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| To: | Legal Services Board | Agenda item: 12 |
| Date of Meeting: | 26 October 2017 | Item: Paper (17) 73 |

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| Title: | LSB Risk Management Strategy – annual review | |
| Workstream(s): | Corporate | |
| Author/presented by: | Julie Myers, Corporate Director, Julie.myers@legalservicesboard.org.uk 020 7271 0059 Jenny Prior, Business Planning Associate Jenny.Prior@legalservicesboard.org.uk 020 7271 0053 | |
| Status: | Official | |

Summary:

The LSB's Risk Management Strategy requires the Board to undertake an annual review of its approach to risk.

The Board agreed its current Strategy in May 2016, when the current risk appetite was confirmed, minor updates agreed and the introduction of inherent risk into the risk management process endorsed.

The Board's approach to risk management was the subject of internal audit in 2017. The LSB's approach received a significant assurance rating and two minor process improvement recommendations were made:

- i. To add additional information on risk management training and guidance on how to record mitigating actions
- ii. To ensure a time-frame is included on mitigating actions and consideration given to incorporating risk trend reporting.

The Risk Management Strategy has been amended accordingly and changes reviewed by the Audit and Risk Assurance Committee (ARAC) at its October 2017 meeting. The ARAC endorsed the proposed changes. The ARAC agreed that routine risk trend reporting would not add value to the strategy, but agreed that it should form part of the Corporate Risk Register's biannual zero based review process, and be reflected in any 'deep dives' into specific risks.

In endorsing the Strategy to the Board, ARAC has confirmed its view that the Board's tolerance for risk remains as stated - namely 'low' for operational risk (including financial) and 'relatively high' for strategic risk. The Board will wish to confirm this. As the Board discusses its risk tolerance, it is important to note that the terms used are subjective rather than objective and that as such there is no set definition.

One final point that the Board is asked to consider relates to the definitions of reputational impact in the table on page 5 and 6. Options for alternative phrasing are included in Annex A based on suggestions from ARAC. The alternative definitions are proposed to avoid a perception that the Board sees any negative commentary about itself as inherently something to avoid.

Looking ahead, the executive will review prevailing best practice in risk management, and in particular, approaches to risk tolerance, to consider whether

more fundamental changes should be introduced at the next annual strategy review (October 2018).

The sections of the Risk Management Strategy that have been updated in light of the annual review are highlighted in yellow in **Annex A**.

Recommendations:

The Board is invited:

- (1) To consider whether risk tolerance, outlined in paragraph 2.4 is still appropriate,
- (2) To consider the alternative phrasing for definition of reputation impact,
- (3) To endorse the amendments made to the Risk Management Strategy.

Risks and mitigations

Financial: N/A

Legal: N/A

Reputational: N/A

Resource: N/A

| Consultation | Yes | No | Who / why? |
|-----------------|-----|----|-------------------------------|
| Board Members: | ✓ | | Reviewed by ARAC October 2017 |
| Consumer Panel: | | ✓ | N/A. |
| Others: | | | |

Freedom of Information Act 2000 (Fol)

| Para ref | Fol exemption and summary | Expires |
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