

# Methods of Analyzing the Functioning of a Public Administration System

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## Abstract

*The paper is part of doctoral research, encompassing a study on the current trends regarding risk management administration in public administration. Increasing the quality of services and minimizing risks in public administration is the main objective of quality-risk management in the current setting in which Romanian public administration is in perpetual change on the background of aligning itself to the new European standards.*

*The objectives of the research are: analyzing risks at the level of public administration and public services as well as the way in which they are managed. The paper analyzes the risks that appear and risk management is seen as a working instrument with the purpose of highlighting the benefits of risk management compared to other instruments such as the internal public audit.*

**Key words:** risk management, risk, public administration

**J.E.L. classification:** G32, H83

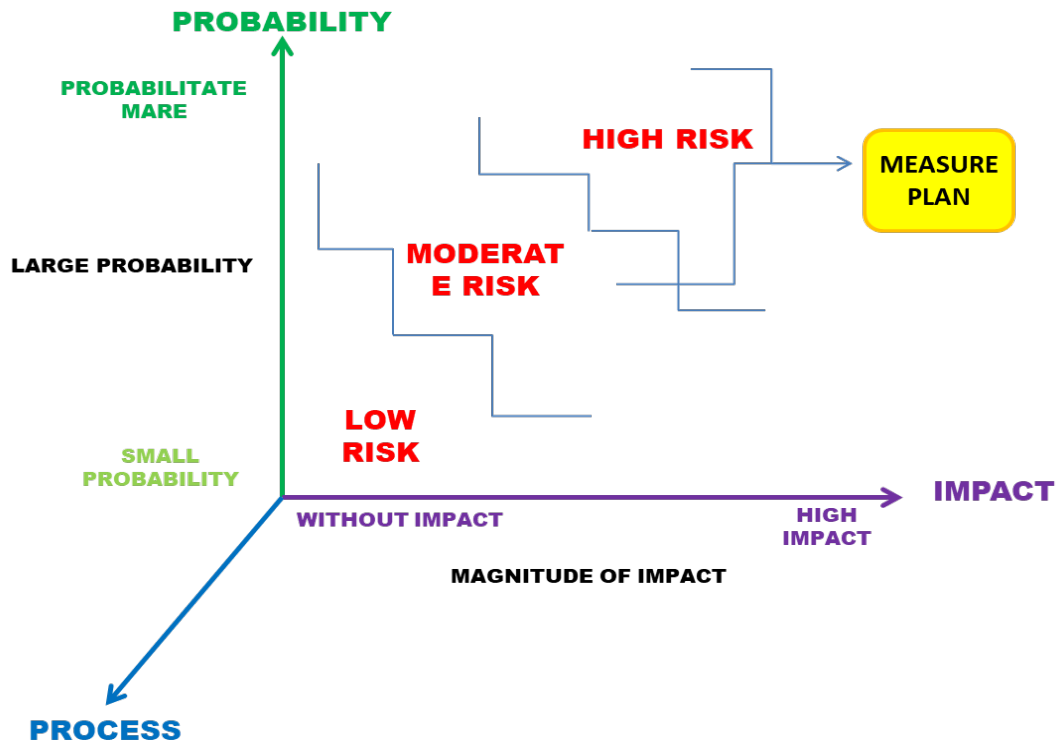
## 1. Introduction

At present, public administration is in perpetual change and development, having as background a dynamic social and economical environment that is continually growing. It is hard to maintain a high level of quality in public administration seeing as the customers' demands are increasingly diverse as they become more and more demanding. The desire to solve as many problems as possible in the shortest amount of time determines public administration to make changes and try to align itself to European standards, rely on decentralization and e-administration. Providing online services has many benefits but generates supplementary risks that require a detailed analysis with the goal of minimizing the impact of such risks or eliminating the probability of them appearing again.

Risk is a relatively new outlook and, although present in all areas of activity, it is very difficult to foresee and detect. Risk is often associated with "uncertainty". (Cişmaşu, 2003).

As shown in figure 1, the size of risks is determined by the size of two elements: the probability of them appearing and the magnitude the impact has on the public entity. Every manager wants to minimize at least one of the two elements, that is to reduce the probability of risk appearance or to minimize the impact it produces.

