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RISK-MANAGEMENT IN PUBLIC AUTHORITIES: INTERNATIONAL ASPECT

This article examines examples of risk management at the governmental level. The author explored the developed countries of the world, namely the United Kingdom, Australia and Canada, where government risk management is represented sufficiently well. This made it possible to determine the directions for the development of risk management in Ukraine at the national level. Examples of world rankings are also provided to assess the reliability of cooperation with different countries around the world by their level of risk and in order to formulate their own risk management policy based on the results of the rating.

Keywords: *risk-management, public authorities, budget risk, enterprise risk management, risk management framework.*

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INTRODUCTION

The effectiveness of the activity of public authorities depends on many factors: competence of employees, political situation in the country, introduction of modern approaches in its activities, both managerial and informational. Among the many aspects of the activity of public administration can be distinguished risk management as a necessary challenge today. Every day we face the risk that may arise and responding to it will affect the result of the activity of public authorities. As the following study shows, in the developed countries of the world risk management in public authorities has been receiving a lot of attention: appropriate regulatory acts are being adopted, and a risk management system at the enterprise is being implemented in the activities of these bodies. At the level of international organizations, state risk assessment techniques are developed, which mainly assess the financial sector. Thus, we see the relevance of the study of risk management in public authorities, especially for Ukraine, as a country that has many challenges and is actively trying to take a prominent place on the economic world map.

LITERATURE REVIEW

A number of researchers analyzed risk management in public authorities (Stepura M., Kotina H., Sharyy V., Taran V., Kvasnytsya O.), focusing on the state of risk management in Ukraine, its main components and the international aspect of assessing the level of risk in different countries. However, certain aspects still need to be covered in this scientific research.

METHOD

The main research methods that have been used in this article are system analysis (considering risk management in public authorities as a system), generalization, statistical analysis, comparative analysis, extrapolation.

ANALYSIS

Among the external risks inherent in the activities of executive authorities, general economic risks hold a special place. In essence, they are, to a certain extent, the result of their activity. For example, the tax risk of the state is the possible reduction of budget revenues in the event of a change in tax policy or the magnitude of tax rates. That is why it is important for public risk management to take this factor into account in assessing risk situations and choosing the best solutions to minimize their impact on the activities of executive authorities in the financial sphere.

Particular attention needs to be paid to managing financial risks. Financial risks are interdependent with political ones and include the risks related to the purchasing power of money (inflation and deflationary, currency, liquidity risk); capital investment risks (investment risks, incl. the loss of profit, the risk of profitability loss, risk of direct financial losses).

Along with the financial risks that directly affect the activities of executive authorities, there are so-called state risks. The reasons for the state risks can be the instability of the state power, peculiarities of the state system and legislation, ineffective economic policy pursued by the government.

An important area of activity of the executive authorities is the introduction of the mechanism of public risk management in the financial sphere. The assessment of risk situations in the activities of the executive branch requires a systematic approach. It is essential that the risk should be calculated to the maximum permissible limit. The systematic approach in calculating risk includes the principles of eliminating recurrent errors and constantly adjusting the system of actions from the standpoint of maximizing profit. Just as a private-sector manager, a public servant (local government official), charged with performing public-sector risk management tasks, is called upon to provide additional opportunities to mitigate the sharp fluctuations in the market.

One of the most important areas of risk management at the state level is the financial sphere, especially the public sector (public goods and services that the private sector does not produce or produces in insufficient quantities). The main purpose of financial risk management of the public sector is to identify, evaluate and neutralize the impact of risks on the formation of incomes of financial relations entities at the macro level, subject to the maximum compliance with the requirements of national budget legislation (Stepura M., Kotina H.; Kvasnytsya O.).

Public finance risks are objectively conditioned by the specificities of the processes that take place here and are related, first of all, to the uncertainty, the presence of a large number of factors that directly or indirectly affect the state of public finances and the impact of which is difficult to predict (Sharyy V., Taran V.).

Public sector financial risk management is a specific type of managerial activity aimed at mitigating the impact of risks on the performance of the state as a whole. The extent and magnitude of risk can be realistically influenced through a financial mechanism that is implemented through the strategy, techniques, methods and instruments of public financial management (Stepura M., Kotina H.).

There are international financial risk assessment techniques available in international practice.

