

UNECE - CES

WORKSHOP ON RISK MANAGEMENT PRACTICES IN STATISTICAL ORGANISATIONS

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Managing risks in the National Institute of Statistics - Romania: the national legal requirements into practice



Dan Ion Gherguț
Claudia Căpățină



NATIONAL INSTITUTE OF STATISTICS-ROMANIA

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2. Governance of the RM system
3. Risk Management process at NIS RO
 - Description
 - Roles and accountabilities
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Introduction: the internal control system

- RM system in NIS RO: part of the internal control system regulations, applicable to all Romanian public administration entities.
 - ◆ *The “whole set of control tools used by the public entity, including internal audit, established by the management according to its objectives and legal regulations, in order to secure an economic, efficient and effective administration of funds; it includes, also, the organizational structures, the methods and procedures.”*



Internal control system

- COSO control model 2004/2013
- 16 internal control standards to achieve three groups of objectives:
 - ◆ Efficiency and effectiveness of operations;
 - ◆ Reliability of internal and external information;
 - ◆ Compliance with laws, regulations and internal policies.
- RM System Procedure developed and approved in 2011

Component	Subject matter	Internal control STANDARD
Control environment	<ul style="list-style-type: none"> Organisation HR management Ethics Deontology & Integrity 	<ol style="list-style-type: none"> 1. Ethics and integrity 2. Duties, functions, tasks 3. Competence, performance 4. The organizational structure
Risk assessment	<ul style="list-style-type: none"> Setting objectives Planning (multi-annual) Action planning Performance monitoring 	<ol style="list-style-type: none"> 5. Objectives 6. Planning 7. Performance monitoring 8. Risk management
Control activities	<ul style="list-style-type: none"> Documented procedures Continuity of operations Monitoring deviations from procedures 	<ol style="list-style-type: none"> 9. Procedures 10. Supervision 11. Business continuity
Information & Comm.	<ul style="list-style-type: none"> Informational and reporting system on: <ul style="list-style-type: none"> • Implementation of management plan • Budget execution • Resource usage • Document management 	<ol style="list-style-type: none"> 12. Information and communication 13. Document management 14. Accounting and financial reporting
Monitoring	<ul style="list-style-type: none"> Development of the capability to evaluate the internal control system to secure continuous process improvement 	<ol style="list-style-type: none"> 15. Assessment of the internal/managerial control system 16. Internal audit

