



Charity Commission Governance Code Review
Principle 4: Decision making, risk and control.

Questions to consider:

- As a board, do you ensure that your organisation is performing well, solvent and complying with all its obligations?
- Are you confident that everyone acting in the organisation’s name is complying with the board’s directions and the requirements of law, regulators, and your governing document?
- Do you ensure that your resources (assts, Reputation, staff etc) are protected?
- Do you monitor and manage risk?
- Do you take appropriate professional advice where necessary?
- Do you have clarity around what has been delegated by the board, and is delegated authority properly supervised?
- Do you have in place a framework of financial controls, internal controls, performance reporting and policies and procedures?
- Do you review the appropriateness and effectiveness of these?
- Do you periodically review any committee and advisory group structures to ensure that they continue to meet the organisation’s governance needs?

Principle 4 – Decision making, risk and control: The board makes sure that its decision-making processes are informed, rigorous and timely, and that effective delegation, control and risk-assessment, and management systems are set up and monitored.

<p>Rationale</p> <p>The board is ultimately responsible for the decisions and actions of the charity but it cannot and should not do everything. The board may be required by statute or the charity’s governing document to make certain decisions but, beyond this, it needs to decide which other matters it will make decisions about and which it can and will delegate.</p> <p>Trustees delegate authority but not ultimate responsibility, so the board needs to implement suitable financial and related controls and reporting arrangements to make sure it oversees these delegated matters. Trustees must also identify and assess risks and</p>	<p>Key outcomes</p> <p>4.1 The board is clear that its main focus is on strategy, performance and assurance, rather than operational matters, and reflects this in what it delegates.</p> <p>4.2 The board has a sound decision-making and monitoring framework which helps the organisation deliver its charitable purposes. It is aware of the range of financial and non-financial risks it needs to monitor and manage.</p> <p>4.3 The board promotes a culture of sound management of resources but also understands that being over-cautious and risk averse can itself be a risk and hinder innovation.</p>
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<p>opportunities for the organisation and decide how best to deal with them, including assessing whether they are manageable or worth taking.</p>	<p>4.4 Where aspects of the board’s role are delegated to committees, staff, volunteers or contractors, the board keeps responsibility and oversight.</p>
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Recommended Practice	Evidence of application / explanation	Areas for improvement / implementation
4.5 Delegation and control		
<p>4.5.1 The board regularly reviews which matters are reserved to the board and which can be delegated. It collectively exercises the powers of delegation to committees or individual trustees, or staff and volunteers if the charity has them.</p>		
<p>4.5.2 The board describes its ‘delegations’ framework in a document which provides sufficient detail and clear boundaries that the delegations can be clearly understood and carried out.</p>		<p><i>Scheme of Delegation document to be produced.</i></p>
<p>4.5.3 The board makes sure that its committees have suitable terms of reference and membership and that:</p> <ul style="list-style-type: none"> ■ the terms of reference are reviewed regularly ■ the committee membership is refreshed regularly and does not rely too much on particular people ■ committee members recognise that the board has ultimate responsibility. 	<p><i>The committee has a terms of reference which is reviewed regularly.</i></p> <p><i>The terms of office for each elected committee and subcommittee member is 3 years. Committee members can serve two terms, a third term would be considered in exceptional circumstances.</i></p> <p><i>committee members understand that the board has ultimate responsibility.</i></p>	

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<p>4.5.4 Where a charity uses third party suppliers or services – for example for fundraising, data management or other purposes – the board assures itself that this work is carried out in the interests of the charity and in line with its values and the agreement between the charity and supplier. The board makes sure that such agreements are regularly reviewed to make sure they are still appropriate.</p>	<p><i>Contractual agreement with Red Hot Irons which is reviewed regularly.</i></p>	
<p>4.5.5 The board regularly checks the charity’s key policies and procedures to ensure make sure that they still support, and are adequate for, the delivery of the charity’s aims. This includes: policies and procedures dealing with board strategies, functions and responsibilities, finances (including reserves), service or quality standards; where needed, good employment practices and encouraging and using volunteers; key areas of activity such as fundraising and data protection.</p>	<p><i>DCT and its subsidiaries policies are reviewed by the trustees every three years or earlier if appropriate.</i></p> <p><i>Policies include, financial controls and volunteers</i></p>	
<p>4.6 Managing and monitoring organisational performance</p>		
<p>4.6.1 The board makes sure that operational plans and budgets are in line with the charity’s purposes, strategic aims and resources.</p>		

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<p>4.6.2 The board regularly monitors performance using a consistent framework and checks performance against the charity’s strategic aims, operational plans and budgets.</p>		
<p>4.6.3 The board agrees what information is needed to assess delivery against agreed plans, outcomes and timescales. Trustees share timely, relevant and accurate information in an easy to understand format.</p>		
<p>4.6.4 The board regularly considers information from other similar organisations to compare or benchmark the organisation’s performance.</p>		
4.7 Actively managing risks		
<p>4.7.1 The board retains overall responsibility for risk management and discusses and decides the level of risk it is prepared to accept for specific and combined risks.</p>		
<p>4.7.2 The board regularly reviews the charity’s specific significant risks and the effect of these risks added together. It makes plans to mitigate and manage these risks appropriately. Trustees consider risk that relates to their situation and where</p>		

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they work, for example charities working with children or vulnerable adults will probably look at risks relating to safeguarding.		
4.7.3 The board puts in place and regularly checks the charity’s process for identifying, prioritising, escalating and managing risks and, where applicable, the charity’s system of internal controls to manage these risks. The board reviews the effectiveness of the charity’s approach to risk at least every year. The board describes the charity’s approach to risk in its annual report and in line with regulatory requirements.	<i>The trustees review the risk register annually</i>	
4.8 Appointing external examiners or auditors		
4.8.1 The board agrees and oversees an effective process for appointing and reviewing its external examiners or auditors if they are required.		