

Risk Management Strategy

Risk Management within the ARB

This Strategy outlines ARB's approach to risk and how ARB identifies, assesses and manages risk which may impact on ARB's delivery of the obligations set out in the Architects Act 1997 and ARB's strategic objectives.

Risk management runs through all of ARB's activities and good risk management provides significant benefits to ARB, such as a greater likelihood of achieving the strategic aims and more effective use of our resources. ARB has embedded risk management within the organisation, rather than it being an "add on" activity.

Corporate governance and risk management are also inextricably linked. Corporate governance refers to the overall systems and behaviours that exist within ARB to direct and control corporate activities and to ensure the achievement of strategy and strategic aims. It provides a framework of roles, responsibilities, rules and procedures for decision making at ARB, which must also include the assessment of risk.

Effective corporate governance seeks to ensure that the interests of key stakeholders and partners are considered, as well as ensuring that both the Board and staff fulfill their primary role to direct the organisation by monitoring the performance and delivery of the organisation's statutory functions and corporate and strategic aims.

What is Risk?

A risk to ARB is any action or event yet to happen that may affect the organisation's ability to achieve its corporate aims.

ARB's Risk Management Strategy

The risk strategy supports the delivery of ARB's strategic objectives, which are to:

Protect users and potential users of architects' services: ARB will protect consumers by regulating architects so that the public can be confident that architects are appropriately qualified. We will raise the public's awareness of the Register.

Support architects through regulation: ARB will maintain and publicly demonstrate the status of architects as competent, qualified professionals, and will regulate use of the title "architect". We will raise awareness of the Architects Code of Conduct and Practice and the need for those on the Register to maintain their competence.

Principles underlying ARB's Risk Management Strategy

1. To embed good practice within ARB's risk management framework.
2. To promote an ethos where risk management is everyone's responsibility within ARB.
3. To continuously identify and assess risk in ARB's day-to-day operations.

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4. To consider risk when identifying and defining strategy and policy.
 5. To regularly monitor and report on the risks identified in the Risk Register.
 6. To continually strive to lower and improve the impact of risk through scrutiny of controls and actions specified within the Risk Register.

Risk Appetite

“Risk appetite” or “risk tolerance” are the phrases used to describe how much risk an organisation is willing to accept. Where a risk exceeds the risk appetite something will usually need to be done to reduce the risk.

As a statutory body, ARB is naturally risk-averse, as risk is often seen in financial terms as having an adverse impact on ARB’s ability to deliver. ARB generally therefore works to minimise and control risk, by taking an appropriate and proportional approach to risk.

However, ARB also acknowledges that being risk-averse also has its costs, in terms of measures put in place to control and mitigate risk. Being too risk averse may also mean that opportunities are missed. Some risks cannot be controlled and managed, and ARB must take decisions to accept that some risks will remain, whilst ensuring that appropriate controls and actions are in place. Our approach is not intended to stifle innovation or initiative, which help to achieve our strategic aims.

Effective risk management for ARB will mean that high-level risks are identified and reported upon. Decisions and actions are taken as to the mitigation or acceptance of risk.

As a Board, ARB acknowledges that risk management involves judgment of situations and actions, and that ARB’s risk profile is constantly changing.

ARB’s risk appetite will vary according to the risk and cannot be defined by one statement which applies to all of ARB’s activities. For example, ARB tolerates a fairly high and ongoing level of risk in respect of:

- litigation, which is a high risk for most regulators, and
- disaster recovery, which reflects ARB’s resource constraints, and that a short delay in processes and decisions would not have a serious impact on ARB’s stakeholders.

Whilst ARB has a low tolerance in areas such as:

- finance, as ARB must secure income to meet expenditure and maintain adequate reserves,
- robust decision making, and
- support for and efficient use of technology, where down time must be mitigated.

Risk appetite is therefore considered against individual risks on an ongoing basis. The Board must be satisfied that any residual risk, after actions and controls to mitigate risk have been implemented, can be tolerated and if not, identify further steps to mitigate the risk.

Roles and Responsibilities for Risk

The Board

The Board has overall responsibility for risk management. A fundamental aspect of risk management is assurance that appropriate systems of controls and actions are in place, along with a robust and transparent reporting mechanism of those risks. The Board achieves this by having effective oversight procedures in place. The Board encourages transparency within ARB and a culture whereby the organisation learns from its mistakes, rather than seeking to attribute blame.

The Audit Committee's Terms of Reference state that the Committee should review the adequacy and effectiveness of ARB's systems of internal control, including its arrangements for risk management and control, and governance processes such as securing economy, efficiency and effectiveness (value for money). The Risk Register forms a key part of the Committee's decision making process when formulating the annual internal audit programme.

