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# **Conflicts of Interest and Corruption**

**A paper presented for the 2003 AAPAE Conference, Melbourne**

**By**

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## **Introduction**

One of the most important facilitators of corruption is conflict of interest. A conflict of interest occurs when a person's or a group's self-regarding interest comes into conflict with their fiduciary duties, or when a person or a group has two fiduciary roles and the duties of one compete with the duties of the other. For example, if an accountant happened also to be the treasurer of an institutional committee and as an accountant he was asked to audit the committee's financial statements, he would have a conflict of interest.

Conflicts of interest are conducive to corruption in a variety of ways depending on the nature of the role of the person or group that has the conflict of interest. For example, a magistrate or police officer with a conflict of interest may fail to apply the law impartially. Or a businessman who is a member of a local government body might vote to award himself a contract.

Conflicts of interest can be hard to determine and sometimes an apparent conflict of interest might turn out at closer inspection to be more of an instance of role ambiguity or role confusion rather than a conflict of interest. However, because appearances of impropriety can be harmful to reputations and to trust, it is important to clarify and resolve *apparent* conflicts of interest, as well as to avoid real conflicts of interest. It is also important to ensure that the precise nature and boundaries of fiduciary and other roles are clearly delineated and rendered perspicuous. For if this is not done role confusion can arise, and with it the possibility of intended or unintended conflicts of interest.

## **What is a Conflict of Interest?**

According to the "standard view"<sup>1</sup>,

"A conflict of interest is a situation in which some person *P* (whether an individual or corporate body) has a conflict of interest. *P* has a conflict of interest if and only if (1) *P* is

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<sup>1</sup> The "standard view" is provided by Michael Davies in Michael Davies, *Encyclopedia of Applied Ethics* (Academic Press, 1998, Volume 1, A-D, page 590).

in a relationship with another requiring *P* to exercise judgement in the other's behalf and (2) *P* has a (special) interest tending to interfere with the proper exercise of judgement in that relationship. The crucial terms in this definition are 'relationship', 'judgement', 'interest' and 'proper exercise'".

The "relationship" required must be fiduciary, that is, it must involve one person trusting (or at least be entitled to trust) another, to exercise judgement in his service. "Judgement" is the ability to make certain kinds of decisions that require knowledge or skill, correctly and reliably. "Interest" is any influence, loyalty, concern, emotion, or other feature of a situation tending to make *P*'s judgement (in that situation) less reliable than it would normally be. "Proper Exercise" of judgement is normally a question of social fact and includes what people ordinarily expect, what *P* or the group *P* belongs to invites others to expect, and what various laws, professional codes, or other regulations require.<sup>2</sup>

What is generally wrong with a conflict of interest is that it renders one's judgement less reliable than what normally it should be and results in a failure or abuse of a fiduciary duty.

Generally, a conflict of interest can arise in at least one of two ways:

- (A) One has a self-regarding interest that is in conflict, at least potentially so, with one's fiduciary duty, having the tendency to interfere with the proper exercise of one's judgement with regard to that duty.
- (B) One has two potentially competing fiduciary duties or roles that are in conflict with each other, at least potentially so, having the tendency to interfere with the proper exercise of one's judgement with regard to one or the other of the two competing duties or roles so that one is not able to properly exercise both duties or roles.

For example, there is a clear conflict of interest in the case of an accountant who is also the manager of a football club and audits the financial statements of his club. For his special interest in the club as manager would have a tendency to make his judgement as auditor less reliable than what it ordinarily should be because it would be less objective and independent than what would normally be expected from a disinterested auditor. The conflict of interest arises as a direct result of the conflict between the two competing roles in which the accountant/manager-of-football-club is engaged in, such that it has a tendency to interfere with one or the other of those two competing roles and the respective fiduciary duties associated with each of those roles.

