**Risk Register Template**

**How to use this risk register template**

Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk, in other words, the risk that remains after appropriate action is taken. This template has been created to illustrate a practical way of recording in a risk register how this reduction in level might be achieved by the charity. In example 1, the gross risk is identified as the lack of return/diversity of investment portfolio and rated as high. After identifying the procedures for managing this risk, the net risk has been rated as medium. Trustees need to form a view as to the acceptability of the net risk that remains after management.

The charitable sector is by its nature diverse. The nature of activities, funding base, reserves and structures will expose charities to differing areas of risk and levels of exposure. While the areas of risk identified in this template will deserve consideration by most charities, it is not an exhaustive list of all potential areas of risk and should not be a substitute for a charity undertaking its own processes for risk identification.

The list of risk areas is intended to be an indication of some of the main areas of risk that may need to be considered by trustees. Illustrative examples of potential impact are given, as well as some illustrative examples of controls or action that might be taken to mitigate the risk or impact. Some risks will fall into more than one category. Although the list may be long, it is not exhaustive and there will be other risks that apply to a particular charity because of its own circumstances and activities.

**Scoring should be done as follows:**

- Likelihood of occurrence – give a score of 1 to 5 (as shown on the bottom axis of the table)
- Severity of impact - give a score of 1 to 5 (as shown on the left hand axis of the table)

These two scores are multiplied together to give the overall or 'gross' risk.

Score of 11 or more – high extreme/catastrophic risks (Red)

Score of 5 to 10 - moderate or major risks (Yellow)

Score of 3 or 4 - minor risks (Blue)

Score 2 or below – insignificant risks (Green)

| IMPACT | | | LIKELIHOOD | | | | |
|---|---|---|---|---|---|---|---|
| Extreme / Catastrophic | 5 | 5 | 10 | 15 | 20 | 25 |
| Major | 4 | 4 | 8 | 12 | 16 | 20 |
| Moderate | 3 | 3 | 6 | 9 | 12 | 15 |
| Minor | 2 | 2 | 4 | 6 | 8 | 10 |
| Insignificant | 1 | 1 | 2 | 3 | 4 | 5 |
| | | 1 | 2 | 3 | 4 | 5 |
| | | Remote | Unlikely | Possible | Probable | Highly Probable |

LIKELIHOOD

**The next page (page 2) is a risk register which contains some examples to demonstrate how to use the template.**

**Page 3 shows a blank template for you to use to adapt to suit your organisation's needs.**

**The pages which follow (page 4 onwards) list risk areas that may need to be considered by trustees together with examples of potential impact and controls or action that might be taken to mitigate the risk or impact.**

This template is based on the Charity Commission guidance CC26 "Charities and Risk Management" https://www.gov.uk/government/publications/charities-and-risk-management-cc26

## Risk register template with examples of use

Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk, in other words, the risk that remains after appropriate action is taken. This template has been created to illustrate a practical way of recording in a risk register how this reduction in level might be achieved by the charity. In example 1, the gross risk is identified as the lack of return/diversity of investment portfolio and rated as high. After identifying the procedures for managing this risk, the net risk has been rated as medium. Trustees need to form a view as to the acceptability of the net risk that remains after management.

The charitable sector is by its nature diverse. The nature of activities, funding base, reserves and structures will expose charities to differing areas of risk and levels of exposure. While the areas of risk identified below will deserve consideration by most charities, it is not an exhaustive list of all potential areas of risk and should not be a substitute for a charity undertaking its own processes for risk identification.

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| Risk area/risk identified | Likelihood of occurrence (score) | Severity of impact (score) | Overall or 'gross' risk | Control procedure | Retained or 'net' risk | Monitoring process | Responsibility | Further action required | Date of review |
|---|---|---|---|---|---|---|---|---|---|
| lack of return/diversity of investment portfolio | probable (4) | major (4) | high (20) | investment policy set by trustees written instructions to FSA authorised investment adviser quarterly reviews by trustees | medium | performance reports reviewed quarterly by trustees | trustees and treasurer | quarterly agenda item for trustee meetings | quarterly |
| unsatisfactory fundraising | probable (4) | major (4) | high (20) | financial appraisal of new projects benchmarking of returns achieved budget reporting by fundraising activity | medium | financial reporting by fundraising activity quarterly reporting by fundraising manager to trustees/CEO | fundraising manager/CEO | new initiatives to be approved by trustees unless included in current business plan review of regulatory compliance of current methods | when appropriate next trustee meeting |
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**Blank template risk register**