We will turn to the IMF Financial Sector Assessment Program (FSAP), launched in 1999. It is a comprehensive and in-depth assessment of the financial sector, the quality of the legal framework and the ability to manage and resolve financial crises. Based on their findings, the FSAP provides micro- and macro-character recommendations tailored to the country's specific circumstances. The methodology for assessing financial stability includes both quantitative and qualitative indicators (Financial sector assessment program).

We analyzed three countries, i.e. Poland, a country which has been a member of the EU since 2004 and which has a history very similar to that of Ukraine; Kuwait as one of the richest countries of the world with the biggest GDP per capita; and Australia, a developed country. According to FSAP, they have the following results in the area of risk assessment:

1. Poland. The latest valuation report (2019) noted that the Polish financial sector is mainly represented by the banking sector with a large share of state and foreign ownership (60% of the financial sector and 83% of the banking sector). Risk analysis in this case included testing the solvency and liquidity of commercial and cooperative banks, etc. On the basis of this, the IMF has offered basic recommendations: to pay attention to the weakness in medium-sized banks, including subsidiary banks; improve monitoring of currency liquidity risks; improve credit risk analysis data by collecting default probability, default loss data, etc. It should be noted that Poland's risk assessment consists of an assessment of external factors, such as global financial conditions, political and geopolitical uncertainties, less expected growth of developed economies and developing countries; and internal factors – internal political uncertainties. Rating Level – High and Medium.

2. Kuwait, 2019. Estimated by the threats and risks of Kuwait's economy, which is oil-dependent, Kuwait's financial risks, such as ordinary banking risks, are faced with the fact that banking operations may be otherwise interpreted by the Sharia, and then a religious risk will arise. The main source of risk for Kuwait's economy are oil prices, geopolitical tensions, and global financial events. Rating Level – High, Medium, Low.

3. Australia, 2019. The Australian banking sector is represented mainly by 4 major banks, which together account for 77% of total banking turnover. Despite the strengthening of the financial stability of the banking sector, according to this report, it is suggested that public authorities develop a recovery plan that will be included in the guidance on banking risk management. There is no risk table, which means that this country has the lowest level of risk.

Thus, we can see that among the abovementioned countries, Australia has the lowest risk level; although Kuwait is a rich country, its state risk depends too heavily on the fuel industry that underlies its economy.

Another important element is the developed system of fiscal risk management. The Fiscal Transparency Code (2007) is a key document in this. The IMF Budget Transparency Code (Code) is the international standard for disclosure of public finances.

Fiscal transparency – comprehensiveness, clarity, reliability, timeliness and timeliness of public reporting on the past, present and future state of public finances – is critical to effective fiscal governance and accountability. This helps governments to have a clear picture of their finances when making economic decisions, including the costs and benefits of policy changes and the potential risks to public finances. Greater fiscal transparency can also help build confidence in a country's fiscal plans and can help maintain market confidence and market perceptions of fiscal solvency. The Fiscal Policy Transparency Code and Evaluation are key elements of the IMF's ongoing efforts to strengthen fiscal surveillance, policy making and accountability among member countries (Fiscal transparency).

In this way, we have reviewed the main documents that assess the risks of countries that are important for shaping their policies and when making decisions with countries around the world.

At the same time, the most widely used models in the world are those based on peer review.

These are: BERI (Business Environment Risk Intelligence) model – offers quality analysis and forecast for 50 countries 3 times a year for 15 parameters. The model calculates political, operational risks, as well as remittance and repatriation factors. The BERI rating system allows comparisons between countries of the past, present and one- and five-year forecast periods.

Frost & Sullivan's WPRF (World Political Risk Forecasting) monthly reports on political and economic risk for 18 months in 80 countries.

Model II (International Investor) – publishes a credit rating of more than 116 countries.

ICRG (International Country Risk Guide) – offers a monthly rating of more than 100 countries on political and economic risks, which scores 22.

Control Risks Model – offers quarterly risk assessments in 70 countries (Stepura M., Kotina H.).

Thus, we have seen that there are quite a number of different systems and forms of risk assessment of countries, in general they are aimed at assessing the financial risk of a country that is associated with other risks of activity of public authorities.

