

Introduction

The Legal Services Commission plays a significant role within the legal services market, procuring good quality legal services to ensure access to justice for those who would otherwise not have it. We are part way through delivery of an ambitious plan designed to meet the future needs of those we serve, while driving effective stewardship of public funds through strengthened financial management and controls.

We are under no illusions about the scale of the challenges ahead, both in undertaking structural changes recommended in the Magee Review and in balancing the competing tensions of an increasingly tight budget and demand for legal aid.

Effective risk management will play a key role during this period of transition as an essential aspect of successful delivery. Taking action only after a threat materialises can prove expensive both in staff time and funds and we are committed to managing risks well, ensuring they are identified, controlled and reduced to an acceptable level. Risk management will be embedded into all LSC processes and responsibility for implementation must be accepted as an integral part of everyone's role and part of the culture of the organisation.

This document sets out an overview of our strategy and policy for managing risk. Guidance on how to implement the policy is available to all staff on our intranet and this includes full details of the responsibilities and behaviours expected of staff at all levels.

Policy overview

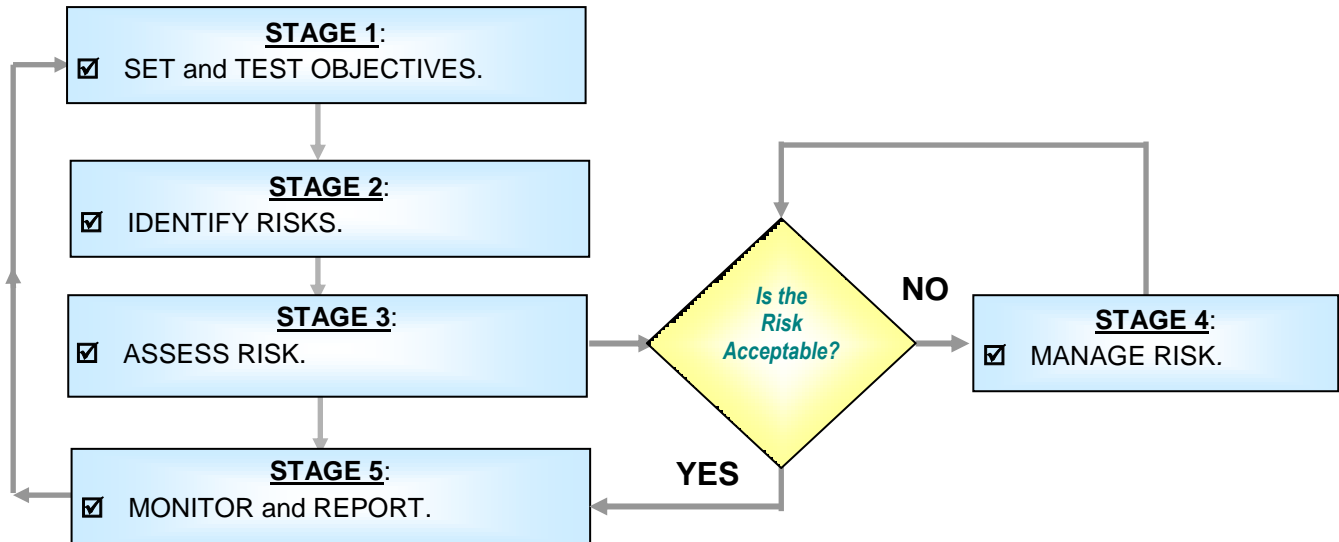
	<p>The LSC's risk policy builds on central government requirements and best practice, including HM Treasury's Management of Risk – Principles and Concepts (Orange Book) and OGC's guidance on Management of Risk. The broad principles underpinning our policy are:</p>
Embedded	<p>All staff and managers are aware they have a part to play in risk management and risk management is embedded in management processes.</p>
Transparent	<p>The identification and escalation of risks to the appropriate level is open and transparent and risks are shared across the business. Staff will not be blamed or seen as being unduly negative for identifying risks.</p>
Action Orientated	<p>Effective action is taken to address risks and reduce them to an acceptable level. It is not enough to simply record risks, only action can make a difference.</p>
Accountable and competent	<p>There is a single named owner for each risk, who takes responsibility for ensuring that the risk is managed effectively and there are named action owners for each control to manage the risk. Training and guidance is available for all staff</p>

The core principles

What do we mean by "Risk"?	<p>A risk is an uncertainty of outcome that matters because one or more objectives would be affected if the risk occurred.</p> <p>The LSC considers all types of risk significant to our objectives, including those arising from the external environment, those relating to existing operations and those created by our change programme. We have special arrangements for the management of fraud and information risks and risks to health & safety and business continuity that are consistent with our general approach to risk management.</p>
And "Risk Management"?	<p>Risk management is a process to identify and control risk and to reduce its effects. The LSC seeks to minimise threats but we recognise that it is rarely possible to eliminate all risk.</p> <p>We maintain a corporate risk register, which is reviewed monthly. We also have a framework to complement the risk register, which provides assurance that the LSC's systems, policies and people are operating effectively and enables us to take early action where they are not.</p>
Who is involved?	<p>All staff have a responsibility to identify, manage and escalate risk as an integral part of their job. Managers draw on the knowledge of front line staff to ensure that risks to their objectives are identified, assessed and prioritised and that appropriate action is taken to reduce the risks to a tolerable level.</p>
Why manage risk?	<p>Managing risks to our business objectives reduces the chance of us having to deal with the unexpected and ensures proactive management rather than reactive crisis management. At a time when resources are tight it is especially important to reduce the number of unwanted surprises.</p>

The risk management framework

We use a simple 5-stage framework, which forms a continuous cycle ensuring that risks are constantly evaluated, monitored and managed within the lifetime of the associated objective.