Crucially, for the purpose of this paper, conflicts of interest are conducive to corruption. For example, a judge who presides over a criminal trial which involves his daughter as defendant in a rape case has a conflict of interest. Notice that the judge in this case, may in fact not act corruptly; he may well intend to do his duty by conducting the trial fairly and impartially. However, the conflict of interest remains, for it has a tendency to

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<sup>2</sup> Michael Davies, *Encyclopedia of Applied Ethics* (Academic Press, 1998, Volume 1 A-D, page 590).

potentially if not actually, interfere with the proper exercise and discharge of his role requirements as a judge.

The above examples illustrate that although a conflict of interest might not in the first instance necessarily involve or result in corruption, it can nevertheless provide the conditions which might facilitate corruption. Thus, it is better for all concerned if the conflict of interest is avoided eg another judge with has no familial connections to the defendant is appointed to the trial. In cases in which the conflict of interest is not too severe and is not avoidable, it may be possible for the person with the conflict of interest to carry on, if the conflict is disclosed and managed in an apparent and accountable way.

### **Types of Conflicts of Interest**

As we have already seen, many conflicts of interest involve a conflict between one's self interest and the requirement of the role one occupies. Others involve a conflict between two different roles one occupies. Others still, involve a role confusion which serves to mask a conflict of interest.

Conflicts of interest involving self interest are reasonably obvious, but what of *role conflicts*? By way of illustration, consider the fact that some professions or occupations or businesses, impose a restriction under which one, for example, could not be both judge and advocate or editor and manager of advertising revenue of a newspaper, or cashier and accounts payable or accounts receivable manager of a large corporation. Underlying this institutional division of potentially conflicting roles is the *principle of the division and separation of responsibilities* so that the proper exercise of one's judgement cannot be adversely affected by allowing one to occupy two potentially conflicting roles or functions.

The role conflicts involve primarily a conflict between two roles, offices or institutions. Traditionally, a Western democratic state is divided into distinct institutional "estates", for example, the government and the judiciary, whose functions are by design supposed to remain separate and independent, at least in theory. The separateness and independence of these institutions from one another is designed to ensure the division and thus control of power, and also to ensure that potentially harmful conflicts of interest are avoided. Consider a scenario in which a senior politician was a judge in a case involving a political opponent, or a case involving adjudication in relation to the legality of a proposed government policy.

Let us now examine various types of conflict of interest. To begin with let us explore some of the conflicts of interest involved in the Enron corruption scandal.

## *Conflicts of Interest in Business*

### *The Chief Financial Officer (CFO)*

The CFO traditionally is the executive officer within an organisation entrusted with ensuring that a company operates with financial discipline and propriety and not excess and impropriety. However, in a business environment where investors are expecting and demanding ever increasing earnings every financial quarter, CFOs come under constant pressure to cook the books and make them look better than what they are<sup>3</sup>. This places CFOs in two potentially conflicting roles:- (1) the traditional role of policing the integrity and accuracy of the accounts and financial statements of a company, and; (2) the contemporary 'role' of making sure that the quarterly earnings of the company look the best that they can, even at times assisting this outcome by recourse to some 'creative' accounting. This conflict of roles creates, in turn, a conflict of interest that has the tendency, at least potentially, of interfering with the proper exercise of the CFO's fiduciary duty of ensuring the integrity and accuracy of the company's financial statements; a duty entrusted to him by the board of directors and shareholders of the company.

Enron CFO Andrew Fastow's dual roles as both CFO of Enron and manager of the Special Purpose Entities (SPEs) such as LJM, involved a serious conflict of interest, one which Fastow, as the company's financial watchdog in his role of CFO, should have avoided. When Jeffrey McMahon, the company's treasurer complained to Skilling about the conflict of interest, he was first confronted by Fastow who was told of the complaint by Skilling and a week later McMahon was transferred to another part of the company and replaced by Ben F. Glisan, a close aid and associate of Fastow. It seems that if you can't get rid of a conflict of interest the next best thing is to get rid of those that issue warnings and complain about it!

