|--|--|--|------------|--|--|--|--|--|--------------|--|--|--|--|--|--------------|--|--|--|--|--|----------|--|--|--|--|--|--|-------------------|-----------|--------------|-----------|------------|
| Risk Description   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Less favourable transactions entered into by management with related vendors (e.g. related party transactions not at arm's length).  |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Risk Causes / Drivers  |  |                   | Risk Consequences   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| <ul style="list-style-type: none"><li>Insufficient or Non-compliance to policies and procedures (e.g. procurement, vendor management SOPs etc.)</li><li>Lack of communications or training on relevant SOPs</li></ul>  |  |                   | <ul style="list-style-type: none"><li>Financial loss / Sub-optimal use of resources</li><li>Negative media publicity and loss of stakeholder confidence should transactions be in breach of regulations (e.g. fraud and corruption)</li><li>Operational disruptions due to investigations</li></ul>   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Risk Assessment - Rating   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| <p>Typically, <u>low to medium</u> likelihood and <u>medium</u> impact risk.</p> <p>Typically, Charities have controls in place to manage this risk including SOPs, conflict of interest declarations etc. However, enforcement and effectiveness of controls may be a challenge in this area. Should the risk happen, impact may include adverse media publicity and wastage / loss of resources.</p> |  |                   | <div><div><div>Likelihood of Occurrence</div><table><tr><td>Almost Certain (5)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Likely (4)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Possible (3)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Unlikely (2)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Rare (1)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>Insignificant (1)</td><td>Minor (2)</td><td>Moderate (3)</td><td>Major (4)</td><td>Severe (5)</td></tr></table><div>Magnitude of Impact</div></div><div>Risk typically rated in this zone</div></div> |            |  | Almost Certain (5) |  |  |  |  |  | Likely (4) |  |  |  |  |  | Possible (3) |  |  |  |  |  | Unlikely (2) |  |  |  |  |  | Rare (1) |  |  |  |  |  |  | Insignificant (1) | Minor (2) | Moderate (3) | Major (4) | Severe (5) |
| Almost Certain (5)   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Likely (4)   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Possible (3)   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Unlikely (2)   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Rare (1)   |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
|  | Insignificant (1)  | Minor (2)         | Moderate (3)  | Major (4)  | Severe (5)                                       |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Existing Controls / Mitigating Measures  |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Ref  | Description  | Responsible Party |   | Remarks    |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| R1.C1  | <p>Procurement and Vendor Management policies and procedures in place including:</p> <ul style="list-style-type: none"><li>Three quotes for procurements above a pre-defined value threshold</li><li>Approval matrix in place for procurement and key transactions</li><li>Due diligence process to be conducted on potential and approved vendors</li><li>Reporting of potential related party transactions with follow up actions</li></ul> <p>Disciplinary actions for non-compliance to policies and procedures.</p> | Finance           |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| R1.C2  | All parties involved in evaluation of quotations and tenders to sign Conflict of Interest declarations on a transaction basis.   | Finance           |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Areas for Improvement  |  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
| Ref  | Description  | Responsibility    |   | Timeline   |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |
|  | Areas for improvement are typically identified as necessary to further strengthen controls.  |                   |   |            |  |                    |  |  |  |  |  |            |  |  |  |  |  |              |  |  |  |  |  |              |  |  |  |  |  |          |  |  |  |  |  |  |                   |           |              |           |            |



# 3 Mini Case Examples

A Hospital. A Temple. A Foundation.



# A Hospital

## Case Facts from CPIB

- Investigated by Ministry Of Health in 2007 for financial discrepancies
- Lost IPC status in same month
- Interest free loans granted to companies not well explained
- Role of the Chairman and the Board recommended to be split

### Outcome

- CEO charged for fraud, misappropriation of funds, giving false information to Commissioner of Charities and falsifying documents
- Personal Asst – guilty of conspiring to falsify a payment voucher and providing misinformation
- \$50,000 granted to PA for personal use
- Loan of \$253,000 for share purchase

# A Temple

## The Commissioner of Charities Findings

- **Conflicts of interest** – Substantial transactions in excess of \$750,000 with two vendors, owned by Trustee/Secretary's relative. Reimbursement for purchase of SIM cards from Trustee/Secretary's business amounting to \$2,824 without documentary record.
- **Loans and disbursements of proceeds unaccounted for** – Trustee/Secretary obtained loans of \$350,000 without the approval from the management committee and without written loan agreements. Loans subsequently repaid using the temple's funds.
- **Duplicated payments for invoices issued by vendors** between 2011 to 2014 signed jointly by key office bearers.
- **Prevalent use of uncrossed cheques** – at least 823 uncrossed cheques more than \$1.5 million. 45 (\$227,000) were not issued to the names of the intended recipients.

# A Temple

## The Commissioner of Charities Findings

- **Ex-gratia payments and benefits for Board members and employees** – Eg. Private chauffeur services amounting to \$48,000 provided to Current Chairman and Former Chairman of the Temple.
- **Unauthorised offsetting of staff loans** – No financial controls in place to monitor staff loans. Unauthorised journal entries to remove staff loans totalling \$10,000.
- **Questionable transactions with intermediaries** – Temple engaged the services of individuals as “intermediaries” to purchase supplies and precious metals from overseas suppliers. Temple disbursed \$314,250 to the intermediaries who were not required to obtain competitive quotes and there were no contractual safeguards to protect the temple from the intermediaries acting improperly.
- **Lack of financial governance and controls** - No documented policies and procedures to the Management Committee and employees. Internal controls were near non-existent in practice.

