

get it right on... Risk Management

The types and levels of risk can vary greatly depending on size and structure of the organisation, generally classified in the following categories: governance, operational, financial, external, compliance with law and regulation.

Implementing a risk management model within any sized organisation is good practice and there are 5 steps:

1. Establishing a risk policy
2. Identifying risks
3. Assessing risks
4. Evaluating what action needs to be taken on risks
5. Periodic monitoring and assessment.

These 10 questions cover some of the most important things that trustees need to think about to avoid common problems.

1. Do your activities match the charitable purposes set out in your governing document?

To avoid problems in running your charity you should make sure that you use the charity's money and premises for the purposes set out in your governing document. This doesn't stop you from spending money on office equipment or furniture or insurance. There are lots of things that make the charity an efficient and safe place for your trustees, staff, volunteers and users. Just be careful to get the balance right, so that your users always get most of the benefit.

2. Can your charity still do what it was originally set up to do?

Charities work best when they are helping to solve a clear need or problem. If that need or problem changes or disappears, the need for the charity might also change or disappear. To change what your charity does, you must firstly change the purposes in your governing document – you will probably need our help with this.

3. Were all the trustees appointed in the way your governing document says they should be?

The governing document may have rules about how the trustees must be appointed, or who must appoint them and how long they can be trustees. Don't forget that you can usually change things in the governing document if they're not working properly.

4. Did you check if there is someone who is not allowed to be a trustee?

Some people are not allowed to be a trustee. You can't usually have people as trustees if they:

- have committed certain crimes
- have been declared bankrupt

- have been forbidden to be a trustee by the Charity Commission or by some other body.

It's a good idea to ask newly appointed trustees to sign a form to declare that they haven't been disqualified. Even better, you could ask the trustees to sign the form every year as well.

5. Have you written down how the trustees will identify and deal with conflicts of interest?

Almost all charities will have trustees with conflicts of interest. There is nothing wrong with this if they are properly managed. The important thing is that everybody knows what the conflicts of interest are and how to make sure that they don't cause problems. Conflicts of interest are not just about money. They can also be about trustees who have loyalties or responsibilities to more than one organisation or to more than one group of people. And a conflict of interest might also involve someone close to a trustee, like a family member or a business partner.

6. Do you regularly look at your governing document?

It's important to check what your governing document says. It should tell you what your charity is set up to do, who should be running it and how to organise meetings. You can change your governing document to make it better. Most charities can change their governing documents easily. In some cases you might need our help.

7. Do you think about how to avoid the main things that could cause problems for your charity?

All charities have problems from time to time. Some are things you can't plan for – they just happen. But some problems are things you know are more likely to happen. You could make a list of the likely problems. Use the list to think about:

- which of the problems are more important
- how you might be able to deal with them

8. Do you have ways of checking how well your charity is doing?

Setting targets for your charity will help you know what you need to plan for. Checking if you've met your targets will help you learn if you've got your planning right. Or maybe there are things you need to do differently next time. Meeting targets is also a good way of showing other people, eg donors, how well your charity's doing.

9. Do you have a plan for how you will raise and spend the charity's money?

Plans can be simple if you're a very small charity but will need to become more detailed as you get bigger. Think about getting some help from someone who has experience of making budgets. This doesn't have to cost anything if you can find a suitable volunteer. Be realistic about what money your charity will have, and check if this fits with your targets for the year.

10. Are you preparing accounts and a trustees' report showing what you have spent over the year and what you've done?

All charities, even if they are not registered, must prepare accounts. All registered charities must prepare a Trustees' Annual Report. But even if you don't have to write a trustees' report, it can be a useful way of showing the good job you're doing to people interested in the charity.

