Victorian Legal Services
BOARD + COMMISSIONER

Policy		Risk Management & Guidelines Policy
		Policy
Purpose	1.1	The purpose of this policy is to: a) Ensure that risk management is seen as a core component of service delivery. b) Ensure that risks are managed at the appropriate level of seniority. c) Provide a high-level framework for risk management policies in the organisation.
Policy	2.1	Risk management will be integrated into the Board's practices, operations, business plans, and philosophies. It is recognised that proactive risk management is a vital component of good management practice, and to be most effective, it must become part of the Board's culture. The application of risk management will be in accordance with AS/NZS ISO 31000:2009. It is the responsibility of every employee to identify, analyse, treat, monitor and communicate risks associated with any activity, function or process, in such a way that it will enable the Board to maximise quality, safety and efficiency, and to minimise adverse outcomes. Risks, which are rated high or extreme will be managed under the supervision of the Executive Director, Finance, Risk & Policy. Regular reports are to be provided to the Audit Committees. These reports are to provide assurance on the effectiveness of the system of internal control and assist the Audit Committees in formulating sound governance practices within the organisation.
Responsibilities	3.1	The Audit Committees are responsible for reviewing and reporting to the Board managements approach to risk, in particular, risk associated with core functions. The Audit Committees are to review the overall Risk Management Plan, and ensure that periodic assessments are undertaken and control measures are established, and their effectiveness is monitored and reviewed. The Chief Executive Officer has ultimate responsibility for ensuring that risk is managed across the organisation. The Executive Director, Finance, Policy is responsible for monitoring the implementation of the Risk Management Policy. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes are to be integrated with planning processes and management activities. The Human Resources Business Partner is responsible for overseeing the development and maintenance of the Occupational Health and Safety culture, framework and systems. Every staff member is responsible for the effective management of risk including the identification of potential risks.

Victorian Legal Services
BOARD + COMMISSIONER

Policy		Risk Management & Guidelines Policy
References	4.1	**Related policies & supporting documents** a) Strategic Plan. b) Risk Register. c) Managing Risk (SDS3.7). d) Financial Management Compliance (SDS 5.1). e) Financial Authorisations Policy (SDS3.3). f) Financial Delegations Summary (SDS 3.3). g) Fraud Control Policy & Procedure (PAA1). h) Treasury & Investment Risk Management.
	4.2	**Related external guidelines** a) AS/NZS ISO 31000:2009 Risk Management. b) *"Managing Risk Across the Public Sector"* Victorian Auditor-General report, March 2003. c) *"Victorian Government Risk Management Framework"* (issued by the Department of Treasury & Finance). March 2015. d) *"Financial Management and Tax Compliance Framework"* (issued by Department of Treasury & Finance).

Policy — Risk Management Policy & Guidelines

Guidelines

Introduction

1.1 Public Sector Agencies to which the Victorian Government Risk Management Framework applies are required to implement and maintain risk management governance, systems and reporting requirements as contained within the Victorian Government Risk Management Framework.

This document sets out the Victorian Legal Services Board and Victorian Legal Services Commissioner (VLSB+C) Risk Management Policy and Guidelines for the VLSB+C Risk Management Plan.

Management of risk is an integral process of the management of the offices of the VLSB+C.

A methodical and rigorous approach to risk management will assist the office of the VLSB+C achieve its key objectives as set out in its strategic plan. These are:

a) Streamline activities to enable pro-active regulation.

b) Facilitate smooth and innovative integration of LPULaw.

c) Build the capacity and culture of the organisation.

d) Develop and maintain highly effective stakeholder relationships.

e) Drive sound financial management.

In June 2010 the plan was amended to include the replacement of AS/NZS 4360 with AS/NZS ISO 31000.

Definitions & Terms

2.1 **Risk**

Risk is the potential for something to happen that will have an impact upon achieving organisational objectives and goals.

Risk is measured in terms of the likelihood of something happening and the consequences if it does happen.