Figure no. 1 Risk hierarchy



Source: own processing

Risks represent uncertainty generated by a team regarding carrying out objectives or respecting deadlines, and in some cases these unforeseen events can even lead to significant financial loss. This is the reason why public entities personnel must be involved in risk analysis and in taking the right decisions in order to minimize these risks. The management team identifies the risks, evaluates the probability of them being generated, they evaluate the impact risks can have on daily institutional tasks and creates a classification of these risks, all of this to execute a plan of measures that will be taken to remedy problems and minimize moderate and severe risks. This entire process is actually risk management.

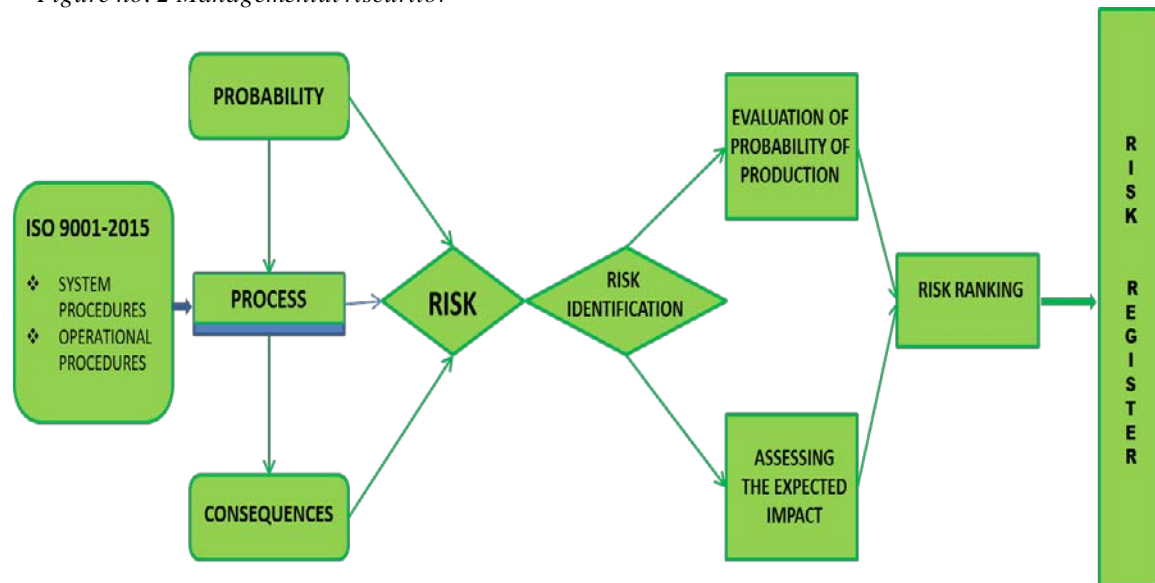
## 2. Theoretical background

Risk management is a cyclical process and implies covering five stages: planning risk, identifying risk, quantitatively and qualitatively analyzing risk, determining risk-approaching strategies and risk monitoring and control.

Planning risk is the first stage of risk management and implies planning the entire risk management process, including the appointment of persons responsible of monitoring risks at each hierarchical level and risk category. At this stage, the management team must be very careful as to exclude any errors because these errors can generate severe problems in the future and even important economical losses.

The second stage in risk management concentrates all the efforts of the team towards identifying risk sources. This stage is done during meetings in which specialized personnel searches for all the vulnerabilities in the public institution's activity with the help of risk management specific-instruments. After risk sources have been identified, a list with all the possible events is created along with their probability of occurrence, their frequency and the effects they may have. Identifying risks has as its main purpose avoiding crisis situations such as when the manager of a team within the public institution is taken by surprise by an undesired event, an event which can negatively affect all activity in that institution.

Figure no. 2 Managementul riscurilor



Source: own processing

Theoretically, all risk sources are identified but practically, it is very hard if not impossible to determine all risk sources. Risk analysis is done both qualitatively and quantitatively to identify and quantify the impact the analyzed risk can have on activities performed in public institutions.

The next stage of risk management is elaborating the strategies used to approach risks. This stage targets the risks that have been identified and analyzed in the previous stages.

