

OPERATIONAL RISK REGISTER

As at 24 October 2018

1. RISK SCORING

(i) Risk to operation (and ultimately delivering on regulatory objectives)

Legal, financial, operation/continuity, capacity/capability, security, reputation, stakeholder.

(ii) Gross risk: Impact x Probability

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| <p><u>Impact (I):</u> The consequences of an event occurring: The event will have: Negligible (1): Very little consequence Moderate (3): Some impact but will not have serious consequences Serious (5): Serious consequences</p> | <p><u>Probability (P):</u> The likelihood of an event occurring: The event is: Low (1): Very unlikely to occur Medium low (2): Unlikely to occur Medium high (3): Likely to occur High (4): Very likely to occur</p> |
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| IMPACT | 5 | 5 YELLOW | 10 YELLOW | 15 RED | 20 RED |
| | 3 | 3 GREEN | 6 YELLOW | 9 YELLOW | 12 YELLOW |
| | 1 | 1 GREEN | 2 GREEN | 3 GREEN | 4 GREEN |
| | | 1 | 2 | 3 | 4 |
| | | PROBABILITY | | | |

(iii) Adequacy of controls

| Descriptor | Score | Description |
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| Fully effective | 5 | Controls are well designed for the risk and address the root causes. The Executive and Board are comfortable that controls are effectively applied, monitored and assured |
| Substantially effective | 4 | Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness, or doubts about operational effectiveness and reliability |

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| Partially effective | 3 | Controls in place but are not sufficient to fully mitigate risk. There are potential weaknesses in the application of controls and limited assurance or reporting available |
| Largely ineffective | 2 | Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively |
| None or totally ineffective | 1 | Virtually no credible control and limited confidence in the application or oversight of risk activity |

2. RISK REGISTER

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| Logged by board: 6/4/2011 | Reference: OP1 | Risk score: I(5) x P(4) = 20 |
| Risk to operation | Changes to the profession impacting CLSB viability | |
| Impact | Financial, operation continuity | |
| Evidence of risk | <p>(i) Electronic bills of costs New electronic bill of costs came into effect 6 April 2018 for work done after that date. The Court can dis-apply on application, which may be popular course until judges have training and IT facility at the bench.</p> <p>(ii) Increased fixed costs levels Fixed costs currently apply on PI claims value up to £25k. LCJ Jacksons report expected 31 July 2017 on increasing that value and potentially expanding it outside of PI claims. LCJ Jackson seems to have accepted argument that costs cannot be fixed when procedure is not fixed. Voluntary pilot to test cap costs for claims up to £250k to be run for 2 years in Mercantile Court of London, Manchester and Leeds</p> <p>(iii) Increased level of provisional assessment Currently applies under CPR 47.15(i) where costs claimed are £75k or less for cases in High Court or County Court</p> <p>Impact evidence Contributing factor to:</p> <ul style="list-style-type: none"> • Decrease in number applying to undertake the qualification. • Increase in numbers not apply for a practising certificate (2012:9 to 2017: 38) | |
| Controls | <ul style="list-style-type: none"> • Changes outside the control/remit of CLSB • CLSB monitoring implementation • CLSB monitoring impact: Assessment of impact study undertaken 2016 on changes (i) and (ii) | |
| Control adequacy | 4 | |

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| Priority area of risk | Yes |
| Actions outstanding/status | <ul style="list-style-type: none"> • 21 December 2017: CLSB asked if ACL/ACLT would work with interested employers in establishing an apprenticeship scheme, response awaited • CLSB will continue its work on standards and entry into the profession via a Costs Lawyer competence test (CLCT) |
| Commentary | <ul style="list-style-type: none"> • LSB being kept informed on changes and potential impact • ACL encouraging Costs Lawyers to diversify |