The Risk Register is reviewed by the Board on a six-monthly basis. At each Board meeting (where the full Risk Register is not being reviewed), an update on risk movement, and newly added risks are reported through the confidential Registrar's report.

Management of Risk

The day-to-day management of risk is dealt with by the Registrar and the Board's staff, whose responsibilities are:

Registrar and Management Team

1. To provide strategic direction on the risk management of ARB.
2. To lead and encourage good, sound risk management practices.
3. To ensure appropriate risk management structures are in place.
4. To identify, assess and manage the risks faced by the organisation, keeping the important risks visible and recognising when risks are changing.
5. To keep the Chair, Board and Committees informed as appropriate.
6. To report regularly to the Board, Audit Committee and other Committees as appropriate on the status and management of all major risks.
7. To continually monitor the Risk Register, putting in place appropriate actions and controls as necessary to reduce, where possible, the impact of risks to a level which is acceptable to ARB.

All Staff

1. To be aware that everyone has a role to play in risk management
2. To apply risk management in carrying out day-to-day processes and procedures.
3. To identify and report to management, new or changing risks facing the organisation.
4. To work together as an organisation to monitor, manage and reduce ARB's risk where appropriate.
5. To learn from mistakes and take responsibility for them.

Risk Management Plan

Identification of Risk

ARB has a Risk Register, which logs and tracks risks faced by ARB. The Risk Register is a key tool within the Risk Management Plan.

The Risk Register is reviewed at least monthly at management meetings. New risks are added and consideration is given to the residual level of risk, identified after controls have been applied. The level of risk is amended where appropriate and some risks may be removed. Actions and controls are also reviewed and amended as necessary.

ARB's Risk Register has been divided into categories:

- Governance Risk
- Reputational Risk
- Resource Risk
- Risk to Effective Delivery of Statutory Functions

Each risk level is then quantified using the likelihood and impact method. Controls are identified and actions put in place for each risk. A Risk Manager is assigned to the risk and a Risk Owner specified.

Assessment of Risk

As well as identifying the risk, ARB's Risk Register assesses the likelihood and impact of the risk occurring. These two elements determine the severity of the risk and where it appears on the Risk Register, the highest category being those risks which are high likelihood/high impact.

After the assessment of the risk has taken place, consideration is given as to the controls which are already in place, actions which should be put in place to manage and, if appropriate, lower the risk, and risk owners and risk managers are appointed. After actions and controls have been implemented, the residual risk is re-assessed and monitored to determine whether the level of risk has decreased or increased.

It is accepted that in some cases, despite robust actions and controls being put in place, some risks are not reduced. However, after actions and controls have been enforced, other risks reduce significantly.

The Risk Register shows the risk score (effectively the severity of the risk) before and after controls and actions have been implemented. This method of presentation allows for the residual risk to be identified, as well as allowing the travel direction of the risk to be clearly presented. New risks are also highlighted.

The Board will pay particular attention to the residual risk in line with its risk appetite. If the Board decides that the level of the residual risk cannot be tolerated, further actions will be needed to mitigate the risk.

Management of Risk

Having assessed the risk and identified controls and actions, the risk is then managed on a day-to-day basis. The risk manager is responsible for implementing the actions and controls identified. Progress on managing the risk is reviewed at monthly management team meetings. It is sometimes appropriate, dependent upon the risk identified, for the risk to be the subject of Committee or Board discussions and deliberations. Some risks may feed into future procedural changes or the strategic planning of the organisation.

The effectiveness of the controls and actions can be seen from the changes to the severity of the risk likelihood and impact. The direction in which the risk is travelling is therefore a key piece of information which is regularly assessed. Where a risk is increasing or remains high, this is highlighted to the Board at the six-monthly review so that the Board can either accept the level of risk or direct that further action is necessary. The Board's decision will reflect consideration of the Board's risk appetite.

An internal audit programme agreed between management and the Audit Committee also forms a strong part of ARB's management of risk. The programme provides assurance on the internal controls and on specific areas of risk which arise through ARB's operations. Reviews are undertaken and reported both to Management and the Audit Committee and where appropriate a timetable for improvements is agreed and then monitored. The work plan is drawn up based on the risks, priorities and opportunities faced by ARB.

The risks will also be considered when ARB is setting priorities and agreeing the annual Business Plan and budget, to ensure that ARB's resources are correctly targeted to risk.

An internal audit of the ARB's risk management structure will be undertaken at least every three years.

Understanding the importance of risk

The Risk Management Strategy outlines ARB's policy on managing risk. To be effective, managing risk must be understood and accepted as an important area of ARB's responsibilities, ensuring that ARB considers and responds to risk in an effective way.

ARB's risk strategy will be reviewed by the Board once a year.