2.2 **Risk management**

Risk management involves the systematic identification, analysis, evaluation, treatment and monitoring of risks, both at the strategic and operational levels.

Risk management is the processes, structures and culture that are directed towards the effective management of risk and it recognises that risks present threats or adverse effects as well as potential opportunities.

Importantly, risk management is a multi-faceted process as well as an iterative process of continual enhancement.

Ultimately, risk management provides a tool by which the VLSB+C can achieve its objectives and reduce risk to a suitable level.

2.3 **Inherent risk**

The risk related to the nature of the activity before any mitigating controls have been applied.

2.4 **Residual risk**

The remaining level of risk after risk treatment measures have been taken into account.

The notes to the financial statements include references to the following risks: Credit risk, Liquidity risk and Market Risk (include interest rate and currency risk).

The VLSB+C Approach to Risk Management

3.1 The VLSB+C's approach to risk management is based on the following principles as set out in AS/NZS ISO 31000.

3.2 **Creates and protects value**

Risk management contributes to the achievements of objectives and improvement of performance in, e.g. service delivery, financial risk and business continuity, human resources (such as health, safely, and security), litigation and regulatory compliance, governance and reputation.

3.3 **Integral part of organisational processes**

Risk management is not a stand-alone activity that is separate from the main activities and processes of the VLSB+C. It is part of the responsibilities of all staff and an integral part of all processes, including strategic planning, project and change management processes.

3.4 **Part of decision making**

Risk management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.

3.5 **Explicitly addresses uncertainty**

Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

3.6 **Systematic, structured and timely**

A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results.

3.7 **Based on the best available information**

The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement, taking into account any limitations of the data or modelling used or the possibility of divergence among experts.

3.8 **Tailored**

Risk management is aligned with its risk profile and the external and internal context or framework in which it operates.

3.9 **Takes human and cultural factors into account**

Risk management recognises the capabilities, perceptions and intention of external and internal factors that can facilitate or hinder achievement of the organisation's objectives.

3.10 **Transparent and inclusive**

Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels, ensures that risk management remains relevant and up-to-date.

3.11 **Dynamic, iterative and responsive to change**

Risk management continually senses and responds to change. As events occur, context and knowledge change, monitoring and review of risk take place, new risks emerge, some change, and other disappear.

3.12 **Facilitates continual improvement and enhancement of the organisation**

The VLSB+C will develop and implement strategies to improve its risk management maturity alongside all other aspects of the VLSB+C.

Risk Management: the Process at the VLSB+C

4.1 **Development of the Risk Management Plan**

In developing the Risk Management Plan and policy, the VLSB+C undertook a series of tasks. The listing of tasks and the purpose in undertaking them is as follows:

a) Establish the context – the basic parameters within which risks must be managed and to provide guidance for decisions within more detailed risk management studies.

b) Identify risks – what can happen and how can it happen.

c) Analyse risks – determine existing controls and the likelihood and consequences of risks.

d) Evaluate risks – compare against criteria and set risk priorities.

e) Treat risks – identify treatment options, evaluate treatment options, select treatment options, prepare treatment plans and implement plans.

f) Monitor and review – monitor the risks and effectiveness of the risk treatment plan, strategies and systems and continually review the Risk Management Plan.

4.2 **Risk identification and measurement**

The process of risk identification (refer item 4.1b) above) is undertaken through risk assessments at the organisational wide level. Application of the Risk Management Standard AS/NZS ISO 31000 provides the basis for identifying and measuring risks throughout the VLSB+C.

This methodology assesses the likelihood and consequence of each risk event. The objectives of the risk assessment process is to establish a prioritised list of risks for further consideration and apply risk mitigation and management treatment as required.

