GOVERNANCE FACTSHEET – THE BASICS

Risk

All charities face risk. It could be the risk of losing money, injuring clients, bad publicity, or losing key staff or volunteers. Risk is not always a bad thing, without risk there's often no reward.

Identifying and managing risk is important in meeting trustees' duties and demonstrating good governance. Risk management should be an ongoing process of regular review so that trustees can be sure they understand and can manage risks.

It's good practice for trustees to:

- Identify the major risks that apply to their charity. The diverse nature of the sector means no one charity will face the same risks.

- Categorise and record risks in a risk register. This will help trustees keep track of risks and monitor if the charity needs to take any other action.

- Make decisions about how to respond to the risks they face.

- Make an appropriate statement regarding risk management in their annual report. All charities under a legal requirement to have their accounts audited must make a risk management statement in their trustees' annual report. Trustees of smaller charities with gross income below the statutory audit threshold (who should still be concerned about the risks their charity faces) are encouraged to make a risk management statement as a matter of good practice.

As a part of risk management, the board should also consider what needs to be done if a serious event does take place. Scenario planning can help boards to work through serious risks.

All charities that are under a legal requirement to have their accounts audited and must make a risk management statement in their trustees' annual report.

Useful links

- NCVO members can download our risk register template

- Read this guide to scenario planning for voluntary organisations

- NCVO's trusted supplier Zurich Insurance

- Use our how to manage risk article as a seven-step guide

- Take a look at our safeguarding resources

- The Charity Commission has provided guidance on charities and risk management