

SRA BOARD

22 March 2022

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This paper will be published

SRA Strategic Risk Update (including revised Strategic Risk Register)

Purpose

- 1 This paper provides the SRA Board with the Strategic Risk Register (SRR) for the first quarter ended 31 January 2022. It also seeks approval of the individual strategic risk appetite statements for the SRR risks.

Recommendations:

- 2 The Board is asked to:
 - (a) agree the changes made to the Strategic Risk Register in annex 1
 - (b) agree the Risk Appetite Assessment of SRR risks in annex 2
 - (c) agree the individual strategic risk appetite statements in annex 3.

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

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SRA Strategic Risk Update (including revised Strategic Risk Register)

Background

- 3 Risk in the organisation is managed in accordance with the SRA Risk Management Framework (RMF). This sets out responsibility for managing strategic and operational risks together with the reporting arrangements for the Executive, Audit and Risk Committee 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.

Strategic Risk Register

- 4 The Audit and Risk Committee (ARC) held a risk workshop in December 2021. At the Board meeting on 1 February 2022, a deep dive into the strategic risks was carried out resulting in changes to the SRR. Following detailed discussions, the Board agreed:
 - the rearticulation of SRR1, SRR2 and SRR4, splitting into strategic issues which would remain on the SRR, and more operational issues that would feature as new risks on the MRR
 - the removal of SRR3 from the register
 - the rearticulation of SRR5 into two risks – around 1) policy and 2) the changing nature of the legal market
 - the promotion of MRR8 Investigation and Enforcement to the register as SRR7
 - that the Cyber Security risk MRR1, should remain on the Mid-tier risk register.
- 5 Following the deep dive, the Senior Management Team (SMT) updated the revised Strategic Risk Register for consideration by the Audit and Risk Committee on 10 March 2022. The Strategic Risk dashboard is set out below and full details of each risk are attached for the Board's consideration (see annex 1).
- 6 During the review the SMT discussed the ongoing situation in Ukraine and agreed that this could lead to potential impacts on several of the existing risks including SQE, anti-money laundering and our regulatory activities generally. It also recognised that the situation is rapidly changing and that it is difficult to predict how events in Ukraine and the response of the UK government and politicians will unfold in the coming weeks.
- 7 The SMT agreed to keep the emerging and ongoing situation under review and to provide timely updates on progress of the situation to ARC and the Board.

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Recommendation: the Board is asked to:

- (a) agree the changes made to the Strategic Risk Register in annex 1.

	Strategic Risks – Quarter 1 (1 November 2021 – 31 January 2022)					
	SRR 1	SRR 2	SRR 4	SRR5	SRR 6	SRR 7
Inherent	A12	R16	A12	A12	A12	R16
Residual	A8	A8	A6	A9	A9	A12
Target risk	A8	A8	G3	A9	A9	G3
Change	→	→	→	→	New	New

Mid-Tier Risk Register

- 8 ARC also considered the Mid-Tier Risk Register at its recent meeting. This had been updated by SMT to include the additional risks for the operational aspects of SRR1, SRR2 and SRR4, as well as some additional updates. ARC endorsed these changes.
- 9 Members of ARC discussed the deep dives into Strategic and some Mid-Tier risks which had taken place at recent meetings. They agreed these were useful and asked for a proposed schedule of future deep dives to consider at the next ARC meeting.

Risk Appetite

- 10 As well as considering the updated Strategic Risk Register, the Audit and Risk Committee also considered individual risk appetites for each strategic risk. To enable detailed analysis and assessment of individual key risks to the achievement of our corporate objectives, risk appetite is subdivided into five categories as follows:

	Category	Description
Focus on risk avoidance  Focus on achieving business objectives	Averse	Avoidance of risk and uncertainty. Exceptional circumstances are required for any acceptance of risk.
	Minimal	Preference for ultra-safe options that are low risk and only have a potential for limited reward.
	Cautious	Preference for safe options that have a low degree of risk.
	Open	Willing to consider a range of options and choose one that is most likely to result in successful delivery but minimising risk as far as possible.
	High	Eager to realise business benefits and to choose an option to achieve this, accepting the risks involved.

- 11 The SRA agreed overall risk appetite is 'with few exceptions no greater than

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Cautious'. This is a preference for safe options that have a low degree of risk, and in some cases are lower, as set out in the SRA Risk Management Framework.

- 12 A detailed discussion took place on the current risk appetite and tolerance for each risk and compared this to each of the risks on the SRR to assess whether each is in or out of the overall risk appetite. The results of this exercise are set out in annex 2.
- 13 Following review of the individual SRR Risk Appetite Statements the Audit and Risk Committee agreed to recommend approval of these at the SRA Board meeting on 22 March 2022 (see annex 3).

Recommendations: the Board is asked to:

- (a) agree the Risk Appetite Assessment of SRR risks in annex 2**
- (b) agree the individual strategic risk appetite statements in annex 3.**

Risk Management Development

- 14 The Horizon Scanning Programme led by our Research and Analysis team meets on a quarterly basis to identify the priority risks to our regulation and to make recommendations to the Executive. As an example of its key role, members will recall that the Board identified potential emerging strategic risks in October 2021 and the Board's deep dive in February 2022, considered these emerging risks alongside others identified through our horizon scanning work but decided not to include these on the SRR at this time.
- 15 The SMT agreed to keep the emerging and ongoing situation under review and to provide timely updates on progress of the situation to ARC and the Board.

Next steps

- 16 The Strategic Risk Register and Risk Appetite Statements will be updated following this meeting. The Register will come back to the Board as part of the second quarter performance pack

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Supporting information

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

- 17 Having effective risk management and monitoring procedures in place, ensures that we can understand, mitigate, and manage potential risks that could harm our ability to deliver our defined corporate strategy and business plan.

How the issues support the regulatory objectives and best regulatory practice

- 18 By having an agreed risk management and assurance processes in place we can ensure that we have effective controls, and we can be confident that we are meeting our regulatory objectives in the best way for the organisation, while meeting the better regulation principles. Failure to have good assurance in these areas could be a contributory factor to bad or inefficient decision making.

Public/Consumer impact

- 19 The SRR ensures that we are effectively managing risks that may impact on the public and consumers. This paper and regular Board review also provides confidence that we manage the governance around our risk register effectively.

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

- 20 The register reflects wider external engagement where appropriate.

What equality and diversity considerations relate to this issue?

- 21 Strong risk management and effective controls will ensure we are able to manage areas where equality and diversity issues may exist.
- 22 Our commitment to mainstreaming EDI throughout our work means that it is a consideration in all our risk management.
- 22 Our Risk Management approach specifies EDI in key areas. This is reflected across the range of risk categories articulated in the risk appetite statements contained within the Risk Management Framework.

How the work will be evaluated

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

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Author Jim McCullagh, Manager Risk-Audit Team

Contact Details james.mccullagh@sra.org.uk

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Annexes

Annex 1 Strategic Risk Register

Annex 2 Risk Appetite Assessment of SRR risks

Annex 3 Individual risk appetite statements

NB: the annexes to this paper will not be published as they include discussion of risk that might be exacerbated by publication.