



Management & Supervision Arrangements Guidance

Introduction

1. The way in which **arrangements** ensure compliance with the **Code of Conduct** (and thereby, all **regulatory arrangements**) is a matter for the individual entity. However, each entity must be able to show that **arrangements** are in place and are operating to a level which satisfies the **CLC** that it is compliant.
2. Proportionate **arrangements** are likely to be the most effective (e.g. **arrangements** which are unnecessarily convoluted, or are judged ineffective or untargeted, may mean they aren't used). Factors in determining the appropriateness of the entity's **arrangements** will include its size and structure; the number, experience and qualifications of staff; and the nature of work undertaken; and the mechanism for periodic review of their effectiveness.

Business Arrangements – good practice examples

3. Supervision and quality assurance **arrangements** are in place across the organisation. Examples of these include (but are not limited to): misconduct; regulatory responsibilities and failures; and risk management (see elsewhere in this Code). The arrangements are recorded, published, reviewed and communicated to staff.

NB. See also the Accounts, Complaints, Conflicts of Interest, Transactions Files, and Undertakings Codes and Guidance.
4. The recruitment, selection and employment **arrangements** are periodically reviewed to help ensure an unfit and improper person (who could compromise the interests of the public and **clients**) is not employed.
5. Training **arrangements**, including Continuous Professional Development provisions, enable all **employees** to maintain a level of competence appropriate to their work and level of responsibility. The content of training is responsive to business objectives, regulatory responsibilities and skills gaps. Consideration is given to which training format (e.g. training course attendance or delivery, work shadowing) is best suited to both the subject matter and the target audience.
6. Published Compliance policies promote ethical practice, encourage the

body and its staff to act in a way which is compatible with the regulatory requirements.

7. Staff are aware of how, and to which named individual, they can raise concerns regarding non-compliance or wrong doing. They are encouraged to raise concerns, feel able to do so, and they are confident these will be acted upon appropriately and they will not be victimised for raising them.
8. An anti-bribery and corruption policy sets out what isn't acceptable and makes clear whom staff should contact if they are suspicious of an activity, conduct or gift.
9. Regular reviews of financial management reports at both department and firm level.
10. A **client** care policy sets out what clients have the right to expect. It includes timeframes within which a response to a query or approach needs to be made. Training is given on the policy.
11. Feedback, both proactively gathered and otherwise procured, informs the development of the business.
12. A communications policy sets out how the entity ensures all communications, including emails, are of a high standard.
13. A firewall program, and/or other device helps to keep the network secure.

Supervision arrangements

Considerations

14. Depending on the nature and structure of the entity, factors in determining whether work is being effectively supervised are likely to include the:-
 - (a) size of the business and the number of offices;
 - (b) number of **Authorised Persons** available to supervise each office/ ratio of Authorised Persons to non-Authorised Persons;
 - (c) volume and nature of the work undertaken (e.g. more intensive supervision given to those who provide substantive advice rather than routine or administrative work);
 - (d) number, competence, training and duties of unqualified staff;
 - (e) **arrangements** for an **Authorised Person** to monitor incoming and outgoing communications; and
 - (f) different working practices of both teams and individuals.

15. The [Social Mobility Commission](#) provides useful resources and has published a [Financial and Professional Services Toolkit](#) which provides good practice examples regarding leadership and culture, entry routes to the profession, recruitment, career progression and promoting social inclusion.

Supervision Good practice examples

16. An organisational chart is published to staff. This clearly sets out the governance structure, identifies decision makers, their responsibilities, and reporting lines.
17. Protocols/guidance set out how formal supervision and appraisal sessions are scheduled, recorded and reviewed; and roles, responsibilities and training requirements are identified.
18. Supervision sessions enable both supervisor and supervised to give feedback. Supervised individuals are enabled to take some responsibility for their own development. The entity may also operate a mentoring scheme.

Risk *Management*

Introduction

19. Risks can take many forms and may be regulatory, strategic, operational or other. Categorisation of identified risks is likely to assume a form of the following:
- a) those which can be tolerated, or transferred;
 - b) those which need to be treated; and
 - c) those which must be terminated.
20. Effective risk management is likely to require a risk register and action plan. Risk assessment processes often employ both a probability (or likelihood) and impact rating which looks at the likelihood of the risk occurring; and the arrangements currently in place, or those needed, to prevent or reduce this. A red, amber and yellow ranking (or other) may then be applied, which prioritises the termination of the highest (red) risks.

Good practice examples

21. Risks to the achievement of regulatory responsibilities – in particular the delivery of the positive **outcomes** identified in the **Code of Conduct** - are systematically identified, centrally recorded, evaluated, monitored and

managed . These **arrangements** are periodically reviewed to:

a) verify that all risks to critical activities and supporting resources have been identified; and

b) the **arrangements** continue to reflect the organisation's objectives, are fit for purpose and appropriate to the types and levels of risk the organisation faces.

22. A senior **manager** is responsible for the risk management **arrangements**. A quarterly risk assessment, which contains risk reports from all teams, is submitted to the senior management team. See also the risks guidance accompanying the Transaction Files Code.
23. Staff receive training on the entity's risk management **arrangements**. This includes information on risk types and how to identify, capture, assess and mitigate them.
24. A senior person is designated as the data protection lead. The entity's information security provisions are periodically reviewed to ensure compliance with the Data Protection Act 2018.