### *The Dealmakers*

The practice of Enron's in-house dealmakers or "developers" of launching new deals irrespective of the risks involved, so they could immediately claim huge profits for the company, and as a result bonuses for themselves whilst postponing the problems for later, may be viewed as involving another conflict of interest. Their interest in earning immediate big bonuses for themselves through risky deals was potentially in conflict with their fiduciary duty of enhancing the earnings of the company in the long term, not simply by means of quick paper profits, but in real terms. This may have had the tendency to interfere with the proper exercise of their judgement concerning the prudence and financial viability of those deals with regard to the company's long term interests.

### *The Auditors*

In so far as the role of an auditor is potentially in conflict with the role of a financial adviser, when one accountant performs both roles for the same client, there is a conflict

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<sup>3</sup> Dave Lindorff, "Chief fudge-the-books officer" (Salon.com, February 20, 2002, p. 2).

of interest. Thus we have potential conflicts of interest in accounting firms that perform audits for the companies for which they also provide lucrative financial consultancy and other financial management services. Here the latter role has a tendency to curtail the auditors' independence, and can thus potentially interfere with the proper exercise of an auditor's fiduciary duty of ensuring that a company's financial accounts present a true and fair view of the company's operations. The role of Arthur Andersen in Enron's collapse is a case in point and crucially highlights this conflict as potentially conducive to corporate corruption.

In 2000, General Electric paid KPMG \$23.9 million for audit work and \$79.7 million for consultancy work. Similarly, J.P Morgan Chase paid Price Waterhouse Coopers \$21.3 million in audit fees but \$84.2 million for other management services, including consultancy. These examples inevitably invite the question as to whether the "independent auditor" might only be an illusion<sup>4</sup>.

### ***Conflicts of Interest in the Media***

Advertorials are a phenomenon that facilitate the commercial self interests of advertisers in selling products, but do so by trading on the legitimacy that attaches to public news and information services not engaged in advertising, but rather in the provision of news and information in the public interest. This blurring of the distinction between advertisement and objective reporting effectively masks the conflict of interest that arises when an advertiser also presents themselves, at least implicitly, as a disseminator of information, or objective reporter or commentator, acting in the public interest.

Consider the role of journalists as objective reporters. Journalists have a fiduciary duty to truthfully and fairly inform the public on matters of public interest. Advertising practitioners, on the other hand, do not have such a fiduciary duty; advertisers qua advertisers do not have the same obligations as journalists. Unlike journalists, advertising practitioners do not have a specific socially pre-established fiduciary duty to provide the public with a balanced and accurate account, and to do so in the public interest. Rather advertisers are recognised to be partisan sellers of a particular product.

Now consider *advertorials*. Advertorials as the name suggests are paid for advertisements posing as information and editorial comment. However, unlike ordinary advertisements, advertorials pretend to offer balanced and accurate information and editorial comment in the public interest. The audiences of advertorials are not aware, or are at least confused, in relation to the advertising intent and design of advertorials. So there is an element of deception and manipulation involved in advertorials. Do they, however, amount to corruption? Insofar as they corrupt the practice of objective, impartial, balanced, public communication in the public interest then they are a form of corruption. And in so far as they deceive audiences into believing that they are a form of objective, impartial, balanced public communication then they will have this corrupting effect.

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<sup>4</sup> Michael Drummond, "Class action warrior" (Salon.com, January 28, 2002, p. 6).

### *The Cash-for-Comment Case*

In what has come to be known in Australia as the "The Cash for Comment" case, John Laws, a well-known Australian radio celebrity, abused his editorial power for the purpose of influencing the opinion of his 2 million listeners towards a group of banks for a sum of \$1.2m. The financial transaction of the \$1.2m between Laws and the banks was carried out in secret and concealed from the public, including his audience. Just a few weeks prior to his deal with the banks, Laws had repeatedly criticized the banks on his radio program for acting unethically in imposing unjustified bank fees on their customers and cutting back on vital services.