Nowadays, in order to integrate risk management in the activity of public authorities, Enterprise Risk Management (ERM) is introduced. ERM includes emergency preparedness and response, business continuity planning and exercising, process improvement and training, risk reporting and monitoring, risk consciousness and organizational resiliency, risk appetite, risk identification, risk assessment and analysis, risk mitigation and controls.

ERM is a methodology designed to assist management in identifying and mitigating risks that adversely affect organizational goals. As for the US, in 2015 the Office of Management and Budget (OMB) of the USA issued circular A-123. According to this circular, federal agencies are obliged to implement ERM.

It is become a part of global trend to adopt on federal level the ERM and introduce it into activity of state and local authorities. According to the statistics 17 % of Canadian local governments have an ERM policy, as well as one third of New Zealand's and Australia's local authorities use ERM. (Enterprise Risk Management and the Public Sector). This means that on governmental level it become understood the importance of risk management and the necessity of its introduction and implementation in the public authorities activity.

There are identified three major ERM models, namely:

1. The Orange Book,

2. The Committee on Sponsoring Organizations (COSO)-ERM,
3. The International Standards Organization (ISO) 31000.2009.

They are differed by geography of theirs using, while the Orange book is used in the United Kingdom, COSO-ERM is mostly represented in South Africa and Tennessee and ISO 31000.2009 are common for governments of Australia, Canada and New Zealand. All these models cover risk management on enterprises but despite this can be provided to risk management on governmental level as the process of managing is typical and applicable for both structures: governmental or entrepreneurships. This process is represented in 7 common steps that are shown on figure 1.

Based on the Enterprise Risk Management and the Public Sector.

Fig. 1. *Common steps of Enterprise Risk Management*

As we can see, it is a typical approach to the implementation and use of ERM in the activity of public authorities. It makes no difference which model you use, while these steps show how to work with the risk.

Turning on to the international experience of the implementation of risk management in the activity of public authorities, we will examine three countries, that have great results in this experience, namely the United Kingdom, Canada and Australia. First, we will study the UK, where the National Risk Assessment (NRA) has been adopted as an annual process aimed at identifying the characteristics and comparing all major threats, threats of national importance that can have a significant impact in the UK over a five-year period. Led by the Civil Contingencies Secretariat of the Cabinet Office, it involves a large interagency process that allows to rank risks based on the likelihood of exposure to a “reasonable worst-case scenario”. The UK also adopted the Civil Circumstances Act, according to which the NRA is a fundamental basis for planning based on capabilities to support emergency preparedness and response at national and local levels. Approved by the Office of the Cabinet, the NRA permits risk management by assigning responsibility for managing each identified risk to one government department. Remaining partially confidential, the public version of the NRA becomes publicly available and serves as the primary reference for risk information and awareness across the country. The assessed risks cover 3 broad categories: natural phenomena, major accidents and malicious attacks. In addition to the National Risk Assessment it is established that local sustainability forums are responsible for local risk assessments. The central government provides risk assessment guidance, which is updated annually to allow the communities' public authorities to conduct their own Community Risk Assessment. This reflects the UK government's understanding of the importance of assessing risks and taking some action in this direction, which, unfortunately, we couldn't observe in Ukraine nowadays.

To cope with the changing risks and interdependent threats in the society, the central government is working to produce the NRA through extensive cooperative efforts. In view of the growing importance of raising awareness of risks, the national government also recognized the need for risk assessment for the population, which led to the publication of the National Risk Register in 2008. This was the first step in providing guidance on how people and businesses can better prepare for civilian emergencies (The UK's National Risk Assessment). Thus, we see that the UK government pays attention to the implementation of risk management in the activities of public authorities, understanding all the threats that may arise from unforeseen risks. In addition, the state is also taking action on entrepreneurship and the civilian population to warn them of the possibilities and threats of risk. The UK policy is aimed at comprehensively assessing the possibility of risks occurring and on the basis of their prevention and mitigation, while warning not only the authorities but also all stakeholders.

Moving on to the Australian government risk management, we should mark that there has been established the Commonwealth Risk Management Policy. The launch of the Commonwealth Risk Management Policy was announced on July 1, 2014. This policy supports the Public Governance, Performance and Accountability Act 2013 (PGPA Act), which requires accountable authorities to establish and maintain appropriate systems and internal controls for risk oversight and management.

