

SRA BOARD

14 March 2023



CLASSIFICATION - PUBLIC

This paper will be published

SRA Strategic Risk Update

Purpose

- 1 This paper provides the SRA Board with a progress report covering the quarter 1 (November 2022 - January 2023) period of the SRA Strategic Register and risk management development.

Recommendation

- 2 The Board is asked to:
 - a) discuss and comment on the Strategic Risk Register (see annex 1)
 - b) note the work taking place on the further development of risk management.

If you have any questions about this paper, please contact Liz Rosser, Executive Director Resources, liz.rosser@sra.org.uk

CLASSIFICATION - PUBLIC

SRA Strategic Risk Update

Background

- 3 Risk in the organisation is managed in accordance with the SRA Risk Management Framework (RMF). This sets out responsibility for managing strategic, mid-tier and operational risks together with the reporting arrangements for the Executive, Audit and Risk Committee (ARC) and the SRA Board. The Strategic Risk Register (SRR) forms part of how we manage risk and is reviewed regularly and reported to the Board quarterly.
- 4 The Senior Management Team reviewed our key organisation risks on 16 February 2023 and agreed updates to the SRR. These were reviewed by the Audit and Risk Committee on 2 March 2023.

Strategic Risk Register

- 5 Since the last review by the Board on 6 December 2022, the number of risks and the risk ratings have remained the same. Risks include the SQE, AML activities, Resources, Equality, Diversity and Inclusion, response to legislative/policy changes impacting the legal regulatory framework, response to changes in the structure of the legal market and our investigation and enforcement activities. The Executive continues to manage these risks closely and to report progress to the Audit and Risk Committee and SRA Board.

Strategic Risk - Dashboard

	Strategic Risks					
	SRR1	SRR2	SRR4	SRR5	SRR6	SRR7
	SQE	AML	EDI	Policy	Policy	I and E
Inherent	A12	R16	A12	A12	A12	R16
Residual	A8	A8	A6	A9	A9	A12
Target	A8	A8	G3	A9	A9	G3
Change	→	→	→	→	→	→
Risk Appetite	Cautious	Cautious	Cautious	Open	Open	Cautious
Within risk appetite	No	No	No	No	No	No
Within risk tolerance	Yes	Yes	Yes	Yes	Yes	No

Note: -

1. **Risk appetite** - The amount of risk the organisation is willing to accept in pursuit of achieving our strategic objectives. It is directly related to the SRA strategy.
2. **Risk tolerance** - Our readiness to bear the risk after risk treatment has been taken to achieve our objectives.

(Sources - SRA Risk Management Framework)

CLASSIFICATION - PUBLIC

- 6 Regarding SRR 4 EDI, the Audit and Risk Committee agreed to a proposed update of the risk description to provide greater clarity. And it should be noted that SRR 7 Investigation and Enforcement remains outside of tolerance.

Risks escalated or demoted between the Strategic and Mid-tier risk registers.

- 7 There has not been any escalation or demotion of risks between the SRR and Mid-tier (MRR) risk registers since the last report to the Board.

Closed Risk

- 8 The number of risks on the SRR remains unchanged.

Risk Management development

- 9 At its meeting on 2 March 2023, the Audit and Risk Committee received a presentation on research undertaken by our internal auditors, RSM. The presentation covered -
- Our current approach to risk appetite and tolerance boundaries applied to the SRR and MRR.
 - Risk reporting, in response to the Board's request for a more streamlined reporting format to the Board on the management of strategic risk.
- 10 Following useful detailed discussion, the Committee agreed that further consideration was needed and that this subject would be revisited at its next meeting on 23 May 2023, prior to reporting the outcome to the Board on 6 June 2023.

Recommendations: The Board is asked to:

- a) agree and comment on the Strategic Risk Register (see annex 1)
- b) note the work taking place on the further development of risk management.

CLASSIFICATION - PUBLIC

Supporting information

Links to the Corporate Strategy and/or Business Plan and impact on strategic or mid-tier risks

- 11 The recommendations affect the organisation's Corporate Strategy/Business Plan as, if the strategic and mid-tier risks are not managed effectively, this could adversely impact on our ability to successfully deliver our key objectives. It may also have a reputational impact.
- 12 This work will underpin our commitment to improving our operational performance and making justifiable decisions promptly, effectively, and efficiently.

How the issues support the regulatory objectives and best regulatory practice

- 13 Effective risk management procedures combined with robust internal controls, will enable the SRA to deliver its regulatory objectives.

Public/Consumer impact

- 14 There is no direct consumer impact because of this work.

What engagement approach has been used to inform the work and what further communication and engagement is needed?

- 15 The SRR will be reported to the SRA Board.

What equality and diversity considerations relate to this issue?

- 16 Risk management is embedded across the organisation and any risks associated with EDI will be captured within risk registers as appropriate.

How the work will be evaluated

- 17 As part of the ongoing risk assurance programme of strategic and mid-tier risks, the documented control measures will be reviewed and assessed to determine the effectiveness in managing the SRA risks.

Author Jim McCullagh, Manager Risk-Audit Team

Contact Details james.mccullagh@sra.org.uk, 0779 433 5536

Date 28 February 2023

Annexes

Annex 1 **Strategic Risk Register**

NB: the annex to this paper will not be published as it includes discussion of risk that might be exacerbated by publication.