Laws' favourable comments on the banking sector following on the \$1.2m deal can be seen as an instance of an advertorial. The public, including Laws' listeners would have been led to think that Laws was expressing a genuinely unbiased and informed view about the banks when in effect and unbeknown to the public and his listeners he was advertising the banks' 'merits' for a price, offering editorial comment for cash. In the United States the "Cash for Editorial Comment" phenomenon is known as "Payola".

Laws' "cash for comment" incident was an instance of a corrupt practice. Laws secured the promise of a concealed \$1.2m payment from the banks, in return for providing favourable to an audience who would reasonably be expected to believe that these comments were editorial comment in the public interest, and not paid for advertisements.

The ethically problematic nature of advertorials as illustrated by the above case, also illustrates an important conceptual distinction between *external instrumentalism* on the one hand, and *internal instrumentalism* on the other. According to Alan Gewirth:

In an external instrumentalism, the means or instrument is external to the end, in that it need not have any of the distinctive characteristics of the end. In internal instrumentalism, on the other hand, the means or instrument is internal to the end: it is instrumental to the end not only causally but also conceptually in that its features are also constitutive of the end. It serves as an instrument to the end by enforcing, reinstating, or in some other way bringing about a certain result, while at the same time it embodies distinctive characteristics of the result.<sup>5</sup>

As an example of the two types of instrumentalism Gewirth refers to a university lecture. If the lecture is given simply or merely for the purpose of earning money, then the lecture, as a means or instrument, is external to the end of spreading enlightenment or understanding on the lectured topic which are conceptually distinct from financial gain. By contrast, in the case of a lecture given for the purpose of spreading enlightenment and

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<sup>5</sup> Alan Gewirth "Professional Ethics: The Separatist Thesis" (*Ethics* 96:282-300, 1986, p.295).

understanding on the lectured topic, the lecture, as means or instrument, is internal to the end: both the means and the end of lecturing conform to the same intellectual criteria of spreading enlightenment or improving understanding of the subject matter.

In the case of advertorials and the like, there is a conflict between the dictates of internal instrumentalism and those of external instrumentalism. In the case of journalism, the purpose is to inform the public on matters of public interest; so both the means and the end of communicating information conform to the same conceptual and professional criteria of providing true and fair information to the public. By contrast, if the purpose of providing information to the public on products and services through advertising is merely to successfully persuade consumers to purchase products and services, then the strategies of persuasion as a means of informing the public is external to the provision of information, and even sometimes irrelevant. Advertorials seek to have it both ways; they present themselves as in some sense conforming to a principle of internal instrumentalism, but this is merely a ruse to distract and confuse the audience in relation to their real character as communications governed by a principle of external instrumentalism.

### ***Conflicts of Interest in Government***

Conflicts of interest in government that are conducive to corruption usually involve the improper use or extension of a political role.

Consider, in this connection, a case of alleged corruption involving the Prime Minister of Italy, Silvio Berlusconi. It appears that his government used its political power to introduce a controversial new law that would allow defendants to seek the transfer of their trial from one court to another, if *they* felt the first court was likely to be biased against them. Berlusconi's lawyers indicated that they would avail themselves of the "legitimate suspicion" law to have their client's trial on charges of bribing Roman judges to be moved from Milan (where it is felt that the court would be biased against Berlusconi) to Brescia (where Berlusconi enjoys widespread political support). There was a suspicion that the new law was deliberately introduced by Berlusconi's government in order to assist his defence against charges of corruption, and thereby enable him to escape prosecution. The attempt by the Italian Government to introduce the legitimate suspicion law can be seen as a case where the legislative role has been used to improperly interfere with the judicial function. If so, this amounts to political corruption of a judicial process, viz. the process of determining what matters should be heard in what courts.