| Risk area/risk identified | Likelihood of occurrence (score) | Severity of impact (score) | Overall or 'gross' risk | Control procedure | Retained or 'net' risk | Monitoring process | Responsibility | Further action required | Date of review |
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**GOVERNANCE**

| Potential risk | Potential impact | Steps to mitigate risk |
|---|---|---|
| The charity lacks direction, strategy and forward planning | • the charity drifts with no clear objectives, priorities or plans<br>• issues are addressed piecemeal with no strategic reference<br>•needs of beneficiaries not fully addressed<br>• financial management difficulties<br>• loss of reputation | • create a strategic plan which sets out the key aims, objectives and policies<br>• create financial plans and budgets<br>• use job plans and targets<br>• monitor financial and operational performance<br>• get feedback from beneficiaries and funders |
| Trustee body lacks relevant skills or commitment | • charity becomes moribund or fails to achieve its purpose<br>•decisions are made bypassing the trustees<br>• resentment or apathy amongst staff<br>• poor decision making reflected in poor value for money on service delivery | • review and agree skills required<br>• draw up competence framework and job descriptions<br>•implement trustee training and induction<br>• review and agree recruitment processes |
| Trustee body dominated by one or two individuals, or by connected individuals | • trustee body cannot operate effectively as strategic body<br>• decisions made outside of trustee body<br>• conflicts of interest<br>• pursuit of personal agenda<br>• culture of secrecy or deference<br>• arbitrary over-riding of control mechanisms | • consider the structure of the trustee body and its independence<br>• agree mechanisms to manage potential conflicts of interest<br>• review and agree recruitment and appointment processes in line with governing document<br>• agree procedural framework for meetings and recording decisions |
| Trustees are benefiting from charity (eg remuneration) | • poor reputation, morale and ethos<br>• adverse impact on overall control environment<br>• conflicts of interest<br>• possibility of regulatory action | • ensure legal authority for payment or benefit<br>• consider alternative staffing arrangements<br>• implement terms and procedures to authorise/approve expenses and payments<br>• agree procedures and methods to establish fair remuneration conducted separately from 'interested' trustee (remuneration committee/benchmarking exercise etc) |
| Conflicts of interest | • charity unable to pursue its own interests and agenda<br>• decisions may not be based on relevant considerations<br>• impact on reputation<br>• private benefit | • agree protocol for disclosure of potential conflicts of interest<br>• put in place procedures for standing down on certain decisions<br>• review recruitment and selection processes |
| Ineffective organisational structure | • lack of information flow and poor decision making procedures<br>• remoteness from operational activities<br>• uncertainty as to roles and duties<br>• decisions made at inappropriate level or excessive bureaucracy | • use organisation chart to create a clear understanding of roles and duties<br>• delegation and monitoring should be consistent with good practice and constitutional or legal requirements<br>• review structure and the need for constitutional change |
| Activities potentially outside objects, powers or terms of gift (restricted funds) | • loss of funds available for beneficiary class<br>• liabilities to repay funders<br>• loss of funder confidence<br>• potential breach of trust and regulatory action<br>• loss of beneficiary confidence<br>• taxation implications (if non-qualifying expenditure) | • agree protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding<br>• create financial systems to identify restricted funds and their application |
| Loss of key staff | • experience or skills lost<br>• operational impact on key projects and priorities<br>• loss of contact base and corporate knowledge | • succession planning<br>• document systems, plans and projects<br>• implement training programmes<br>• agree notice periods and handovers<br>• review and agree recruitment processes |
| Reporting to trustees (accuracy, timeliness and relevance) | • inadequate information resulting in poor quality decision making<br>• failure of trustees to fulfil their control functions<br>• trustee body becomes remote and ill informed | • put in place proper strategic planning, objective setting and budgeting processes<br>• timely and accurate project reporting<br>• timely and accurate financial reporting<br>• assess and review projects and authorisation procedures<br>• have regular contact between trustees and senior staff and managers |

