



## Risk Management Framework

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**Review sequence:** Senior Management Team > Audit Committee

**Review schedule:** Triennially, unless earlier review required (last review 2024)

### Policy Statement

All organisations face risks. As a constituted association and the representative body for almost 18,000 barristers, the General Council of the Bar (“GCB”) [“we”] is no different. Accountable, active and robust processes for the identification, management and reporting of risks are an important aspect of good corporate governance. “**Strategic risks**” are possible occurrences which would, through their impact, inhibit our ability to effectively deliver our organisational aims and mission. Our mission as outlined in the Strategic Plan to 2029 is:

*“To lead, represent and support the Bar in the public interest and to champion the rule of law and access to justice for all.”*

We will manage our strategic risks through a process of regular identification and review, identifying mitigating actions and associated timeframes. We will provide assurances to our Joint Audit Committee and present our risks and discuss them openly with our General Management Committee.

It is also good practice to identify and address **operational risks** as an integral part of normal management activity. All our staff should be able to contribute to risk management processes within a culture of open, positive and blame-free discussion. We will regularly review the operational risks which we face.

Risk management is a continual and on-going process as risks and the framework of business controls through which they are mitigated and managed will change over time.

Reasons for adopting risk management procedures include that:

- a) effective risk management is good practice and improves the way the Bar Council is run;
- b) regular conversation around risks helps Directors, Heads of Department and risk managers to focus on key priorities, avoid problems and to plan more effectively;
- c) an understanding of risks can assist in the development of strategies, mitigations and operational plans, and
- d) regular reporting helps senior managers and the General Management

Committee (GMC) to understand problems and to make appropriate contingency plans or allocate other appropriate financial or resource provision where it is deemed essential to meet key objectives.

Our risk management framework is...

- a) conditioned our mission and strategic aims, and the Senior Management Team's appetite and tolerance for risk;
- b) informed by:
  - the need to maintain financial sustainability whilst ensuring the continuous and effective operation of the GCB,
  - the need to demonstrate compliance with relevant laws and regulations, including the LSB's "Internal Governance Rules",
- c) and managed in accordance with the appropriate delegations and levels of responsibility defined within our Constitution and Standing Orders.

The procedures for managing risk at the Bar Council are set out below.

### **Risk Appetite and tolerance**

The Senior Management Team will support the General Management Committee in determining the nature and extent of risks the GCB is willing to take, and accepts that certain activities may increase the GCB's exposure to risk in the furtherance of our aims. The likelihood of risks materialising should be continually managed through a sound and robust system of internal controls. Innovation should not be stifled by aversion to an acceptable level of risk exposure.

We are averse to any course of action which would likely result in **undermining a financial position** considered by the Joint Finance Committee to be both **sustainable** and **responsive to need**. Similarly, we are averse to any course of action which would result in a determination by our appointed external auditors that the GCB group accounts do not represent a going concern.

Exposure to other risks is also intolerable. We are averse to:

- Any course of action which is likely to result in a catastrophic reduction in income (*including through the annual practicing certificate fee collections*).
- Activities which would expose the GCB to significant reputational risk or undermine perceptions of the organization as a safe and equitable working environment.
- Actions which would prevent, significantly hinder or undermine our pursuit of the Strategic Aims outlined in the Strategic Plan to 2029.
- Actions likely to expose us to the risk of not delivering, as our primary activity, the objects for which the GCB is established under its Constitution and other governing documents.

The Strategic Risk Register, through its residual risk assessment scores, presents the likelihood of exposure for each strategic risk identified risk on an ongoing case-by-case basis.

**Where we are not exposed by our activities to the intolerances listed above, risks in the “green” and “amber” categories in the Strategic Register are considered tolerable** on the basis that **adequate assurances are received** around the effectiveness of control measures in place.

**“High level risks”** (those where the residual score falls in the **“red”** category in the Strategic Register **should be avoided and require immediate and significant attention**. A **“red”** categorisation indicates that a risk would have a significant impact on the GCB and would be likely to materialise (see *risk evaluation guidance* in this document).

We recognise that no risk appetite is static; the Senior Management Team will be prepared to accept varying amounts of risk dependent on circumstance and context.