### **Conflicts of Interest and Corruption**

There are a number of real and potential morally problematic features of conflicts of interest.<sup>6</sup> The most important of these for our purposes in this paper, is the tendency for conflicts of interest to facilitate corruption.

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<sup>6</sup> For what is wrong with conflict of interest see Michael Davis, "Conflict of Interest" in *Encyclopedia of Applied Ethics* (Volume 1 A-D; page 591). To the extent that conflict of interests usually also involve



Insofar as corruption is morally wrong, conflicts of interest which facilitate or result in corruption are also morally wrong. And to the extent that they do actually or potentially contribute to corruption, they should be avoided. How do they in fact facilitate corruption?

### ***What is Corruption?***

Corruption is a complex and multi-faceted issue and for the purpose of this paper I can only offer the briefest of outlines of what constitutes corruption. Although related, corruption and immorality is not the same thing. Though corruption is always immoral not all immoral acts qualify as corruption. Though immoral, the actions of the house burglar and bank robber, for example, are not what we would normally describe as corrupt.

The missing condition is a socially, professionally or institutionally pre-established fiduciary relationship of trust between the corrupt person or group and the person or persons or group who are harmed in some way by the corrupt person's or the corrupt group's actions. The reason why house burglars or bank robbers though typically deemed immoral are not deemed corrupt is because there is an absence of a prior fiduciary relationship of trust between the burglar and the bank robber on the one hand, and those who are harmed by their actions on the other; namely, the household owners, the banks and their customers. By contrast, typical cases of corruption and its sub-species fraud, involve a breach of a socially, professionally or institutionally pre-established fiduciary relationship of trust between the corrupt agents and their victims, namely, those wronged by the corrupt agents' actions. The addition of the condition of a fiduciary duty is in keeping with one of the traditional dictionary definitions of "corruption", namely, "the changing from the naturally sound condition" or "the turning from a sound into an unsound impure condition" or "the perversion of anything from an original state of purity"<sup>7</sup>. The fiduciary relationship can be articulated in political, professional, social or familial terms.

The notion of a corrupt action or practice, in turn, presupposes the prior notion of an uncorrupted and morally legitimate process, role or institution. Hence, the corrupt condition of a process, role or institution exists only relative to some moral or other pre-existing regulatory standard(s) which are minimally definitional of the uncorrupted condition of that process, role or institution. For example, insofar as the primary role of journalism is to inform the public on matters of public interest (in Australia that role is enshrined in the current Media and Entertainment Arts Alliance Code of Ethics) a journalist who deliberately misinforms the public on some matter of public interest acts corruptly by corrupting the role of his profession through a breach of his fiduciary duty to inform, and not to misinform, the public on matters of public interest. Similarly, insofar as the primary role of parents is to nurture their children, a parent who sexually abuses

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conflict of interest, the same reasons regarding the moral wrongness of conflict of interest apply also to conflict of interests.

<sup>7</sup> See the Shorter Oxford Dictionary

one of his or her children is a corrupt parent. Corruption can thus be said to be a failure to comply with pre-existing sets of widely recognized and acknowledged moral standards instantiated in legal, professional, social, or other institutional norms or regulations.

Typically, a person or group of persons act corruptly when they have the power, disposition and opportunity to engage in some immoral and/or illegal action or activity and do so, usually but perhaps not always, under conditions of concealment or secrecy for self-regarding gain in breach of a fiduciary duty of trust owed to others by virtue of a social, professional or other pre-existing institutional role which they occupy and by whose norms or standards they are duty bound.

### ***How Are Conflicts of Interest Conducive to Corruption?***

First and obviously conflicts of interest involving a conflict between self-interest and the requirements of one's role, can lead to one pursuing one's self-interest at the expense of the role requirements. So these sorts of conflict of interest are a direct threat to the proper performance of institutional roles.

