UNIVERSITÀ DI PARMA

UNIVERSITA' DEGLI STUDI DI PARMA

DOTTORATO DI RICERCA IN
Economia e Management dell'Innovazione e Sostenibilità

CICLO XXXIII

Risk Management in Local Authorities:
Analysis of internal and external relationships and needs in Italy

Coordinatore:
Chiar.mo Prof. Stefano Azzali

Tutore:
Chiar.ma Prof.ssa. Monia Castellini

Dottorando: Dott. Vincenzo Riso

Anni Accademici 2017/2018 – 2019/2020

«Nell'ordinamento del mondo un ingrediente sono le passioni, l'altro è il momento razionale.
Le passioni sono l'elemento attivo.
Esse non sono affatto opposte costantemente alla moralità, bensì realizzano l'universale […].
Nessuna cosa è mai venuta alla luce senza l'interesse di coloro la cui attività cooperò a farla crescere; e dal momento che ad un interesse noi diamo il nome di passione, così […] dobbiamo dire in generale che nulla di grande è stato compiuto nel mondo senza passione».

G. W. F. Hegel, *Lezioni sulla filosofia della storia* (1837)

«Dum loquimur fugerit invida
aetas: carpe diem, quam minimum credula postero»

Orazio, *Odi, I, 11*

Table of content

1. Introduction 2

2. Insurance Broker industry: focus in the international context 10

2.1. Paper I: ***Risk Consulting in Public Administration: Evidences of Insurance Brokers in the Emilia-Romagna Municipalities*** 12

2.2. Choices for the analysis and focus on the Public Administration needs 32

3. Paper II: ***Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework*** 36

4. Risk Management and Management Control System, a close relationship in process 50

4.1. Paper III: ***From New Public Management to Public Risk Management An Overview in the Italian Municipalities*** 55

4.2. Paper IV: ***Risk Management Information Disclosure in the Municipalities: a brief overview in Italy*** 70

5. The need to investigate inside the municipality organizations' 81

5.1. Paper V: ***Analyzing Municipalities' Risk Management in practice: a comparison in the Italian municipalities*** 82

6. Final remarks 96

7. Acknowledgements 100

1.
Introduction

In the last years, Public Administration needs changes its traditional characters following the forces that change the world like the technological development, Information Technologies, the Internet Of Things and other developments that influence markets and, in general, social life (Frederickson, 1996; Bannister, 2001; Page, 2005; Fernandez and Rainey, 2006; Feller et al., 2011).

Furthermore, the high number of services provided by Public Administration implies that the relationships internal and external of the organizations are complex (Vigoda-Gadot, 2007) and that various professionals are involved in the provision of services and in the choice process to be undertaken (McKenna, 1985; Lapsley and Oldfield, 2001; Dent, 2002).

Among the various choices to be pursued there is the need to undertake risk management strategies (Hinna et al., 2018) and external professional cover an important role in this process' choice (Petak, 1985).

Moreover, analyzing the changes in the society, more researchers in the social sciences undertaken studies and research projects to understand how and why who provide professional services – like lawyer, accountants, notaries and other – follow the changes and develop innovation ways to provide their services (Scott, 1998; Sharma and Patterson, 1999; Semadeni and Anderson, 2010).

In the Italian context, within Municipalities' organization, covers a role in the risk management processes an insurance broker?

Right here resides the wide research question that moves this thesis: understand if the insurance broker – specifically in the Italian industry – develops their business model following the recent market changes and if cover a role in the Italian municipalities, analyzing internal and external relationships and needs.

Furthermore, analyzing the way in which the insurance broker industry evolved in the time and understanding what is the directing of the business during the study the analysis was shifted from the companies to the client (Beloucif et al., 2006).

Indeed, the insurance broker to provide its services develops in the time an expertise in the risk management matters and offers its advice services and not only insurance products (Latorre Guillem, 2020; Maas, 2006).

The observation of this phenomenon – a sort of transition from the intermediation between insurance markets to the advice service (Rosenthal, 1995) – highlights the need to understand where the new services put better place and how evolves and develops new services to cover client needs.

Furthermore, the clients need change and follow internal and external circumstances that mutate the way with which to organize the entities, just think to the new needs to cover risks deriving by the cyber security (Gordon et al., 2003) and by the climate change like hurricanes, earthquakes, atmospheric phenomena and natural disaster that gives to the insurance market a new social role in the community (Mills, 2009; Herweijer et al., 2009; Thistlethwaite and Wood, 2018; Keucheyan, 2018).

Indeed, the necessity to create resilience in the organizations (to make this able to reply to the dangerous and harmful events) guides these to create and develop risk management "culture" inside its (Mitchell, 2012; Dahms, 2010; Smith and Fischbacher, 2009).

Driven by the need to promotes a "culture" of risk management in the organizations, different international institutions – like the International Standard Organizations and Committee of Sponsoring Organizations of the Treadway Commission – develop guidelines and standard to implement Enterprise Risk Management and to promote resilient behavior (Fraser and Simkins, 2016; Bogodistov and Wohlgemuth, 2017; Hopkin, 2018).

Furthermore, the increase of the uncertainty moves private and public organizations to implement risk management strategies linked to the management control system and internal control (Spira and Page, 2003).

Implementing risk management practices needs the necessity to improve organizations' knowledge in insurance management where is a relevant technical with which entities transfer part of these risks (in economical terms) to the insurance market (Gupta, 2011; Brockett et al., 1986).

In the light of the considerations reported above, the analysis of this thesis project observes the Italian Public Administration – in particular the Public Entities, municipalities: the public entities, in fact, are develops in a minority way risk management approaches rather than the health public administrations and the private sector (Florio and Leoni, 2017; De Simone and Esposito, 2014; Aureli and Salvatori, 2013; Verbano and Venturini, 2013; Morabito et al., 2005).

Supposing that the Italian Municipalities are organizations that, compared to the private world, develop in minor way risk management practices and management control systems

(Anessi-Pessina and Steccolini, 2005) the analysis focuses the attention to understand the state-of-the-art risk management practices in these and the necessity to increase or implement risk management system linked to the management control system and internal control.

Under methodological view this thesis project was conducted with an institutional approach and uses quali-quantitative methods (Gray et al. 1995; Milne et al. 1999; Sydserff and Weetman, 2002): in some papers, in fact, the use of the qualitative content and textual analysis was prevailing; in other paper a mixed method – qualitative and quantitative – are useful to better understand the phenomenon observed.

Finally, this thesis follows the model of the papers' collection and proposed five papers that, linked by the same fil rouge, expose different research questions related to the same issue.

This collection of papers is structured as follows:

The first paper "*Risk Consulting in Public Administration: Evidences of Insurance Brokers in the Emilia-Romagna Municipalities"* deals with the research question about the nexus between the insurance broker services and municipalities needs.

Indeed, in this first work was conducted a first literature review about the insurance broker under two principals perspectives: as "market maker" between insurer and insured and as "professional" and "advisor" that has matured specific expertise in risk management field.

After this first part the analysis shift on the risk management need in the public administration, with a specific way on the Italian case.

Last, to understand if the insurance broker cover a role in the public administration risk management systems was analyzed the municipalities of Emilia-Romagna through a qualitative content analysis developed on the contents published in the official municipalities' websites.

The second paper titled "*Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework*" shifts the attention on another research question related to the issue: understand if there is integration between the Operational Risk Management activities and Internal Control System in the Municipalities.

Operation risks are risk typically managed with the advising of the insurance broker for the part of risk transferred to the insurance market.

Indeed, following the need to light a relationship between risk management and internal control system in the Italian municipalities, this work try to understand if the Italian legislative framework contemplates an integration between these two activities.

Through a qualitative and textual content analysis on the legislative framework that represented the main reforms in the Italian public administration – included laws provided in the period 1990-2015 – this work shows how there is a poor integration between operational risk management and internal control system.

The analysis shows how, under legislative perspective, there is high interest by the legislator to contrast corruption risk or to manage environmental risk but there is an "organic" legislation that provides in theme of public risk management with Enterprise Risk Management methods.

Clarified this, derives that if there are risk management practices adopted by the municipalities these are voluntary.

The third paper "*From New Public Management to Public Risk Management An Overview in the Italian Municipalities"* investigates the relationship between risk management and management control systems.

Indeed, the literature review shows how risk management is embedded in all public administration but numerous scholars claim the need to improve researches about this theme to understand if and how the public sector enhances risk management theory in its organizations.

Furthermore, was conducted an analysis to understand how the influence of the New Public Management improve the rising of Public Risk Management.

Moreover, to understand if and how the risk management was embedded in the Italian Municipalities created a sample of 500 entities to represent all Italian regions and implemented a data set based on the contents of the official municipalities' websites like contracts, determines executive or commitments.

Then, the analysis was developed with a quali-quantitative method: first through content and text analysis identified items related to the risk assessment process (a process of risk management system), then developed three synthetic indicators that explain municipalities' behavior.

After that in the fourth paper - *Risk Management Information Disclosure in the Municipalities: a brief overview in Italy* – was studied the municipalities' behavior in terms of Information Disclosure about Risk Management Information (RMID).
The literature review shows how RMID increases municipalities' transparency and accountability and, sharing the risk management strategy with all stakeholders, improves the achievements of the risk management objectives, and enhance community awareness.
Furthermore, the work ends with an analysis in 110 Italian district capitals through a qualitative content analysis on the content published in the institutional websites' developed on two levels: first consists to classify the documents published into two categories, *Mandatory Disclosure* (MD) and *Voluntary Disclosure* (VD), second analyzing the information published in these documents classifying under the related organizational risks (strategically, compliance or operational).

The final paper, the fifth, "*Analyzing Municipalities' Risk Management in practice: a comparison in the Italian municipalities*", analyses the relationship between risk management and management control system and presents, through a method of semi-structured interviews, the experience of risk management in practice in six municipalities available to the interview.
The analysis highlights the poor integration between risk management practices and management control systems, the absence of main guidelines to drive municipalities' activities (rather for corruption risk) and the heterogeneity of these.
In addition, the scarce comparison on the strategies to be undertaken between Administrators and Managers stands out.

The final remarks retrace the thesis path and touch on the main arguments of this papers' collection highlights the contribution to academics, professionals and policy-makers increasing the debate on the Public Risk Management.

REFERENCES

Anessi-Pessina, E., & Steccolini, I. (2005). Evolutions and limits of new public management—Inspired budgeting practices in Italian local governments. *Public Budgeting & Finance*, *25*(2), 1-14.

Aureli, S., & Salvatori, F. (2013). The current state of risk management in Italian small and medium-sized enterprises.

Bannister, F. (2001). Dismantling the silos: extracting new value from IT investments in public administration. *Information Systems Journal*, *11*(1), 65-84.

Beloucif, A., Donaldson, B., & Kazanci, U. (2004). Insurance broker–client relationships: An assessment of quality and duration. *Journal of Financial Services Marketing*, *8*(4), 327-342.

Bogodistov, Y., & Wohlgemuth, V. (2017). Enterprise risk management: a capability-based perspective. *The Journal of Risk Finance*.

Brockett, P. L., Cox Jr, S. H., & Witt, R. C. (1986). Insurance versus self-insurance: A risk management perspective. *Journal of Risk and Insurance*, 242-257.

Dahms, T. (2010). Resilience and risk management. *Australian Journal of Emergency Management, The*, *25*(2), 21.

Dent, H. (2002). Consultants and the public service. *Australian Journal of Public Administration*, *61*(1), 108-113.

De Simone, S., & Esposito, A. (2014). The risk management in Italian healthcare organizations: Threats become opportunities. *American International Journal of Social Science*, *3*(3), 168-182.

Feller, J., Finnegan, P., & Nilsson, O. (2011). Open innovation and public administration: transformational typologies and business model impacts. *European Journal of Information Systems*, *20*(3), 358-374.

Fernandez, S., & Rainey, H. G. (2006). Managing successful organizational change in the public sector. *Public administration review*, *66*(2), 168-176.

Fraser, J. R., & Simkins, B. J. (2016). The challenges of and solutions for implementing enterprise risk management. *Business horizons*, *59*(6), 689-698.

Florio, C., & Leoni, G. (2017). Enterprise risk management and firm performance: The Italian case. *The British Accounting Review*, *49*(1), 56-74.

Frederickson, H. G. (1996). Comparing the reinventing government movement with the new public administration. *Public administration review*, 263-270.

Gordon, L. A., Loeb, M. P., & Sohail, T. (2003). A framework for using insurance for cyber-risk management. *Communications of the ACM*, *46*(3), 81-85.

Gray, R., Kouhy, R., & Lavers, S. (1995). Constructing a research database of social and environmental reporting by UK companies. *Accounting, Auditing & Accountability Journal*.

Gupta, P. K. (2011). *Insurance and risk management*. Himalayan Books.

Herweijer, C., Ranger, N., & Ward, R. E. (2009). Adaptation to climate change: threats and opportunities for the insurance industry. *The Geneva Papers on Risk and Insurance-Issues and Practice*, *34*(3), 360-380.

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing risk management in the Italian public sector: Hybridization between old and new practices. International Journal of Public Administration, 41(2), 110-128.

Hopkin, P. (2018). *Fundamentals of risk management: understanding, evaluating and implementing effective risk management*. Kogan Page Publishers.

Keucheyan, R. (2018). Insuring climate change: new risks and the financialization of nature. *Development and Change*, *49*(2), 484-501.

Lapsley, I., & Oldfield, R. (2001). Transforming the public sector: management consultants as agents of change. *European Accounting Review*, *10*(3), 523-543.

Latorre Guillem, M. A. (2020). The Customer Orientation Service of Spanish Brokers in the Insurance Industry: The Advisory Service of the Insurance Distribution Channel Bancassurance. *Sustainability*, *12*(7), 2970.

McKenna, C. D. (1995). The origins of modern management consulting. Business and Economic History, 51-58.

Maas, P. (2006). How insurance brokers create value—a functional approach. Risk Management and Insurance Review, 13(1), 1-20.

Mills, E. (2009). A global review of insurance industry responses to climate change. *The Geneva Papers on Risk and Insurance-Issues and Practice*, *34*(3), 323-359.

Mitchell, T., & Harris, K. (2012). Resilience: A risk management approach. *ODI background note*, 1-7.

Milne, M. J., & Adler, R. W. (1999). Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing & Accountability Journal*.

Morabito, V., Pace, S., & Previtali, P. (2005). ERP marketing and Italian SMEs. *European Management Journal*, *23*(5), 590-598.

Frank P., Caceres K., Calandro J., Wolovnick E., (2014). Broking 2020: Leading from the front in a new era of risk. www.pwc.com/insurance. Consulted at March 2019

Rosenthal, N. L. (1995). Insurance broker as risk consultant. Risk Management, 42(6), 33.

Page, S. (2005). What's new about the new public management? Administrative change in the human services. *Public Administration Review*, *65*(6), 713-727.

Petak, W. J. (1985). Emergency management: A challenge for public administration. Public Administration Review, 45, 3-7.

Scott, M. C. (1998). *The intellect industry: Profiting and learning from professional services firms*. New York: J. Wiley & Sons.

Semadeni, M., & Anderson, B. S. (2010). The follower's dilemma: Innovation and imitation in the professional services industry. *Academy of Management Journal*, *53*(5), 1175-1193.

Sharma, N., & Patterson, P. G. (1999). The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services. *Journal of services marketing*.

Smith, D., & Fischbacher, M. (2009). The changing nature of risk and risk management: The challenge of borders, uncertainty and resilience. *Risk management*, *11*(1), 1-12.

Sydserff, R., & Weetman, P. (2002). Developments in content analysis: a transitivity index and DICTION scores. *Accounting, Auditing & Accountability Journal*.

Spira, Laura F., and Michael Page. 2003. "Risk management: The reinvention of internal control and the changing role of internal audit." *Accounting, Auditing & Accountability Journal* 16(4).

Thistlethwaite, J., & Wood, M. O. (2018). Insurance and climate change risk management: rescaling to look beyond the Horizon. *British Journal of Management*, *29*(2), 279-298.