# A Temple

## The Commissioner of Charities Findings

- **Inadequate finance functions** – Only the outsourced accountant engaged by the Temple was professionally trained in accounting, but she was not involved in the day to day operations of the Temple.
- **Understatement in audited financial statements** – The Land and Building Account was understated by more than \$6 million due to an erroneous accounting adjustment.
- **Key office bearers did not fulfil the duties** expected of them as outlined in the Charity's Constitution.

COC: "These **disquieting findings** may very well have been prevented if the Management Committee, particularly the office bearers, **exercised adequate care and prudence** in their governance and financial management of the charity."





The Curious  
Case of **A**  
**Foundation...**



Under the  
Golden Tap

A man in a black suit and blue striped tie is holding a silver laptop. The laptop screen is black with white and yellow text.

In The  
Courtroom  
vs The Press



# Takeaways



**FINALE**

**Top 3 Lessons  
We Learn**





# What do you see?

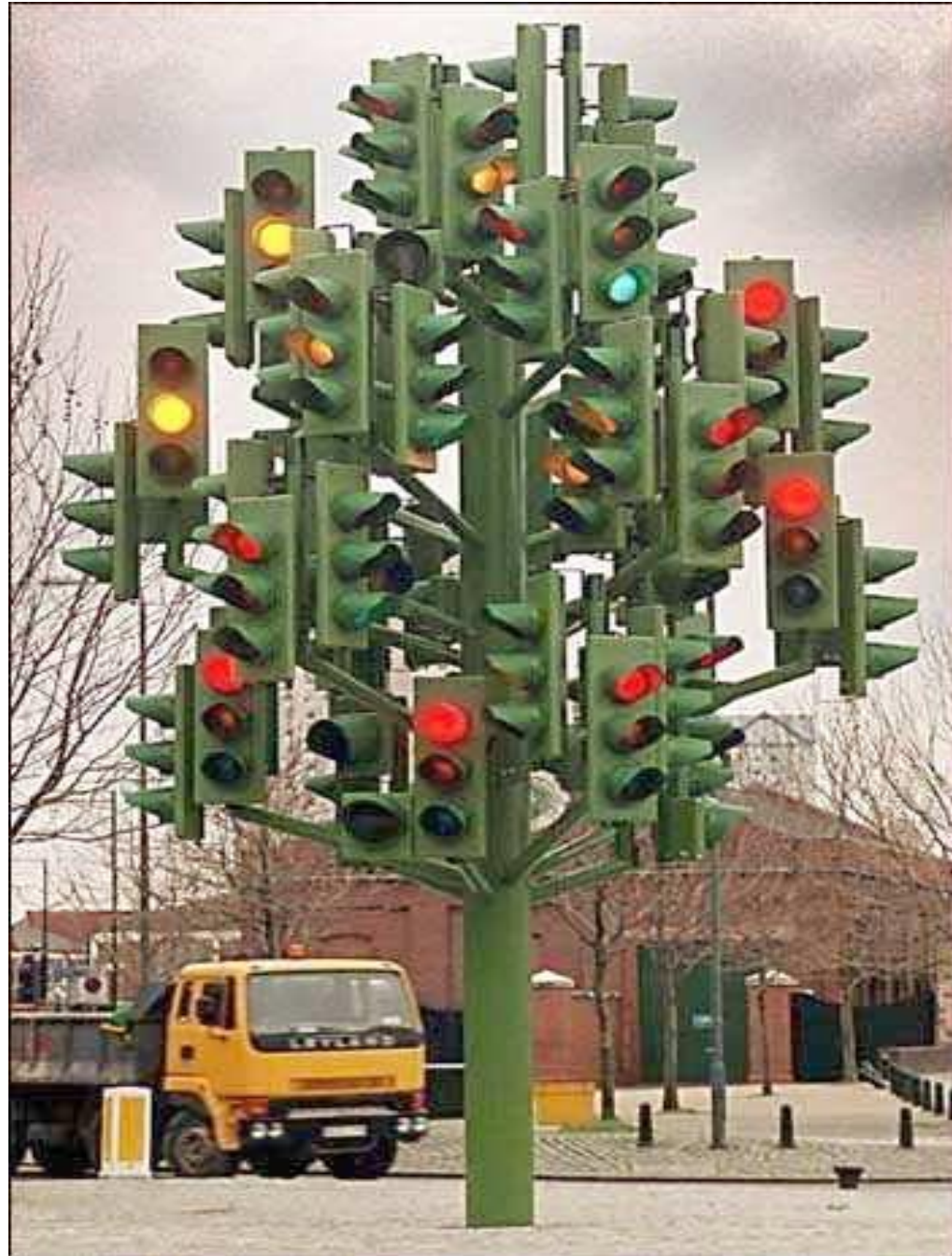




Can you see more clearly now?



Watch-out  
for...  
Excessive  
Controls





## ... Misplaced Control



**Risk + Control = Opportunity?**





# Q&A

## Clarifications of Fuzzy Points



# Who Wants to be a Governance Guru



Let the Game Begin ...

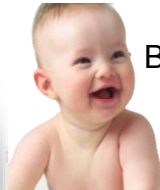
# It's Quiz Time!







## The Ardent Story



Humble Beginning

2008

Paperless Audit Software

2010

Accredited Training Organisation

2013

Winner of 2 Singapore Accountancy Awards



2014

Admitted as member of Kreston Int'l + New Office



2015

Winner of the Best Practice Award



2016



SINGAPORE ACCOUNTANCY AWARDS 2016

- Winner of the **Best Practice Award** (2016)
- Winner of the **Practice of the Year Award** (2014)
- Winner of the **Excellence in People Development** (2014)



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