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| Logged by board: 13/1/2015 | Reference: OP2 | Risk score: I(5) x P2 = 10 |
| Risk to operation | Operational continuity due to death/incapacity of CEO | |
| Impact | Operation continuity, capacity, reputation | |
| Evidence of risk | - | |
| Controls | 3/10/14: Disaster recovery & business continuity plan implemented 16/7/14: Disaster recovery & business continuity plan reviewed 2015: Continual document backup to Cloud as well as manual backup 2016: NED took possession of key business continuity items 25/4/17: BSB CEO offered interim support in such an event 25/7/17: Organisational structure prepared, bank account has back up signatory. | |
| Control adequacy | 4 | |
| Priority area of risk | Yes | |
| Actions outstanding/status | On-going evaluation of actions that can be taken to minimise impact should the event occur | |
| Commentary | | |

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| Logged by board: 25/7/2017 | Reference: OP3 | Risk score: I(5) x P(4) = 20 |
| Risk to operation | More leaving the profession than entering | |
| Impact | The future ability of the CLSB to set and maintain standards thus protecting consumer interest. Reputation, financial, operation/continuity | |
| Evidence of risk | There is only one means of entry into the profession (three year course) and one provider (ACLT). In 2017, ACLT reported a significant year on year decrease in interest in their three year course. This created uncertainty on the future ability of ACLT to provide the full three year course for any new trainees enrolling 2018 and the future of the profession. | |
| Controls | <ul style="list-style-type: none"> • October 2017: ACL Chair gave verbal assurance ACLT would provide the course for the current year 1 (2017 intake), year 2 (2016 intake) and | |

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| | <p>year 3 (2015 intake) trainees. No assurance given beyond this. As a result, CLSB agreed to authorise ACLT to the end of 2020 for current trainees only (effectively a suspension on new intake)</p> <ul style="list-style-type: none"> • 2017: CLSB considered applying to the government apprenticeship scheme but for various reasons concluded this was not an option. It wrote to ACL Training advising of this, and offering them all information gathered on the scheme should they wish to consider it • 25 April 2018: Consultation on new Costs Lawyer Competence Test which would remove historical barriers to entry imminent • 24 October 2018: CLSB continue to progress a new means of entry, aiming to make an application for LSB approval beginning of December 2018. |
| Control adequacy | 3 |
| Priority area of risk | Yes |
| Actions outstanding/status | <ul style="list-style-type: none"> • On-going monitoring • Consult on Costs Lawyer Competence Test |
| Commentary | A move away from one prescriptive method of entry to remove barriers to entry, if LSB approved then a consultation process would be undertaken to identify a test provider |

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| Logged by board: 24/10/17 | Reference: OP4 | Risk score: I(5) x P(2) = 10 |
| Risk to operation | ACL, named in the Legal Services Act 2007 as Approved Regulator (role undertaken by CLSB under delegation) consulted on financial constraints in October 2017 | |
| Impact | The future ability of the CLSB to fulfil its regulatory objective and ensure professional principles are complied with to protect the interests of consumers | |
| Evidence of risk | ACL minutes, ACL accounts, ACL discussion paper to members and ACL EGM on 21 February 2018 | |
| Controls | <p>Controls being implemented by ACL:</p> <ul style="list-style-type: none"> • October 2017: ACL issued discussion paper to its members • October 2017: ACL discussed situation with its members at National Conference • On-going: ACL working with accountants on their financial position • On-going: LSB made aware of situation for oversight purposes • 21 February 2018: ACL held EGM • LSB has been made aware so they can monitor/work with ACL | |
| Control adequacy | Outside control of CLSB | |
| Priority area of risk | Yes, as current and immediate | |

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| Actions outstanding/status | Work with ACL and LSB (as required) on any ACL proposal |
| Commentary | This is impacting on the reputation of the profession which is small and requires stability. As a result, regulated numbers are down in 2018 from that expected |

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| Logged by board: 24/1/18 | Reference: OP5 | Risk score: I(3) x P(1) = 2 |
| Risk to operation | Fine following non-compliance with general data protection legislation | |
| Impact | Legal, financial, reputation | |
| Evidence of risk | GDPR effective 25 May 2018 increasing risk | |
| Controls | 24 January 2018: New Data Security Policy board approved, supported by a new documented data audit and data control system | |
| Control adequacy | 4: A breach would not affect how the profession does business with clients | |
| Priority area of risk | No, as addressed under new process | |
| Outstanding actions (status) | - | |
| Commentary | Revised approach to data protection introduced in January 2018 to address increased expectation under new GDPR | |