Risk Tolerance / Appetite

Risk cannot be eliminated entirely

We focus on significant risks and implement controls or responses only if the benefits of doing so outweigh the costs.

Risks are assessed against agreed criteria

Each risk is assessed against agreed criteria, including the financial impact, the impact on error or fraud, on delivery of objectives and on client access.

Are we comfortable with the exposure?

When the severity reaches certain thresholds the risk is escalated to a higher level of management. The decision is then taken as to how comfortable we are with the level of exposure the risk presents (what we are prepared to tolerate or the appetite we have for the risk) and appropriate action is agreed.

We may need to develop contingency plans

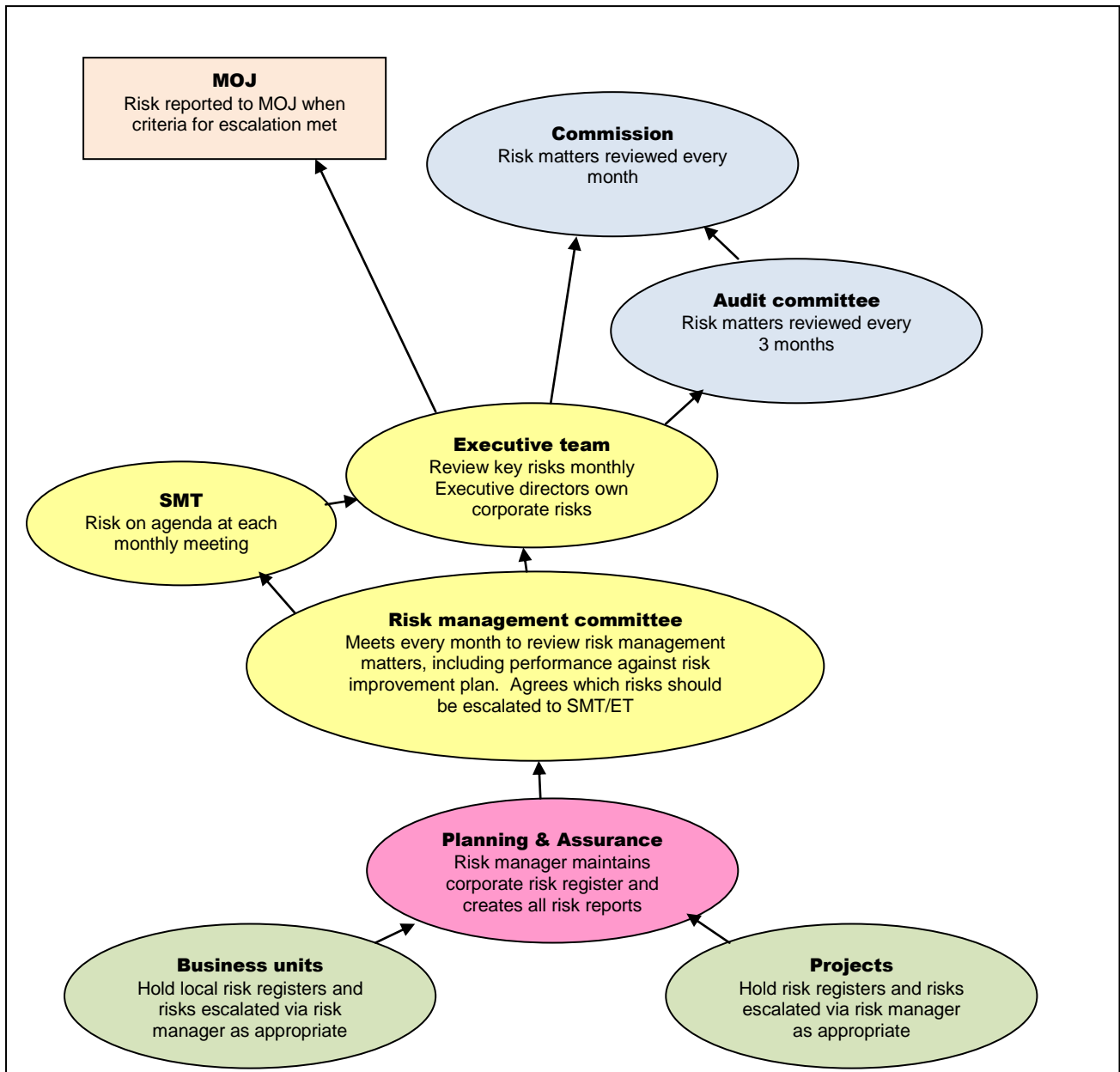
Where we cannot bring the level of exposure within an acceptable range contingency plans are developed laying out what would need to be done to manage the impact were the risk to materialise.

Capability and competence

We have an improvement plan

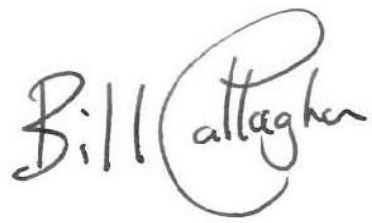
We conduct an annual self-assessment of our capability and develop and implement plans to further embed risk management principles across the LSC. The Risk Management Committee monitors implementation of the plan.

Reporting structure



Review of this statement

We will review this statement annually. Between reviews, the Audit Committee will continue to oversee risk management matters.

Handwritten signature of Bill Callaghan in black ink. The name 'Bill' is written in a simple, slightly slanted cursive, while 'Callaghan' is written in a more elaborate, flowing cursive style with a large, prominent 'C'.

Sir Bill Callaghan
Chair

Handwritten signature of Carolyn Downs in black ink. The signature is written in a cursive style, with 'Carolyn' and 'Downs' clearly legible.

Carolyn Downs
Chief Executive