Verbano, C., & Venturini, K. (2013). Managing risks in SMEs: A literature review and research agenda. *Journal of technology management & innovation*, *8*(3), 186-197.

Vigoda-Gadot, E. (2007). Citizens' perceptions of politics and ethics in public administration: A five-year national study of their relationship to satisfaction with services, trust in governance, and voice orientations. *Journal of public administration research and theory*, *17*(2), 285-305.

2.

Insurance Broker industry: focus in the international context

The insurance brokerage sector was characterized by many changes in the last years (Maas, 2006).

Some factors like the innovations in the Information and Communication Technology, the birth of the "knowledge economy" and others had contributed and still contribute to change this particular market segment of the insurance industry (Rajola et al, 2016).

In this sector the broker represents a distribution channel of the insurers like the agent: however, is generally accepted, maybe in a too simplified way, the distinction between agent and broker for which the first is the agent of the insurers in the legal sense (and act in their interest) and the second is the "agent" of the client. (Cummins and Doherty, 2005)

In the traditional view, the insurance broker is "an intermediary between the buyer and insurer [that] plays the role of "market maker" (…) [and have the role] to scan the market, match buyers with insurers who have the skill, capacity, risk appetite, and financial strength to underwrite the risk [and to] help their client [to] select from competing offers" (Cummins and Doherty, 2005).

The client represents a crucial figure in the broker-client relationship and the business success of the insurance broker is founded on the creation of quality and lasting relationship but it is important to considerate that "despite the readiness of many to take up Relation Management (RM) as a business model of the new millennium, the relationship is not the same for everyone, nor unchanged over time, nor appropriate for all customers" (Beloucif and Donaldson, 2004).

So, it is fundamental to understanding how to create a quality and durable relationship with a client.

The authors just mentioned thinks that the factors able to influence the relationship are five: communication effectiveness, service quality, commitment, satisfaction, and trust.

However, there is a close link for which the achievement of one depends on others.

Like for many professional services, it's possible to observe the relationship with the client under two principal components: a "technical component" and a "functional component".

For the insurance broker, the technical component is the capacity to manage the risks of the client, in line with the broker's definition of Cummins and Doherty (2005), while the functional component “is seen as a responsive, courteous, caring and professional behavior displayed by an adviser during a “moment of truth” in the course of the creation and delivery of the core service” (Beloucif, B. Donaldson, 2004).

It’s reasonable to think that the technical component represents a “commodity” in the insurance broker’s market and the evolution of the functional component is the way to achieve and create “a sustainable competitive advantage” (Beloucif and Donaldson, 2004; Sharma and Patterson, 1999).

In light of these observations, the value creation of effective communication represents the possibility of developing a new business model based on the functional component of the relationship with the client and oriented to create a quality and durable relationship (Beloucif et al., 2006).

The development of the functional component has the role to increase the value of the insurance broker services perceived by a client, assuming “the general lack of financial know-how among clients, the firm needs to recognize that all adviser-client interaction takes on added significance and value to clients” (Sharma and Patterson, 1999).

REFERENCES

Beloucif, A., & Donaldson, B. (2004). Insurance broker-client relationships: An assessment of quality and duration. Journal of Financial Services Marketing, 8(4), 327-342, Henry Stewart Publications.

Beloucif, A., Donaldson, B., Waddell, M. (2006). A systems view of relationship dissolution. Journal of Financial Services Marketing, 11(1), 30-48.

Maas, P. (2006). How insurance brokers create value—a functional approach. Risk Management and Insurance Review, 13(1), 1-20.

Rajola F., Frigerio C., Gatelli P., Mastrantoni C., Pippione G., (2016), Agent Channel: Agency models, roles and skills for insurance consultancy. Research Report, CeTIF.

Sharma, N., & Patterson, P. G. (1999). The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services. *Journal of services marketing*.

2.1 Paper I

Risk Consulting in Public Administration: Evidences of Insurance Brokers in the Emilia-Romagna Municipalities

Paper published as:

Riso, V., & Castellini, M. (2019). Risk Consulting in Public Administration: Evidences of Insurance Brokers in the Emilia-Romagna Municipalities. *European Scientific Journal, ESJ*, *15*(34), 9.

DOI https://doi.org/10.19044/esj.2019.v15n34p9

Paper presented in the VII Workshop of Management Control Review placed in Cagliari, 25 May 2018

Abstract :

Over the past years, risk management has been embedded in all public administration and scholars have asserted the need to improve the research about it. This paper aims to understand if an insurance broker has a role in the public administration risk management system, analysing the relationship between the operational risk management activities and control systems in the public administration and the evolution of the insurance broker as a risk consultant. Finally, through a content analysis, this study presents an observation about 331 municipalities from the Emilia-Romagna to understand how many municipalities can have an insurance broker as a partner.

Key Words: Public Administration, Management Control System, Insurance broker, Risk Consultant, Risk Management

1.Introduction:

Over the past decades, public administration's management and internal control has garnered much attention, emphasising on the need to strengthen organisations that operate in over-regulated situations with increasingly scarce resources (Rana et al, 2019;

Soin & Collier, 2013). In an environmental context, widely characterised by frequent changes in market rules, legal provisions and technologic innovations, public administration plays a central role at every level of social life (Khan, 2017). Furthermore, to achieve its social and economic objectives every public administration implements a management control system and an internal control system (Verbeeten & Speklé, 2015). Every country, in line with its government and political addresses, may identify guidelines to implement these systems (OECD, 1996). In this scenario, risk analysis represents a vital component of the public management control system (Raczkowski, 2017). Risk management culture is not significantly widespread in public organisations. Keban (2017), in his case study, stressed on this phenomenon. Moreover, other authors explain how risk management was embedded in the public administration but was not investigated similarly (Hinna et al., 2018).

The evolution of the governance system in public administration – from the 'Old Public Administration' to 'New Public Service' and 'New Public Management' – means rethinking its organisational structure (Maran and Bracci, 2018, Robinson, 2015, Guthrie, 2005; Hood, 2001). This evolution generally moves from a bureaucratic organisation with a top-down authority to a collaborative structure with shared leadership (Denhardt & Denhardt, 2000). Thus, shared leadership facilitates popular collaborations with advisors and professionals in the pursuit of objectives (Robinson, 2015).

The performance management approach was introduced to public administration as a logical, business-oriented performance management (Arnaboldi et al, 2015) approach, focusing on the organisation's performance and accountability. Indeed, Bracci et al. (2013) explain that, "performance management systems are at the heart of public sector reforms in Italy, which reflect a shift towards a more effective and efficient public sector management". There is a strict relationship between performance management and risk management activities (Gordon et al, 2009) and many studies analyse how risk management practices improve firms' performance (Barton et al., 2002; Lam, 2003; Stulz, 2003; COSO, 2004; Hoyt & Liebenberg, 2009).

A recent survey (CINEAS, 2018) shows how enterprises implement risk management logic within their organisations to improve their performance in the Italian private sector. However, in the public sector, Petak (1985) explained that the particularity of risk management implies that not all public administrations have the skills and instruments to implement a control system to evaluate risk management and operational risks. This phenomenon is likely present in all public organisations but its relevance differs for small and medium organisations that may have inadequate resources, like time or skills (Cardon & Stevens, 2004), to implement a risk management system or manage operational risks. To remedy this, public administration engages external experts and "it is important to note that current decision-making approaches tend to put a great deal of power in the hand of technical experts and professional administrator who are not directly accountable to the public" (Petak, 1985).

Public local administrations, like every other organisation, are subject to many risks that could impede the achievement of its objectives. These risks have various implications and occur at various levels of the organisations (Nilsen & Olsen, 2005; Capaldo et al., 2018). Therefore, in line with Kaplan and Garrick's 1981 statement that, "we are not able in life to avoid risk but only to choose between risks", this work considers the operational risk, as reported and explained in the INTOSAI GOV 9130 guidelines, to implement a risk management logics in the public sector. Within this context, operational risk management should be defined with the objective to "[execute] orderly, ethical, economical, efficient and effective operations; and safeguarding resources against loss, misuse and damage" (INTOSAI Gov 9130, 2004, p.10).

The L.D. 267/2000 provides a set of rules about their role and functions of the Italian local public entities from this study.

Especially, Art. 196 sets forth that every public local entity should (or must) implement a management control system to ensure:

1) the achievement of the planned objective,

2) economical management of the public resource,

3) good performance of the public administration.

The risk analysis and risk management operations include planned activities to assure an effective response to the risks.

The aim of this work is to understand two main issues:

1) The legislative inattention towards the management of municipalities' operational risks;

2) Whether insurance brokers could play a role in the public control system.

The first part tries to explain the control system of municipalities. Additionally, whether the insurance broker could be a strategic partner as a risk consultant in local administrations is discussed.

In the second part, the observation method is used to detect the number of municipalities collaborating with insurance brokers as a partner in the region of Emilia-Romagna which has 331 municipalities.

1.1. An overview on risk management in public administration

This study considers two main themes and strands of scientific literature. First, the function of internal control in public administration and second, the evolution of the insurance broker's professional purposes.

Considering this aim, the literature review conducted reveals that the involvement of the insurance broker in public administration is not well developed in scientific rather than practical works. The prevailing theme of the relevant literature on the broker in the insurance market is the difference between agents (exclusive or independent). Other authors, instead, focus on market failures and the implications of insurers' distributions strategies. This research focuses on the quality of insurance broker services not only as intermediaries but also as consultants or advisors. Table 1 provides an overview of the principal theories and authors analysed.

The evolution of new public management has introduced the 'way to do' things to the Public Administration, which were historically used in the private sector (Hood, 1995; Robinson, 2015)

In keeping with this trend, in the 1990s, Italy implemented a series of reforms to introduce the management control system (broadly, 'control' instruments) within public organisations (Ongaro & Vallotti, 2008).

Indeed, the Italian Department for the Public Function (2001) provided the first Operative Manual for Management Control addressed to all public administration to introduce the management control system and share best practices.

Passage from the 'old' to 'new' system in the reform process addressed performance management (Maran & Bracci, 2018; Bracci et al, 2017; Robinson, 2015; Guthrie, 2005; Hood, 2000; Hood, 2005) to achieve a more effective, efficient and customer/citizen-oriented performance (Larbi, 1999).

Literature Background on Three Principals' Theme (New Public Management, Management Control and Risk Management, Insurance Broker)

Theories and Issues	**Year (from-to)**	**Principal Authors**	**Considerations**
New Public Management and its evolutions	1995 - 2018	Bracci, Denhardt, Guthrie, Hood, Kanh, Kickert, Larbi, Maran, OECD, Robinson	The evolution of Public Administration Governance
Management Control and Risk Management	1985 - 2018	Mussari, Hatvanti, Keban, Petak, Peta, Raczkowski, Ruffini, INTOSAI, European Commission	The role of Internal Control System and risk management functions
Insurance Broker as Risk Consultant	1995 - 2016	AIBA, Cummins, Doherty, Maas, Page, Rosenthal, Eckardt and Räthke-Döppner, Dumm, Focht et al, Schmit and Roth	The evolution of insurance broker services

According to Mussari (2001), the public local administration's use of instruments like 'management control' and 'performance management', typically used in the private sector, do not imply abandoning equality and courtesy in serving the public.

In the scientific literature, some studies on management and organisation theory affirm that their theories are equally applicable to the public and private sectors (Kickert, 2001).

In this context, the Italian public administration provided a series of reforms (i.e. before L.D. 286/1999, then L.D. 156/2009) in the 2000s to endow public organisations with management instruments and to achieve the objectives of management control in an orderly manner (Ongaro & Vallotti, 2008).

According to Ruffini (2010), it is possible to offer a joint view about the control system provided by the reforms processes in the Matrix of the Public Controls to the public administration.

From an internal and external perspective, the risk management function transverses the entire system.

Indeed, the provision to ensure goals and knowledge thereof were achieved as reported in the L.D. 156/2009 and in others provisions is in line with the risk management aim defined by Hatvani et al (2015). The authors, in fact, explained that the entire risk management process increases awareness about the organisational goals and relevant risks to their objectives.

Hinna et al. (2018) explain how "Though Risk Management (RM) entered the public sector, the way RM is introduced within organisations is not empirically explored".

The goal of risk management is not reducing the number of risks or avoiding them but minimising the possible effects of risks through a high level of awareness (Hornai, 2001, Keban, 2017).

Indeed, the public value derived from a correct risk management introduction in the public management control system implies that, "value creation and value preservation do not have as much direct relevance as in the private sector…As such it is possible to substitute service creation and preservation for value creation and preservation for the definition to be fully applicable to public sector entities" (INTOSAI Gov 9130, 2004).

According to INTOSAI's concept of value, the public world's adoption of risk management logic could benefit a community interested in appropriately managing public resources.

There are more operating procedures, standards and guidelines for risk management in the private sector, such as the COSO ERM, the HM Treasury Orange Book, INTOSAI GOV 9310 Guidelines, the Risk Management standards by the Institute of Risk Management (2002), the Australian and New Zealand Risk Management Standards (2004) (Hatvanti et al, 2015). However, the lack of a specific legislative provision about operational risk management practises in public administration lead to it being carried out solely based on the public organisation's sensibilities.

Particularly within the public control system, there is an unsatisfactory level of permeation in the Italian public organisations (Reginato et al, 2012) due to the lack of legislative framework and policymakers' scepticism regarding the utility and benefits of an efficient control system (Peta, 2016).

In this scenario, the management control system is the cornerstone of risk management culture. The management of the public local administration would ideally go beyond the typical boundaries of the management control system and consider the best operational risks management practices to achieve the organisation's objectives (Kapuscinska & Matejun, 2014, p. 132).

About the lack of risk management logic in public administration, Peta (2016) affirms, "If on one hand, the Italian legislative framework contemplates in abstract formal instruments necessary to ensure the function of the internal control system (like the four types of control, the empowerment of the directors, supporting the management control with the analytical accounting), on the other, the action of this last don't appear informed to the risk logic" (p. 24).

The INTOSAI (2004) provides specific guidelines for the implementation of entity risk management in the public sector, explaining that the aim of risk management is to enable the management to effectively deal with uncertainty and evaluate risks and opportunities, enhancing the capacity to build and create value and deliver services more efficiently (INTOSAI Gov 9130, 2004).

Furthermore, the European Commission developed a reference model for the public sector called Public Internal Financial Control (PFIC) to provide a structured and operational model to assist national governments and public administrations in reengineering the internal control environment in line with international standards (like INTOSAI guidelines) and EU best practises (EC, 2006).

However, Reginato et al. (2012), by comparing PFIC components of internal control and Italian regulation in the public sector, illustrate the absence of a close relationship between both and that risk assessment process (a first step of a risk management) is not contemplated in the Italian regulation.

Indeed, operational risk management activities do not appear in the Italian public organisation system as an explicit duty within the control system but rather as a best practice (Riso & Castellini, 2019).

Furthermore, there are no specific norms for managing and controlling operational and relative risk management activities. Conversely, there are, for example, legislative provisions about corruption risk (i.e. L. 190/2012) and the risk related to companies' and entities' administrative liabilities (i.e. L.D. 231/2001).

1.2. Insurance broker: intermediary or advisor?

The insurance broker is a professional figure defined in the Italian legislative system by the L.D. 209/2005, called Code of Private Insurance.

Article 106 explains how the insurance broker conducts insurance and reinsurance intermediation, presenting and proposing insurance products and advising about the ultimate outcomes.

The provision presents two principal activities: intermediation (of contracts) and consultation.

In the traditional view, according to Cummins and Doherty (2005), the insurance broker is:

an intermediary between the buyer and insurer [who] plays the role of 'market maker'…[and has the role] to scan the market, match buyers with insurers who have the skill, capacity, risk appetite, and financial strength to underwrite the risk [and to] help their client [to] select from competing offers.

However, this professional role changes their original function of being an intermediary between the insurer and the client by also becoming a Risk Consultant (Rosenthal, 1995) which focuses on the strong part of their services: advising (Maas, 2006).