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Governance of the RM system

General Secretariat of the Government



Head of NIS RO

Internal Managerial Control System Committee

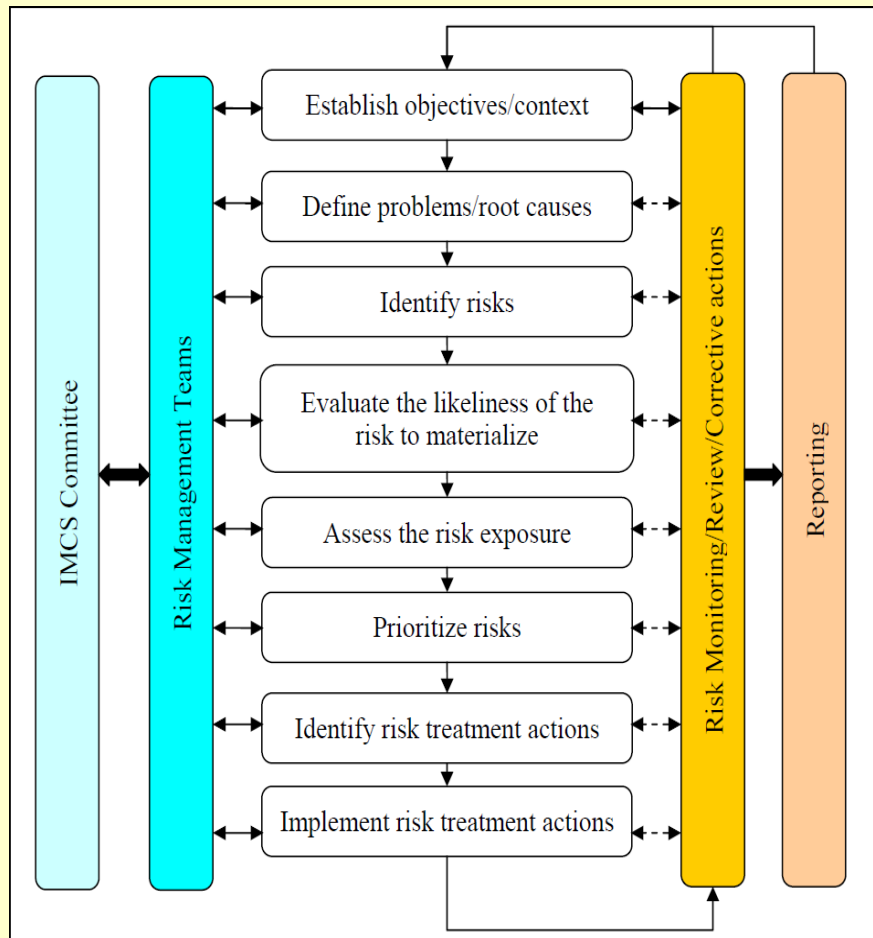
Risk Management Teams

Internal Audit

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RM process - Description



- **Founded on:**
 - ◆ Methodology for the implementation of the internal control standard “Risk Management” (MofPF - 2007)
 - ◆ the Risk Management System Procedure (NIS RO – 2011)
- **Both top-down and bottom-up approach**

RM process – Roles and accountabilities (1)

- **Staff members:** context setting, define risk, assess impact, evaluate the risk exposure, propose risk control actions - Risk Alert form (RAF)
- **Risk Officer:** analyze RAF, propose preliminary treatment actions (closing, escalate risk if it exceeds unit's level of authority, treatment approach: accept, supervise, avoid, transfer, internal treatment), prepare the risk documentation for Risk Management Team (**RMT**), fill-in the Risk Register
- **RMT:** validate/invalidate the closing solution, propose actions for escalated risks, prioritize risks according to risk exposure, analyze the proposed risk treatment and adequate risk control actions, set tasks and time limits for proposed actions; monitor the implementation of control actions, evaluate the results and propose corrective actions

RM process – Roles and accountabilities (2)

- **Head of unit:** secure the organizational and procedural framework to implement the RM procedure at unit level, decide on the appropriate risk treatment; to supervise the implementation of the adopted risk control actions, endorse RMT decisions, approve regular reports
- **IMCS Committee:** review the regular reports on risk management process at unit levels, integrate the regular risk management reports and identify high risk areas related to strategic or business processes, identify, analyze, assess and prioritize risks affecting NIS RO general objectives and overall functioning of NIS RO, report to top management on RM
- **IMCS Secretariat:** update the Risk Registry, assist the IMCS Committee in preparation of meetings and reports
- **NIS RO vice-presidents and president:** review and adopt regular reports under their area of authority, decide on risk control actions, deadlines and follow-up corrective actions

RM process – Risk categories

■ In practice:

- ◆ **Strategic risks:** associated with NIS RO strategic goals and specific objectives (NSS Development Strategy).
 - ✦ cover key areas of action - detailed into objectives to be met at business area level, corresponding to organizational units
- ◆ **Portfolio risks:** related to the objectives of the statistical or support business areas (Multi-Annual Statistical Programme → Annual National Statistical Programmes)
- ◆ **Operational risks:** defined in particular cases related to specific projects

RM process – information tools (1)

■ Risk Alert form (RAF):

- ◆ descriptions of the identified risks, causes and impact;
- ◆ scales rated 1 to 5 for risk probability and impact;
- ◆ risk exposure as a combination between probability and impact;
- ◆ recommended risk treatment actions;
- ◆ brief description of the RMT decision;
- ◆ identification entry into the Risk Register.

