

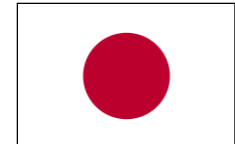
## XIII international symposium

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## Risk management: concepts and issues

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# Introduction

The development of a risk management approach in public management is part of the implementation of state reform:

- . The search for performance and the accountability of the actors (authorising officers, managers, public accountants), through the definition of objectives and indicators of results;
- . The expectations of taxpayers and public service users for accessible public services of higher quality and, if possible, at a lower cost (efficiency);
- . Transparency and accountability requirements to ensure the integrity of the actors, and the proper use of public funds, especially by external auditors (Parliament, Supreme Audit Institutions, civil society) and citizens.

# **I. Towards a risk management approach**

# A methodological approach

**Missions**

Keeping state accounts  
 Accounting and financial management of local authorities  
 Management of the treasury of the State,  
 Tax collection, etc.



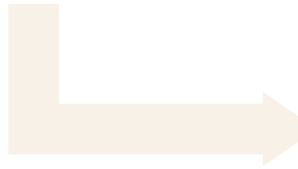
**Setting goals**

- Strategic objectives (quality of service, performance, etc.)
- Operational objectives (activities, resources, etc.)



**Risk identification**

Financial risks  
 Operational risks  
 Risks related to change, etc.



**Risk management**

instruments  
 cost  
 Strategy



# Controlling risks to achieve objectives

Risk definition (COSO 2013): "possibility of an event occurring and affecting achievement of objectives."

Definition of risk \*: "possibility that an event will occur that will have an impact on the achievement of objectives. Risk is measured in terms of consequences and probability."

Risk Management \*: "A process to identify, evaluate, manage and steer potential events and situations to provide reasonable assurance of the achievement of the organisation's objectives."

Definitions of the French Institute of Audit and Internal Control (IFACI)



# Risk typology

Endogenous risks (organisation, processes, information systems, etc.) can be distinguished from exogenous risks (entity environment).

A second typology makes it possible to define:

- operational risks: non-control or non-application of procedures, lack of traceability of transactions, quality and fairness of accounting and financial information, etc.
- organisational risks: formalisation of responsibilities, tasks and responsibilities, decision chain, lack of delegation and empowerment, documentation policy, HR management
- financial risks: control of sensitive or stakes transactions, analysis and exploitation of alerts, unsecured exit of important financial flows, absence of segregation of duties
- risks related to change: regulations, accounting standards and organisation, information systems, human resources (skills, numbers, fears and resistance, etc.), work overload, steering and animation of the reform, insufficient resources, etc.



## Controlling risks to achieve objectives

Gross or inherent risk \* measures the risk without any control element, in the absence of procedures, control activities, etc.

Residual risk or net risk \* measures the risk after the implementation of the control elements: internal control, financial coverage, risk sharing, etc.

Definitions of the French Institute of Audit and Internal Control (IFACI)



## II. Internal control



# Internal control

Internal control is an integrated process implemented by managers and staff of an organisation to address risks and to provide reasonable assurance that the objectives of the organisation are met. following general

- performing orderly, ethical, economical, efficient and effective operations;
- compliance with the reporting requirements;
- compliance with applicable laws and regulations;
- protection of resources against loss, misuse and damage.

Definition from the INTOSAI Guidelines on Internal Control Standards to Promote in the Public Sector