Outsourcing

25. It is up to you how you ensure the provider is made aware of your regulatory responsibilities and their duty to support them. This might take the form of a contract which specifies this and which includes explicit **arrangements** for providing us with inspection access (if needed), as well as how the agent will ensure **client** information security, confidentiality and quality provisions are of a high quality standard. The **outsourcing** arrangements are likely to benefit from periodic review and consideration within both the risk matrix and the Business Continuity Plan.

Business Continuity Introduction

26. There are multiple, often interconnected ways in which external disruptions can affect the critical activities required to deliver your key services. Business continuity risks include (but are not limited to):
 - contagious illness;
 - disruption to office (e.g. fire, flood, evacuation of building);
 - legal requirements (and penalties)
 - loss of key staff or data;
 - loss of utilities (e.g. water, gas and electricity);
 - market changes;
 - negligence claims;
 - key suppliers/**outsourcing** agent risks (e.g. financial vulnerability, service quality threats, office disruption);

- prolonged power loss;
- random failure of critical systems;
- regulatory requirements (and penalties);
- sabotage (insider or external threat);
- special/tailored software or other unique purchase;
- systems (e.g. IT or communications) failures; and
- theft (this might pertain to material items, vital information, or other).

Those new to business continuity risk management may find this [Business Continuity Management Toolkit](#) a useful starting point.

Good Practice examples

27. A hard copy list of and contact details for persons to be contacted in the event of an emergency is kept both on-site and off.
28. A senior member of staff has responsibility for continuity of the business in emergency (or other extenuating circumstances). Individual persons are named as responsible for particular tasks should such circumstances arise.
29. Periodic continuity risk assessments inform a written Business Continuity Plan (BCP) and improvement plan. The assessments and BCP are updated in light of relevant changes such as organisational restructuring or external environment/market changes.
30. The BCP includes both prevention and recovery provisions (e.g. office relocations, data back-ups, fire-drills) and quantifies the resources required over time (e.g. 24 hours, 2 days, 1 week, 2 weeks) to maintain critical activities at an acceptable level. Resources are likely to include people, premises, technology, information, supplies and partner businesses. The BCP, and systems (e.g. back-up power, communications equipment, information management, contact list and evacuation processes), are periodically tested.
31. The BCP is communicated to staff through a training and awareness-raising programme. In the event of an emergency, **employees** and customers are provided with ongoing communications and (safety) briefings.

Business Continuity - Sole Practitioners

Introduction

32. The risk to business continuity and to the interests of both the business and its **clients** presented by an emergency such as incapacity or death is particularly relevant to sole practitioners. The **guidance** below is intended to highlight issues which may arise and to provide possible solutions.

However, it is up to you to decide what options best suit your own circumstances and which will enable the business to continue to deliver positive **Outcomes** for **Clients** even in exceptional circumstances/an emergency.

Considerations

33. You may determine that specific Indemnity Insurance **arrangements** would be beneficial to cover the possibility of continuity being threatened by an unforeseen circumstance.
34. In the event of a planned absence, **Clients** should be told who will be dealing with their matter.
35. Should you become unable to manage the business and need to appoint an attorney the agreement is likely to benefit from being proportionate, reciprocal and subject to periodic review.
36. Consideration should be given as to whether the Attorney is an Authorised Person or legally qualified only; and whether they deal with the affairs of the **clients**, as well as your personal and business affairs, or you appoint different individuals to manage personal affairs and those of the business.
37. Consideration may be given as to whether your family and any **employees** should know of the arrangement.
38. Arrangements may be made with a **bank** for named Attorneys to operate specific **bank** accounts. Power of Attorney may be of general or specific application. Each of these forms of authority ceases to have effect should a donor or their attorney become incapable or die.
39. In the event of incapacity, a Lasting Power of Attorney will enable another person(s) to make decisions on your behalf. Two Attorneys may be appointed jointly (i.e. must act unanimously at all times) or jointly and severally (either one will be able to act on his/her own). You may wish to consider including a Charging Clause entitling the Attorney to charge, and be paid, professional fees for managing the business. This form of authority ceases to have effect should a donor/attorney die or become incapacitated.
40. In the event of death, a Will providing for the business to be managed in the short term, could appoint an **Authorised Person** as Executor or alternatively, give the Executor the authority to appoint an **Authorised Person** to manage the business. A Charging Clause is likely to be needed. You may wish to provide specific instructions in a 'side' document to the Will which can be changed depending on circumstances.

Closing of a practice

Considerations

41. Should you decide to sell, due diligence is recommended to help prevent fraudsters from purchasing the entity. **Clients** would ideally be informed of the ownership transfer prior to the purchase. This will enable them to make an informed decision as to whether they wish to continue with their instruction with the entity.
42. As agreed with the **client**, **arrangements** should be made for completion of work scheduled for after the entity's closure or transfer.
43. Where possible, **client** monies, such as **disbursements**, should be transferred out of the **client** account.
44. The planned closure should be discussed with your indemnity insurer (and run-off cover obtained in line with paragraph 2 of the [Professional Indemnity Insurance Code](#)).
45. Legitimate ownership of original documents and papers should be identified and **client** files suitably stored.
46. Closure is often foreseeable so it is likely that you can plan well ahead, making arrangements to close or sell the practice before this happens. An ill-prepared closure is likely to result in the **CLC** arranging a formal **intervention** which is likely to be disruptive to both staff and **clients**. The cost of the **intervention** will be charged to you.