Role conflicts can lead to corruption when the conflicts interfere and subvert or pervert the proper function of a process, profession, practice or other institution. Consider in this connection the Berlusconi case. This case is interesting and important in highlighting how conflicts of roles can potentially lead to corruption. There is a suspicion that the new law was deliberately introduced by Berlusconi's government in order to facilitate Berlusconi's defence against charges of corruption in the hope that he might escape prosecution (if the charges of corruption were upheld). The attempt by the Italian Government to introduce the controversial "legitimate suspicion" law can be seen as a case where the political role has been allowed to interfere with the judicial role thus potentially leading to corruption through the perversion of the judicial process which must, if its integrity is to be maintained, remain independent of the political influences of any political party, especially a party that is also in government.

In the case of Enron the conflict between Arthur Andersen's dual roles as auditors and financial consultants may have been a major contributing factor in their failure to exercise proper diligence and care in auditing Enron's financial statements. This was a care which Arthur Andersen owed to Enron's shareholders which included a large number of Enron employees; a stake-holding group to whom Enron owed a fiduciary duty in their capacity as auditors. That fiduciary duty was, however, undermined by their role as financial consultants of Enron. By virtue of that role, Arthur Andersen owed a fiduciary duty to Enron's Management, a role which undermined their role as independent auditors and made them complicit, by association if not by direct involvement, in dubious accounting practices that had the effect of concealing debt and inflating earnings. If the Arthur Andersen auditors knew of those accounting practices, or should have known about them, and did not inform those to whom they owed a fiduciary duty, that is, all the Enron shareholders, and not just the directors of Enron who held large numbers of Enron shares, then they were responsible for deception, by omission if

not commission, and thus responsible for the corrupt activities for which Enron stands accused.

## **How to Deal with Conflicts of Interest**

### *Avoidance*

The most obvious way to deal with conflicts of interest that actually or potentially facilitate or result in corruption is to avoid them, whenever possible.

Role conflicts can best be avoided through a strict division of duties and responsibilities between potentially conflicting roles that does not allow one of the opposing roles to exert undue influence over the other. For example, the division of accounting responsibilities between the cashiering and banking functions on the one hand, and the accounts payable and receivable functions on the other hand, reduces the risk of a conflict of interests between those two functions that may otherwise facilitate potential corruption.

In the case of advertorials, the conflict between editorial comment and advertising can be avoided by having a strict division between those two functions in a media organisation. As media organisations become increasingly more commercially orientated and are run as businesses for profit, the strict division and separation between news and editorial comment on the one hand, and commercial advertising on the other, especially in the form of informercials, has never been greater. Related to this is the importance of maintaining a diversity and multiplicity in the ownership of news organisations so that media monopolies, such as those in Italy at present, for example, can be avoided. For media monopolies such as those owned and controlled by the Berlusconi family in Italy, can exercise undue influence over the political and judicial processes and manipulate public opinion for the self-regarding gain of the media owners to the potential detriment of the public good. As we saw in the Berlusconi case above, this can facilitate the conditions that may result in corruption.

A further way of reducing conflicts of interests arising from conflicting role obligations is to institute a strict division and separation of roles between members of professions or other institutions that owe fiduciary duties to different groups of stakeholders with potentially conflicting interests. For example, in the case of accountants, the conflicts of interest can best be avoided through the strict division and separation of the auditing and financial consultancy functions within an accounting firm. However, this control may not be adequate enough to avoid conflicts of interest in situations, as the ones at present, where fees from financial consultancy services far exceed auditing fees. One possible solution to this problem is to increase audit fees substantially to at least match those from financial consultancy services. If that is not possible, require accounting firms to choose to undertake one but not both of the two potentially conflicting roles. Under this envisaged scheme, accounting firms that specialise in auditing would be precluded from acting as financial consultants to their clients, or alternatively, be precluded from auditing

the accounts of their financial consultancy clients. The problem of course with either suggestion is that they might not prove to be feasible or practical for implementation.