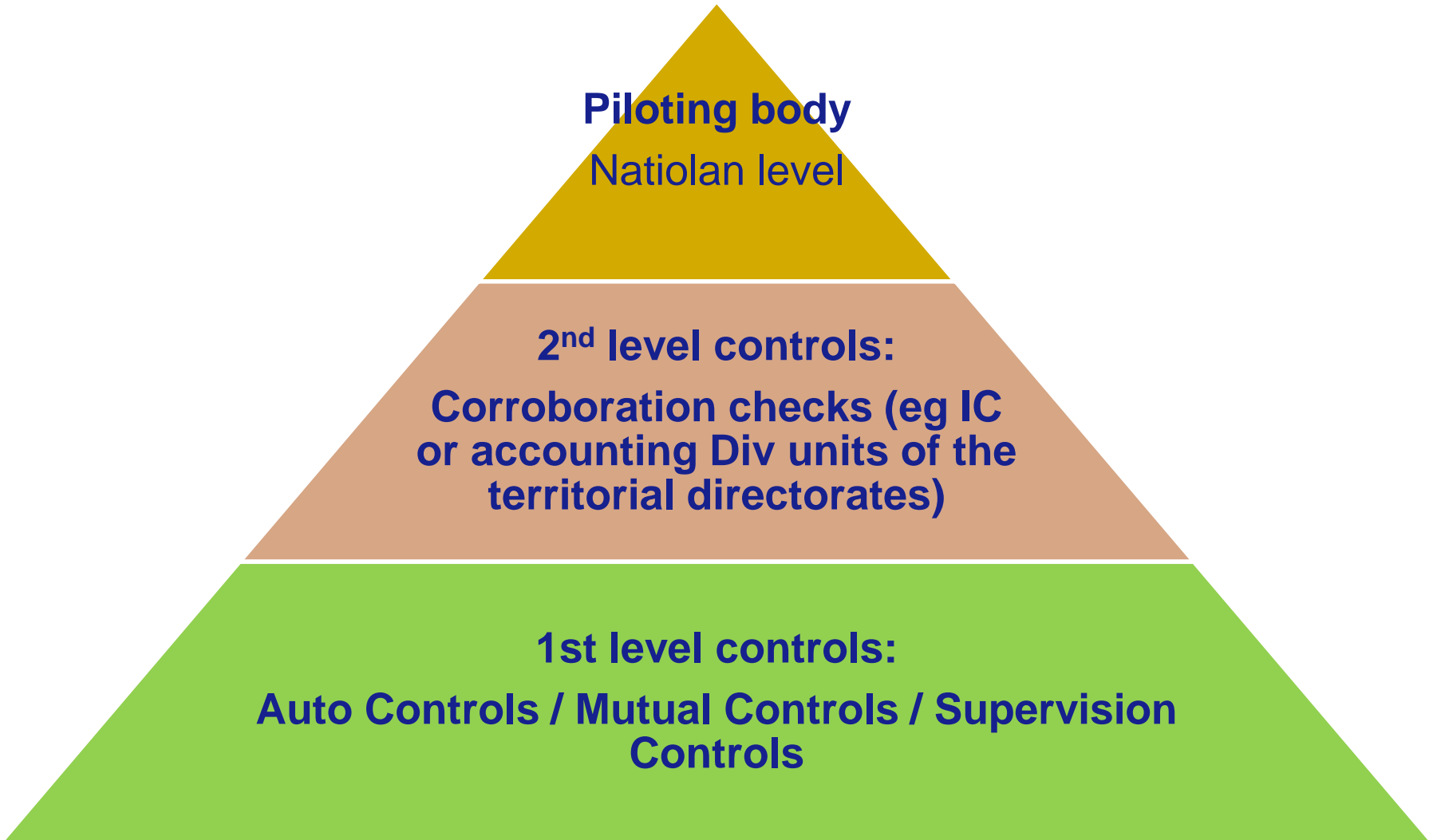


## Internal control tools

- The implementation of internal control involves three categories of tools:
- Procedures and written documents: describe precisely and in writing: "who does what, and how? "
  - "Management and control systems": ideally, the same systems should be used both for management and for the implementation of control;
  - Controls, properly so called: inspections, etc.

