



## **Risk Policy**

### **Policy Statement**

An essential part of good charity management is identifying, assessing and understanding risk. This means identifying risks, making decisions on how to respond to those risks and making an appropriate statement regarding risk management in the annual report. The Trust is committed to regularly reviewing and assessing risks faced in all areas of its work, including that of its ELM. While risk is part of our everyday activity, the Board manages risk to ensure the effective delivery of the Trust's key objectives and to protect the income and funds.

**The Trust is committed to regularly reviewing, assessing and managing risks faced by the charity in all areas of its work.**

### **Policy Context**

Charities are required by law to have their accounts audited and must make a risk management statement in their Trustees' annual report confirming *that '...the charity Trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.'* Charities Accounts (Scotland) Regulations 2006.

In August 2013 the UK Parliament approved 'The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013'. These Regulations introduce into the Companies Act 2006 a requirement for all medium-sized companies to provide a description of the principal risks and uncertainties facing the company.

The Trust requires the ELM to manage and minimise risk to lottery players. As part of the Gambling Commission's Licence Conditions and Codes of Practice (LCCP), the ELM is required to notify the Gambling Commission of any Key Events or Suspicious Activity which impact on the structure or operations of the lottery or compromise the lottery, particularly in relation to operating in a crime free and fair and open way, and protecting children and other vulnerable people.

### **Understanding Risk**

Risk can be seen as a result of three factors: threat, vulnerability and consequence. By attempting to analyse and understand risks, this serves as a first step in addressing them. Risk categories commonly include governance, operational, financial, external and compliance risks. Disaster recovery is also considered.

### ***Why is risk management important?***

Identifying and managing the possible and probable risks is a key part of effective governance. By managing risk effectively, the Trust ensures that:

- Significant risks are known about and monitored, enabling Trustees to make informed decisions and take timely action.
- The Trust makes the most of opportunities and ensures that any risks will be managed effectively.
- There is accountability and transparency around the decision making process.

As a result, the Trust ensures that forward and strategic planning is improved and its aims are achieved more successfully.

### ***What types of risk are faced?***

An essential question for the Trust is whether it can continue to meet its funding obligations now and in the future. Maintaining the charitable purpose through the funding awards is reliant on protecting the sole revenue stream, from the ELM. Reputational damage from poorly safeguarding players' funds or from licence breaches could and would impact on this revenue stream.

### ***How can risk be managed?***

After a risk has been identified, the Board will make a decision about how they can be most effectively managed. There are four basic strategies that can be applied to manage an identified risk:

- Transferring the financial consequences to third parties or sharing it.
- Avoiding the activity giving rise to the risk.
- Management or mitigation of risk.
- Accepting or assessing a risk that cannot be avoided if the activity is to continue.

### **What is Disaster Recovery Planning?**

As a part of an effective risk management process, the Trustees consider what needs to be done if a serious event does take place.

### **Who is responsible for risk management in a charity?**

The responsibility for the management and control of the Trust rests with the Trustees who work alongside the Trust's Management team to deliver the risk management process. The Trustees review key risks at each Board meeting.

### **What impact or probability do these risks have?**

The Trust will grade risks by their potential impact on its ability to service the charitable purpose and preserve its reputation.

A low to high impact scale as follows:

- Insignificant (1), Minor (2), Moderate (3), Major (4) Extreme (5)

Likelihood scale from low to high as follows:

- Exceptional Circumstances (E), Unlikely (D), Possible (C), Likely (B), Almost certain (A)

## **RISK STRATEGY**

The strategy for dealing with risk is detailed below:

1. Trustees will evaluate and review risks to the Trust and its ELM at each Board meeting against the Risk Register.
2. The Risk Register will be managed by the Trust Management team and will:
  - a. Identify the major risks that apply to the Trust.
  - b. Allocate responsibility for management of the risk.
  - c. Prioritise risk by impact and probability.
  - d. Propose how to respond to these risks.
3. In the event of a risk becoming high or very high Trustees must evaluate:
  - a. What is the nature and level of the risk?
  - b. What is the most effective response in the circumstances?
  - c. Does the Gambling Commission or OSCR need to be notified/involved?
4. In the event of a serious event, the risk management process will be reviewed and updated based on the experience.