Policy		Risk Management Policy & Guidelines
	4.3	**Risk assessment summary** The risk assessment process included discussion with managers and staff to explore risk issues and confirm current and future mitigation arrangements for those risks. The risk analysis aims to identify internal and external risk factors that represent the greatest exposures to the VLSB+C in the attainment of its objectives. The analysis provides a basis for management to determine appropriate forward focused action plans. These action plans may include: a) Management follow-up. b) Audit Committees or internal audit follow up. c) Detailed investigation. d) Acceptance of the risk, as it is not considered significant or controllable or because it is not considered to be cost effective to take further action. e) Identifying risks on Board papers. f) Provision of risk management training for staff.
Risk Management & Corporate Governance	5.1	The VLSB+C must effectively manage its relationships with a range of stakeholders including the Victorian community, consumers of legal services, members of the legal profession, the Law Institute of Victoria and the Department of Justice & Regulation. In order to meet accountability requirements while carrying out its statutory functions, the VLSB+C needs to have a mechanism to ensure that it is effectively directed and controlled. Risk management is a key element of effective corporate governance in that it: a) Provides a systemic identification of risks enabling the making of better informed judgments. b) Provides a structured consideration of key risks, providing a more thorough basis of planning. c) Is based on prevention rather than reaction after an event has occurred. d) Provides a safety net by reducing the likelihood of costly shocks and allows management acceptance of risks and treatment strategies. e) Underpins a streamlining of processes. f) Provides a mechanism for formalising and coordinating current risk management practices in the office.

Policy	Risk Management Policy & Guidelines

Responsibilities for Risk Management at the VLSB+C

6.1 The VLSB and VLSC Audit Committees (Audit Committees) are responsible for reviewing and reporting to the Board and Commissioner the VLSB+C's approach to risk, and in particular, risk associated with core functions. The Audit Committees are to review the overall Risk Management Plan, and ensure that periodic assessments of the Risk Register are undertaken and control measures are established, and their effectiveness is monitored and reviewed and adjusted as required.

The Board/Commissioner has ultimate responsibility for ensuring risk is managed across the organisation.

The Executive Director, Finance, Risk & Policy is responsible for monitoring the implementation of the Risk Management Policy. Specific responsibilities include:

Executive Team

a) Ensuring ongoing senior management commitment to risk management.

b) The ongoing review and management of risks (as coordinated by the Manager, Grants & Risk).

c) Assisting in managing and implementing the Risk Management Plan.

d) Resolving disputes about the allocation of risk ownership.

e) Evaluating the range of available actions to address risk in responsible ways, and assessing the effectiveness of these actions.

f) Reviewing risks and the corporate or project environmental risk profile at intervals that relate to key milestones and disclosure points.

g) Undertaking an analysis of complex interdependent risks so that the aggregation or correlation of exposures is understood.

Manager, Grants & Risk

a) Coordinating all risk management for the organisation.

b) Maintaining the Risk Register.

c) Conducting quarterly risk owner meetings.

d) Notifying the Executive Group of any new risks or any changes of risk status to 'high' or 'critical'.

e) Reporting risk status to the Audit Committees and Board.

Risk Owner

Every staff member is responsible for the effective management of risk including the identification of potential risks. Each risk identified is to be assigned to a risk owner. The risk owner is responsible for:

a) Defining, clarifying and assessing the risk.

b) Assessing the exposure and probability for the risk.

c) Managing the risk.

d) Reporting progress to the quarterly risk owner meetings.

