

THE OBJECTIVES AND RESPONSIBILITIES OF RISK MANAGEMENT

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Abstract: *Risk management is consistent with the organization's development goals and strategies. Therefore, the organization's development model provides an important context for risk management depending on the specification of the products and services delivered, the channels used to access the products or markets, the characteristics by which they differentiate their products and services for beneficiaries, the markets in which the organization conducts its activity.*

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JEL Classification: G32, M42, M48

Introduction

Risk management identifies any risks that may affect the profitability or functionality of the organization, evaluates the threats, implements the plans adopted following an accurate/ex ante risk analysis.

Risk management is responsible for managing the risks within the organization, from the perspective of the relationship with stakeholders who target processes such as:

- ✚ taking responsibility for business continuity
- ✚ corporate governance at the level of taking into account major risks such as: information and security risk, market and credit risk, operational and regulatory risk, technological risk.

To reduce the risks that may create distortions within the entity, there will be considered the following actions:

- ✚ planning, designing and implementing a general risk management process for the organization
- ✚ risk assessment, which involves risk analysis, as well as identifying, describing and estimating the risks affecting the business
- ✚ risk assessment, which involves comparing the estimated risks with the criteria established by the organization, such as costs, legal requirements and environmental factors, and evaluating previous risk management

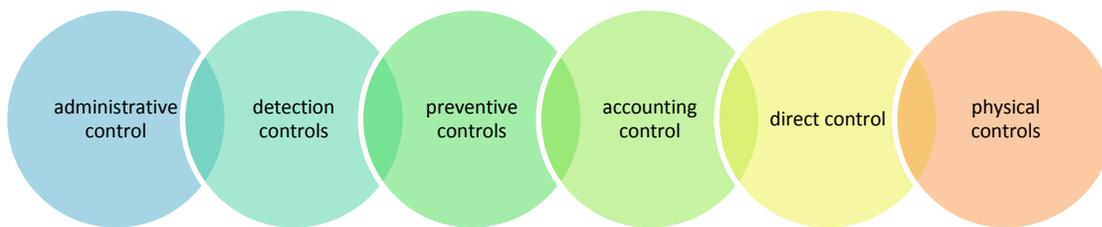
- ✚ establishing and quantifying the "risk appetite" of the organization, ie the level of risk that can be produced
- ✚ risk reporting in a way that is appropriate for different audiences, for example, the board of directors, so that they understand the most significant risks, to ensure that the risks relevant to the organization are identified
- ✚ corporate governance involves reporting external risks to stakeholders
- ✚ carrying out processes such as insurance, establishing business continuity plans to limit risks
- ✚ conducting policy controls and compliance with standards, including liaison with internal and external auditors
- ✚ providing support, education and training to staff in order to increase the risk awareness within the organization.

The impact of general controls on control risk

Internal control includes a set of policies and procedures necessary to ensure that management directives are met. The control activities should be established in such a way as to reduce the identified risks, as well as to achieve one of the three objectives necessary to ensure a performance management: The efficiency and effectiveness of the operations carried out; reliability of financial reporting; compliance with the legal framework and the objectives assumed by the organization.

Within the internal control activity, checks are made on how to transpose in practice the procedures, norms, quality standards, which makes the control activity involve a series of control types, as follows:

