

SRA BOARD

6 June 2023

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This paper will be published

SRA Strategic Risk Update

Purpose

- 1 This paper provides the SRA Board with a progress report covering the quarter 2 (February - April 2023) period of the SRA Strategic Register and risk management development.

Recommendations

- 2 The Board is asked to:
 - a) agree the proposals and the subsequent amendments to the Risk Management Framework (paragraphs 5 to 7 and annexes 1 and 2)
 - b) discuss and comment on the Strategic Risk Register (see annex 3)
 - c) discuss the proposed options for enhanced streamlined risk reporting to the Board (see annex 4).

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

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**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 11 May 2023 and agreed updates to the SRR. These were reviewed by the Audit and Risk Committee on 23 May 2023.

Risk Management Development

- 5 The Audit and Risk Committee previously agreed general updates to the Risk Management Framework at its meeting on 2 March 2023 but deferred forwarding the RMF to the Board pending further research on risk management with the support of our internal auditor RSM.
- 6 The objective of the review was to consider our approach to managing risks, in particular the risk appetites and tolerance, and ensure that the RMF reflects our practical operations and highlights the issues that need attention. There is an acknowledgement that some risks will remain outside appetite for reasons beyond our control due to the influence of external factors, and that these require closer monitoring.
- 7 A series of recommendations were made and the outcome of discussions at ARC on 23 May 2023 are summarised in annex 1. These recommendations are incorporated into the revised RMF at annex 2 and the Committee recommends this version to the Board for approval.

Strategic Risk Register

- 8 Since the last review by the Board on 14 March 2023, the number of risks and the risk ratings have remained the same. Risks include the Solicitors Qualifying Examination (SQE), anti-money laundering (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 ARC and the SRA Board.
- 9 SRR 7 (previously outside the tolerance) is the only risk outside the newly proposed risk appetite boundary following the changes detailed in annex 1.

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**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	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.

(Sources - SRA Risk Management Framework)

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

- 10 ARC reviewed the Mid-tier risk register (MRR) at its last meeting and, based on recommendations from the Executive, agreed to close one risk (relating to Covid 19) and move six down to operational risk registers to be managed at this level. There remain five risks on the MRR.

Closed Risk

- 11 The number of risks on the SRR remains unchanged. Full details of each risk on the SRR are contained in annex 3

Risk reporting options

- 12 RSM has also provided some examples of a more streamlined approach for Board risk reporting which are set out in annex 4. The Board is asked to consider and agree the options best suited to its future risk reporting requirements and consider whether to:
 - Replace the current SRR report with the summaries provided in Annex 4 (with the SRR still discussed in detail at ARC and available for reference on Directors Desk)
 - Provide the new report alongside the detailed SRR
 - Keep the reporting as it is.

Recommendations: The Board is asked to:

- a) agree the proposals and the subsequent amendments to the Risk Management Framework
- b) discuss and comment on the Strategic Risk Register

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- c) discuss the proposed options for enhanced streamlined risk reporting to the Board.

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Supporting information

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

- 13 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.
- 14 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

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

Public/Consumer impact

- 16 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?

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

What equality and diversity considerations relate to this issue?

- 18 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

- 19 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
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Annexes

- Annex 1** Risk management development - recommendations from RSM
- Annex 2** Risk Management Framework
- Annex 3** Strategic Risk Register
- Annex 4** Risk Reporting options

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