

RTS Potential Risk Areas

Governance Risks

Potential Risk	Potential Impact	Steps to mitigate risk
The charity lacks direction, strategy and forward planning	<ul style="list-style-type: none"> • the charity drifts with no clear objectives, priorities or plans • issues are addressed piecemeal with no strategic reference • needs of beneficiaries not fully addressed • financial management difficulties • loss of reputation 	<ul style="list-style-type: none"> • create a strategic plan which sets out the key aims, objectives and policies • create financial plans and budgets • use job plans and targets • monitor financial and operational performance • get feedback from beneficiaries and funders
Trustee body lacks relevant skills or commitment	<ul style="list-style-type: none"> • charity becomes moribund or fails to achieve its purpose • decisions are made bypassing the trustees • resentment or apathy amongst staff • poor decision making reflected in poor value for money on service delivery 	<ul style="list-style-type: none"> • review and agree skills required • draw up competence framework and job descriptions • implement trustee training and induction • review and agree recruitment processes
Trustee body dominated by one or two individuals, or by connected individuals	<ul style="list-style-type: none"> • trustee body cannot operate effectively as strategic body • decisions made outside of trustee body • conflicts of interest • pursuit of personal agenda • culture of secrecy or deference • arbitrary over-riding of control mechanisms 	<ul style="list-style-type: none"> • consider the structure of the trustee body and its independence • agree mechanisms to manage potential conflicts of interest • review and agree recruitment and appointment processes in line with governing document • agree procedural framework for meetings and recording decisions
Trustees are benefiting from charity (eg remuneration)	<ul style="list-style-type: none"> • poor reputation, morale and ethos • adverse impact on overall control environment • conflicts of interest • possibility of regulatory action 	<ul style="list-style-type: none"> • ensure legal authority for payment or benefit • consider alternative staffing arrangements • implement terms and procedures to authorise/approve expenses and payments • agree procedures and methods to establish fair remuneration conducted separately from 'interested' trustee (remuneration committee/benchmarking exercise etc)
Conflicts of interest	<ul style="list-style-type: none"> • charity unable to pursue its own interests and agenda • decisions may not be based on relevant considerations • impact on reputation • private benefit 	<ul style="list-style-type: none"> • agree protocol for disclosure of potential conflicts of interest • put in place procedures for standing down on certain decisions • review recruitment and selection processes

<p>Ineffective organisational structure</p>	<ul style="list-style-type: none"> • lack of information flow and poor decision making procedures • remoteness from operational activities • uncertainty as to roles and duties • decisions made at inappropriate level or excessive bureaucracy 	<ul style="list-style-type: none"> • use organisation chart to create a clear understanding of roles and duties • delegation and monitoring should be consistent with good practice and constitutional or legal requirements • review structure and the need for constitution
<p>Activities potentially outside objects, powers or terms of gift (restricted funds)</p>	<ul style="list-style-type: none"> • loss of funds available for beneficiary class • liabilities to repay funders • loss of funder confidence • potential breach of trust and regulatory action • loss of beneficiary confidence • taxation implications (if non-qualifying expenditure) 	<ul style="list-style-type: none"> • agree protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding • create financial systems to identify restricted funds and their application
<p>Loss of key staff</p>	<ul style="list-style-type: none"> • experience or skills lost • operational impact on key projects and priorities • loss of contact base and corporate knowledge 	<ul style="list-style-type: none"> • succession planning • document systems, plans and projects • implement training programmes • agree notice periods and handovers • review and agree recruitment processes