Few works discuss the know-how of insurance brokers as risk managers and consultants. Rosenthal (1995) first identified consultative services as the future of this profession. More than 20 years later, through a functional approach, Maas (2006) presented the ways in which an insurance broker creates value and showed that the principal service cited by clients was the broker’s advice.

These aspects and themes also find that practitioners share this interest. PwC research conducted by Frank et al. (2014) shows that the services provided by insurance brokers change over time as they innovate business models in line with market demands for advisory services.

Insurance brokers contribute to transparency in the insurance market, but their dual role in the market (intermediation and consultation) implies that, “the insurance intermediary market itself is characterised by information gaps since consumers act under asymmetric information about the quality of the information and advisory services provided by the intermediaries” (Eckardt & Räthke-Döppner, 2010, p. 667).

Some factors, like innovations in information and communication technology, the birth of the knowledge economy and others, have and still do change this segment of the insurance industry (Rajola et al, 2016).

As reported earlier, these challenges in the market have interested some practitioners and consultants, highlighting the idea that although the professional role of the insurance broker is old, it has evolved over time, adapting to market needs.

In this environment, the academic’s role is to generally guide practitioners and the market regarding these challenges with independent studies and explanations of relevant phenomena.

It is interesting to observe that this theme was sufficiently relevant to birth a theory or interpretation where every company must account for changes in the market proposed by social, technological, environmental, economic and political (STEPS) drivers (Frank et al, 2014).

In this context, the insurance broker plays a central role as a consultant, demanding broader information-gathering, insight and collaboration.

According to Doherty and Muermann (2010), the insurance broker enjoys a privileged position in the relationship between a consumer and insurer and can solve the problem of asymmetric information limiting both. This information advantage is the key differentiator.

Accenture (an advising company) has stated about practitioners that, “their skills and experience will still be critical for many consumers seeking independent advice” (Mulhall et al., 2016).

The client is a crucial figure in the broker-client relationship and the success of the broker’s business is based on a good and lasting relationship with clients (Beloucif & Donaldson, 2004).

Experience in the insurance market and proximity to the client allow the insurance broker to develop specific know-how in the risk management field (not only in risk transfer which is usually their primary service).

2. Materials and Method:

The research was developed using quasi-quantitative methods, particularly:

1- A content analysis of the data presented on the institutional website (Winsvold, 2017; Youngblood & Mackiewicz, 2012; Capriotti & Moreno, 2007; Cappel & Huan, 2007) to observe how many municipalities have an insurance broker as a partner; and

2- A threshold analysis with a dispersion diagram about the municipalities’ dimensions, observing where the brokers are.

Furthermore, the database content was analysed for a binary response (Yes or No) about commitment to/entrustment of an insurance broker’s services.

Subsequently, a quantitative analysis was performed on municipalities’ size and population using a ‘Yes’ or ‘No’ response through a simple dispersion graphic and threshold analysis. The sample chosen was the relationship between degrees of transparency obligations in different regions.

Indeed, every public administration, in compliance with the Legislative Decree 33/2013 provides a section ‘Transparency Administration’ on its institutional website where the public can access a series of quantitative and qualitative information.

Table 2 ranks the regions that fulfil this transparency obligation (or, even better, that have implemented in the institutional website the section ‘Transparency Administration’).

The project, called the Bussola della Trasparenza - MagellanoPA of the Italian Minister for Simplification and for Public Administration, has a wealth of easily accessible information about the public administration.

The Emilia-Romagna region, as shown in Table 2, is ranked 6th, which is just 4 percentage points different from the first region (Sardegna). 978 of the 1,172 public administrations have the section ‘Transparency Administration’ on their institutional website.

Although the presence of this ‘transparency section’ on the website does not imply the presence of the information, the choice of the sample was oriented towards the region Emilia-Romagna for primary observation.

The dataset was integrated with a link to the municipality’s institutional website and information about relationships to insurance brokers. A random search within the website was used to obtain this data with keywords like ‘broker’, ‘insurance broker’ (brokeraggio assicurativo), in the function ‘search’ (if available), in the sections ‘call for tender and contracts’ and ‘official notice board’.

The data were collected in April 2018, and the website’s static information guarantees the reliability of the analysis (Krippendorff, 2004). Indeed, the response ‘Yes’ or ‘No’ signifies that the municipality analysed is or was related to an insurance broker or simply published this notice.

Data from the Italian Minister for Simplification and for Public Administration – May 2018

Position	Region	Percentage	Number PA/Total PA
1	Sardegna	87%	671/767
2	Lombardia	86%	2.610/3.022
3	Piemonte	86%	1.826/2.120
4	Valle D'Aosta	85%	128/150
5	Friuli-Venezia Giulia	84%	439/520
6	Emilia-Romagna	83%	978/1.172
7	Veneto	83%	1.239/1.490
8	Basilicata	81%	260/319
9	Marche	81%	514/629
10	Calabria	80%	660/824
11	Liguria	80%	432/538
12	Molise	80%	199/246
13	Puglia	79%	844/1.056
14	Toscana	79%	801/1.002
15	Umbria	79%	231/292
16	Campania	77%	1.219/1.576
17	Sicilia	77%	1.182/1.517
18	Abruzzo	76%	464/603
19	Lazio	73%	1.058/1.432
20	Trentino-Alto Adige	71%	566/790

Source: Our elaboration

3. Results

The first outcome of the content analysis is shown in Table 3 which differentiates between municipalities that have an insurance broker as a partner and which do not or not published this notice.

89% of the municipalities published on its website have a relationship with an insurance broker and only the 11% do not declare having this kind of relationship.

However, the municipalities that do not declare this relationship could have done an entrustment and simply not published on his website. Indeed, the Italian regulation on procurement permits the municipalities to not publish the information related to entrustment under a threshold (a little value) (Comba, 2019).

Table 3: Content Analysis Results on the Emilia-Romagna Municipalities

Qualitative information published	Content Analysis binary response	Number of Municipalities	Percentage %
Insurance broker as a partner	Yes	296	89 %
No information	No	35	11 %
	Total	331	100 %

Source: Our elaboration

Table 4 illustrates another result that ranks the first and the last municipality by size.

Table 4: Largest and smallest municipality

Position: km²/inab.	Municipality	Surface (In km^2)	Inhabitants	Institutional Web-site	Binary Response
1	Bologna	140.86	388,367	http://www.comune.bologna.it/	Yes
331	Zerba	24.13	78	http://www.comunedizerba.it/	No

Source: Our elaboration

Other considerations emerge from analysing the simple dispersion graphic in Appendix I. It represents a dispersion graph of the municipalities by size (measured in surface area and number of inhabitants) that have a broker as a partner. Almost these municipalities are small-medium with 1000-50.000 inhabitants and surface in 1-400 km2 and only 13 municipalities are bigger the 50.000 inhabitants.

Furthermore, the threshold analysis presented in Appendix illustrates that municipalities that do not have a relationship with an insurance broker are medium-small with a threshold in “8,000 inhabitants” and a maximum size of roughly 190 km².

4. Discussion

The analysis merges how an insurance broker is a partner in the municipalities of the Emilia-Romagna.

Although with the statistical limits of the observation, this result – 89% of declaration or notice published – demonstrates how this professional represents a resource for the municipalities.

The considerations discussed in the literature background suggest that risk management is a practice embedded in the public sector (Hinna et al., 2018). This first observation about the municipalities of the Emilia-Romagna show a possible way the insurance broker supports a municipality in its risk management system.

Academicians and practitioners explain how often the support of an insurance broker is on the management of the operational risks (Gjerdrum & Peter, 2011; Cruz et al., 2015).

Moreover, the literature analysis showed that the internal control system in municipalities lacks operational risk management practices. These depend on proper management from public managers or officers (Hatvanti et al, 2015; Peta, 2016).

Finally, the thresholds analysis shows that almost all municipalities that published a notice of an entrustment with an insurance broker are small-medium (1.000-50.000 inhabitants) and the 11% that did not publish this notice are small municipalities (under the 8.000 inhabitants). This data might explain how almost all the municipalities have constructed a formalised risk management system and utilised a consultant to implement it.

5. Conclusions

The results of the content and threshold analyses allow for certain considerations. Responding to the first research question in the context of the literature review, it is possible to affirm that there is a legislative dearth of operational risk management actions in the municipalities' internal control system.

Indeed, although international guidelines exist to address organisational strategies, evaluating and implementing them is left to the 'sensibility' of the individual municipality.

Although the analysis was conducted on a sample limited to the Emilia-Romagna municipalities, it shows that almost all municipalities have a relationship with an insurance broker which hints at two hypotheses:

An insurance broker meets the need for operational risk management activities and transfers risk as necessary with an insurance contract.

The municipality conducts risk management activities independently or assisted by the insurance broker, using him or her as a distribution channel to make a contract to transfer the risks.

Other considerations arise from the second research question: Could the insurance broker have a role in the public control system?

Surely, the insurance broker has developed know-how in risk management practices and offers not only mediation but also consultation services (Maas, 2006; Doherty & Muermann, 2010).

This result highlights how insurance brokerages may develop innovative consultant services based on proximity to the client, providing an information advantage that primarily differentiates them from other operators in the sector.

Moreover, the evidence in this sample shows that municipalities have identified members from this profession as risk consultants or intermediaries, confirming brokers' strategic role in the risk management strategies adopted by public administration.

It is also interesting to observe that since 2009, the Italian Association of Insurance and Reinsurance Brokers (AIBA), aiming to create awareness about this partnership for public organisations, published a Guide to the utilized of the insurance broker in public administration. They published another guideline titled "The insurance broker in the public administration sector: Competence and independence at the service of citizens in 2018”.

Management control logic has been introduced in public administration by new public management influences. Risk logic has been implemented to achieve objectives and manage operational risks and the lack of specific norms in the Italian legislative framework. Thus, it is necessary to address this lack and integrate management control systems and risk management activities (Hinna et al., 2018; Rana et al., 2019).

This analysis has a limited sample from a statistical perspective. However, it represents pioneering work and tries to understand risk management activities in the municipalities and the involvement of insurance brokers in the control system.

Future research will analyse more significant samples using other research methods like survey and interviews to understand the municipalities’ processes and risk management perspective.

REFERENCES

Arnaboldi, M., Lapsley, I., & Steccolini, I. (2015). Performance management in the public sector: The ultimate challenge. Financial Accountability & Management, 31(1), 1 - 22.

Banham, R. (2004). Enterprising views of risk management. Journal of Accountancy, 197(6), 65.

Barton, T. L., Shenkir, W. G., Walker, P. L. (2002). Making enterprise risk management pay off: How leading companies implement risk management. Financial Times/Prentice Hall PTR. Upper Saddle River, NJ.

Beloucif, A., & Donaldson, B. (2004). Insurance broker-client relationships: An assessment of quality and duration. Journal of Financial Services Marketing, 8(4), 327-342, Henry Stewart Publications.

Beloucif, A., Donaldson, B., Waddell, M. (2006). A systems view of relationship dissolution. Journal of Financial Services Marketing, 11(1), 30-48.

Bracci, E., Maran, L., & Inglis, R. (2017). Examining the process of performance measurement system design and implementation in two Italian public service organisations. Financial Accountability & Management, 33(4), 406-421.

Capaldo, G., Costantino, N., Pellegrino, R., & Rippa, P. (2018). The role of risk in improving goal setting in performance management practices within public sector: An explorative research in courts offices in Italy. International Journal of Public Administration, 41(12), 986-997.

Cardon, M. S., & Stevens, C. E. (2004). Managing human resources in small organizations: What do we know?. Human resource management review, 14(3), 295-323.

CINEAS. (2018). VI Edition observatory on the spread of risk management in Italian medium-sized companies. https://www.cineas.it/category/osservatorio-risk-management/ Consulted at March 2019

Colquitt, L. L., Hoyt, R. E., & Lee, R. B. (1999). Integrated risk management and the role of the risk manager. Risk Management and Insurance Review, 2(3), 43-61.

Coso, I. I. (2004). Enterprise risk management. Integrated Framework.

Comba, M. E. (2019). Disclosure of public procurement documents in Italy: a major effort in the fight against corruption, but still to be completed. In Transparency in EU Procurements. Edward Elgar Publishing.

Cruz, M. G., Peters, G. W., & Shevchenko, P. V. (2015). Fundamental aspects of operational risk and insurance analytics: A handbook of operational risk. John Wiley & Sons.

Cummins, J. D., & Doherty, N. A. (2006). The economics of insurance intermediaries. Journal of Risk and Insurance, 73(3), 359-396.

Denhardt, R. B., & Denhardt, J. V. (2000). The New Public Service: Serving Rather Than Steering. Public Administration Review,60(6), 549-559.

Doherty, N. A. (1997). Innovations in managing catastrophe risk. Journal of risk and insurance, 64(4), 713-718.

Doherty, N. A., & Muermann, A. (2010). On the role of insurance brokers in resolving the known, the unknown, and the unknowable. The Known, the Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice, 194.

European Commission, (2006), Welcome to the world of PIFC, Public Internal Financial Control.

Eckardt, M., & Räthke-Döppner, S. (2010). The quality of insurance intermediary services—empirical evidence for Germany. Journal of Risk and Insurance, 77(3), 667-701.

Frank P., Caceres K., Calandro J., Wolovnick E., (2014). Broking 2020: Leading from the front in a new era of risk. www.pwc.com/insurance. Consulted at March 2019

Focht, U., Richter, A., & Schiller, J. (2013). Intermediation and (Mis-) Matching in Insurance Markets—Who Should Pay the Insurance Broker?. Journal of Risk and Insurance, 80(2), 329-350.

Guthrie, J., Humphrey, C., Jones, L. R., & Olson, O. (Eds.). (2005). International public financial management reform: progress, contradictions, and challenges. IAP.

Gordon, L. A., Loeb, M. P., & Tseng, C. Y. (2009). Enterprise risk management and firm performance: A contingency perspective. Journal of Accounting and Public Policy, 28(4), 301-327.

Gjerdrum, D., & Peter, M. (2011). The new international standard on the practice of risk management–A comparison of ISO 31000: 2009 and the COSO ERM framework. Risk management, 31(21), 8-12.

Hatvani, E. N. C. (2015). Risk analysis and risk management in the public sector and in public auditing. Public Finance Quarterly, 1(7).

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing risk management in the Italian public sector: Hybridization between old and new practices. International Journal of Public Administration, 41(2), 110-128.
Hood, C. (1995). The 'New Public Management' in the 1980s: Variations on a theme. Accounting, organisations and society, 20(2-3), 93-109.
Hood, C. (2000). The art of the state: Culture, rhetoric and public management. Oxford: Claredon.
Hood, C. (2005). Public Management: The Word, the Movement, the Science. In L. E. Ferlie, L. E. Lynn and C. Pollitt (Eds.), The Oxford Handbook of Public Management. Oxford: Oxford University Press.
Hoyt, R. E., & Liebenberg, A. P. (2011). The value of enterprise risk management. Journal of Risk and Insurance, 78(4), 795-822.
Hornai, G. (2001). Kockázat és kockázatkezelés. (Risk and Risk Management). (MVM Hungarian Electricity Company Disclosures. 2001/04).
INTOSAI (2004). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management. Retrieved from www.issai.org. Consulted at March 2019
Kaplan, S., & Garrick, B. J. (1981). On the quantitative definition of risk. Risk analysis, 1(1), 11-27.
Kapuscinska, K. Z., & Matejun, M. (2014) Risk management in public sector organizations: A case study. International Journal of Business and Management, 3(3), 129-143.
Khan H. A. (2018) Governance, Public administration, and the challenges of globalization. In: Globalization and the Challenges of Public Administration. Palgrave Macmillan, Cham
Keban, Y. T. (2017). Risk management: a neglected vital instrument in public administration in Indonesia. Management Research and Practice, 9(4), 5-21.
Kickert, W. J. (2001). Public management of hybrid organisations: governance of quasi-autonomous executive agencies. International Public Management Journal, 4(2), 135-150.
Lam, J., (2003). Enterprise risk management: From incentives to controls. John Wiley & Sons, Inc., Hoboken, New Jersey.
Larbi, G. (1999). The new public management approach and crisis states. United Nations Research Institute Social Development (Vol. 112). Discussion Paper

Maas, P. (2006). How insurance brokers create value—a functional approach. Risk Management and Insurance Review, 13(1), 1-20.