Figure no. 1- Control types



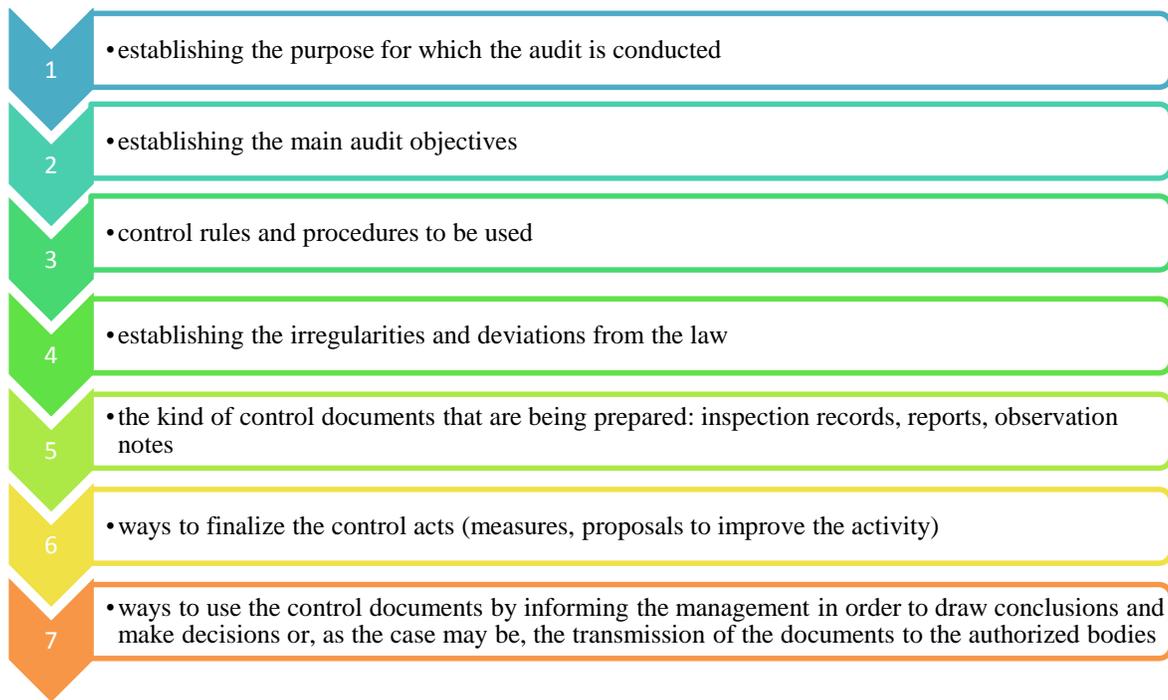
Source: Author own contribution

The objectives of the internal control system ensure that the technical-economic-legal activities specific to each entity take place in accordance with the general and specific management authorization. An ideal system of internal control of an organization is the one that ensures the best possible use of the resources, leads to the

mitigation of the risks associated with the activities undertaken, eliminates the wastage of funds and other resources of the organization.

The internal control system is important for every organization, for efficient management, as well as for assisting in the control of the company. It includes all the processes and methods to help the company reach the final goal being achieved according to a structured methodology, as follows:

Figure no. 2. Control methodology



Source: Author own contribution

The control methodology defines a set of procedures applied within the organization's activities in collaboration, cooperation or for completing the control activity in order to develop a performance management. The control documents can be generated by the evaluation activity of the organization as a whole, as well as in those sensitive points or areas that need improvement or elimination of the causes that generated the negative event. The control aims to restore the legal order in an organization based on an assessment of the factors that

contribute to the occurrence of high risk events. The emergence of factors with risk potential within the organization implies the analysis of the internal and external environment of the organization, the identification of the activities that generate the risk, especially at the level of the departments with sensitive functions. Control is the action by which exempt measures can be generated with the role of prevention, through the permanent revision of the procedures, the application methodologies within departments. The control activity generates reports that, through implementation, lead to the increase of the performance of the organization's activity..

Evaluation of internal / managerial control in the context of the use of information technologies

Implementation of internal / managerial control in public entities in Romania

The regulation of the internal control at the level of the Romanian public entities started with the publication of the Government Emergency Ordinance no. 119/1999. Subsequently, in 2005, with the entry into force of the Order of the Minister of Public Finance no. 946/2005, the implementation of internal / managerial control became mandatory for public entities in Romania. The internal / managerial control system had to be developed taking into account the specificity of each public entity, according to the Internal / managerial control code that contains a number of 25 management standards. Subsequently, in 2015, the Order was repealed and replaced by the Order of the General Secretariat of the Government (OSGG) no. 400/2015 for the approval of the Code of internal / managerial control of public entities, which establishes a number of 16 internal standards of managerial control. In 2018, a new version was published, by approving the Order of the General Secretariat of the Government (OSGG) no. 600/2018 regarding the approval of the Code of internal / managerial control of public entities, keeping the 16 internal standards of managerial control.

Internal / managerial control standards

According to OSGG no. 600/2018, internal / managerial control is defined as representing all forms of control exercised at the level of the public entity, established by the management of the entity in accordance with the legal objectives and regulations, to ensure the management of public funds in an economical, efficient and effective way.

The self-assessment of the internal management control system is performed annually in public entities, in accordance with point 1.4 of Annex 4 - Instructions for drawing up, approving and presenting the Report on the internal management control system in the OSGG no. 600/2018, as subsequently amended and supplemented.

The annual self-assessment of the internal control system of the public entities implies the evaluation of the implementation of the internal control standards by each compartment of the public entity and then the generalization of the information by completing the self-assessment questionnaires, according to Annex 4.1 - The self-assessment questionnaire and Annex 4.2 - Synthetic summary of the results of the self-assessment of OSGG no. 600/2018, as subsequently amended and supplemented.

The managerial / internal control standards are reviewed based on the general evaluation criteria, specific to each standard, and can be implemented, partially implemented or not implemented.

The evaluation of the conformity of its internal / managerial control system with the internal / managerial control standards is performed in relation to the number of implemented standards, as follows:

- ✓ the system complies if all 16 standards are implemented;
- ✓ the system is partially compliant if the standards from 9 to 15 are implemented;
- ✓ the system is non-compliant if less than 9 standards are implemented.