One of the key ways of raising awareness of the risks in the Australian Government is the effective risk management training scheme called Comcover. Comcover offers a comprehensive risk management curriculum that includes one-on-one courses, online training and professional development programs for executives.

Comcover supports the achievement of greater transparency and accountability in the risk management of the Australian Government. In addition to the educational role of Comcover, it also awards for excellence in risk management to organizations that recognize public sector leadership in risk management.

The Risk Management Benchmarking Program is a key part of Comcover's risk management services designed to help fund members independently evaluate their risk management capabilities across the nine elements of the Commonwealth Risk Management Policy, using a risk maturity model (Benchmarking Program).

Comcover's risk management resources have been designed to help organizations effectively manage their risks. It includes best practice guides, case studies and access to risk management tools and advisory services. Comcover's risk management service can also provide advice and support to risk management organizations.

The purpose of the Commonwealth Risk Management Policy is to introduce risk management into the culture of Commonwealth entities, where a common understanding of risk leads to well-reasoned decisions.

The Commonwealth Risk Management Policy defines nine elements of this policy:

1. Establishment of a risk management policy;
2. Creation of the risk management framework;
3. Determination of responsibility for risk management;
4. Introduction of systematic risk management into business processes;
5. Development of a culture of positive risk;
6. Communication and consultation on risk;
7. Understanding and managing shared risk;

8. Maintaining risk management capability;

9. Review and continuous improvement of risk management (Commonwealth risk management policy).

The Commonwealth Risk Management Policy enables organizations to adapt existing risk management systems and practices to a level appropriate to the scale and nature of their risk profile. In this way, the government not only implements a risk management system in its operations, but also establishes a strong system in Australia's enterprises, that has a double effect: it reduces the level of risk for entrepreneurship, which has a positive impact on the economy of the country, and also reduces the burden on public authorities in the prevention of economic risks. The Australian Government focuses on perceiving risk not only as a threat, but also as an opportunity, giving a different perspective on the risk issue.

As for Canada, we can notice that its governance regime promotes flexibility, seeking opportunities, and focusing on results. An integral part of such a regime is the understanding and application of risk management principles and practices. Effective risk management practices allow federal government organizations to respond actively to change and uncertainty, using risk-based approaches and information to ensure better decision-making throughout the organization.

In Canada, there are two main governmental structures that are providing risk management: the Treasury Board and the Framework for the Management of Risk.

The Framework is a key policy instrument of the Treasury Board, which outlines a principles-based approach to risk management for all federal organizations. The Framework reaffirms the responsibility of the Deputy Chief Executive for the effective management of their organizations in all areas of work, including risk management, and outlines expectations for effective risk management practices (Risk Management). It should be noted that the principles of risk management in the Framework also apply to all Treasury Board policies and determine the role of the Treasury Board Secretariat in its role of governance, security and oversight.

The Framework guides organizations on how to manage risk effectively. Effective risk management in the federal government should support decision-making and priorities across the government, as well as the achievement of organizational goals and results while maintaining public confidence;

This principle encourages organizations to manage risk in such a way that it promotes a nationwide agenda. In general, risk management practices should allow identification of risk information across the organization that can be used to support government-level decision making, and should be flexible enough to evolve with changing government priorities.

The risk management approach adopted by the organization should also support internal decision-making, enabling organizations to identify and manage risks that are specific to their own goals and expected outcomes. Using risk-taking decision-making to meet federal and organizational goals can help maintain public confidence in federal governance of the public sector.

So we can observe that the Framework opted for regulating risk management on the federal level and entrepreneurship level, while Treasury Board's policy instruments should focus on risks associated with achieving federal governance objectives.

This principle encourages the Treasury Secretariat of Canada (TBS), as a central agency, to develop and update policy tools to include risk-based approaches. This means that political instruments must set expectations to encourage the work of the department, which minimizes threats to federal government goals and maximizes opportunities for improvement.

Treasury Board and TBS also have a role to play in enhancing risk management in federal departments and agencies. A key element of the role of the Treasury Board, as well as the role of TBS, is to promote better governance in the government through leadership, monitoring, analysis and oversight in accordance with the authority set out in the Financial Administration Law. To fulfill this role in risk management, the Treasury Board and TBS are responsible for providing guidance, tools and expertise to support departments and agencies in implementing a risk-based management approach. This role also includes taking a leadership role by sharing information and sharing best practices in risk management and risk-based approaches. TBS is also responsible for monitoring and evaluating the effectiveness of risk management in departments and agencies (Guide to integrated risk management).