During this stage, specific methods and procedures are used in order to ascertain tactics used to approach these risks. It is a very important stage as its main goal is to shelter the manager as well as his organization from risky events. (Bârsan-Piu, Popescu, 2003).

Control and monitoring is the final stage of risk management and is an activity that concludes the cycle of the risk management process, ending with operations that, in certain situations, can resume the entire process, reverting to the first stage.

### 3. Methods of analyzing the functioning of a public administration system

Risk management is an ongoing process, structured and consistent within the whole organizations. It aims to identify, evaluate and appreciate risks. Risk management sets responsibilities, risk attenuation or anticipation measures, periodical progress monitoring and reviewing, all of them guaranteeing the safety and integrity of the public institution.

Implementing the risk management system at the level of the public entity implies the existence of a favorable background with experienced personnel, balanced functional structure, adequate attributions and responsibilities and a technical infrastructure.

An organization's main goal is to identify, evaluate and deal with risks in order to reduce the level of exposure and maintaining risks at acceptable levels. The responsibility of conceiving and implementing the risk administration system falls to the management. The main goal is to maintain risks within acceptable levels, control them through sufficient and adequate control devices. The management is responsible for the harmonization of the organizational structure, its personnel, processes and infrastructure to implement the strategy and maintain a good level of control over risks, using risk management integrated in the systems and methods of work as a functional tool. The public institution's management must ensure the putting into practice and proper functioning of risk management processes in order to achieve its aims.

On the other hand, the internal audit is a process used to examine and evaluate the risk management processes being put into practice and capable to guarantee the achievement of all goals. The responsibility of risk management is attributed to the management which must insure the implementation and proper functioning of risk management processes in order to achieve its goals.

Risk management is the process that identifies, evaluates, manages and controls all the processes to offer reasonable insurance regarding the achievement of the institution's goals. It is the process that involves all personnel, from the general manager, the executive organization all the way to the public workers. It is a concept used to identify possible sensible events that can influence the organization's activity and also manage risks. Risk management is the basis for generating the risk strategy at every level and activity pertaining to the public institution.

Introducing risk as a central element in ISO 9001: 2015 succeeded in redefining risk and consolidating the role risk management has in all public institutions. The current trend within the European Union is to align to European standards all public institutions in EU countries. The decentralization and alignment process to the European Union practices is the main objective of risk management at the level of European public entities. Risk and risk management are the elements brought forward by ISO 9001: 2015 and aim at increasing the complexity of activities performed in public institutions. The more or less accentuated economical crisis in the last years generated a downward trend of resources of any type and, at the same time, an upward trend in present commitments. The current trend of bringing risk in the foreground in public administration brings obvious benefits as opposed to the internal audit and helps institutions to identify, classify and prevent significant risks and avoid uncertainty situations. Risk management prevails in organizing and facilitating decision-taking to decrease the impact risks have or eliminate their occurrence.

#### 4. Conclusions

Risk management is the basis for the risk strategy. This tool is used to bring as close to zero as possible the risks' impact or to diminish a lot the frequency with which risky events appear. Risk analysis and starting procedures are elements pertaining to risk management, elements that constitute the basis for the measures plan that is to be implemented in public institutions.

It is directly responsible for the accomplishment of set goals at the level of public institutions. This is why risk management is an instrument used by public institutions managers as it has advantages compared to the internal public audit because it involves all personnel at every level in the organization, actively contributing to making decisions in uncertain and risky circumstances.

In conclusion, system and operational risks, brought forward by the ISO 9001: 2015 standards, turn risk management in to a vital instrument.

ISO 9001:2015 standards analyze risks in all the entity's structures so it can be stated that risk management is the process that involves all the personnel in the public institution. They take part in the stages of analysis and achievement of the measures plan as well as well as in the actual implementation of the adopted measures, having as their main goal risk reduction such as material or financial losses. Involving all personnel in risk management implies a continued improvement of their performance, their level of training always increasing. All these factors lead to the conclusion that risk management is a far superior work instrument compared to others used in quality-risk management in public institutions.

It can also be deduced that the two instruments-risk management and internal audit-must complete each other because, only by integrating them, public institutions can satisfy the public's needs at very high quality standards.

#### 5. References

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