Maran, L., Bracci, E., & Inglis, R. (2018). Performance management systems' stability: Unfolding the human factor–A case from the Italian public sector. The British Accounting Review, 50(3), 324-339.

Mulhall, J., Chauhan, A., Lindsey, C., & Lyman, M. (2016). The broker of the future. Accenture.

Mussari, R. (Ed.). (2001). Operational manual for management control. Rubbettino Editore.

Nilsen, A. S., & Olsen, O. E. (2005). Different strategies—Equal practice? Risk assessment and management in municipalities. Risk Management, 7(2), 37-47.

OECD. (1996). Management control in modern government administration: Some comparative practices. SIGMA Papers, No. 4. Paris, FR: OECD Publishing.

Ongaro, E., & Valotti, G. (2008). Public management reform in Italy: Explaining the implementation gap. International Journal of Public Sector Management, 21(2), 174-204.

Padovani, E., Yetano, A., & Orelli, R. L. (2010). Municipal performance measurement and management in practice: which factors matter? Public Administration Quarterly, 591-635.

Peleckiene, V., Peleckis, K., Dudzeviciute, G., & Lapinskiene, G. (2017). Changes of insurance intermediaries regulation in the EU countries. In Economic Science for Rural Development Conference Proceedings (No. 46).

Petak, W. J. (1985). Emergency management: A challenge for public administration. Public Administration Review, 45, 3-7.

Peta, Anna. (February 25, 2016). I controlli interni della pubblica amministrazione: criticità e prospettive evolutive (Internal controls in the public administration: current problems and future challenges) Bank of Italy Occasional Paper No. 312.

Rana, T., Wickramasinghe, D., & Bracci, E. (2019). New development: Integrating risk management in management control systems—lessons for public sector managers. Public Money & Management, 39(2), 148-151

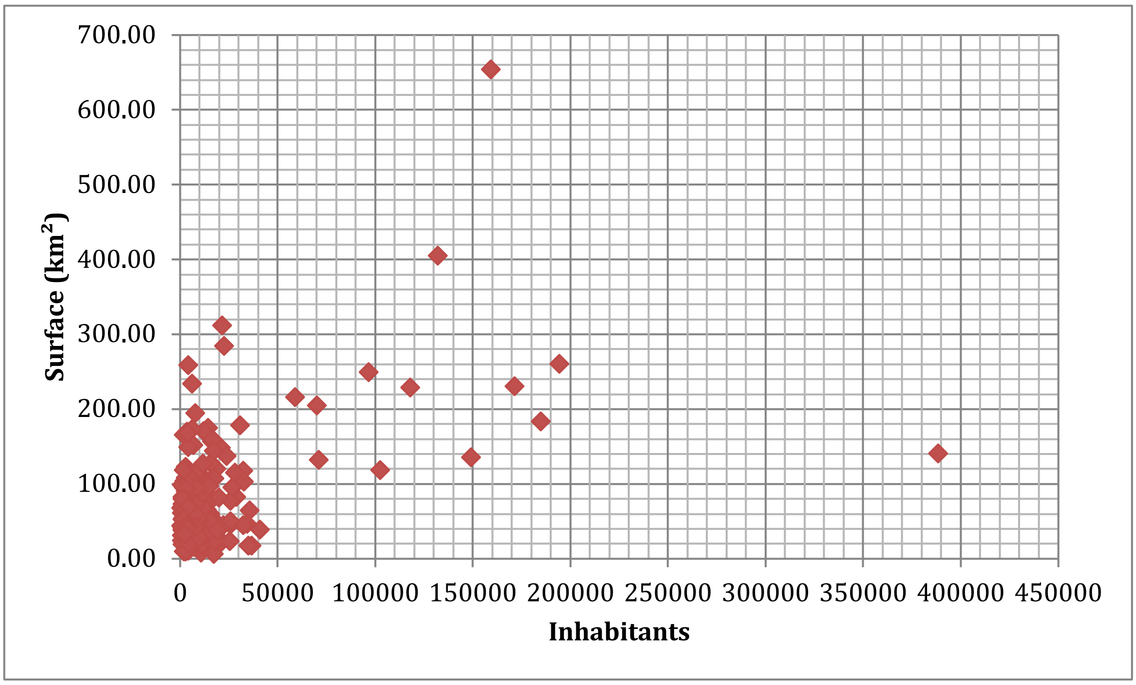
Rajola F., Frigerio C., Gatelli P., Mastrantoni C., Pippione G., (2016), Agent Channel: Agency models, roles and skills for insurance consultancy. Research Report, CeTIF.

Raczkowski, Konrad. (2017). Risk management in public administration. Cham, Switzerland: Palgrave Macmillan.

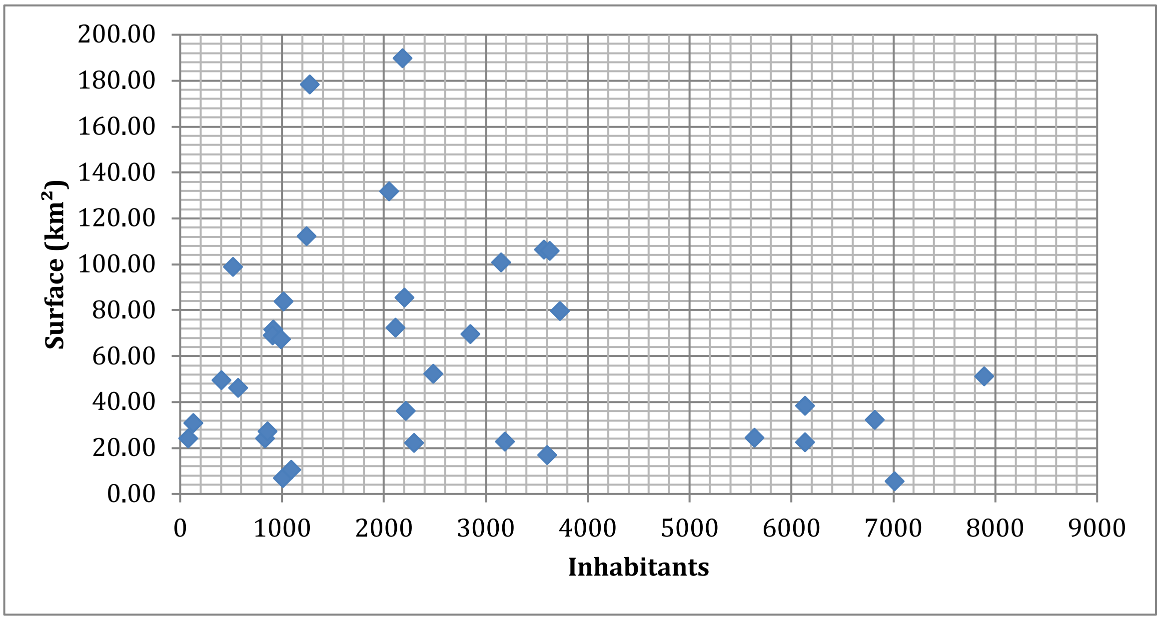
Reginato, E., Nonnis, C., & Pavan, A. (2002). Modern public internal control systems and accountability in health care organisations. Economia Aziendale Online, 2(4), 381-396.
Robinson, M. (2015). From old public administration to the new public service: Implications for public sector reform in developing countries. UNDP Global Centre for Public Service Excellence.
Riso, V., & Castellini, M. (2019). Poor integration between operational risk management activities and internal control system in the municipalities: an analysis of the Italian legislative framework. Economia Aziendale Online, 10(1), 149-158.
Rosenthal, N. L. (1995). Insurance broker as risk consultant. Risk Management, 42(6), 33.
Ruffini, R. (2004). Fondamenti di economia delle aziende e delle amministrazioni pubbliche. Roma, Italy: De Agostini professionale.
Ruffini, R. (2010). L’evoluzione dei sistemi di controllo nella pubblica amministrazione. Milan, Italy: Franco Angeli.
Sandelowski, M. (2000). Combining qualitative and quantitative sampling, data collection, and analysis techniques in mixed-method studies. Research in Nursing & Health, 23(3), 246-255.
Schmit, J. T., & Roth, K. (1990). Cost effectiveness of risk management practices. Journal of Risk and Insurance, 455-470.
Verbeeten, F. H., & Speklé, R. F. (2015). Management control, results-oriented culture and public sector performance: Empirical evidence on new public management. Organization Studies, 36(7), 953-978.
Sharma N., Patterson P.G., (1999), The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services. Journal of Services Marketing, 13(2), 151-170
Soin, K., & Collier, P. (2013). Risk and risk management in management accounting and control.

APPENDIX

Appendix I: Dispersion diagram of municipalities with insurance broker or that declare it on institutional web-site



Appendix II: Dispersion diagram of municipalities without insurance broker or that do not declare it on institutional web-site



2.2.
Choices for the analysis and focus on the Public Administration needs

In the last years Public Entities like municipalities, associations of these, provinces and regions evolved their organizations under different perspectives, focusing to produce services and goods more useful for the citizens (Bracci et al, 2016).

In depth, there are wide literature on the evolution of Public Governance systems in which is stressed the passage from the "Old" Public Administration System to the "New" Public Management (Hood, 2000; Hood, 2005; Guthrie, 2005; Osborne et al, 2013; Robinson, 2015), Performance Management and the creation of the Management Control Systems in the public organizations (Beni et al, 2002).

Despite this though, the high levels of bureaucracy and regulation that characterized local authorities (that have many requirements and objectives) become more complex and challenging the introduction of risk management in the public sector (Nilsen and Olsen, 2005).

In the Italian context these issues derived from the almost absence in the legislative framework of the organic provisions that orientated public sector to manage risks in their Management Control System.

Indeed, there is a poor integration between the Operational Risk Management and Management Control System in the Italian legislative framework: through a content analysis on the Italian laws and provisions emerged how the words "risk" is refereed above all the "corruption risk" and, less, to "environmental risk", neglected operational risk (Riso and Castellini, 2019).

Leung and Isaacs (2008) support the idea that the introduction of risk management in the public sector is very complex for various reasons including also the wide variety of involved interests (most of the time conflicting interests), political influence, etc. (Leung and Isaacs, 2008, p. 510).

Furthermore, another aspect evaluated is the relationship between Risk Management and Performance Measurement: indeed, Performance Measurement in public sector is a theme increased since 1990s with the advent of the theory of New Public Management (Brignall and Modell, 2000; Bouckaert and Peters, 2002; Van Dooren et al, 2015).

Furthermore, another aspect evaluated is the relationship between Risk Management and Performance Measurement: indeed, Performance Measurement in the public sector is a theme increased since the 1990s with the advent of the theory of New Public Management (Brignall and Modell, 2000; Bouckaert and Peters, 2002; Van Dooren et al, 2015).

Furthermore, according to Bovaird (1996) in the public sector is possible to distinguish two forms of performance:

1. policy performance: it's related to the success of services provided to cover the needs of citizens;
2. management performance: it refers to the effectiveness of management in the public organization.

There are various definitions of performance in the literature (Eleftheriadis and Vyattas, 2018): some authors define it as the quantification process of effectiveness and efficiency of activities (Johnsen, 2005), however others as "quantitative representation of quality and quantity of the input, output and the results of the organizations or their programs in their social framework" (Neely et al, 1995).

The "performance management", typically used in the economical private's world, comes ever more into the ordinary vocabulary of the public sector.

Combining the concept of risk, Slywotzky and Drzik (2005) define risk as variability in performance results, in which case the aim of risk management is the elimination of low performances.

Indeed, Risk Management gains high importance to all stakeholders too, particularly to citizens and political bodies. Through risk management is produced information more reliable as a basis for assessing the performance and production of macroeconomic indicators (Ferreira, 2016).

Since the 2000s in the Italian Public Administration was provided a series of reforms driven by the New Public Management aims: was embedded in the public organizations' management instruments to achieve in a planned manner the objectives programmed (Maran et al, 2018).

How Performance Management goes within the organizations? Some authors recommended observing a multidimensional performance of the public organizations, not only financial KPIs (Ricci and Civitillo, 2018)

They affirmed that "financial performance should not be the ultimate objective of public management but instead an instrument to evaluate the financial comparability of various priorities to purse (public value, social, environmental, etc.)" (Ricci and Civitillo, 2018).

More in depth, Capaldo et al (2017) affronted the issue of the relationship between Performance and Risk Management in the Italian public sector and discussed how the adoption of the risk-based approach could increase the implementation of the objectives in the Performance Management process. Moreover, they formulate some guidelines for a risk-based methodology that can concretely support the process of change that is interesting to the public administration (Capaldo et al, 2017).

Furthermore, Hinna et al. (2018) analyze the case study of the Italian National Institute of Statistics (ISTAT) and show how after the implementation of the risk management practices within the organization, now these are integrated into the activities, processes, and in culture and behavior of the single components of the structure, confirming the opportunity to increase performance and learning.

Therefore, the INTOSAI highlights the need to create awareness of the organizations' risk in the public sector (INTOSAI GOV 9130, 2007).

Indeed, the awareness of risk and risk culture helps the organization to achieve its objectives (Hatvanti, 2015): the skills developed in Risk Management by the public officers are fundamental to increase Performance Management (Carvalho and Rabechini, 2015, p. 335).

In the light of above, the next papers move out the previous study about the role of the insurance broker in the risk management process of the municipalities.

Indeed, the research moves to dig into the needs and relationship of the Local Authorities understanding how the risk management process is thought, organized and acted.

The next paper, the second of this collection, offers an in-depth study about the relationship between Operational Risk Management activities and Internal Control System in the Municipalities in the Italian Local Authorities through a qualitative content analysis on the Italian legislative framework about this theme.

REFERENCES

Bouckaert, G., & Peters, B. G. (2002). Performance measurement and management: The Achilles' heel in administrative modernization. Public performance & management review, 25(4), 359-362.

Bovaird, T. (1996). The political economy of performance measurement. Organizational Performance and Measurement in the Public Sector: Toward Service, Effort and Accomplished Reporting, Quorum Books, Westport, 145-165.

Bracci, E., Fugini, M., & Sicilia, M. (2016). Co-production of public services: meaning and motivations. In Co-production in the Public Sector (pp. 1-11). Springer, Cham.

Brignall, S., & Modell, S. (2000). An institutional perspective on performance measurement and management in the 'new public sector'. Management accounting research, 11(3), 281-306.

Beni, O., Bracci, E., & Donato, F. (2002). Gli enti locali verso logiche di public governance: elementi di management pubblico.

Capaldo, G., Costantino, N., Pellegrino, R., & Rippa, P. (2018). The Role of Risk in Improving Goal Setting in Performance Management Practices within Public Sector: An Explorative Research in Courts Offices in Italy. International Journal of Public Administration, 41(12), 986-997.

Carvalho, M. M. D., & Rabechini Junior, R. (2015). Impact of risk management on project performance: the importance of soft skills. International Journal of Production Research, 53(2), 321-340.

Eleftheriadis, I., & Vyattas, V. (2018). Risk and performance in Public Sector

Hatvani, E. N. C. (2015). Risk analysis and risk management in the public sector and in public auditing. Public Finance Quarterly, 1, 7.

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing Risk Management in the Italian Public Sector: Hybridization between Old and New Practices. International Journal of Public Administration, 41(2), 110-128.

INTOSAI (2007). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management (http://www.issai.org/en_us/site-issai/issaiframework/intosai-gov.htm)

Johnsen, Å. (2005). What does 25 years of experience tell us about the state of performance measurement in public policy and management?. Public Money and Management, 25(1), 9-17.Leung, F., & Isaacs, F. (2008). Risk management in public sector research: approach and lessons learned at a national research organization. R&d Management, 38(5), 510-519.