**OPERATIONAL**

| Potential risk | Potential impact | Steps to mitigate risk |
|---|---|---|
| Contract risk | • onerous terms and conditions<br>• liabilities for non-performance<br>• non-compliance with charity's objects<br>• unplanned subsidy of public provision | • create cost/project appraisal procedures<br>• agree authorisation procedures<br>• get professional advice on terms and conditions<br>• put in place performance monitoring arrangements<br>• consider insurable risks cover |
| Service provision - customer satisfaction | • beneficiary complaints<br>• loss of fee income<br>• loss of significant contracts or claims under contract<br>• negligence claims<br>• reputational risks | • agree quality control procedures<br>• implement complaints procedures<br>• benchmark services and implement complaints review procedures |
| Project or service development | • compatibility with objects, plans and priorities<br>• funding and financial viability<br>• project viability<br>• skills availability | • appraise project, budgeting and costing procedures<br>• review authorisation procedures<br>• review monitoring and reporting procedures |
| Competition from similar organisations | • loss of contract income<br>• reduced fund-raising potential<br>• reduced public profile<br>• profitability of trading activities | • monitor and assess performance and quality of service<br>• review market and methods of service delivery<br>• agree fund-raising strategy<br>• ensure regular contact with funders<br>• monitor public awareness and profile of charity |
| Suppliers, dependency, bargaining power | • dependency on key supplier<br>• lack of supplier to meet key operational objectives<br>• non-competitive pricing/quotes<br>• insufficient buying power | • use competitive tendering for larger contracts<br>• put in place procedures for obtaining quotations<br>• authorised suppliers listing<br>• monitor quality/timeliness of provision<br>• use service level agreements<br>• consider use of buying consortia |
| Capacity and use of resources including tangible fixed assets | • under-utilised or lack of building/office space<br>• plant and equipment obsolescence impacting on operational performance<br>• mismatch between staff allocations and key objectives<br>• spare capacity not being utilised or turned to account | • agree building and plant inspection programme<br>• agree repair and maintenance programme<br>• agree capital expenditure budgets<br>• undertake efficiency review |
| Security of assets | • loss or damage<br>• theft of assets<br>• infringements of intellectual property rights | • review security arrangements<br>• create asset register and inspection programme<br>• agree facility management arrangements<br>• have safe custody arrangements for title documents and land registration<br>• manage use of patent and intellectual property<br>• review insurance cover |
| Fund-raising | • unsatisfactory returns<br>• reputational risks of campaign or methods used<br>• actions of agents and commercial fund-raisers<br>• compliance with law and regulation | • implement appraisal, budgeting and authorisation procedures<br>• review regulatory compliance<br>• monitor the adequacy of financial returns achieved (benchmarking comparisons)<br>• stewardship reporting in annual report |
| Employment issues | • employment disputes<br>• health and safety issues<br>• claims for injury, stress, harassment, unfair dismissal<br>• equal opportunity and diversity issues<br>• adequacy of staff training<br>• child protection issues<br>• low morale<br>• abuse of vulnerable beneficiaries | • review recruitment processes<br>• agree reference and qualification checking procedures, job descriptions, contracts of employment, appraisals and feedback procedures<br>• implement job training and development<br>• implement health and safety training and monitoring<br>• be aware of employment law requirements<br>• implement staff vetting and legal requirements (eg DBS checks)<br>• agree a whistle-blowing policy |
| High staff turnover | • loss of experience or key technical skills<br>• recruitment costs and lead time | • review interview and assessment processes<br>• agree fair and open competition appointment for key posts |

| | • training costs<br>• operational impact on staff morale and service delivery | • agree job descriptions and performance appraisal and feedback systems<br>• conduct 'exit' interviews<br>• review rates of pay, training, working conditions, job satisfaction |
|---|---|---|
| Volunteers | • lack of competences, training and support<br>• poor service for beneficiaries<br>• inadequate vetting and reference procedures<br>• recruitment and dependency | • review and agree role, competencies<br>• review and agree vetting procedures<br>• review and agree training and supervision procedures<br>• agree development and motivation initiatives |
| Health, safety and environment | • staff injury<br>• product or service liability<br>• ability to operate (see Compliance risks)<br>• injury to beneficiaries and the public | • comply with law and regulation<br>• train staff and compliance officer<br>• put in place monitoring and reporting procedures |
| Disaster recovery and planning | • computer system failures or loss of data<br>• destruction of property, equipment, records through fire, flood or similar damage | • agree IT recovery plan<br>• implement data back-up procedures and security measures<br>• review insurance cover<br>• create disaster recovery plan including alternative accommodation |
| Procedural and systems documentation | • lack of awareness of procedures and policies<br>• actions taken without proper authority | • properly document policies and procedures<br>• audit and review of systems |
| Information technology | • systems fail to meet operational need<br>• failure to innovate or update systems<br>• loss/corruption of data eg donor base<br>• lack of technical support<br>• breach of data protection law | • appraise system needs and options<br>• appraise security and authorisation procedures<br>• implement measures to secure and protect data<br>• agree implementation and development procedures<br>• use service and support contracts<br>• create disaster recovery procedures<br>• consider outsourcing<br>• review insurance cover for any insurable loss |