Thus, we see that Canada's risk management system combines the systems of the two previous countries. They have a state body that analyzes, evaluates and makes predictions on the occurrence and prevention of risk (UK), as well as analyzes the effectiveness of implementing risk management in government, and has a state document that regulates risk management systems at the level of businesses that have the same effect as in Australia.

RESULTS AND DISCUSSION

Our research has shown that the introduction of risk management into the activities of public authorities is a widespread trend in the modern world, which is explained by many processes: the spread of internationalization, the development of globalization, the rise of terrorism, political wars and economic growth and crises. All of these affect the development of any country in the world. Public authorities are also at risk through these processes. There is a tendency in the world to introduce the enterprise risk management system into the activities of public authorities, which is based on the same principles as for the enterprise. The developed world (for example, the USA) has obliged the federal authorities to implement this system in their activities. The most extensive risk management experience at the government level is found in countries such as the United Kingdom, Australia, Canada, the United States, New Zealand, etc. Their policy is aimed not only at the introduction of ERM into the activities of the authorities, but also at the implementation of risk management systems in the activity of enterprises, which will significantly reduce the burden on the state as the level of risk becomes lower. However, the risk management systems are quite different in the countries concerned. The United Kingdom focuses its efforts on assessing the risks, the likelihood of their occurrence, and alerting all stakeholders, whether governmental, corporate or public. Australia pays great attention to the educational side of the process by conducting risk management education activities with government representatives, as well as obliging businesses to embed risk management systems in their operations. Canada combines the experience of the two countries. It should be noted that there is currently no system of risk management in public authorities in Ukraine, although there are many factors in favor of its implementation.

FUTURE RESEARCH

The subject of further research in this area will be the deepening of knowledge on the implementation of ERM in public authorities, as well as the application of world experience in Ukrainian realities. It is necessary to take into account the specifics of the Ukrainian economy, as well as the political situation in the development of risk management policy in the bodies of the Ukrainian state power, the high level of corruption of governmental structures, as well as the military situation in the country. The most appropriate for our realities is the combination of the three countries, i.e. Australia – the system of risk management education for public authorities; Canada – the obligation to implement a risk management system in enterprises; and the United Kingdom – the provision of specific functions to certain risk assessment ministries in the field, which is within their responsibility.

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Деліні М. М.

Ризик-менеджмент в публічному управлінні: міжнародний аспект

У цій статті розглядаються приклади управління ризиками на урядовому рівні. Було досліджено розвинені країни світу, а саме: Великобританія, Австралія та Канада, де управління ризиками уряду характеризується достатньо високим рівнем. Це дало змогу визначити напрями розвитку ризик-менеджменту на державному рівні в Україні. Наведено також приклади світових рейтингів, щоб оцінити надійність співпраці з різними країнами світу за рівнем їх ризику та сформулювати власну політику управління ризиками на основі результатів рейтингу.
Ключові слова: *управління ризиками, органи державної влади, бюджетний ризик, управління ризиками підприємства, система управління ризиками.*

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A GENERAL OVERVIEW OF THE MODERN LEGAL AID SYSTEM OF UKRAINE

The paper provides a general overview of the legal aid system of Ukraine as it is by the end of 2019. Particularly, it highlights main legislative framework, organisation structure of the legal aid system of Ukraine and the model of its operation. Statistical data on legal aid provided is recovered, which may be useful for future studies.
Keywords: *access to justice, legal aid, rule of law, Ukraine, justice.*

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Introduction

Legal aid is one of the most important instruments for ensuring that a person having legal problems has effective access to justice and ways to protect his or her interests in a lawful manner. The part it plays in ensuring all-encompassing and comprehensive rule of law is highlighted in a number of high-level international treaties, most importantly in the International Covenant on Civil and Political Rights (Article 14) and in the European Convention for the Protection of Human Rights and Fundamental Freedoms (Article 6). It is further solidified in the guidelines and recommendations of international organisations and the case-practice of the European Court on Human Rights.

Despite this, only a limited number of countries, even among the most developed, enjoy institutionally developed legal aid systems, as they are hard to create, build and effectively maintain for