According to the Report on internal / managerial control for 2017 published by the Directorate of internal / managerial control and inter institutional relations within the General Secretariat of the Government, a number of 55 central public entities and 2,055 subordinated or coordinated public entities have prepared and submitted the self-assessment report of the internal / managerial control system.

Centralizing the data reported in the self-assessments of public entities reveals that:

- 5 standards have a high implementation rate of over 94% (Standard 1 - Ethics and integrity, Standard 4 - Organizational structure, Standard 6 - Planning, Standard 12 - Information and communication, Standard 14 - Accounting and financial reporting),
- 5 standards have an implementation rate between 90% - 95% (Standard 2 - Duties, functions, tasks, Standard 3 - Competence, performance, Standard 5 - Objectives, Standard 13 - Document management, Standard 15 - Evaluation of the internal management control system),
- 5 standards have an implementation rate between 78% - 90% (Standard 7 - Performance monitoring, Standard 8 - Risk management, Standard 9 - Procedures, Standard 10 - Supervision, Standard 11 - Business continuity),
- a standard has a low degree of implementation, respectively below 70% (Standard 16 - Internal audit).

Thus, from the reports made on the degree of implementation of internal control standards, it was found that Standard 16 - Internal audit has the lowest degree of implementation.

Internal / managerial control audit

Internal auditors are responsible for meeting International Standards for Professional Practice of Internal Audit (Standards) regarding individual objectivity, professional competence and conscience. In addition, internal auditors are responsible for meeting the relevant standards for fulfilling their duties, while audit directors are responsible for full compliance with the standards.

The international standards for the professional practice of internal audit developed by the internal audit institution apply to all internal auditors and to the internal audit activity performed by them. In Standards, updated in 2016, Performance Standard 2100 - Activity type describes the broad field of internal audit activity:

"The internal audit activity must evaluate and contribute to the improvement of governance processes, risk management and control, using a systematic and methodical approach. "

The main objective of the internal audit is to evaluate the degree of implementation of the internal / managerial control at the level of the activity subject to the audit.

In practice, the internal audit team may evaluate managerial / internal control within an audit mission, sometimes define it as an objective or may audit the entire internal control process. The achievement of this objective regarding impartiality has sometimes led to a comparison between the documents regarding the internal / managerial control system and the answers given in the self-assessment questionnaire of the implementation stage of the management / internal control standards..

The advantages of implementing information technologies in public entities in Romania

Romanian public entities have implemented applications for the automation of some activities or part of their activities (especially within the economic and human resources departments). The lack of software dedicated to the entire activity and the collection of data in different databases generate higher costs for the entity and additional time allocated by the employees.

An integrated approach to internal control processes can mean an improvement of the internal / managerial control system. The IT solution can be developed as a web application, easy to model, accessible and customized according to the specific of the public entity, having an easy to use interface.

The IT package should ensure the risk management within the organization, correlated with the activity and the evaluation of the employees, as well as the management of the documents and processes necessary for the implementation of a managerial control.

The fields that need to be covered by the internal / managerial control activity, according to O.S.G.G. no. 600/2018, must include the following:

- ✚ the control environment - will include aspects related to organization, human resources management, ethics, deontology and integrity;
- ✚ performance and risk management - issues related to goal management, goal setting, planning (multi-year planning), management (management plan) and performance (performance monitoring);
- ✚ control activities - focus on documentation procedures, continuity of operations, registration of exceptions (deviations from procedures), separation of tasks, supervision;
- ✚ information and communication - issues related to the creation of an adequate information system and a system of reports on the implementation of the management plan, budget, resource use and document management will be grouped;
- ✚ evaluation and audit - developing the capacity to evaluate internal / managerial control, to ensure the continuity of the improvement process.

An integrated IT package can give management real-time access to the internal / managerial control system.

Conclusions and perspectives

The audit activity involves analyzing the activity of an organization through an examination of the processes and procedures established in order to ensure an efficient management within the organization. Based on a risk analysis, the auditor will investigate those areas or structures of the organization that have a high potential for producing risks with a negative impact on the processes carried out..

In the activity of assurance and generation of performance within the organization, the audit is complementary to the control activity. Internal audit is a procedure or policy implemented by management to protect assets, promote accountability, increase efficiency, and stop illegal or unethical behavior..

In the control activity, it is necessary to respect general standards, specific to the field, which carry out common approaches, with a qualitative character, in order to harmonize from an institutional perspective, the performance criteria. This can be achieved by creating software programs that centralize the specific procedures, allocate them to structures, constituting groups of solutions for their implementation.

Currently, the entity's evaluation activity, in the form of the complementarity between audit and control, involves increasing the level of computerization and digitization for an integrated approach to internal control processes, an improvement of the internal / managerial control system. The paper proposes the application of IT solutions that can be developed as web applications, easy to model, accessible and customized according to the specific of the public entity, having an easy-to-use interface.

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