The overall problem with this type of conflicts is that sometimes either the role or the stake-holding groups to whom one has fiduciary duties or both are not clearly defined or delineated. This allows the ambiguity of roles and fiduciary duties to render this type of conflicts of interest opaque if not entirely concealed. A case in point, as we have argued above, is the role of the public relations industry that allows them to be both persuaders and communicators of information on matters of public interest. In the case of auditors to whom do they owe their primary fiduciary duty? If it is to the majority of the shareholders, then their role as financial consultants to a client, as in the case of Arthur Andersen with regard to Enron, can compromise that role and might, under certain circumstances, as in the case of Enron, lead to corruption to the overall detriment of the shareholders.

### *Disclosure*

It may not, however, always be possible to avoid conflicts of interest so the next best solution is to disclose them. However, disclosure as an acceptable solution only applies to conflicts of interest relating to otherwise ethically legitimate practices, as in the case of clinical trials, for example. Disclosure will not, on the other hand, render an advertorial less ethically objectionable simply by disclosing it. What its disclosure will accomplish, however, will be its elimination as an advertorial, for advertorials, as advertising material masquerading as editorial comment, must by necessity keep their true colours undisclosed and concealed. In the aftermath of the “cash for comment” scandal, the Australian Broadcasting Authority (ABA) has introduced new binding regulations which require media organisations to make full disclosure about all relevant sponsorship arrangements to their audiences when comments made during normal programming refer to the sponsors of the presenters or the media organisations which employs them. In this particular type of conflicts of interest, disclosure has almost the same effect as avoidance for it eliminates the advertorials’ ability and thus their effectiveness to deceive through concealment behind the façade of editorial comment or opinion.

Because avoidance is not always possible in the case of conflicts of interest that relate to conflicts of roles and similarly in the case of the other two types of conflicts of interest discussed above, disclosure might be the only practical option to render these conflicts ethically more acceptable or at least less ethically problematic and in doing so hopefully reduce the risk of potential corruption. Needless to say, disclosure alone does not eliminate conflicts of interest but merely avoids the ethical problems of negligence or deception and the betrayal of trust which they involve.<sup>8</sup> In the case of public relations press releases in the media, their tendency to deceive as a type of informercials may be eliminated or at least reduced by a clear disclosure that they are press releases made by the named public relations companies on behalf of their clients.

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<sup>8</sup> Michael Davis, “Conflict of Interest”, *Encyclopedia of Applied Ethics*, (Volume I, A-D, 1998, page 593)

As we saw earlier, one of the main conditions conducive to corruption is concealment or secrecy which enables the agency of the corrupt person or corrupt group to remain undetected thus allowing the corrupt person or the group to engage in corruption with impunity and without fear of retribution, especially under conditions approaching those of perfect injustice. Accordingly, disclosure of conflicts of interest, if exercised stringently and properly, can be an effective control measure against corruption by eliminating or at least reducing one of its contributing factors, namely, concealment or secrecy.

*Apparent conflicts of interest* can be as ethically problematic as actual conflicts of interest because of their tendency to mislead people and create in their minds uncertainty concerning the reliability and integrity of the judgement of those from whom people have a legitimate expectation of a fiduciary duty of trust. The best way to avoid such apparent conflicts of interest is to resolve them by disclosing sufficient information to demonstrate that there are no actual or potential conflicts of interest.

This is important because a suspicion of corruption regarding a person or an institution created by merely apparent conflicts of interest can be as damaging to public confidence in that person or the institution as actual or potential conflicts of interest. It is precisely for this reason that *transparency* as an anti-corruption measure is important not only as a way of preventing corruption through eliminating or reducing one of the key contributing conditions of corruption, namely, concealment or secrecy, but it is also important for preserving and maintaining public confidence in persons, professions, practices, processes or other public institutions, by eliminating or at least reducing the appearance of conflicts on interest.

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