

## Updated guidance on Controls & Risk – what about Governance?

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The updated guidance is fine, as far as it goes, but it just doesn't go far enough. If I had been asked to scope the project of updating the two old guidance documents on controls and risk, I would also have suggested that charity governance guidance should also be added to the task to ensure alignment between the guidance. Let me explain the 3 reasons why.

Firstly, Governance. The updated guidance refers readers to "Good Governance – A Code for the Voluntary and Community Sector" which was published in 2005. We know that the guide is due for a revision because of the passage of time and a consultation which took place during 2009. In June 2010, the FRC published the new UK Corporate Governance Code – formerly known as the Combined Code – to help listed company boards become more effective and more accountable to their shareholders. The charity sector governance guidance ought to be updated to ensure best practice is proportionate. Charity Boards are responsible for determining the mission of a charity, and hence the risk appetite.

Secondly, Risk. The guidance is useful but the example of a risk matrix doesn't appear to undertake any RAG rating i.e. Red Amber and Green which is a useful mechanism for busy people who are reviewing the document. Nor does the specimen risk matrix have any index on the front so that the document can be easily navigated and reviewed by different people such as trustees, senior management team members and employees. Alternatively, a risk map can be used as a summary or index of gross and net risks.

Thirdly, Controls. The guidance is focused purely on financial controls. So it doesn't really address the extent to which controls should exist around non financial processes such as governance & strategic planning; operations; management information; regulatory compliance and contractual commitments.

More importantly, the guide doesn't really tackle the current thinking and developments in the world of internal audit. Historically, internal audit has been considered as a transactional, vouching activity. It then developed into systems based approaches.

Nowadays, the focus of internal auditing is in helping organisations improve their risk management, control and governance processes through providing assurance and advice about management procedures. So you can only set your control processes once your Board has determined your risk appetite.

Of course, any approach to internal auditing must be proportionate. Larger charities will probably devote more resource to the work as compared to smaller charities. However, in my opinion, all charities should consider whether their governance, risk and control processes are appropriate. Don't wait for problems arising from external assurance.

Contact me if you would like to discuss your charity's assurance processes on 01865 261100 or via [kmoss@critchleys.co.uk](mailto:kmoss@critchleys.co.uk)