Ferreira, A. D. C. S. (Ed.). (2016). Global perspectives on risk management and accounting in the public sector. IGI Global.

Maran, L., Bracci, E., & Inglis, R. (2018). Performance management systems' stability: Unfolding the human factor–A case from the Italian public sector. The British Accounting Review, 50(3), 324-339.Neely, A., Gregory, M., & Platts, K. (1995).

Performance measurement system design: a literature review and research agenda. International journal of operations & production management, 15(4), 80-116.
Nilsen, A. S., & Olsen, O. E. (2005). Different Strategies—Equal Practice? Risk Assessment and Management in Municipalities. Risk Management, 7(2), 37-47.
Slywotzky, A. J., & Drzik, J. (2005). Countering the biggest risk of all. Harvard Business Review, 83(4), 78-88.
Ricci, P., & Civitillo, R. (2018). Italian Public Administration Reform: What are the Limits of Financial Performance Measures?. In Outcome-Based Performance Management in the Public Sector (pp. 121-140). Springer, Cham.
Riso, V., & Castellini, M. (2019). Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework. Economia Aziendale Online, 10(1), 149-158.
Van Dooren, W., Bouckaert, G., & Halligan, J. (2015). Performance management in the public sector. Routledge.

3. Paper II

Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework

Paper published as:

Riso V., Castellini M. (2019). Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework. Economia Aziendale Online, Special Issue, 10(1), 149-158

DOI http://dx.doi.org/10.13132/2038-5498/10.1.1956

Published in the special issue *"The multidimensional content of Economia Aziendale: Exploring Theories and Applications of Business Economics and Management"*

Abstract

Negli ultimi anni la Pubblica Amministrazione ha introdotto nelle proprie strategie logiche di Performance Management per accrescere i servizi offerti ai cittadini e la corretta gestione del Bene Pubblico. La salvaguardia del raggiungimento degli obiettivi prefissati passa dalle pratiche di gestione del rischio ed attraverso la capacità del singolo Comune di misurare i propri rischi. Questo lavoro ha lo scopo di offrire una visione d'insieme sulle pratiche di Risk Management, con particolare riguardo ai Rischi Operativi, previste dalle normative italiana nel sistema di controllo interno dei Comuni. Obiettivo del paper è sostenere il dibattito sull'introduzione delle logiche di gestione del rischio nel sistema di controllo interno pubblico al fine di assicurare il raggiungimento degli obiettivi prefissati ed il corretto utilizzo delle risorse pubbliche.

In the last years, the Public Administration introduced in its strategies logics of Performance Management to increase the services offered to the citizens and the correct treatment of the public goods. The safeguard of the objectives' achievement also passes for the risk management practices and through the ability of the Municipality to assess their risk and treat these in order to remove or reduce the impact of serious negative events (called also "operational risks"). This work aims to suggest an overall vision on the Risk Management practices, with particular regard of the Operational Risks, provided by the Internal Control System of the municipalities in the Italian legislative framework. The paper aims at sustaining the debate about the introduction of risk logics within the Public Internal Control System to ensure the goal's achievement and a correct used of the Public resources.

Keywords: Risk Management, Operational Risk, Public Administration, New Public Management, Control System

1. Introduction

In the last years the Public Administration, and more specifically, the Public Entities like municipalities, associations of these, provinces and regions evolved their organizations under different perspectives, focusing to produce services and good more useful for the citizens (Bracci et al, 2016).

A wide literature on the evolution Public Governance systems in which is stressed the passage from the "Old" Public Administration System to the "New" Public Management (Hood, 2000, Hood, 2005; Guthrie, 2005; Osborne et al, 2013; Robinson, 2015), the Performance Management and the creation of the Management Control Systems in the public organizations (Beni et al, 2002).

Through the New Public Management, in fact, were embedded, in the Public Administration the Control Systems instruments of management and control typically used in the economical private world.

However, Mussari (2001) explains how the use within the Public Administration of these management instruments do not implies to waive the public criteria of equal and sociality. In this sense, though in managerial logics, the choices undertaken by the Public Administration aim to satisfy the Public good and every citizen in line with the resources available, like explained in the article 97 of the Italian Constitution.

According to this aim and to the achievement of the objectives in efficacy and efficient way provided in the Italian PA management control system, the Operational Risks Management practices represent a way to manage and prevent the achievement of these.

Indeed, Keban (2017) explains that the risk management represents a "vital instrument" in the Public Administration, discussing how it's neglected.

More specifically, it is offered a wide definition of risk management activities where the awareness of risks has a strong role.

In according of this, Hatvanti explains: "*The entire risk management process is conditional to organisational goals being known, and the relevant risk being established with reference to those goals*" (Hatvanti, 2015).

To increase the awareness of these risks and to invite the Public Administration to put into practices the risk management provisions, the International Organisation of Supreme Audit Institutions (INTOSAI) provides guidelines to implement a recommended framework for applying the principles of entity risk management in the Public sector: for last, the INTOSAI GOV 9130.

There is a poor integration between the Operational Risk Management activities and Internal Control System in the Municipalities?

Analysing the Italian case is possible to observe that the legislative framework contemplates in abstract instruments to ensure the function of the Internal Control System but which does not appear informed to the risk logic (Peta, 2016, p.24).

Whereby, in the first paragraph is conducted a brief analysis on the evolution of the control systems in the Public Administration and, the second, how it would be desirable an integration between the internal control system and the risk management practices, with particular regard to the operational risks.

Finally, in the third paragraph, through a qualitative content analysis of the Italian legislative framework is shown how there is a poor integration between the Operational Risk Management activities and Internal Control System in the Municipalities.

In particular is conducted a manual content analysis with a translation of the INTOSAI GOV guidelines keywords to the Public sector in the principal laws provided and referred to the Italian Municipalities'.

This analysis contributes to sustain the debate about the introduction risk logics within the Public Internal Control System to ensure the goal's achievement and a correct used of the Public resources.

2 - Internal Control System in the Public Administration

Words like the "management control" and the "performance management", typically used in the economical private's world, come ever more in the ordinary vocabulary of the Public Administration.

In the scientific literature, in fact, there are more studies in which are explained how the theories applied in the private sector are converted similarly in the public sector (Kickert, 2001).

In this sense, since 2000s in the Italian Public Administration were provided a series of reforms driven by the new public management aims with the scope to endow the public organisations of the management instruments and to give, through the management control, the instruments to achieve in planned manner the objectives programmed (Maran et al, 2018).

In the light of these observations, Ruffini (2010) offers a joint view about the control system provided in the Public Administration by the reforms processes in the "Matrix of the Public Controls" (Fig. 1) where the risk management perspective go cross in transversal way the control system, in the internal and external perspective (Chapman, 2001).

Figure 1 - The Matrix of the Public Control – Elaboration of Ruffini, R. (2010, p.13)

	Internal	External
Bureaucratic	Control of accounting administrative regularity	Control of Court of Auditors
Managerial	Internal Audit Strategical Control Economical Management Control	External Revision and Audit Quality Assurance Certification

Indeed, as evidenced, in the Public Control System are present two principal approaches: the bureaucratic and the managerial.

These approaches, in fact, are the most widespread in the Italian's public organizations culture and presented differences under different aspects, first the accounting methodologies (Iacovino et al, 2017).

Actually, the passage of bureaucratic approach to the managerial one doesn't happen in a net way but, probably in the Public Entities and specifically in the small and medium municipalities, this change of approach is still in progress (Mussari and Sorrentino, 2017).

The reasons of this phenomenon are various and of different nature but, as Hood (2000) explains in the New Public Management theme, “that one of its central themes is to stress the importance of public managers’ discretionary space or freedom to manage”.

The passage, in fact, consist to pass from a culture based on the respect of law as primary aim of the management to a culture where the legitimacy is one, but not the first, objective of the management.

In this sense, it is important understand how the Performance Management go within the organizations and how is important observe a multidimensional performance of the public organizations and not only the financial KPIs.

In according of this, Ricci and Civitillo (2018) explain that “financial performance should not be the ultimate objective of public management but instead an instrument to evaluate the financial comparability of various priorities to purse (public value, social, environmental, etc.)”. Furthermore, to analyse the process of reforms since the 1990s is offered in Table 1 an excursus of the principal laws and provision the changes in the last years the Public Administration and, in particular, the municipalities.

Year	Provision	Principal Contents
1990	L. 142	Possibility to implement in the Public Administration the internal control system
1993	L.D. 29	Creation of the “evaluation core”
1995	L.D. 77	Implementation of the “executive management plan”
1997	L.D. 279	Introduction of the analytical accounting
1999	L.D. 286	Introduction of the “managerial logical” in the control system
2009	L.D. 150	General management of the performance
2012	L. 190	Prevention and repression of corruption risk
2013	L.D. 33	Obligations of public disclosure, transparency and divulgation of information
2015	L. 124	Reorganization of public administrations

Table 1 - Provisions evolution in the Public Administration – Our elaboration

The first observation is that in the last 10 years of the century (1990-2000) the legislative aims driven by the New Public Management influences are to introduce the managerial approach in the public organizations.

So, in the managerial approach the internal control system contemplates the presence in the public organizations of the internal auditors, of the management control system and the strategic control (Ruffini, 2010).

The management control system is the keystone where rests the risk management culture and where the controllers (or management in general) cross out the boundaries of the "typical" management control system reaching the way to assess and management the organizations risks and to preserve the achievement of the organization's objectives (Kapuscinska and Matejun, p. 132).

Furthermore, in according to Aven and Vinnem (2000), this vision of the relationship between the management control system and the risk management practices express on one hand with the aim to counteract potential threats and, on the other hand, to avoid accidents, disaster and losses in general.

3 - Risk Management, Operational Risks and Internal Control System

Though the risk management practices, in particular management of the operational risks, are a vital instruments in the management control system in the Public Administration these are very neglected (Keban, 2017).

In the Italian Public Sector, specifically, there are not more scientific contributions that analyse and describe operational risk management practices: "Though Risk Management (RM) entered the public sector, the way RM is introduced within organizations is not empirically explored" Hinna et al (2018).

Hinna et al (2018) analyse the case study of the ISTAT and show how after the implementation of the risk management practices within the organization, now these are integrate in the activities, processes and in the culture and behaviour of the single components of the structure, confirming the opportunity to increase performance and learning.

Therefore, the INTOSAI put light on the necessity to create awareness of the organizations risk in the public sector.

In light of this, indeed, the implementation of the risk management practices in the wide management control system connotes the "maturity" of the management and control system of the public organization: “The entity risk management framework encompasses internal control, but in addition, forms a more robust conceptualisation of how an entity's business decisions should fall out of its core mission and associated objectives and provides a tool for management to help them to determine what the correct response to a particular event should be” (INTOSAI GOV 9130, p. 15).

Components of PIFC Model: Risk Management		Italian Regulation
Risk Assessment	Risk identification	No
	Risk evaluation	No
	Risk appetite assessment	No
	Responses to risks	No
Control activities	Authorization and approval procedures	Yes
	Reconciliations	Yes
	Reviews of operating performance	Yes
	Review of operations processes and activities	Yes
	Specific Information technology control activities	Yes

Table 2 - Extract of the Reginato et al. results’, 2012, p. 395

In the Italian Public Administration and in the Municipalities there isn’t integration between these two activities (Reginato et al, 2012).
In the Table 2 is reported a part of the results’ Reginato et al. (2012) with a comparison between a PIf C//INTOSAI components of internal control in the public sector and Italian regulation.
As evidenced in Table 2, the Risk assessments (a component of the risk management process) aren’t contemplate in the Italian legislation: there is an unsatisfactory level of permeation in the Italian Public organisation system due for the lack in the legislative framework and for the lack of faith by the policy makers on the utility and benefits related to an efficient control system (Peta, 2016).
On the lack on the risk management logics in the Public Administration, Peta affirms: “If on one hand, the Italian legislative framework contemplates in abstract formal

instruments necessary to ensure the function of the internal control system (like the four types of control, the empowerment of the directors, supporting the management control with the analytical accounting), on the other, the action of this last don't appear informed to the risk logic" (Peta, 2016, p. 24).

4 - Methodology and results of observation

This work recurs to the qualitative Content Analysis (afterwards CA) to respond to the research question and to investigate if in the Italian legislative frameworks there is contents and provision about the operational risk management. Above all, the literature underlines the wide application of different methods of CA to analyse the text data in a flexible way (Cavanagh, 1997), choosing that in line with the theoretical interest of the research and the problem studied (Weber, 1990).

The analysis is carried out with two steps:

- the first to investigate the words present in the documents strictly;
- the second to analyse the sense of the key words through their meaning.

Starting from the INTOSAI GOV 9130 "Guidelines for Internal Control Standards for the Public Sector" are selected the keywords for the CA.

These are individuated in:

1. risk (rischio);
2. operational risk (rischio operativo);
3. management (gestione);
4. control (controllo).

In the Table 3 is reported the results of the CA (in the last column is evidenced the major disclosure of particular information).

To show a joint vision the result is reported in Figure 2 a sum of the frequency per word:

The word with most frequency is "control" with 283, follows "management" with 266 and, finally, "risk" with 16 and "operational risk" with 0.

Provision	Nouns researched	Frequency	Added Information
L. 142/1990	Risk [rischio]	1	Environmental risk
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	24	-
	Control [controllo]	78	-
			-
L.D. 29/1993	Risk [rischio]	0	-
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	39	-
	Control [controllo]	24	-
L.D. 77/1995	Risk [rischio]	0	-
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	124	-
	Control [controllo]	74	-
L.D. 279/1997	Risk [rischio]	0	-
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	22	-
	Control [controllo]	5	-
L.D. 286/1999	Risk [rischio]	1	Risk of serious negative result and evaluation process
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	19	-
	Control [controllo]	44	
L. 190/2012	Risk [rischio]	10	Corruption Risk
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	6	-
	Control [controllo]	12	-
L.D. 33/2013	Risk [rischio]	2	Corruption Risk
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	8	-
	Control [controllo]	17	-
L. 124/2015	Risk [rischio]	2	Risk and performance; Corruption risk
	Operational Risk [rischio operativo]	0	-
	Management [gestione]	24	-
	Control [controllo]	29	

Table 3 - Content Analysis of the legislative framework

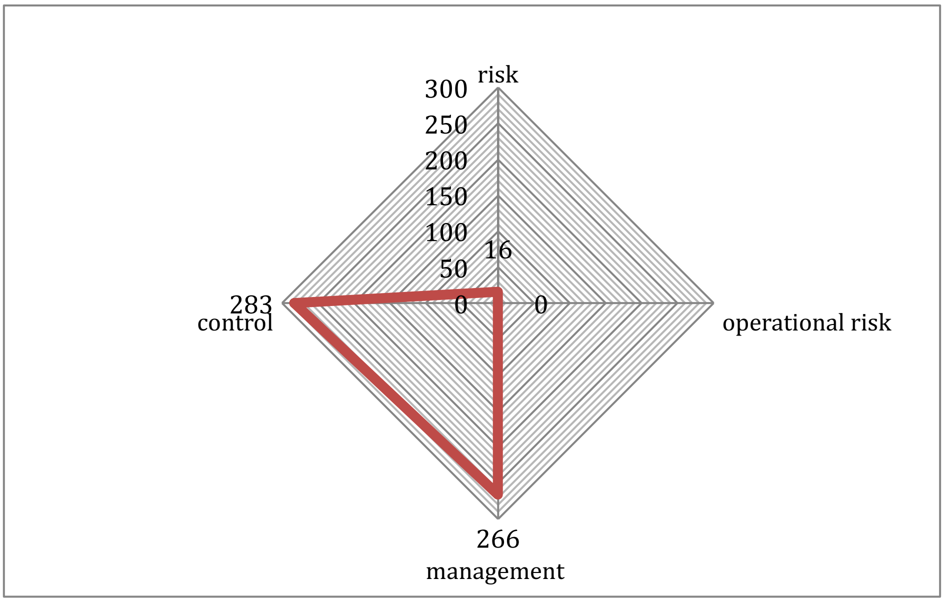


Figure 2 - Results of the content analysis on the Italian legislative framework – our elaboration

5 - Conclusions

The analysis conducted shows how in the Italian legislative framework be poor integration among the operational risk management activities and the management control system and internal control.

