What Are the Biggest Risks Facing Not-for-Profit and Charity Organisations?

AIRM Consulting

For most not-for-profit Boards, the greatest risk is **not financial failure**.
It is **unrecognised exposure** created by weak governance, unclear risk ownership, and risk frameworks that exist on paper but not in practice.

Across Australia, regulators are increasingly clear:
Boards are accountable for risk oversight even when management executes.

Below are the **seven biggest risks currently facing NFPs and charities**, based on real governance failures, regulatory action and Board reviews.

The Top 7 Risks Facing Not-for-Profit and Charities

1. Governance Failure and Board Blind Spots

The most common root cause of serious NFP failures.

This includes:

- Unclear delegation between Board and management
- Boards receiving assurance without challenge
- “Rubber-stamp” reporting that hides material risk

Impact:
Loss of regulatory confidence, reputational damage, and personal liability for Directors.

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2. Safeguarding and Duty of Care Failures

For organisations delivering services to children, young people or vulnerable adults, safeguarding is **never a secondary risk**.

Common issues:

- Safeguarding treated as a policy rather than a system
- Poor incident escalation and learning
- Risk registers that downplay harm exposure

Impact:
Serious harm, regulatory intervention, funding withdrawal, and irreversible reputational damage.

3. Risk Frameworks That Don't Drive Decisions

Many NFPs have risk registers that are:

- Static
- Overly operational
- Disconnected from strategy and performance

If risk appetite does not guide decisions, it is **functionally meaningless**.

Impact:
Boards cannot tell whether the organisation is operating within acceptable risk boundaries.

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4. Regulatory and Compliance Drift

Compliance obligations evolve faster than many charities realise.

Risk areas include:

- ACNC governance standards
- Funding contract compliance
- State-based safeguarding and reporting requirements

Impact:
Non-compliance is often identified *after* damage has occurred.

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5. Over-Reliance on Key People

Founder risk, executive concentration risk, and volunteer dependency are frequently underestimated.

When capability lives in people rather than systems, continuity is fragile.

Impact:
Operational disruption, governance instability, and loss of organisational memory.

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6. Culture Misalignment

Culture is a risk driver, not a "soft issue".

Warning signs include:

- Fear of speaking up
- Normalised workarounds
- Incident fatigue

Impact:
Small issues become systemic failures.

7. Inadequate Assurance to the Board

Boards often receive **activity reports**, not **assurance**.

Good assurance answers:

- Are controls working?
- Where are we exposed?
- What is outside appetite?

Impact:
Boards believe risks are managed when they are not.

Why Most NFP Risk Registers Miss the Real Risks

Traditional risk registers:

- Focus on operational issues
- Understate governance and safeguarding exposure
- Fail to show interdependencies

Effective risk management starts with:
✓ Clear risk ownership
✓ Board-approved risk appetite
✓ Meaningful escalation triggers
✓ Independent assurance

What Good Risk Management Looks Like for Not-for-Profit Boards

High-performing NFPs have:

- A risk appetite that shapes decisions
- Clear Board–management accountability
- Safeguarding embedded as a core risk
- Assurance mapped to material risks
- A culture that supports escalation

Risk is not reduced by documentation.
It is reduced by **clarity, discipline and courage**.

How AIRM Consulting Helps

AIRM Consulting specialises in **governance led risk management** for not-for-profit organisations and charities.

We help Boards and executives:

- Identify their *true* risk exposure
- Strengthen risk appetite and oversight
- Embed safeguarding and duty of care
- Build assurance that Boards can rely on

Contact AIRM for a Board Risk Review