■ Risk monitoring form:

- ◆ description of required preventive actions and status;
- ◆ hampering situations;
- ◆ new actions proposed;
- ◆ responsible and deadlines.

RM process – information tools (2)

■ Risk Register:

- ◆ objectives;
- ◆ identified risk, risk favouring context;
- ◆ inherent risk evaluation (**P**robability, **I**mpact and **E**xposure);
- ◆ risk treatment actions and deadlines;
- ◆ date of latest action review;
- ◆ residual risk evaluation (P, I and E);
- ◆ secondary risks, if any.

■ Minute of the Risk Analysis meeting:

- ◆ risks under review;
- ◆ status of control actions;
- ◆ proposal for new control actions;
- ◆ hampering situations;
- ◆ recommendations and conclusions.



RM process – Risk matrix (1)

Very High (5)	I M P A C T	VL-VH	L-VH	A-VH	H-VH	VH-VH
High (4)		VL-H	L-H	A-H	H-H	VH-H
Average (3)		VL-A	L-A	A-A	H-A	VH-A
Low (2)		VL-L	L-L	A-L	H-L	VH-L
Very Low (1)		VL-VL	L-VL	A-VL	H-VL	VH-VL
		PROBABILITY				
		Very Low (1)	Low (2)	Average (3)	High (4)	Very High (5)

RM process – Risk matrix (2)

- Risks are not formally classified as corporate or operational risks.
 - ◆ **Corporate risks:** related to strategy and policies, human resources and internal control system, compliance and regulatory issues, financial, accountability, reputational or external issues - are under the top management scrutiny.
 - ◆ **Operational risks:** related to statistical business processes.
- At the end of 2015:
 - ◆ 83 corporate risks
 - ◆ 217 operational risks
 - ◆ 52,4% are in the tolerance area;
 - ◆ 34,0% in the warning area;
 - ◆ 13,6% are highly critical.



RM process – Risk matrix (3)

■ Highly critical risks:

- ◆ obsolescence of the IT&C infrastructure;
- ◆ lack of specialized human resources in several statistical areas such as population census, IT&C, national accounts, methodology, statistical quality management or public procurement;
- ◆ insufficient development of the regulation framework to strengthen the NIS RO coordination role;
- ◆ lack of support of other public institutions to provide administrative data.

RM process – Reporting

- The Risk Management reporting has two levels:
 - ◆ Quarterly: organizational units to NIS RO management:
 - ◆ Twice a year: NIS RO to GSG on all Internal/Managerial Control standards, including RM
 - ◆ Internal Audit reports



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Lessons for continuous improvement (1)

- Urge to implement the internal control standards
 - ◆ the implementation phase was not preceded by a testing phase, accompanied by thorough communication and training.
 - ◆ resulted in inconsistencies in definition of objectives and risks, treatment actions and post evaluation.
- The procedure is rather complex and involves a lot of time and bureaucracy
- Staff members consider RM an additional burden



Lessons for continuous improvement (2)

- New collaborative tools to promote and support co-operation, dialogue and share of knowledge and practices
- Integrate the strategic and operational objectives with actions in a more standardized way
- Closer alignment of risks identified in the top-down with those identified in bottom-up approach



Main steps to be taken

- define a risks catalogue to harmonize definition criteria and vocabulary;
- integrate RM process with GSBPM model;
- simplification of RMSP in terms of tasks, creating poles of competence related to RM, streamlining actions and for a closer link to key action areas;
- develop the capabilities for RM audits;
- development of training programmes on RM process implementation in the context of official statistics;
- development of RM dedicated software, integrated in the internal control system.



If it's still in your mind, it is
worth taking the risk.

Paulo Coelho

Thank you for your
attention!

claudia.capatina@insse.ro

dan.ghergut@insse.ro

www.insse.ro