Indeed, in according to Peta (2016), the laws and provision in the last twenty years developed with the aim to introduce in the Public organizations logics not imprinted the "risk management".

The results highlight how the "management" and "control", in according to the post New Public Management, are the main issues treated in the legislative framework and how the policy makers are concentrated on it rather than also on risk management practices.

The reasons of this lack are probably various but not are discussed in this work, remanding to the future research.

Observing the Content Analysis developed in Table 3 it is possible to observe that the word "risk" start to have a relevant frequency in the year 2012 when in Italy was introduced a systematic law on the corruption risk.

Therefore, this risk isn't an operational risk in strict sense where the objectives to the Public Administration are "executing orderly, ethical, economical, efficient and effective operations; and safeguarding resources against loss, misuse and damage" (INTOSAI GOV 9130, 2007, p. 10).

The major limitation of this study is that there isn’t an empirical evidence about the poor integration between the operational risk management and management control system rather that a “conceptual” analysis conducted through a literature review in the field and the Content Analysis of the laws and norms that provide around the Public Administration and, in particular, the Municipalities.
Furthermore, art. 196 of the L.D. 267/2000 (Unique Text of the Public Local Entities) provides that every public local entity implement a management control system to ensure the:

1) achievement of the planned objectives;
2) economical management of the public resource;
3) good performance of the Public Administration.

The risks analysis and risk management operations are activities planned with the goal to assure an effective risk response and not compromise the achievement of its objectives.
In the future research would be desirable find empirical evidences of the assumption presented in this work.

REFERENCES

Aven, T., Vinnem, J. E., & Wiencke, H. S. (2007). *A decision framework for risk management, with application to the offshore oil and gas industry.* Reliability Engineering & System Safety, 92(4), 433-448.

Beni, O., Bracci, E., & Donato, F. (2002). *Gli enti locali verso logiche di public governance: elementi di management pubblico.*

Bracci, E., Fugini, M., & Sicilia, M. (2016). *Co-production of public services: meaning and motivations. In Co-production in the Public Sector* (pp. 1-11). Springer, Cham.

Chapman, R. J. (2001). *The controlling influences on effective risk identification and assessment for construction design management*. International Journal of Project Management, 19(3), 147-160.

Guthrie, J., Humphrey, C., Jones, L. R., & Olson, O. (Eds.). (2005). *International public financial management reform: progress, contradictions, and challenges*. IAP.

Maran, L., Bracci, E., & Inglis, R. (2018). *Performance management systems' stability: Unfolding the human factor–A case from the Italian public sector.* The British Accounting Review, 50(3), 324-339.

Mussari, R., & Sorrentino, D. (2017). *Italian Public Sector Accounting Reform: A Step Towards European Public Sector Accounting Harmonisation.* Accounting, Economics, and Law: A Convivium, 7(2), 137-153.

Hatvani, E. N. C. (2015). *Risk analysis and risk management in the public sector and in public auditing. Public* Finance Quarterly, 1, 7.

Hinna, A., Scarozza, D., & Rotundi, F. (2018). *Implementing Risk Management in the Italian Public Sector: Hybridization between Old and New Practices*. International Journal of Public Administration, 41(2), 110-128.

Hood, C. (1995). *The "New Public Management" in the 1980s: variations on a theme*. Accounting, organisations and society, 20(2-3), 93-109.

Hood, C. (2000). *The Art of the State: Culture, Rhetoric and Public Management*. Oxford: Claredon.

Hood, C. (2000). *Paradoxes of public-sector managerialism, old public management and public service bargains.* International public management journal, 3(1), 1-22.

Hood, C. (2005). *Public Management: The Word, the Movement, the Science*. In The Oxford Handbook of Public Management, edited by L. E. Ferlie, L. E. Lynn and C. Pollitt. Oxford: Oxford University Press.

Iacovino, N. M., Barsanti, S., & Cinquini, L. (2017). *Public Organizations Between Old Public Administration, New Public Management and Public Governance: the Case of the Tuscany Region*. Public Organization Review, 17(1), 61-82.

INTOSAI (2007). INTOSAI GOV 9130 – *Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management* (http://www.issai.org/en_us/site-issai/issai-framework/intosai-gov.htm)

Kapuscinska, K. Z., & Matejun, *M. RISK MANAGEMENT IN PUBLIC SECTOR ORGANIZATIONS: A CASE STUDY.* International Journal of Business and Management, 3(3), 129-143.

Keban, Y. T. (2017). *Risk Management: a neglected vital instrument in Public Administration in Indonesia.* Management Research and Practice, 9(4), 5-21.

Mussari, R. (Ed.). (2001). *Manuale operativo per il controllo di gestione*. Rubbettino Editore.

OECD (1996), *"Management Control in Modern Government Administration: Some Comparative Practices",* SIGMA Papers, No. 4, OECD Publishing, Paris.

Osborne, S. P., Radnor, Z., & Nasi, G. (2013). *A new theory for public service management? Toward a (public) service-dominant approach*. The American Review of Public Administration, 43(2), 135-158.

Padovani, E., Yetano, A., & Orelli, R. L. (2010). *Municipal performance measurement and management in practice: which factors matter?.* Public Administration Quarterly, 591-635.

Peta, Anna, *I Controlli Interni Della Pubblica Amministrazione: Criticità E Prospettive Evolutive (Internal Controls in the Public Administration: Current Problems and Future Challenges)* (February 25, 2016). Bank of Italy Occasional Paper No. 312.

Reginato, E., Nonnis, C., & Pavan, A. (2012). *Modern public internal control systems and accountability in health care organisations.* Economia Aziendale Online, 2(4), 381-396.

Robinson, M. (2015). *From old public administration to the new public service: Implications for public sector reform in developing countries.* UNDP Global Centre for Public Service Excellence.

Ricci, P., & Civitillo, R. (2018). *Italian Public Administration Reform: What are the Limits of Financial Performance Measures?. In Outcome-Based Performance Management in the Public Sector* (pp. 121-140). Springer, Cham

4.

Risk Management and Management Control System, a close relationship in process

In this section it exposed how the relationship between risk management and management control system in the public sector is a relationship in process.

Indeed, although is evident the risk management was entered in the public organizations, the way in which it is entered is almost unknown (Hinna et al., 2018).

In line with the aim of this work, Ahmeti and Vlati (2017) offer a literature review on the Risk Management in the public sector.

They conclude that although in the private sector there is a relevant literature, theoretical and practical, on the application of the risk management logics in the public sector there isn't.

They explain: "There is no well-established theoretical background of strategic risk management in public sector and most of the available literature focus only on the risk estimation and fail to further contribute to how these estimations can be introduced to the decision-making process within public authorities" (Ahmeti and Vlati, 2017).

Other researchers complain this lack (Rana et al., 2019; Hinna et al., 2018; Soin and Collier, 2013; Woods, 2008) and recommended that future agenda of scholars and practioners fill this gap.

Yet Soin and Collier (2013) and Rana et al (2019) conducted a literature review on the theme, showing that the major research requires attention on:

1) a better understanding of a relationship between a "mundane practices and processes" (Rana et al., 2019) of Management Control System and the interaction with the Enterprise Risk Management agenda on macro and individual level;

2) the clear understanding of the unintended consequences and the implications for a reformulation of the Management Control System with a robust guidance for best practices.

For this strand of literature Enterprise Risk Management represents a technology for controlling risk, in a widespread way, in relation to an organization's strategy and performance.

Other researchers put in light how Risk Management is an integral part of a management and governance framework in both private and public sectors (Kickert, 2001; Hinna et al.,

2018;), highlighting that risk is defined as *uncertainty in achieving organization objectives* (Atkinson and Webb, 2005).
Furthermore, McPhee (2005) affirming this theory on the steps of Atkinson and Webb reported that, a conceptual level, there are three major contributors to organization risk:

1. **Strategic risk:** alternatives strategies and choices may be ill-advised given the organizations' internal and external circumstances;
2. **Environmental risk:** covering marco-environmental factors, competitive factors and market factors;
3. **Operational risk:** covering compliance and process risk.

In line with it, Atkinson and Webb (2005) affirm: "The primary roles of risk management are to identify the appropriate risk return trade off, implement processes and courses of action that reflect the chosen level of risk, monitor processes to determine the actual level of risk, and take appropriate courses of action when actual risk levels exceed planned risk levels." (Atkinson and Webb, 2005, p. 27).
Surely arise a question about the way on which Risk Management and Management Control System move towards a strong integration in the public sector and about the needs to create this integration.
The International Organisation of Supreme Audit Institutions (afterwards, INTOSAI) creates a guideline "GOV 9130" to help a public sector with the implementation of ERM in its Management Control System (INTOSAI, 2007), in line with the provision of the frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (afterwards, COSO) and the International Organization for Standardization, ISO.
It has been adapted slightly to address the specificities of the public sector (Sarens et al, 2010).
In light of this, indeed, the implementation of the risk management practices in the wide management control system connotes the "maturity" of the management and control system of the public organization (INTOSAI GOV 9130, p. 15):

> *"The entity risk management framework encompasses internal control, but in addition, forms a more robust conceptualisation of how an entity's business decisions should fall out of its core mission and associated*

objectives and provides a tool for management to help them to determine what the correct response to a particular event should be".

Analysing the Italian context Peta (2016) explains how the lack of risk management logics in the Public Administration deriving also by the absence of legal provisions in the Italian legislative framework.

Indeed, the legislative framework contemplates in abstract formal instruments necessary to ensure the function of the internal control system – like the four types of control: the empowerment of the directors, supporting the management control with the analytical accounting – on the other hand, the action of it last don't appear informed to the risk logic (Peta, 2016, p. 24).

The issues for what there isn't this integration are various, including the poor integration between Risk Management and Management Control System into the Italian legislative framework (Riso and Castellini, 2019).

Although if the literature supports the theory that there is an overlap between private and public benefits implementing integration between Risk Management and Management Control System persists this difficulty and, as affirmed by Peta (2016), public actions "don't appear informed to the risk logic".

Braig et al (2011) exposed their considerations about the practical difficulties presented in the public sectors that are highly more complicated than in private sector.

They identify seven key challenges that creates difficulties in the integration between Risk Management and Management Control System (Braig et al, 2011, p. 1-3):

1. Mission goals that override other considerations;
2. Frequent leadership changes and vacant leadership positions;
3. Leaders who lack knowledge of risk management and business;
4. Separation of operating budgets from program budgets;
5. Lack of clear risk metrics;
6. Complex procedural requirements;
7. Limited risk culture and risk mind-set.

Another consideration is that the range of stakeholders in public sector is surely larger than for a private itself: the stakeholders in public risk management are basically everyone (Braig et al, 2011).

To conclude this literature review it's possible affirm that relationship between Risk Management and Management Control System in public sector is a relationship in process, probably could be an integration process is slow and gradual.

Since 2005 Nilsen and Olsen observe, specifically in the municipalities, this relationship: in in its case study emerges how the municipality was characterized by bureaucracy, lack of management attention and institutionalised modes of task performance. It seems explain that overall organisational strategies are more and less ignored at the operational level (Nilsen and Olsen, 2005, p. 45).

Indeed, the next two papers track the last part of the thesis project drawing the practical behaviors of the Italian Municipalities from two different perspectives:

1- The analysis of the Risk Management process in the Municipalities and the involvement of external advisors;

2- The Disclosure of the Risk Management activities.

REFERENCES

Ahmeti, R., & Vladi, B. (2017). Risk Management in Public Sector: A Literature Review. European Journal of Multidisciplinary Studies, 2(5), 323-329

Atkinson, A., & Webb, A. (2005). A Director's Guide to Risk and its Management,[in:] Articles of Merit Award Program for Distinguished Contribution to Management Accounting. International Federation of Accountants, New York, 26-32.

Braig, S., Gebre, B., & Sellgren, A. (2011). Strengthening risk management in the US public sector. McKinsey & Company, 28, 1-10.

COSO. (2004). Enterprise risk management. Retrieved from https://www.coso.org/Documents/COSO-ERM-Executive-Summary-Italian.pdf

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing Risk Management in the Italian Public Sector: Hybridization between Old and New Practices. International Journal of Public Administration, 41(2), 110-128

INTOSAI (2007). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management (http://www.issai.org/en_us/site-issai/issaiframework/intosai-gov.htm)

McPhee, I. (2005). Risk and risk management in the public sector. Canberra: Australian National Audit Office.

Kickert, W. J. (2001). Public management of hybrid organizations: governance of quasi-autonomous executive agencies. International Public Management Journal, 4(2), 135-150.

Peta, Anna, I Controlli Interni Della Pubblica Amministrazione: Criticità E Prospettive Evolutive (Internal Controls in the Public Administration: Current Problems and Future Challenges) (February 25, 2016). Bank of Italy Occasional Paper No. 312.

Rana, T., Wickramasinghe, D., & Bracci, E. (2019). New development: Integrating risk management in management control systems—lessons for public sector managers. Public Money & Management, 39(2), 148-151

Riso, V., & Castellini, M. (2019). Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework. Economia Aziendale Online, 10(1), 149-158.

Soin, K., & Collier, P. (2013). Risk and risk management in management accounting and control.

4.1 Papar III

From New Public Management to Public Risk Management An Overview in the Italian Municipalities

Working paper:

M. Castellini, **Riso, V.,** (…) From New Public Management to Public Risk Management An Overview in the Italian Municipalities

Paper presented in the VIII Workshop of Management Control Review placed in Ancona, 14 June 2019

Abstract

In the last years, New Public Management provisions have had an influence on the management of organizations in the public sector that undertake managerial behaviors increasingly similar to the private sector.

Indeed, risk management is embedded in all public administration and numerous scholars claim the need to improve researches about this theme to understand if and how the public sector enhances risk management theory in its organizations. In light of the above, this research moves to understand if and how, in the Italian Municipalities, risk management practices are embedded and if its risk management activity is disclosed to its stakeholders. The analysis – with quali-quantitative methods – focuses on 500 municipalities distributed in all Italian regions and through a qualitative content analysis considers all documents published in the official websites.

Finally, three synthetic indicators were created to show the results.

The results show how the municipalities adopt isomorphism behaviors.

Keywords: Public Risk Management, New Public Management, Italian Municipalities

Evidences for Practice

- New Public Management evolves in Public Risk Management and is embedded in the Italian Municipalities.
- The municipalities have isomorphism behavior and implement risk assessment activities with the advice of an external professional.
- The municipalities do mandatory disclosure of risk management information as required by legislative obligations.

1. Introduction

In the last years the new public management provisions have had an influence on the management of organizations in the public sector that undertake managerial behaviors increasingly similar to the private sector (Larbi 1999; Parker, Jacobs and Schmitz 2019; Osborne, Radnor and Nasi, 2013).

Risk management is embedded in all public administration and scholars claims the need to improve research about this theme (Hinna, Scarozza and Rotundi 2017; Rana, Wickramasinghe, and Bracci 2019; Soin and Coiller 2013).

Indeed, since 1980 with the advent of New Public Management public administration changes its approach to achieve objectives and introduces procedures and organizational innovation in a managerial way (Dunleavy and Hood 1994; Hood and Jackson 1992).

This new way to think about public administration offers the possibility to maintain a bureaucratic view of the organizational management traveling toward the management of public administration oriented to effective and efficient achievement of its goals (Ewan, Fitzgerald and Pettigrew 1996; Parker, Jacobs and Schmitz 2019)

Some scholars affirm how the same logic applied to private organizations is replicable in the public sector (Bouckaert and Van Dooren 2003; Diefenbach 2009; Ring and Perry 1985).