## III. Challenges

# The organization of the internal control system

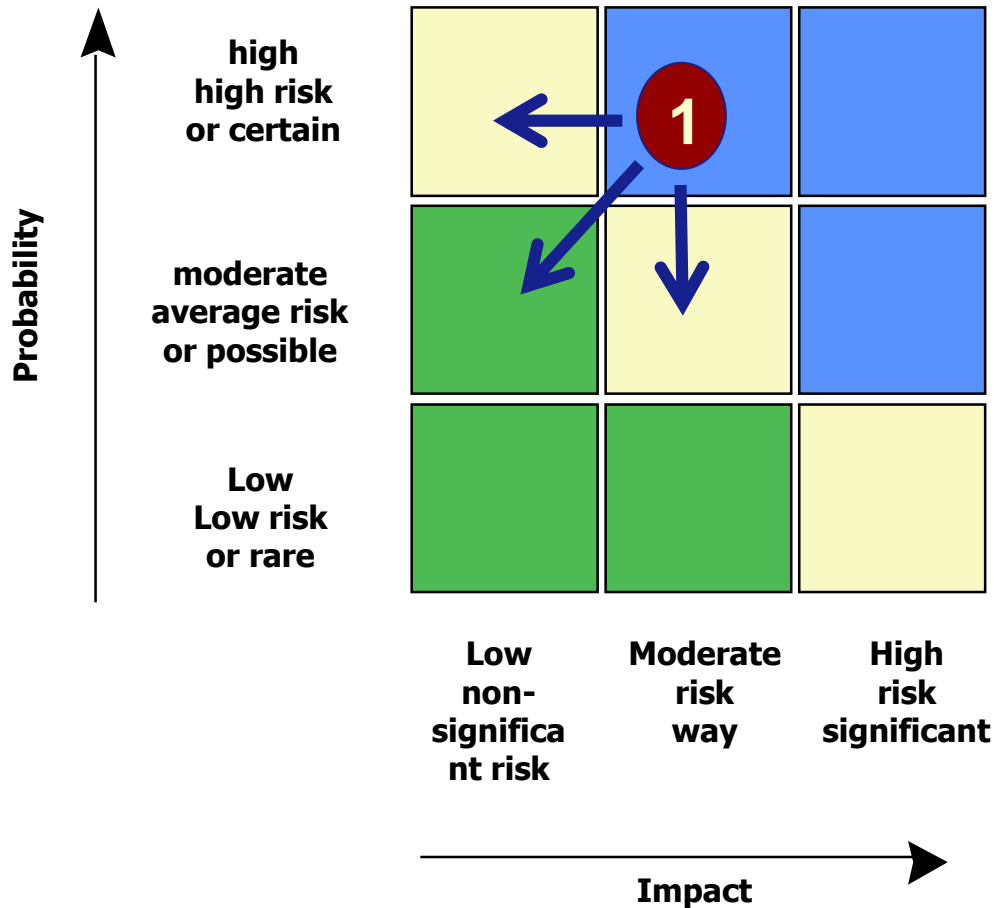


# Effectiveness and efficiency of the device

The residual risk assessment, ie the risk after internal control, takes place in four stages:

1. Identification of the structure, process and inherent risk (s) (quotation);
2. Definition and implementation of the internal control measure (s) to control this risk (s);
3. Evaluation of the degree of implementation and effectiveness of the internal control measure (s) (corroboration within the services);
4. Calculation and presentation of the residual risk, according to the following typology

# Risk mapping



- **Blue** : high residual risk, therefore not covered by internal control
- **Yellow** : average residual risk, therefore partially covered by internal control
- **Green** : low residual risk, therefore covered by internal control.

## Internal control measures must:

- focus on strong risks
- be economical (measurement costs)
- be reviewed periodically (each year)
- be part of the procedures.



## Limits of internal control

- The internal control system is based on the human factor, it is exposed to risks of errors of conception, appreciation or interpretation, negligence, even maneuvers (collusion, abuse or transgression).
- A second limitation is financial constraints: the benefits of controls must be brought closer to their cost. Zero risk does not exist and its continuation would be more expensive than the benefit that would result.

➔ A second limitation is financial constraints: the benefits of controls must be brought closer to their cost. Zero risk does not exist and its continuation would be more expensive than the benefit that would result





## Internal audit in articulation with the IC

« Internal audit is an independent and objective activity that gives an organization an assurance on the degree of mastery of its operations, provides advice on how to improve them, and helps to create added value.

It helps this organization achieve its objectives by evaluating, through a systematic and methodical approach, its risk management, control and corporate governance processes and by making proposals to enhance their effectiveness.. »

Definition given by IFACI, affiliated with the Institute of Internal Auditors

<http://www.ifaci.com/ifaci/connaitre-l-audit-et-le-controle-interne/definitions-de-l-audit-et-du-controle-internes-78.html>

