

# How to manage risk

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Services for Lawyers

# Presenters

## **Sarah Charlton | Consultant | DG Legal**

Sarah has a BSc (Hons) in Applied Accounting and is a Fellow member of the Association of Chartered and Certified Accountants. Her career spans over 35 years working within the legal sector, fulfilling roles from COFA through to CEO. During her career she has worked with a number of legal regulators, professional bodies and government organisations. Sarah has been a member of the Institute of Legal Finance & Management throughout her career, qualifying as a Fellow member in 2005. Sarah also served as chairperson between 2010-2012 and continues to serve as an Executive Council Member. To view Sarah's full bio, please visit: <https://dglegal.co.uk/the-team/sarah-charlton/>

## **James Wright | Consultant | DG Legal**

James' career in Legal Finance spans over 25 years, working in medium to large law firms, managing their legal finance functions. His knowledge and experience in understanding the SRA Accounts Rules has enabled him to provide extensive support to the COFA and build processes and procedures to enable compliance. James has also been a Tutor for the Institute of Legal Finance and Management for their Diploma course, which during his time saw the number of students passing their final exam rise to 90%. James has also written practice and guidance notes both internally and for external clients and legal software providers. To view James' full bio, please visit: <https://dglegal.co.uk/the-team/james-wright/>

# What are we covering today?

- What is risk?
- How can you identify risk?
- What are your options?





# What is risk?

A risk is often described as the potential loss:

- if an action, event or activity arises, or
- alternatively the potential loss if it doesn't happen.

# Types of risk in a law firm

- Operational
  - IT failure
- Financial
  - Running out of cash
- Compliance
  - Serious breach
- Strategic
  - No succession plan
- Reputational
  - Employee theft

# Audience participation

Using the chat function, take a few minutes to think about some operational risks that most law firms are likely to experience.



# Risk Matrix

5x5 RISK MATRIX

The diagram shows a 5x5 Risk Matrix. The vertical axis is labeled 'PROBABILITY' and the horizontal axis is labeled 'IMPACT'. The matrix cells contain numerical scores and risk level descriptions. The risk levels are: Very Low, Low, Medium, High, and Very High. The scores range from 1 to 25. The risk levels are: Very Low, Low, Medium, High, and Very High. The scores range from 1 to 25. The risk levels are: Very Low, Low, Medium, High, and Very High. The scores range from 1 to 25.

Highly Probable	5 Moderate	10 Major	15 Major	20 Severe	25 Severe
Probable	4 Moderate	8 Moderate	12 Major	16 Major	20 Severe
Possible	3 Minor	6 Moderate	9 Moderate	12 Major	15 Major
Unlikely	2 Minor	4 Moderate	6 Moderate	8 Moderate	10 Major
Rare	1 Minor	2 Minor	3 Minor	4 Moderate	5 Moderate
	Very Low	Low	Medium	High	Very High

# How this might look in practice

	Risk Identified	Owner	Last reviewed	Next review	Current		Future		Notes
					Probability	Impact	Probability	Impact	
1	Succession Planning	Directors	Jan-23	Jan-24	3	2	3	2	
2	Disruption to the business through natural disaster	Directors	Jan-23	Jan-24	3	2	1	1	
3	Insolvency	Finance Manager	Jan-23	Jan-24	3	5	3	5	
4	Key staff member leaving	Management Team	Jan-23	Jan-24	2	3	2	2	
5	Compliance	COLP	Jan-23	Jan-24	2	3	1	2	

# Risk Appetite

## Risk appetite vs. risk tolerance

If risk appetite represents the official speed limit of 70, risk tolerance is how much faster you can go before likely getting a ticket.



# Scenario

You are a small law firm with ten solicitors who have all been practising for 5 years or more. You have three offices.

You have a property department consisting of seven qualified solicitors/lawyers and a private client department that has three solicitors/lawyers. It is your intention to start taking on family work.

What risks might arise from this decision?

# Transfer





Mitigate/Reduce



**Risk**



Avoid



# Audience participation

Using the chat function, let us know if you think your firm has considered their risk appetite and if so, what that might be.



# Conclusion

- Risk is all around you.
- Identifying it early will allow you to manage and control it and reduce any impact to your business







# Contact Details



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