Since 2000, in Italy, New Public Management has influenced the reform process of the public administration (Mussari, 2002) introducing a legislative obligation that provides a Management Control System in the public organizations with an internal auditor (Arena, Arnaboldi and Azzone, 2006; Guthrie, Manes-Rossi, and Orelli, 2017).

In parallel in the private world has arisen risk management practices integrated in the Management Control System to the point that international organizations create the first framework and standards, like the Enterprise Risk Management proposed in the CoSO

Framework (2004) or ISO 31000 by the International Standard Organization (2009), just to name a few.

As a result of these trends, the International Organisation of Supreme Audit Institutions (INTOSAI) provides guidelines to implement a recommended framework for applying the principles of entity risk management in the public sector, called INTOSAI GOV 9130 (Hatvanti 2015).

Entering the current research on risk management in the public sector, this research aims to investigate three principal research questions:

QR1: Do the Italian municipalities embed risk management practices in their organizations?

QR2: How do the municipalities perform risk management activities?

QR3: Do the municipalities disclose information about the risk management activities?

The answers to these questions will be reached through a quali-quantitative approach with the analysis of the documents published on the municipalities' official websites (Di Fatta, Musotto and Vesperi, 2016).

Theory

Analyzing the excursus that drives from New Public Management to Public Risk Management the influence of the private sphere is always present (Ahmeti and Vladi, 2017; Keers and van Fenema 2018).

Indeed, as reported above, while the Italian public sector has developed the New Public Management approach, in the private sector there has been a change in the role of the Internal Audit integrating risk management in a management control system (Spira and Page 2003).

Moreover, the integration between risk management and management control system in the Italian context is little contemplated (Riso and Castellini, 2019) and the legislative framework provides abstract instruments to ensure the function of the internal control system, but which does not appear informed as to the risk logic (Peta, 2014 p. 24).

This phenomenon likely derives from the difficulty – especially in small municipalities – to switch from a bureaucratic approach to the managerial approach (Mussari and Sorrentino, 2017).

Although the New Public Management theories were developed over the last forty years, not all public administrations have been able to change this approach (Hinna and Ceschel 2020; Steccolini, 2019).

However, Public Risk Management assumes a central role to ensure the achievement of the objectives for the municipalities and public organizations in general (Keban 2017; Stanton, 2013).

Some scholars have suggested to implement research on the public risk management theme (Hinna, Scarozza and Rotundi, 2017; Leung and Isaacs, 2008; Wood 2009) knowing that risk management is embedded in public organizations, but it isn't empirically investigated.

Furthermore, in relation to the municipalities in the Italian public legislative framework, it presents provisions of corruption risk and environmental risk but there isn't an overall provision that suggests how to implement public risk management considering all organizations' risks (Peta, 2016; Riso and Castellini 2019) presented, instead, for the public companies (Florio and Leoni, 2017).

Indeed, in comparing INTOSAI guidelines and Public Internal Financial Control (PIFC) model with the Italian legislative framework Reginato, Nonnis and Pavan (2012, p. 395) show how it contemplates all control activities (like *reviews of operating performance, review of operations processes and activiti*es or specific information technology control activities), but there aren't concerns about risk assessment activities (such as risk identification, risk evaluation, risk appetite assessment and responses to risks).

However public risk management retains its ability to ensure the objectives are realized and to increase the performance of the public organization (Gates, Nicolas and Walker, 2012).

In fact, Ricci and Civitillo affirm that "financial performance should not be the ultimate objective of public management but instead an instrument to evaluate the financial comparability of various priorities to purse (public value, social, environmental, etc.)" (Ricci and Civitillo, 2018).

More in depth, Capaldo et al. (2017) confronted the issue of the relationship between performance and risk management in the Italian public sector and explained how risk-based approach could increase the performance management process.

Various issues contribute to slow down the introduction of Public Risk Management within the municipalities' organizations: since 2005, Nilsen and Olsen (2005) observe that specifically the relationship for each municipality was characterized by bureaucracy, lack of management attention and institutionalized modes of task performance.

It seems to show how overall organizational strategies are more and less ignored at the operational level (Nilsen and Olsen, 2005, p. 45).

2. Methods

This research moves to understand if the Italian municipalities have embedded risk management activities in their organizations, how and if they disclose these activities.

Through a quali-quantitative approach (Di Fatta, Musotto and Vesperi 2016), the analysis develops in two main strands:

1- qualitative content analysis (QCA) is useful to understand if some documents published (Eckerd 2014; Kohli, Kaur and Singh 2012; Mayring 2004) on the municipalities' official websites discuss about risk management practices.

2 – through the analysis of the information from the QCA three synthetic indicators ('α', 'β', and 'γ') are developed, which are the ratio between the various information collected.

In this way, the research offers the possibility to evaluate the qualitative information published and disclosed by the municipalities and reads the results in quantitative form through the development of a quantitative ratios model of qualitative information.

The sample is composed of 500 municipalities with the major number of inhabitants selected per region proportionally to the number of municipalities of each region from the total of the 7,914 Italian municipalities.

Therefore, the region with the greatest number of municipalities has more municipalities observed compared to others.

Two reasons support this choice: first, the selection in a proportional way likely respects the image of the total representation; second, the municipalities with the major number of inhabitants are more structured from an organizational point of view and are more inclined to respect transparency provisions and disclose its information.

Figure 1 presents an image of the sample selected per region.

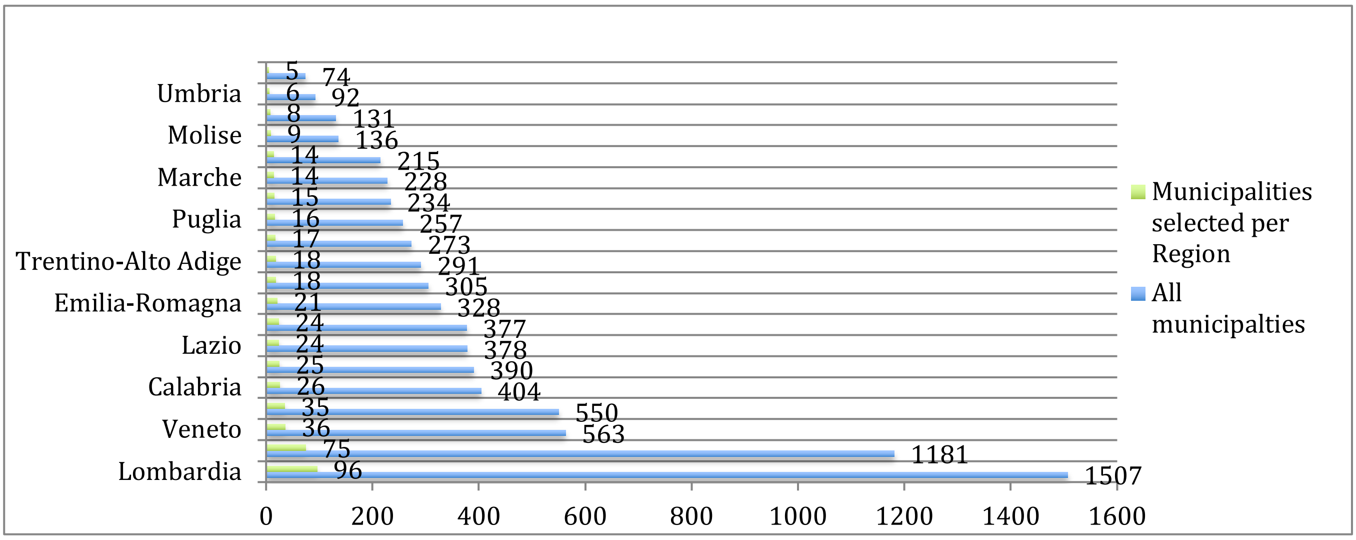
Moreover, the QCA was conducted in the autumn 2019 and using keywords relating to the risk management activities (synthesized under the term "*da" – data available*) and three specific items/keywords related to the risk assessment process (Lark, 2015, p. 14):

- risk identification (x_1)

- risk analysis (x_2)

- risk evaluation (x_3)

Figure 1 Sample selection of the 500 municipalities per region



Source: our elaboration

Table 1 (titled *'Risk assessment process in the Italian municipalities – evaluation model'*) presents the analysis model with specification about the sources and variables used to develop the synthetic indicators:

Table 1 Risk assessment process in the Italian municipalities – evaluation model

Variables and indicators	Explanation
X_1	Number of words 'Risk Identification'
X_2	Number of words 'Risk Analysis'
X_3	Number of words 'Risk Evaluation'
n	Number of measurements (X_1, X_2, X_3) per region
da (data available)	Number of contracts or documents available on the municipalities websites' about operational risk management activities
S	Sample per region
$Xm = (\frac{x1 + x2 + x3}{n})$	Average value of 'n'
$Xmax = \forall x > x1 \bigvee x2 \bigvee x3$	Maximum value of 'n'
$\alpha = \frac{Xm}{Xmax}$	'α' is an indicator that shows if the municipality does the three risk assessment activities' (X_1, X_2, X_3) → when the value is 1 the municipality does all the activities
$\beta = \frac{da}{S}$	'β' is an indicator that shows the propensity of the municipalities to publish on its website notices about operational risk management → when the value is 1 all the municipalities of the sample publish notices (data available)
$\gamma = \frac{Xm}{da}$	'γ' is an indicator that shows the propensity of the municipalities to does risk assessment activities → when the value is 1 all the municipalities do risk assessment activities

Source: our elaboration

The indicator ‘α’, obtained through the ratio between x_m and x_{max} sums up how municipalities do all three risk assessment activities (identification, analysis and evaluation of risks), then the indicator ‘γ’ explains to what degree municipalities do risk assessment analysis in the risk management process (ratio between x_m and *da*).

The last indicator – ‘β’ – shows how municipalities publish and disclose information about risk management activities (ratio between *da* and *S*).

3. Results

The results of the QCA show how 366 municipalities – 73.2% – of the sample selected, published documents and notices about its risk management activities: all documents found are published under a legislative obligation of transparency (i.e. Legislative Decree n. 33 year 2013) and expose how part of risk management activities with reference to external professionals – for example to legal or insurance sectors – assist the organizations to manage risks.

Table 2 reports the results of the QCA (items *S, da,* x_1, x_2, x_3,) and the results of the quantitative analysis as reported above (items x_m, x_{max}, α, β and γ):

Table 2 Risk assessment process in the Italian municipalities – Results

N.	Region	S	da	X_1	X_2	X_3	X_{max}	X_m	α	β	γ
1	Lombardia	96	68	24	44	40	44	36	0.82	0.71	0.53
2	Piemonte	75	53	36	41	37	41	38	0.93	0.71	0.72
3	Veneto	36	34	24	27	24	27	25	0.93	0.94	0.74
4	Campania	35	13	3	5	4	5	4	0.80	0.37	0.31
5	Calabria	26	2	1	1	0	1	0.7	0.70	0.08	0.35
6	Sicilia	25	24	8	8	8	8	8	1.00	0.96	0.33
7	Lazio	24	21	17	17	17	17	17	1.00	0.88	0.81
8	Sardegna	24	20	10	11	10	11	10.3	0.94	0.83	0.52
9	Emilia-Romagna	21	21	20	20	20	20	20	1.00	1.00	0.95
10	Abruzzo	18	16	9	9	9	9	9	1.00	0.89	0.56
11	Trentino-Alto-Adige	18	6	4	4	4	4	4	1.00	0.33	0.67
12	Toscana	17	17	14	14	14	14	14	1.00	1.00	0.82
13	Puglia	16	14	5	6	5	6	5.3	0.88	0.88	0.38
14	Liguria	15	12	4	4	4	4	4	1.00	0.80	0.33
15	Marche	14	14	11	11	11	11	11	1.00	1.00	0.79
16	Friuli-Venezia-Giulia	14	13	5	5	5	5	5	1.00	0.93	0.38
17	Molise	9	7	2	2	2	2	2	1.00	0.78	0.29
18	Basilicata	8	6	4	4	4	4	4	1.00	0.75	0.67
19	Umbria	6	2	1	1	1	1	1	1.00	0.33	0.50
20	Valle d’Aosta	5	3	2	2	2	2	2	1.00	0.60	0.67
	Total	**500**	**366**	**204**	**236**	**221**	**236**	**220.3**	**0.93**	**0.73**	**0.60**

Source: our elaboration

The analysis shows how 220 municipalities (average of risk assessment process, x_m) are present in circa 60% of the risk management documents (*da*).

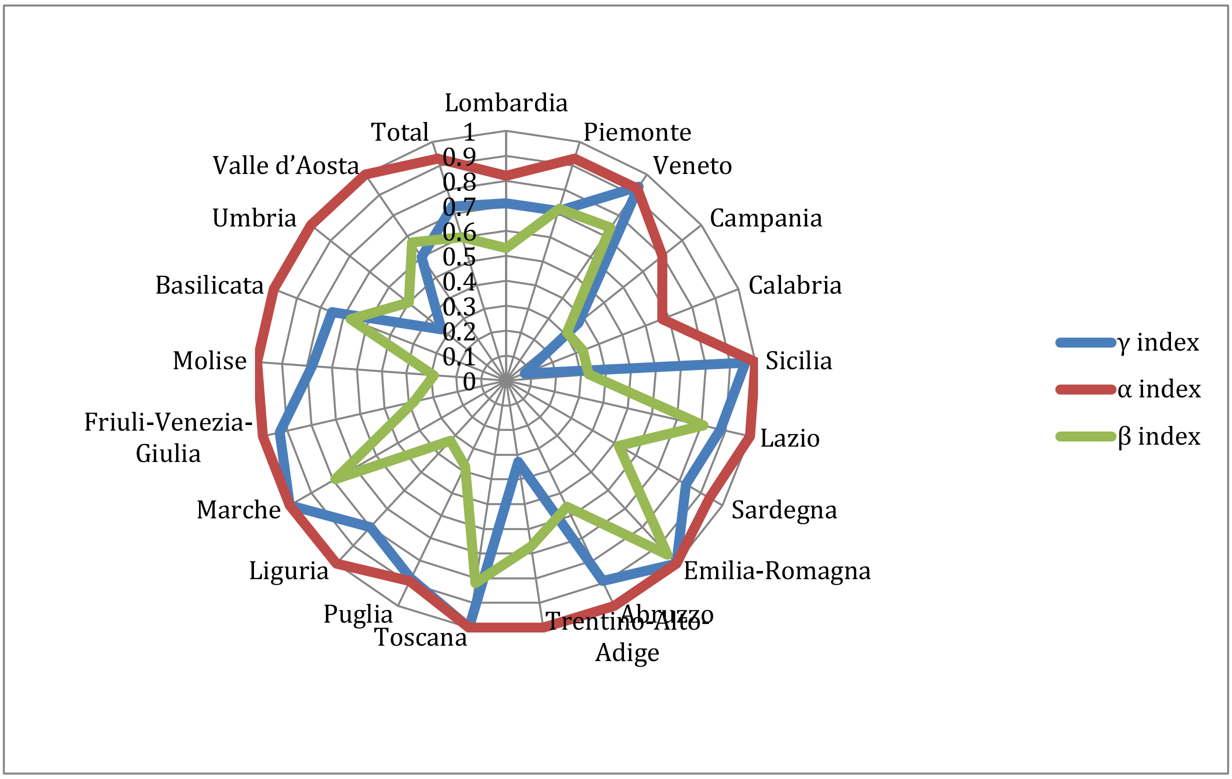
Furthermore, the synthetic index analysis show how α has a total value equal to 0,93 and 14 municipalities (70% of the total) have value 1: this means that almost all municipalities do three activities of the risk assessment process.

On the other hand, the synthetic index γ has a total value equal to 0,60 – less than α – and γ on the 20 municipalities has values between 0.29 and 0.95: comparing the items of risk assessment in the documents available, these are not often present, but heterogeneously distributed over the various regions.

Then, the last index presented is β which has a total value equal to 0.73 and on the 20 municipalities has values between 0.08 and 1: this data show how regions with municipality virtuosos have websites updated with more documents and notices and, on the other hand, municipalities that publish fewer documents.