## IV. A "toolbox"

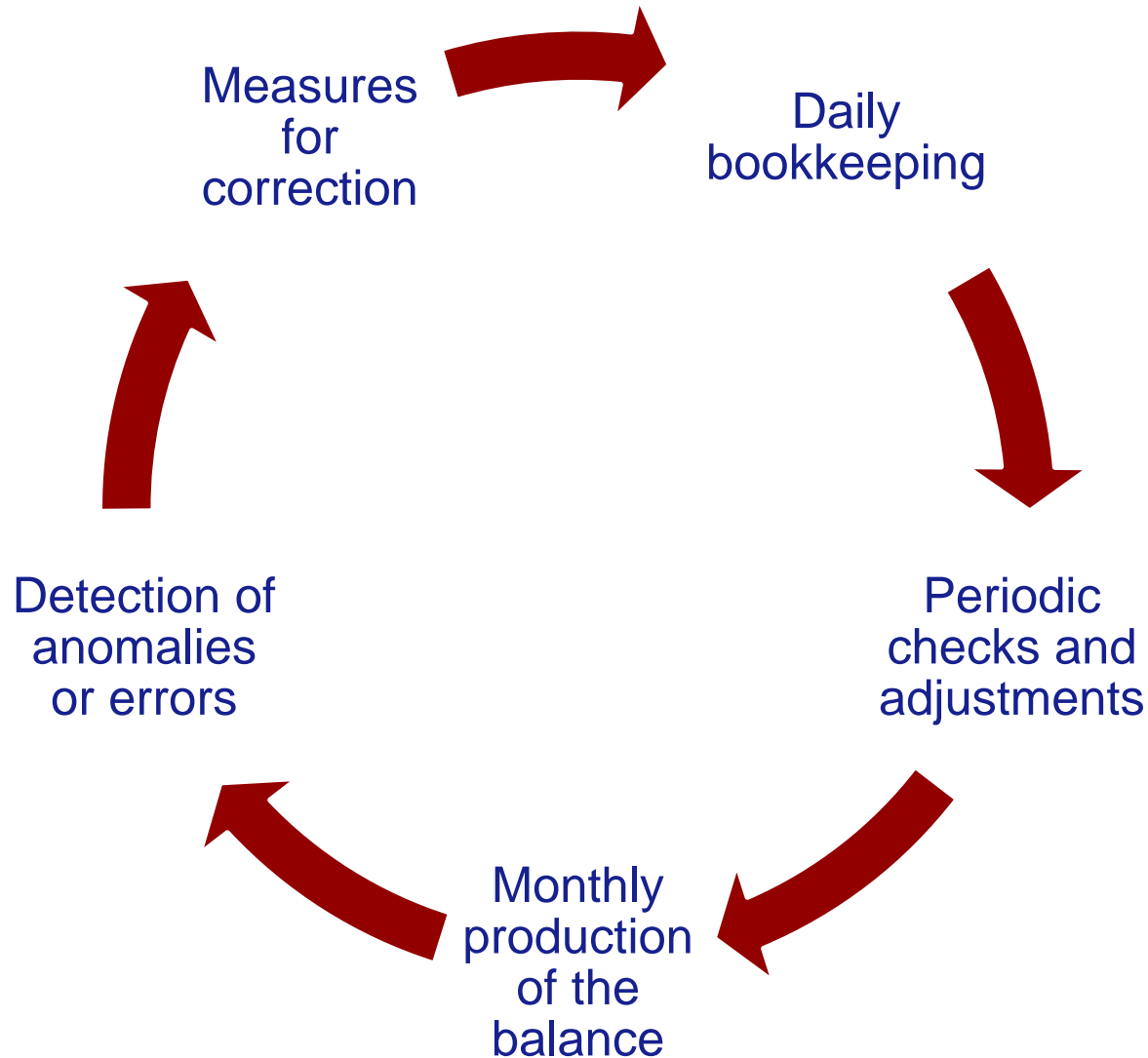


# Dashboards from the MANAGEMENT OF PUBLIC FINANCES-IS



Account	Name of the account	Balance at 30/03	Balance at 30/06	Evolution in%	Comment / Corrective Action
390.X	Transfert of operations	16.897.456	19.367.498	+ 15%	XX rows of entries not reconciled (5 accounting items)
47X	Provisional settlement accounts: recipes spending	9.387.476	12.749.576	+ 35%	XX unregulated transactions. Get closer to the authorizing officers as soon as possible.
512 515.X 531 58X	Financial and treasury accounts	250.957.677	188.426.987	- 25%	Vigilance: Check the levelings towards the TSA. Actions for the Treasury

# Animation of the quality of the accounts



- Animation of the quality of the accounts: monthly meetings, etc.
- Regular clearance of the provisional settlements accounts and transitional accounts
- Detection and correction of anomalies gradually

# Fiscal Affairs Department

*Ambrogio Lorenzetti; The Effects of Good Government on the City Life; Fresco; Palazzo Pubblico, Siena (Italy)*

## Questions / Réponses