Policy		Risk Management Policy & Guidelines
State Sector Risks	7.1	In addition to organisational risks, the VLSB+C is required to identify and communicate risks which may impact on other agencies and/or the State. In its Good Practice Guide, the Victorian Auditor-General's Office identifies the following categories of State sector risk: a) **Agency-level risks** are those risks affecting the operations of a single agency. These can become risks to the state because of their size and significance, because of the wider impact of measures to manage them, or because of poor management by agencies. b) **Inter-agency risks** are risks that affect one or more agencies and will impact on the service delivery of other agencies. c) **Whole of Government or State-wide risks** are risks that affect the Victorian community at large and result in widespread impact and significant consequence.
Attestation Statement	8.1	As required under the Victorian Government Risk Management Framework the annual report will include the following statement. [Insert month & year] **Attestation on compliance with Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes** I, [Chairperson of the Board/Commissioner] certify that the Victorian Legal Services Board has complied with the *Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes*. The Victorian Legal Services Board Audit Committee verifies this assurance and that the risk profile of the Victorian Legal Services Board has been critically reviewed within the last 12 months. ______________________________ [insert name] Chairperson – VLSB/Commissioner – VLSC [insert day month year]
Review of the Risk Management Policy & Guidelines & Risk Register	9.1	The Audit Committees will review the Risk Management Policy & Guidelines annually and the Risk Register twice yearly at the June and November meetings. The Board will review the Risk Management Policy & Guidelines and Risk Register annually as per the Board calendar. The Audit Committees resolved not to have a separate Financial Risk Register.
Risk Management Policy & Guidelines	10.1	The Risk Management Policy & Guidelines sets forth the basic principles to be followed in the administration of the risk management process at the VLSB+C. The purpose of the policy/guidelines is to ensure that risk management is seen as a core component of service delivery, ensure that risks are managed at the appropriate level of seniority and provide a high level framework for risk management policies in the organisation. i) It should be noted that the VLSB+C also has a Financial Management Compliance (SDS 5.1) which should be read in conjunction with this Risk Management Policy & Guidelines.
Risk Activity Area	11.1	The VLSB+C has identified six risk activities as follows: a) Service Delivery. This area covers interaction with various stakeholders including:

practitioner, entities, grant recipients, litigation, contractors and delegates.

b) Financial. This deals with areas of financial risk for the VLSB+C.

c) Political and Reputational. This includes the impact on the changes imposed on the VLSB+C from other agencies and/or the State.

d) Human Resources. This deals with staff related matters and is covered in detail in the VLSB+C Risk Register.

e) Information Systems/Business Continuity Systems. This deals with the potential failure of information management systems.

f) Governance. This deals mainly with corporate governance and compliance procedures.

Section 13.3 – Table 4 *"VLSB+C Risk Profile according to activities and risk area"* includes details of various risk areas identified within each risk activity.

Rating Matrices – likelihood & Impact

12.1 The purpose of applying a risk rating system is to ensure a consistent standard across an organisation with the intended outcome of improved decision making in choosing appropriate and adequate risk control measures.

The VLSB+C developed its Risk Management Plan according to the risk rating matrices below. It continues to use these matrices in monitoring and reviewing the Plan and Register.

Table 1 provides the method which the VLSB+C uses for analysing and evaluating risks in terms of their likelihood of occurring.

Table 2 provides the method for determining the severity of the impact if it were to occur.

12.2 **Table 1 – Risk Rating – Likelihood of occurrence**

Rating	Meaning	Likelihood of Occurrence
5	**Almost certain**	High level of recorded incidents. It is expected to occur in most circumstances weekly or monthly.
4	**Likely**	It is expected that it will occur during the next 12 months.
3	**Possible**	Few, infrequent, occurrences of risk have previously occurred. Might occur at some time over the next 12 months.
2	**Unlikely**	No recorded incident or anecdotal evidence. Is not expected to occur but may within the next 2-5 years.
1	**Rare**	No history within the organisation. May occur in exceptional circumstances (10+ yrs)