Operational Risks

Potential Risk	Potential Impact	Steps to mitigate risk
Service provision - customer satisfaction	<ul style="list-style-type: none"> • beneficiary complaints • loss of fee income • loss of significant contracts or claims under contract • negligence claims • reputational risks 	<ul style="list-style-type: none"> • agree quality control procedures • implement complaints procedures • benchmark services and implement complaints review procedures
Project or service development	<ul style="list-style-type: none"> • compatibility with objects, plans and priorities • funding and financial viability • project viability • skills availability 	<ul style="list-style-type: none"> • appraise project, budgeting and costing procedures • review authorisation procedures • review monitoring and reporting procedures
Fund-raising	<ul style="list-style-type: none"> • unsatisfactory returns • reputational risks of campaign or methods used • actions of agents and commercial fund-raisers • compliance with law and regulation 	<ul style="list-style-type: none"> • implement appraisal, budgeting and authorisation procedures • review regulatory compliance • monitor the adequacy of financial returns achieved (benchmarking comparisons) • stewardship reporting in annual report
Volunteers	<ul style="list-style-type: none"> • lack of competences, training and support • poor service for beneficiaries • inadequate vetting and reference procedures • recruitment and dependency 	<ul style="list-style-type: none"> • review and agree role, competencies • review and agree vetting procedures • review and agree training and supervision procedures • agree development and motivation initiative
Health, safety and environment	<ul style="list-style-type: none"> • staff injury • product or service liability • ability to operate (see Compliance risks) • injury to beneficiaries and the public 	<ul style="list-style-type: none"> • comply with law and regulation • train staff and compliance officer • put in place monitoring and reporting procedures
Procedural and systems documentation	<ul style="list-style-type: none"> • lack of awareness of procedures and policies • actions taken without proper authority 	<ul style="list-style-type: none"> • properly document policies and procedures • audit and review of systems
Information technology	<ul style="list-style-type: none"> • systems fail to meet operational need • failure to innovate or update systems • loss/corruption of data eg donor base • lack of technical support • breach of data protection law 	<ul style="list-style-type: none"> • appraise system needs and options • appraise security and authorisation procedures • implement measures to secure and protect data • agree implementation and development procedures • use service and support contracts • create disaster recovery procedures • consider outsourcing • review insurance cover for any insurable loss

Financial Risks

Potential Risk	Potential Impact	Steps to mitigate risk
Budgetary control and financial reporting	<ul style="list-style-type: none"> • budget does not match key objectives and priorities • decisions made on inaccurate financial projections or reporting • decisions made based on unreliable costing data or income projections • inability to meet commitments or key objectives • poor credit control • poor cash flow and treasury management • ability to function as going concern 	<ul style="list-style-type: none"> • link budgets to business planning and objectives • monitor and report in a timely and accurate way • use proper costing procedures for product or service delivery • ensure adequate skills base to produce and interpret budgetary and financial reports • agree procedures to review and action budget/cash flow variances and monitor and control costs • regularly review reserves and investments
Reserves policies	<ul style="list-style-type: none"> • lack of funds or liquidity to respond to new needs or requirements • inability to meet commitments or planned objectives • reputational risks if policy cannot be justified 	<ul style="list-style-type: none"> • link reserves policy to business plans, activities and identified financial and operating risk • regularly review reserves policy and reserve levels
Cash flow sensitivities	<ul style="list-style-type: none"> • inability to meet commitments • lack of liquidity to cover variance in costs • impact on operational activities 	<ul style="list-style-type: none"> • ensure adequate cash flow projections (prudence of assumptions) • identify major sensitivities • ensure adequate information flow from operational managers • monitor arrangements and reporting
Compliance with donor imposed restrictions	<ul style="list-style-type: none"> • funds applied outside restriction • repayment of grant • future relationship with donor and beneficiaries • regulatory action 	<ul style="list-style-type: none"> • implement systems to identify restricted receipts • agree budget control, monitoring and reporting arrangements
Fraud or error	<ul style="list-style-type: none"> • financial loss • reputational risk • loss of staff morale • regulatory action • impact on funding 	<ul style="list-style-type: none"> • review financial control procedures • segregate duties • set authorisation limits • agree whistle-blowing anti-fraud policy • review security of assets • identify insurable risks

Environmental Factors

Potential Risk	Potential Impact	Steps to mitigate risk
Public perception	<ul style="list-style-type: none">• impact on voluntary income• impact on use of services by beneficiaries• ability to access grants or contract funding	<ul style="list-style-type: none">• communicate with supporters and beneficiaries• ensure good quality reporting of the charity's activities and financial situation• implement public relations training/procedures
Adverse publicity	<ul style="list-style-type: none">• loss of donor confidence or funding• loss of influence• impact on morale of staff• loss of beneficiary confidence	<ul style="list-style-type: none">• implement complaints procedures (both internal and external)• agree proper review procedures for complaints• agree a crisis management strategy for handling - including consistency of key messages and a nominated spokesperson

Compliance Risk

Potential Risk	Potential Impact	Steps to mitigate risk
Compliance with legislation and regulations appropriate to the activities, size and structure of the charity	<ul style="list-style-type: none">• fines, penalties or censure from licensing or activity regulators• loss of licence to undertake particular activity (see operational risks)• employee or consumer action for negligence• reputational risks	<ul style="list-style-type: none">• identify key legal and regulatory requirements• allocate responsibility for key compliance procedures• put in place compliance monitoring and reporting• prepare for compliance visits• obtain compliance reports from regulators (where appropriate) - auditors and staff to consider and action at appropriate level