**FINANCIAL**

| Potential risk | Potential impact | Steps to mitigate risk |
|---|---|---|
| Budgetary control and financial reporting | • budget does not match key objectives and priorities<br>• decisions made on inaccurate financial projections or reporting<br>• decisions made based on unreliable costing data or income projections<br>• inability to meet commitments or key objectives<br>• poor credit control<br>• poor cash flow and treasury management<br>• ability to function as going concern | • link budgets to business planning and objectives<br>• monitor and report in a timely and accurate way<br>• use proper costing procedures for product or service delivery<br>• ensure adequate skills base to produce and interpret budgetary and financial reports<br>• agree procedures to review and action budget/cash flow variances and monitor and control costs<br>• regularly review reserves and investments |
| Reserves policies | • lack of funds or liquidity to respond to new needs or requirements<br>• inability to meet commitments or planned objectives<br>• reputational risks if policy cannot be justified | • link reserves policy to business plans, activities and identified financial and operating risk<br>• regularly review reserves policy and reserve levels |
| Cash flow sensitivities | • inability to meet commitments<br>• lack of liquidity to cover variance in costs<br>• impact on operational activities | • ensure adequate cash flow projections (prudence of assumptions)<br>• identify major sensitivities<br>• ensure adequate information flow from operational managers<br>• monitor arrangements and reporting |
| Dependency on income sources | • cash flow and budget impact of loss of income source | • identify major dependencies<br>• implement adequate reserves policy<br>• consider diversification plans |
| Pricing policy | • reliance on subsidy funding<br>• unplanned loss from pricing errors<br>• cash flow impact on other activities<br>• loss of contracts if uncompetitive<br>• affordability of services to beneficiary class | • ensure accurate costing of services and contracts<br>• compare with other service providers<br>• notify and agree price variations with funders<br>• monitor funder satisfaction<br>• develop pricing policy for activities including terms of settlement and discounts |
| Borrowing | • interest rate movements<br>• ability to meet repayment schedule<br>• security given over assets<br>• regulatory requirements | • appraise future income streams to service the debt<br>• appraise terms (rates available fixed, capped, variable etc)<br>• appraise return on borrowing<br>• use appropriate professional advice |
| Guarantees to third parties | • call made under guarantee<br>• lack of reserves or liquidity to meet call<br>• consistency with objects and priorities | • review approval and authority procedures<br>• agree procedures to ensure consistency with objects, plans and priorities<br>• ensure financial reporting of contingency and amendment to reserves policy |
| Foreign currency | • currency exchange losses<br>• uncertainty over project costs<br>• cash flow impact on operational activities | • ensure proper cash flow management and reserves policy<br>• use currency matching (cost to charity in home currency)<br>• consider forward contracts for operational needs (hedging) |
| Pension commitments | • under-funded defined benefit scheme<br>• impact on future cash flows<br>• failure to meet due dates of payment<br>• regulatory action or fines | • use actuarial valuations<br>• review pension scheme arrangements (eg money purchase schemes)<br>• review procedures for admission to scheme and controls over pension administration |
| Inappropriate or loss-making non-charitable trading activities | • resources withdrawn from key objectives<br>• resources and energy diverted from profitable fund-raising or core activities<br>• regulatory action, and accountability<br>• reputational risk if publicised | • monitor and review business performance and return<br>• ensure adequacy of budgeting and financial reporting within the subsidiary or activity budget<br>• review and agree adequate authorisation procedures for any funding provided by charity (prudence, proper advice, investment criteria)<br>• report funding and performance as part of charity's own financial reporting system<br>• appraise viability<br>• consider transfer of undertakings to separate subsidiary |
| Investment policies | • financial loss through inappropriate or speculative investment<br>• unforeseen severe adverse investment conditions<br>• financial loss through lack of investment advice, lack of diversity<br>• cash flow difficulties arising from lack of liquidity | • review and agree investment policy<br>• obtain proper investment advice or management<br>• consider diversity, prudence and liquidity criteria<br>• implement adequate reserves policy |

