



By Jayne Willetts  
Solicitor Advocate  
Jayne Willetts & Co -  
Specialists in Professional  
Regulation

# COMPLIANCE PLANS AND RISK REVIEWS

With November now upon us compliance partners and managers will be looking forward not just to Christmas and the New Year celebrations, but also to the full implementation of the COLPs and COFAs regime under the SRA Authorisation Rules. Time is running out to make sure that your compliance regime is in place for the New Year.

The effective management of law firms is a priority for the SRA for understandable reasons. Well managed firms provide better and more reliable services to clients and are therefore also likely to create fewer problems for the regulators. This is reflected by the need for good management now being one of the Principles on which the entire SRA Handbook is based:

*'you must run your business or carry out your role in the business effectively and in accordance with proper governance and sound financial and risk management principles'. (P8)*

Good management systems are also essential for the proper workings of the COLP and COFA roles which will come into full force from 1 January. The first duty of the COLP is spelt out as being to *'take all reasonable steps to ensure compliance'* with the conditions of the firm's status with the SRA, other than the SRA Accounts Rules where the equivalent responsibility lies with the COFA. The suggestion is – and it is only a suggestion rather than a binding obligation – that this should be done through the creation of a *'compliance plan'*. This provision is to be found in a guidance note to Rule 8 of the SRA Authorisation Rules which lists the following as being the likely *'common areas for consideration'*:

- clearly defined governance arrangements providing a transparent framework for responsibilities within the firm;
- appropriate arrangements for accounting procedures and the authorisation of payments from client account;
- the control of undertakings;
- appropriate checks on new staff or contractors;
- compliance with regulatory deadlines;
- a system for monitoring, reviewing and managing risks;
- ensuring that conduct issues are given proper weight in the firm's decision-making processes;
- file reviews;
- training; and
- obtaining the approvals where needed of the COLP and COFA.

A quick glance at this list will suggest that it is just as significant for what it does not say as for what it does. Many would regard the business plan as the obvious starting point for any concerted attempt to address all of the major issues within the firm that relate to client service and regulatory compliance, yet business strategy and marketing do not merit a mention.

In other respects the list is strangely selective: is it only checks on new staff that are worthy of a mention, as opposed to recruitment processes in general? Likewise, training clearly merits a mention, but why not review appraisal processes or the increasingly adopted practice of *'exit'* interviews as one step in ensuring an orderly departure of personnel? Why undertakings as an obvious issue of law firm risk but not key date reminder systems? All in all, the issues that are mentioned are better seen as a *'taster'* rather than a checklist.

The compliance plan is best seen as a summary of what is likely to be documented elsewhere rather than a document to rival the office manual. It seems fair to work on the basis that the compliance plan is a high level summary of the key management systems and processes which will, as the guidance note confirms, *'depend on factors such as the size and nature of the firm, its work and areas of risk.'*

To accompany the compliance plan, or perhaps forming an appendix to it, there should be a risk review. Although not specifically referred to in the SRA Handbook as such this does seem to have gained acceptance as being the best way to address Guidance Note (xi) from the same section of the Handbook to the effect that firms need to consider *'how they approach unexpected risks such as the absence of key staff, including COLP and COFA'*. A risk review will need to list perceived risks by suitable categories, analyse their relevance to the firm based on likelihood and impact if they do materialise, and then an action plan to address any risks that are perceived still to be unacceptable.

*If compiling your compliance plan see [www.solicitors-opm.co.uk](http://www.solicitors-opm.co.uk) for a template office manual. Template forms and guidance are available to Colpline subscribers and consultancy advice from Colpline Ltd. See [www.colpline.co.uk](http://www.colpline.co.uk). ■*

**COLPLINE**  
COMPLIANCE ADVICE FOR SOLICITORS

Jayne Willetts is also a director of Colpline Ltd – a law firm compliance helpline service – [www.clt.co.uk/colpline](http://www.clt.co.uk/colpline)