GOVERNANCE PROCEDURE REVIEWS: A PRACTICAL GUIDE FOR CHARITABLE ENTITIES

Registered charities are now required to review their governance procedures at least once every three years under section 42G of the Charities Act 2005.

The requirement supports governance effectiveness by helping boards test whether their arrangements, behaviours, information and accountability settings help the charity govern well and deliver its purpose.

For boards, this does not need to mean a formal external governance review, a major legal exercise or a complicated new process. The requirement is to review your governance procedures and consider whether they:

1. are fit for purpose
2. assist the charitable entity to achieve its charitable purposes
3. assist the charitable entity to comply with the requirements of the Charities Act 2005.

The board should be able to show that it has considered these questions, reviewed relevant governance documents and practices, recorded the discussion, and followed up on any actions identified. Charities may also be asked to confirm through their annual return that the review has been completed, so boards should keep enough evidence to support that confirmation.

The review should also test whether the board's rules, procedures and policies are understood, current, consistent with each other and followed in practice.

This guide provides general governance information. Boards should seek legal advice where changes to trust deeds, constitutions, rules, amendment powers or legal obligations are unclear.

Turning compliance into a governance opportunity

The legal requirement creates a useful opportunity for boards to step back and ask: are our governance arrangements helping us do the right things, in the right way, for the people and communities we serve? Compliance may be the trigger, but the value of the review is in strengthening leadership, resilience, impact and overall governance effectiveness.

Good governance procedures should not just sit in a folder. They should support good decision-making, clear accountability, sound management of risk, proper use of resources, effective oversight and a clear focus on the charity's purpose. They should also help the board adapt as the organisation, its risks and its operating environment change.

The review should consider whether the board's governance arrangements still match the size, risks, complexity and work of the charity. That means looking at both the documents and the way the board operates in practice.

Boards should be asking: "Is our governance helping us make better decisions and have greater impact?" It is also an opportunity to review and update governance arrangements so they remain practical, current and supportive of the charity's work over time.

What should be reviewed?

"Governance procedures" should be interpreted broadly. For a charitable entity, this may include:

- **Core governance documents** such as the trust deed, rules or founding documents, board charter and governance manual
- **Decision-making and authority settings** such as delegations, financial authorities, meeting procedures, agendas and reporting
- **Conduct and accountability processes** such as conflicts of interest, code of conduct, trustee roles, induction, board evaluation and succession planning
- **Risk, compliance and assurance processes** such as risk management, health and safety oversight, privacy, cyber and information governance and record keeping
- **Staff, volunteer or service delivery policies** where these support governance oversight

The review should be proportionate to the charity's size, complexity, resources and risk, and focused on practical improvements to how the board governs.

Questions for the board

As part of the review, trustees could ask questions that draw on the IoD's *Four Pillars of Governance Best Practice*: determining purpose, an effective governance culture, holding to account and effective compliance.

Determining purpose

- Does our trust deed still reflect what we do, and are our charitable purposes clear, current and understood by trustees?
- Do our decisions, resources, strategy and activities align with our purpose and how we now deliver on it?
- Do we understand whether our activities are making the difference we intend?

An effective governance culture

- Is our current structure still the best way to deliver our charitable purposes, or would collaboration, shared services or partnerships improve impact?
- Are trustee roles and responsibilities clear and is the distinction between governance and management understood?
- Are delegations and decision-making processes clear, current and followed in practice?
- Do our rules and processes support good governance, or have they become outdated, unclear or unnecessarily complex?
- Are different views heard, disagreements handled constructively, and board behaviours supporting good decision-making?

Holding to account

- Do we have the right mix of skills, experience and perspectives around the table?
- Do trustees understand what is expected of them, including through induction, ongoing development and clear role expectations?
- Are we planning for chair and trustee succession?
- Do our agendas allow enough time for strategy, risk and future issues, including sustainability, resilience and emerging issues?
- Are board papers giving trustees the information they need?
- Are conflicts, key decisions, reasons and actions being properly managed and recorded?
- Do our governance arrangements hold up under pressure?

Effective compliance

- Are our records up to date?
- Are our policies, including conflicts of interest, privacy, complaints and other integrity systems, consistent with current law, appropriate and followed?
- Are we meeting our reporting, registration and other key obligations?
- Would our governance arrangements give confidence to funders, beneficiaries, regulators, volunteers, staff and the public, and support the charity's reputation and transparency?

A simple review process

As a simple test, for each key provision, policy or process, ask: why do we have this, is it still needed and does it reflect how we actually operate?

1. Schedule the review

Put the governance procedure review on the board work programme at least once every three years.[1] The board may also want to review particular documents more often.

2. Gather the key documents

Bring together the trust deed, core policies, delegations, registers, recent board minutes, board calendar, induction material and any governance manual or charter. Recent board papers, action lists and matters arising can also help show how governance is working in practice. Trustees should also check what the founding document requires and how it can be amended if changes are needed.

3. Use the three statutory questions

For each key document or procedure, ask whether it is fit for purpose, assists the entity to meet its charitable purpose and assists it to comply with its legal obligations.

4. Discuss how governance works in practice

Do not stop at the documents. Talk honestly about whether board behaviours, papers, meetings, culture and decision-making support effective governance. The review should identify what is working well, as well as what needs to change.

5. Record the review

Minutes should record that the review was undertaken, what was reviewed, the board's consideration of the three statutory questions, key findings, and any actions agreed.

6. Follow through

Allocate responsibilities and timeframes for any changes needed. This may include updating policies, improving induction, refreshing the board workplan, reviewing delegations, seeking legal advice on trust deed changes or amendment powers, or undertaking a fuller **board evaluation**, where this would help the board strengthen its effectiveness.

1 For charities already registered when the requirement came into force, the first review should be completed by October 2026.

Evidence to keep

The Act does not prescribe a specific form of evidence, but boards should keep enough records to show that the review was meaningful. This could include:

- The board paper or review checklist
- A list of documents reviewed
- Board minutes recording the discussion
- Any resolutions passed
- An action plan
- Updated governance documents.

The key is to create a clear record of the board's thinking, not just a list of documents.

Example resolution wording

The Board has reviewed the Trust's governance procedures, including the Trust Deed, core governance policies, delegations, conflict of interest processes, financial authorities and relevant governance practices.

The Board has considered whether these procedures are fit for purpose, assist the Trust to achieve its charitable purposes, and assist the Trust to comply with the requirements of the Charities Act 2005 and other enactments.

The Board is satisfied that the Trust's governance procedures meet these requirements, subject to the actions identified in the attached review paper/action plan. The Board has agreed that progress on those actions will be monitored and reported back to the Board.

Final thought for trustees

The review should not be treated as a tick-box exercise. Done well, it helps trustees make the invisible visible: outdated rules, unclear delegations, weak induction, poor records, role confusion, or board habits that may have become normal over time.

Used well, the review can help strengthen purpose, accountability, decision-making and trust, and make regular reflection, review and renewal part of the board's natural rhythm. Governance reviews support good compliance and are also part of good leadership and governance effectiveness.