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| | | • use regular performance monitoring |
|---|---|---|
| Protection of permanent endowment | • loss of future income stream or capital values<br>• buildings unfit for purpose<br>• income streams inappropriate to meet beneficiary needs | • review and agree investment policy<br>• obtain proper investment advice or management<br>• consider diversity, prudence and liquidity criteria<br>• use regular performance monitoring<br>• ensure maintenance and surveyor inspection of buildings<br>• review insurance needs |
| Compliance with donor imposed restrictions | • funds applied outside restriction<br>• repayment of grant<br>• future relationship with donor and beneficiaries<br>• regulatory action | • implement systems to identify restricted receipts<br>• agree budget control, monitoring and reporting arrangements |
| Fraud or error | • financial loss<br>• reputational risk<br>• loss of staff morale<br>• regulatory action<br>• impact on funding | • review financial control procedures<br>• segregate duties<br>• set authorisation limits<br>• agree whistle-blowing anti-fraud policy<br>• review security of assets<br>• identify insurable risks |
| Counter party risk | • financial loss<br>• disruption to activities or operations | • research counter party's financial sustainability<br>• contractual agreement<br>• consider staged payments<br>• agree performance measures<br>• monitor and review investments<br>• establish monitoring and review arrangements where counter party is the charity's agent ('conduit funding' arrangements |

**ENVIRONMENTAL / EXTERNAL**

| Potential risk | Potential impact | Steps to mitigate risk |
|---|---|---|
| Public perception | • impact on voluntary income<br>• impact on use of services by beneficiaries<br>• ability to access grants or contract funding | • communicate with supporters and beneficiaries<br>• ensure good quality reporting of the charity's activities and financial situation<br>• implement public relations training/procedures |
| Adverse publicity | • loss of donor confidence or funding<br>• loss of influence<br>• impact on morale of staff<br>• loss of beneficiary confidence | • implement complaints procedures (both internal and external)<br>• agree proper review procedures for complaints<br>• agree a crisis management strategy for handling - including consistency of key messages and a nominated spokesperson |
| Relationship with funders | • deterioration in relationship may impact on funding and support available | • ensure regular contact and briefings to major funders<br>• report fully on projects<br>• meet funders' terms and conditions |
| Demographic consideration | • impact of demographic distribution of donors or beneficiaries<br>• increasing or decreasing beneficiary class<br>• increasing or decreasing donor class | • profile donor base<br>• profile and understand beneficiary needs<br>• use actuarial analysis to establish future funding requirements |
| Government policy | • availability of contract and grant funding<br>• impact of tax regime on voluntary giving<br>• impact of general legislation or regulation on activities undertaken<br>• role of voluntary sector | • monitor proposed legal and regulatory changes<br>• consider membership of appropriate umbrella bodies |

**LAW AND REGULATION**

| Potential risk | Potential impact | Steps to mitigate risk |
|---|---|---|
| Compliance with legislation and regulations appropriate to the activities, size and structure of the charity | • fines, penalties or censure from licensing or activity regulators<br>• loss of licence to undertake particular activity (see operational risks)<br>• employee or consumer action for negligence<br>• reputational risks | • identify key legal and regulatory requirements<br>• allocate responsibility for key compliance procedures<br>• put in place compliance monitoring and reporting<br>• prepare for compliance visits<br>• obtain compliance reports from regulators (where appropriate) - auditors and staff to consider and action at appropriate level |
| Regulatory reporting requirements<br>Financial and other reporting requirements will be dependent on how the charity is constituted and may also vary according to funding arrangements | • regulatory action<br>• reputational risks<br>• impact on funding | • review and agree compliance procedures and allocation of staff responsibilities |
| Taxation | • penalties, interest and 'back duty' assessments<br>• loss of income eg failure to utilise gift aid arrangements<br>• loss of mandatory or discretionary rate relief<br>• failure to utilise tax exemptions and reliefs | • review PAYE compliance procedures<br>• review VAT procedures<br>• file timely tax returns<br>• understand exemptions and reliefs available (direct tax and VAT)<br>• take advice on employment status and contract terms and tax<br>• implement budget and financial reporting identifying trading receipts, and tax recoveries |
| Professional advice | • lack of investment strategy or management<br>• failure to optimise fiscal position<br>• contract risks<br>• failure to address compliance risks | • identify and ensure access to professional advice<br>• identify issues where advice is required<br>• conduct compliance reviews |