### **Strategic Risk management procedures**

#### The Senior Management Team (SMT) will:

- > Undertake a quarterly review which identifies strategic risks; identify levels of assurance; assign risk “owners” from within the senior team and set out the business controls in place and planned actions to mitigate/reduce/manage the risk and monitoring arrangements.
- > Assign inherent and residual scores to those strategic risks in line with the “risk evaluation guidance” in this document.
- > Confirm at its quarterly review that it is satisfied with the system of internal controls for managing risks.
- > Provide assurance to the Joint Audit Committee (via the CEO) on the efficacy of the risk control environment.
- > Undertake a quarterly review of the Tactical Issues Log, identifying operational risks and assessing the effectiveness of mitigation measures in place.
- > Keep risks under regular review through day-to-day management activities.

#### SMT Managers will:

- > Report any perceived new/changed strategic risk or failure of existing control mechanisms to the CEO and the Head of Strategy, Planning and Governance.
- > Take responsibility for providing updates on risks in their areas via the Strategic Risk Register.

#### The Chief Executive Officer will:

- > Be responsible for risk management at the GCB, through oversight of management activity.

- > Be responsible for reporting strategic risks to the Joint Audit Committee and the General Management Committee.

The Head of Strategy, Planning and Governance will:

- > Author the Risk Management Framework and oversee risk management processes.
- > Circulate the strategic risk register for update, manage the register and liaise with risk “owners” for updates in advance of the quarterly review.
- > Ensure that this Risk Management Framework is communicated to risk “owners”.

The Joint Audit Committee will:

- > Review the GCB Strategic Risk Register and summary report at each meeting.
- > Review the effectiveness of business controls to mitigate risks, and seek assurances that the internal control environment is sound.
- > Undertake periodic review of the GCB’s risk management framework (notionally every three years).

The General Management Committee will:

- > Receive, scrutinise and advise on the Strategic Risk Register and summary report following each Joint Audit Committee review.
- > Hold the Chief Executive to account for the management and reporting of risks.

The Bar Council will:

- > Receive and scrutinise an annual report on risk management.

**Risk evaluation guidance**

Identified strategic risks should be entered on the **Strategic Risk Register** (example below):

Ref	Direction	Date	Risk owner				Likelihood/impact assessed			
BC036	NO CHANGE	Feb-24	Chief Executive / Finance Director							
Category:	Financial	Core risk:		RPS risk:		RG risk:				
<b>Risk title:</b> Risk that the GCB may incur significant losses on its investment fund with Barclays						The number represents the gross (inherent) risk score and the arrow indicates the net (residual) risk.  Inherent risk scores represent a determination of the level of risk before controls and mitigating actions have been applied. The residual score represents the current level of risk after controls have been applied.  <b>NO CHANGE TO SCORE SINCE LAST REVIEW</b>				
<b>Risk description:</b> Sound fiscal management (in recent years) has allowed the GCB to increase the amounts available for long term investment over and above those originally invested in Cazenove (the Cazenove investment has a debenture to support the CBILS loan). The Finance Committee tasked the Pension & Investment subcommittee with developing an investment strategy and selecting via tender an investment manager. The PISC used Barnett Waddingham to assist in developing the investment strategy and Barclays Investment Management were selected to implement a Moderate risk profile, with a target return of CPI+3%, over a 5 year time horizon. The aim is to develop capital growth outpacing inflation in the long term. The aim of the fund is to support the pension commitment and the										
<b>Likelihood/impact explanation:</b> The portfolio has a max tolerable loss of 20% per annum. There is a target of 80% liquidity of the portfolio. 100% of the holdings are daily tradable and realisable in 3-5 days. The monies in the fund are over and above those needed to meet annual BAU needs.										
<b>Current controls:</b> Monthly updates on the portfolio and access to a daily dashboard, twice yearly updates with the Investment Manager. Overview of the investments by the PISC and Finance Committee.										
<b>Pending actions, person responsible and timescales:</b> 2. Deposit the Funds with Barclays 3. Set up a reporting dashboard for regular review by CEO, PISC and Finance Committee. Six monthly review with Investment Manager 4. Barclays to be invited to an Investment subcommittee or Finance Committee to feedback on investment performance										