12.3 Table 2 – Risk Rating – Severity of impact

Score	Rating	Service Delivery	Financial *	Political & Reputation	Human Resources	Info Systems/ Business Continuity	Governance
5	Severe	Loss of service capacity for over 1 week Significant prosecution or very serious litigation involving a breach of VLSB+C regulations	Regulatory and Part 9 s.148 of *LPUL Act* 2014 expenditure increases by $25M Income reduces by $25M	Significant reputational risk to VLSB+C (sustained media coverage at the state and national level)	Unexpected loss of multiple key senior management/staff, death or serious injury to staff	Loss of service capacity for over 1 week	Delegates incur very serious non-compliance of SLA or breach of VLSB+C policy and procedures
4	Major	Loss of service capacity for 4 days Major breach of regulation and or litigation involving VLSB+C	Regulatory and Part 9 s.148 of *LPUL Act* 2014 expenditure increases by $15M Income reduces by $15M	Less than significant reputational risk to VLSB+C (less than national coverage)	Unexpected loss of a key senior management/staff, serious injury to staff	Loss of service capacity for 4 days	Delegates incur major non-compliance of SLA or breach of VLSB+C policy and procedures
3	Moderate	Loss of service capacity for 3 days Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.	Regulatory and Part 9 s.148 of *LPUL Act* 2014 expenditure increases by $5M Income reduces by $5M	Adverse questions in parliament, adverse media coverage at state or local level	Unexpected loss of a key staff and/or lost time injury	Loss of service capacity for 3 days	Delegates incur serious non-compliance of SLA or breach of VLSB+C policy and procedures.
2	Minor	Loss of some service capacity for 2 days Minor legal issues, non-compliance and breaches	Regulatory and Part 9 s.148 of *LPUL Act* 2014 expenditure increases by $2.5M Income reduces by $2.5M	Local community concern, adverse local press coverage	Unexpected loss of key staff, minor injury with no lost time	Loss of service capacity for 2 days	Delegates incur minor non-compliance of SLA or breach of VLSB+C policy and procedures.
1	Insignificant	Loss of some service capacity for 1 day Very minor legal issues, non-compliance	Regulatory and Part 9 s.148 of *LPUL Act* 2014 expenditure increases by $1M Income reduces by $1M		Unexpected loss of a staff member	Loss of service capacity for 1 day	Very minor legal issues, non-compliance and breaches

** Financial risk is founded on baseline income and expenses of approximately $65M and has been adjusted in light of the official cash rate currently sitting at a 50 year low.*

Policy	Risk Management Policy & Guidelines

Risk Management Classification Chart

13.1 **Table 3** provides a method for combining the likelihood of an event occurring (refer 12.2 Table 1) and its impact if it does occur (refer 12.3 Table 2) to then produce an overall grading for each risk. Using this overall rating - which incorporates likelihood and severity - assists in determining the measure of the exposure for any particular risk at the point of evaluation.

The table is based on the Victorian Managed Insurance Authority (VMIA) risk criteria and matrix. Decisions concerning whether risk treatment is required may be based on operational, technical, financial, legal, social, environmental, humanitarian or other criteria. The risk criteria correspond to the type of risks and the way in which risk levels are expressed.

13.2 **Table 3 – Risk Rating – Classification Chart**

(1) Likelihood		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Severe
Almost Certain	5	M	H	E	E	E
Likely	4	M	H	H	E	E
Possible	3	L	M	H	H	E
Unlikely	2	L	M	M	H	H
Rare	1	L	L	M	M	M

(2) Impact

Risk Ranking
Extreme
High
Moderate
Low

13.3 **Table 4 – VLSB+C Risk Profile according to activities and risk areas**

Service Delivery	Financial	Political & Reputational	Human Resources	Info Systems & Business Continuity	Governance
External Delegations	Financial Management & Control	Machinery of Government Changes	Human Resource Management	IT Systems	Compliance with Business Statutory Requirements
Litigation	Budgets	Inter-agency and state wide risks	Staff Resources	IT Infrastructure	Governance
Regulation & Policies	Financial Returns	Stakeholder Expectations		Document Management	Insurance
Register: Practitioner /Entity	Statutory Deposits	Communications		Loss of Facilities	Contract Management
Exemptions: Practitioner /Entity /SDA	Fidelity Fund Claims	Register: Practitioner/ Entity			Projects
Grants Program					
Complaints					
Education					