For each risk, the entry should include:

- a brief description of the risk; the likelihood of the risk occurring noting the mitigations and management controls in place, and the impact of the risk if it materialised.
- Inherent risk assessment scores based on the table in the assessment scoring matrix below on the 5 x 5 scale (ie the likelihood and impact scores based on the risk occurring before any mitigations or control measures are taken into account) – presented as a number;
- An indication of whether the risk applies to Representation, Policy and Services or the Resources Group, or both (“core risk”);
- the name of the risk “owner”;
- Controls in place to manage risks;
- Planned actions to mitigate gaps in controls;
- The staff member (by role title) responsible for planned actions to mitigate controls and the due date for actions, and
- Residual risk assessment scores based on the assessment scoring matrix on the 5 x 5 scale, which reflect the current control and mitigation environment for that risk – presented as an arrow which also indicates the direction of travel since the last quarterly review.

An effective internal control environment would, in most instances, ensure that residual risk scores are less than their inherent counterparts.

“High level risks” with a “red” categorisation are specifically highlighted in the summary report which accompanies the Strategic Risk Register for assurance purposes.

### **Tactical Issues Log for operational risks**

Operational risks which do not pose a strategic threat to the GCB are recorded in the Tactical Issues Log, kept under review by SMT Managers and formally reviewed at the quarterly risk review. The log should be updated by risk owners and includes:

- A description of each risk/issue,
- An assigned “owner” and department for each risk/issue,
- A description of the controls in place to manage the risk/issue, and
- A description of any suggested further mitigating measures and timeframes.

Strategic Risk assessment scoring matrix

<b>Likelihood</b>	5	5	10	15	20	25	< <table border="1" style="margin-left: 10px;"> <tr> <th>Likelihood</th> </tr> <tr> <td>&gt;75% chance</td> </tr> <tr> <td>51-74% chance</td> </tr> <tr> <td>35-50% Chance</td> </tr> <tr> <td>21-34% chance</td> </tr> <tr> <td>Unlikely or &lt;20%</td> </tr> </table>	Likelihood	>75% chance	51-74% chance	35-50% Chance	21-34% chance	Unlikely or <20%
	Likelihood												
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4	4	8	12	16	20								
3	3	6	9	12	15								
2	2	4	6	8	10								
1	1	2	3	4	5								
	1	2	3	4	5								
<b>Impact</b>													
	^	^	^	^	^								
<b>Impact</b>	Marginal	Minor	Moderate	Significant	Severe								

## **Risk Management at the Bar Standards Board (“BSB”) and the Internal Governance Rules**

The Terms of Reference for the Joint Audit Committee, as defined in the “Standing Orders for Joint Committees”, include:

- To **review the risk management arrangements of the representative, regulatory and Resources Group functions**, including processes for assessing, reporting, owning and managing risks to the corporate entity and their reputational and financial implications across all parts of the GCB, and to make recommendations and seek assurances or clarification as may be necessary or desirable in the interests of the GCB as a whole  
*and*
- To receive risk registers at each meeting and seek assurances that effective control systems are in place and are being adhered to from the Director of Finance, **Chief Executive of the GCB and the Director General of the BSB.**

In line with the provisions of the Legal Standards Board’s “Internal Governance Rules 2019” (underpinned by the Legal Services Act 2007), the General Council of the Bar is the “approved regulator” and delegates the discharge of its regulatory functions to the operationally independent Bar Standards Board (BSB) – the “regulatory body”.

Under “regulatory autonomy”, the rules state that:

*(1) The regulatory body must independently determine the most appropriate and effective way of discharging its functions in a way which is compatible with the regulatory objectives and having regard to the better regulation principles.*

*(2) In particular, the regulatory body must determine:*

*a. its own governance, structure, priorities and strategy; and*

*b. whether any amendment to the regulatory arrangements is necessary and, if so, what form that amendment should take.*

*(3) The approved regulator with a residual role:*

*a. may only seek to influence these determinations in the exercise of its representative functions; and*

*b. must not prejudice the independent judgement of the regulatory body.*

The Approved Regulator (GCB) is, however, permitted to seek assurances. Under “provision of assurance to the approved regulator” the rules state that:

*(1) Each regulatory body shall provide sufficient information to the approved regulator with a residual role as is reasonably required for the approved regulator to be assured of the regulatory body’s compliance with Section 28 of the Act.*

*(2) The approved regulator with a residual role:*

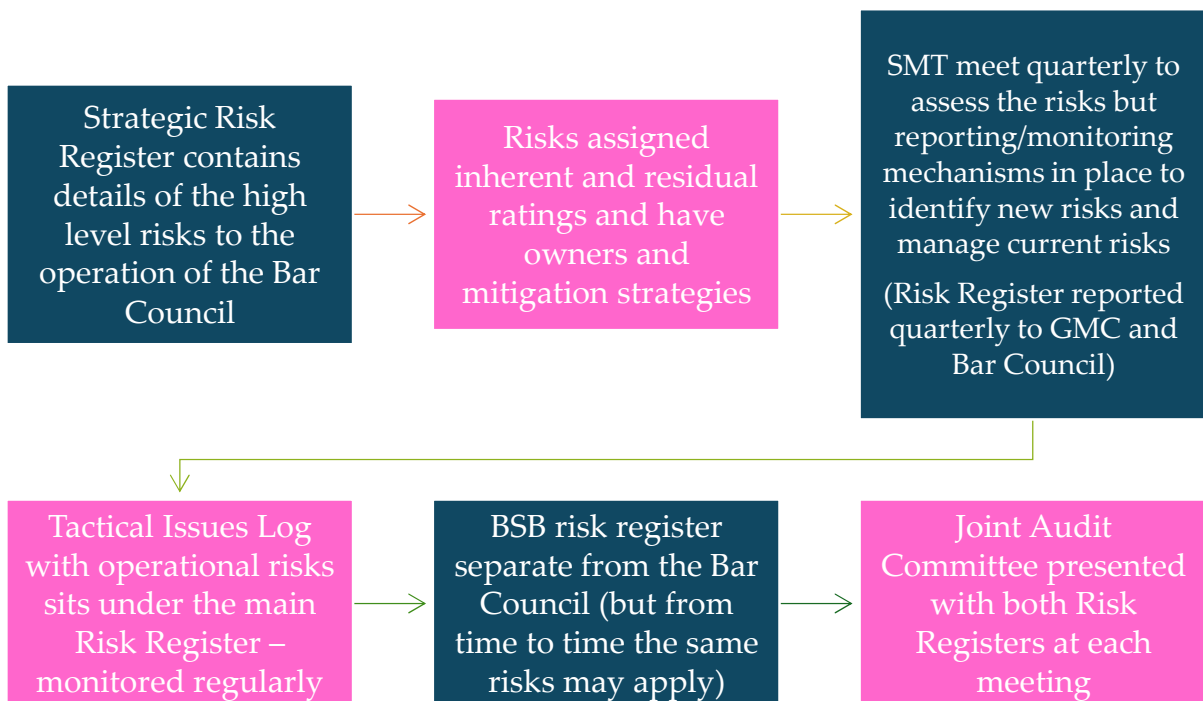


- a. may only require further information from the regulatory body if it has reasonable grounds to do so;
- b. must not require the regulatory body to provide information which may reasonably be considered likely to undermine the regulatory body's independence or effectiveness; and
- c. must not use the information it receives for the representation, protection or promotion of the interests of the persons it represents unless and until it receives that information for that purpose or that information is made publicly available.

As such, the BSB's internal governance arrangements apply to its risk management processes (including its framework for identifying, assessing and mitigating risks), overseen by its internal Governance, Risk and Audit committee ("GRA") and reporting to its Board. For the purposes of assurance to the Approved Regulator, GRA provides a report to each meeting of the Joint Audit Committee including a version of its risk register focussed on 'corporate risks', rather than those which are purely regulatory in nature.

From time to time, the BSB's corporate risks may be similar to those identified in the Bar Council's Strategic Risk Register, although it is mutually acknowledged that the salience of common risks may differ for the BSB than for the GCB owing to the different functions it performs.

**Process chart: GCB Risk Management**



**End.**