Finally, Graphic 1 (Risk assessment process in the Italian municipalities – Results) presents an overview of the three indicators matching on the 20 regions:

Graphic 1 Risk assessment process in the Italian municipalities – Results



Source: our elaboration

The trend of the indicators confirms the above: α index is almost a perfect circle; however, β and γ have heterogeneous trends.

4. Discussion

The analysis conducted permits to reply to all research questions and demonstrates how Italian municipalities embed risk management practices in their organizations.

In detail, replying to the first research question, the analysis conducted shows how circa 70% of the municipalities analyzed published documents about risk management activities.

Moreover, two indexes α and γ, explain how the risks assessments activities (identification, analysis and evaluation of risks) are developed in organizations.

Another aspect that emerges from the analysis is that the municipalities use advice of an external professional to perform the risk assessment activity and the 'layout' of the documents published on the official website which – in the absence of the specifically legislative form or model – are very similar and – often – the same.

Indeed, Petak (1985) explained how the risk management practices are very particular and not all public administrations have the skills and instruments to implement a control system to evaluate risk management and operational risks and affirmed that "it is important to note that current decision-making approaches tend to put a great deal of power in the hand of technical experts and professional administrator who are not directly accountable to the public" (Petak 1985, p. 5).

Furthermore, replying to the second research question, the municipalities analyzed do risk management activities through a risk assessment process involving an external professional or advisor: this phenomenon raises the hypothesis of 'non-risk-management' activities by the municipalities that could rely on external help to do it.

Moreover, the similar form of documents published could be explained by the phenomenon of mimetic isomorphism (DiMaggio and Powell, 1983) where municipalities tend to imitate the behavior of other entities and emulate it.

Furthermore, a previous study applied to the Italian Municipalities assessed how New Public Management reforms are applied through an isomorphic behavior (Reginato et al., 2010). Finally, observing γ index it appears how there is a heterogeneous behavior by the municipalities, although almost all do a mandatory disclosure of information as a legislative obligation.

Although the main literature on the theme of accountability of public action suggests increasing the disclosure of the activities pursue (Greiling and Spraul, 2010; Lawton and Monfardini, 2010), the risk management information disclosure happens only as mandatory and not as voluntary.

5. Conclusion

The analysis conducted in this research illuminates many aspects that leading scholars suggest investigating on the theme of risk management in the public sector (Hinna, Scarozza and Rotundi, 2017; Leung and Isaacs 2008; Wood 2009).

Indeed, through a QCA it shows that the municipalities put in place risk management strategies and how, bringing out new research paths to know more how these entities manage the relationship with the external professional and to test the hypothesis of 'non-risk-management' activity.

Although this research is limited for having studied phenomenon from the outside, it does, however, emerge critical aspects related the risk management activity in the Italian municipalities.

Moreover, it demonstrates the transition from New Public Management to Public Risk Management and how the managerial theories are embraced in practice by the municipalities' organizations.

In future research, there is a need to analyze the municipalities' organizations from within, exploring the processes and the relationship between risk management and management control system.

Another important aspect that should be explored is the management of risk management information and the benefit that derives from a major propensity to transparency and accountability, as suggested by Eckerd (2014), to involve citizens who think risks as something to be managed and not to be avoided.

References

Ahmeti, Remsi, and Besarta Vladi,. 2017. Risk management in public sector: A literature review. *European Journal of Multidisciplinary Studies* 2(5): 323-329.

Arena, Marika, Michela Arnaboldi, and Giovanni Azzone. 2006. "Internal audit in Italian organizations." *Managerial Auditing Journal* 21(3):275-292.

Baldry, David. 1998. "The evaluation of risk management in public sector capital projects." *International Journal of Project Management* 16(.1): 35-41.

Capaldo, Guido, Nicola Costantino, Roberta Pellegrino, and Pierluigi Rippa. 2018. "The role of risk in improving goal setting in performance management practices within public sector: An explorative research in courts offices in Italy." *International Journal of Public Administration* 41(12): 986-997.

COSO. (2004). Enterprise risk management. https://www.coso.org/Documents/COSO-ERM-Executive-Summary-Italian.pdf

Diefenbach, Thomas. 2009. "New public management in public sector organizations: the dark sides of managerialistic 'enlightenment'." *Public Administration* 87(4): 892-909.

Di Fatta, Davide, Roberto Musotto, and Walter Vesperi. 2016. "Analyzing e-commerce websites: A quali-quantitative approach for the user perceived web quality (UPWQ)." *International Journal of Marketing Studies* 8(6): 33-44.

DiMaggio, Paul J., and Walter W. Powell. 1983. "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields." *American Sociological Review* 48(2): 147-160.

Greiling, Dorathea, and Katharina Spraul. 2010. "Accountability and the challenges of information disclosure." *Public Administration Quarterly* 34(3): 338-377.

Eckerd, Adam. 2014. "Risk management and risk avoidance in agency decision making." Public *Administration Review* 74(5): 616-629.

Ferlie, Ewan, Louise Fitzgerald, and Andrew Pettigrew. 1996. *The new public management in action*. Oxford: OUP .

Florio, Cristina, and Giulia Leoni. 2017."Enterprise risk management and firm performance: The Italian case." *The British Accounting Review* 49(1): 56-74.

Gates, Stephen, Jean-Louis Nicolas, and Paul L. Walker. 2012. "Enterprise risk management: A process for enhanced management and improved performance."

Guthrie, James, Francesca Manes-Rossi, and Rebecca Levy Orelli. 2017. "Integrated reporting and integrated thinking in Italian public sector organisations." *Meditari Accountancy Research* 25(4).

Keban, Yeremias T. 2017."Risk management: a neglected vital instrument in public administration in Indonesia." *Management Research and Practice* 9(4): 5-21.

Keers, Bianca BM, and Paul C. van Fenema. 2018. "Managing risks in public-private partnership formation projects." *International Journal of Project Management* 36(6): 861-875.

Kohli, Shruti, Sandeep Kaur, and Gurrajan Singh. 2012. "A website content analysis approach based on keyword similarity analysis." *IEEE/WIC/ACM International Conferences on Web Intelligence and Intelligent Agent Technology*. vol. 1. IEEE.

Hood, Christopher, and Michael Jackson. 1992. "The new public management: a recipe for disaster?" In *Hazard management and emergency planning: Perspectives on Britain,* edited by Dennis Parker and John Handmer, 109-125. Routledge.

Hatvani, Erzsébet Németh–Csaba. 2015. "Risk analysis and risk management in the public sector and in public auditing." *Public Finance Quarterly* 1(7): 7-28.

Hinna, Alessandro, and Federico Ceschel. 2020. "Public Management Reform in Italy." In *Organizational Development in Public Administration,* edited by Decastri, M., Battini, S., Buonocore, F., and Gagliarducci, F, 105-137. Cham: Palgrave Macmillan.

Hinna, Alessandro, Danila Scarozza, and Fabrizio Rotundi. 2018."Implementing risk management in the Italian public sector: Hybridization between old and new practices." *International Journal of Public Administration* 41(2): 110-128.

INTOSAI (2007). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management http://www.issai.org/en_us/site-issai/issaiframework/intosai-gov.htm

ISO. (2017, 04 30). ISO 31000:2009 - Risk Management: principles and guidelines. https://www.iso.org/obp/ui/#iso:std:iso:31000:ed-1:v1:en

Larbi, George A. 1999. "The new public management approach and crisis states."

Lark, John. 2015. *ISO31000: Risk Management: a Practical Guide for SMEs*. International Organization for Standardization.

Lawton, Alan, and Patrizio Monfardini. 2010. "Accountability in the new public sector: a comparative case study." *International Journal of Public Sector Management* 23(7).

Leung, Flavia, and Frances Isaacs. 2018. "Risk management in public sector research: approach and lessons learned at a national research organization." *R&D Management* 38(5): 510-519.

Lu, Yaotai. "The Relationship Between Public Budgeting and Risk Management: Competition or Driving?" 2015. *International Workshop on Enterprise Security*. Cham: Springer.

Mayring, Philipp. 2004. "Qualitative content analysis." In *A companion to qualitative research*, edited by Uwe Flick, 159-176. SAGE.

Mussari, Riccardo, ed. Il 2002. "*Controllo di gestione nell'amministrazione finanziaria dello Stato: l'esperienza dell'Agenzia delle entrate*." Rubbettino Editore.

Osborne, Stephen P., Zoe Radnor, and Greta Nasi. 2013. "A new theory for public service management? Toward a (public) service-dominant approach." *The American Review of Public Administration* 43(2): 135-158.

Parker, Lee D., Kerry Jacobs, and Jana Schmitz. 2019. "New public management and the rise of public sector performance audit." *Accounting, Auditing & Accountability Journal* 32(1).

Peta, Anna. 2016. "I Controlli Interni Della Pubblica Amministrazione: Criticità E Prospettive Evolutive (Internal Controls in the Public Administration: Current Problems and Future Challenges)." *Bank of Italy Occasional Paper* 312 ().

Petak, William J. 1985. "Emergency management: A challenge for public administration." *Public Administration Review* 45: 3-7.

Rana, Tarek, Danture Wickramasinghe, and Enrico Bracci. 2019. "New development: Integrating risk management in management control systems—lessons for public sector managers." *Public Money & Management* 39(2): 148-151.

Reginato, Elisabetta, Claudia Nonnis, and Aldo Pavan. 2012. "Modern public internal control systems and accountability in health care organisations." *Economia Aziendale Online* 2(4): 381-396.

Reginato, E., Fadda, I., & Pavan, A. (2010). Italian municipalities' NPFM reforms: an institutional theory perspective. *Pecvnia: Revista de la Facultad de Ciencias Económicas y Empresariales, Universidad de León*, (11), 153-175.

Riso, Vincenzo, and Monia Castellini. 2019. "Poor integration between operational risk management activities and internal control system in the municipalities: an analysis of the Italian legislative framework." *Economia Aziendale Online*- 10(1): 149-158.

Soin, Kim, and Paul Collier. 2013l "Risk and risk management in management accounting and control." *Management Accounting Research* 24(2): 82-87.

Spira, Laura F., and Michael Page. 2003. "Risk management: The reinvention of internal control and the changing role of internal audit." *Accounting, Auditing & Accountability Journal* 16(4).
Stanton, Thomas H. 2013. "Risk management is essential at a time of downsizing." *Public Administration Review* 73(2): 219-220.
Steccolini, Ileana. 2019. "Accounting and the post-new public management: Re-considering publicness in accounting research." *Accounting, Auditing & Accountability Journal* 32(1).
Woods, Margaret. 2009. "A contingency theory perspective on the risk management control system within Birmingham City Council." *Management Accounting Research* 20(1): 69-81.

4.2. Paper IV

Risk Management Information Disclosure in the Municipalities: a brief overview in Italy

Working paper:

M. Castellini, **Riso, V.,** (…) *Risk Management Information Disclosure in the Municipalities: a brief overview in Italy*

Paper presented in the IX Workshop of Management Control Review placed in Bari, Online version, 27 november 2020

Abstract

Scope: Risk management covers a central role in all organizations, private and public, and many scholars pay attention to this theme under different perspectives. Indeed, some authors explain how risk management is a fundamental instrument in the public sector and the INTOSAI guidelines 9130 invites public administrations to increase the risk management activities in its organizations. Furthermore, to increase the public administrations' accountability policies is useful the disclosure of the risk management information as affirmed by many scholars for the private sector. The academic input, in this scenario, assumes a central role to understand the organizational behaviours and address professionals and policy makers. In this work has been analysed the role of the risk management information disclosure – afterward RMID – in the public sector, in force of the transparency and accountability of the public action.

Methodology: The analysis was conducted to understand if and how the municipalities bring voluntary disclosure about risk management information besides the disclosure deriving by legislative obligations. Under this lens, this work analyses a sample of 110 municipalities – Italian district capitals – through a selection of documents published in the institutional websites.

The analysis was developed on two levels: first consists to classify the documents published into two categories, *Mandatory Disclosure* (MD) and *Voluntary Disclosure* (VD).
In the second step, through a content analysis, was analysed the information published in these documents classifying under the related organizational risks (strategically, compliance or operational).
Results: The study shows how almost totally of the municipalities analysed bring more over MD rather than VD and this result shows how the voluntary disclosure of the information is poorly developed, although it represents an important action that contributes to the accountability of the municipality. Furthermore, the information published, covering legislative obligations, referred to the strategically and compliance risks and, in minor relevance, to the operational risks.
Implications: The RMID represents an opportunity to the municipality not only to increase its accountability policies but also to better understand its organizational problems and, then, to better address political and managerial choices.

Keywords: Risk Management, Public Administration, Information Disclosure, Voluntary, Management Control

Introduction

Risk management covers a central role in all organizations, private and public, and many scholars pay attention to this theme under different perspectives (Barret, 2019; Rana et al., 2019; Hinna et al., 2017; Chapman, 2001).
Indeed, some authors explain how risk management is a fundamental instrument in the public sector (Rana et al, 2019; Riso and Castellini, 2019; Keban, 2017) and the INTOSAI guidelines 9130 invites public administrations to increase the risk management activities in its organizations (INTOSAI 9130, 2007). Furthermore, to increase the public administrations' accountability policies is useful the disclosure of the risk management information (Ryan and Ng, 2000; Baharuddin and Yusof, 2018; Rana et al., 2019) as affirmed by many scholars for the private sector (Lajili and Zéghal, 2005; Mol and Zhang, 2011; Htay et al., 2011; Mishra et al. 2019). The academic input, in this scenario, assumes a central role to understand the organizational behaviours and address professionals and policy makers (Hinna et al., 2017). In this work has been analysed the role of the risk management information disclosure – afterward RMID – in the public

sector, in force of the transparency and accountability of the public actions (Husin et al., 2017; Abdullah et al., 2016).

The analysis was conducted to reply to the research question: how the Italian municipalities bring voluntary disclosure about risk management information besides the disclosure deriving by legislative obligations?

Under this lens, this work analyses a sample of 110 municipalities – Italian district capitals – through a selection of documents published in the institutional websites.

The analysis was developed on two levels: first consists to classify the documents published into two categories, *Mandatory Disclosure* (MD) and *Voluntary Disclosure* (VD).

In the second step, through a content analysis, was analysed the information published in these documents classifying under the related organizational risks (strategically, compliance or operational)

The research follows these steps: literature review, presentation of method and data collection, results and last discussion and conclusions.

Literature Review

Transparency and Accountability in the Public Sector

The information disclosure in the public sector represents the opportunity to increase its accountability towards citizens (Greiling and Spraul, 2010).

Indeed, Fox (2007) affirms that "The concepts of transparency and accountability are closely linked: transparency is supposed to generate accountability" (Fox, 2007, p. 663)

From an international point of view, OECD suggests every government ensures transparency and information disclosure about public actions that are instruments to increase accountability and trust of citizens (Ubaldi, 2013).

With this aim was born the international OECD project called "Open Government Data – *Towards Empirical Analysis of Open Government Data Initiatives"*.

Some scholars analyzing the accountability theme define two principal perspectives of accountability: external and internal (Lawton and Monfardini, 2010; Knapp and Feldman, 2012, Poole, 2011).

Specifically, the perspective internal or external depends by the subjects in charge of control of the activities of others (Romzek and Johnston, 1999).

In the public sector case, the external accountability involves citizens' participations in the control process of the public actions (Lee, 2004).

Starting by Frederickson (1991) definition of public for public administration – that identifies five theories of the public that are the public as interest group (pluralist), consumer (public choice), represented voter (legislative), client, and citizen – citizen is an active part of the public choice process.

Indeed, in the view of Barber (2003) citizens have an very active role in the governments choices: "Active citizens govern themselves directly here, not necessarily at every level and in every instance, but frequently enough and in particular when basic policies are being decided and when significant power is being deployed" (Barber, 2003, p. 151)

In the light of these reflections, transparency and disclosure of information represent the opportunity for citizens to exercise this control on public actions (Bosch et al., 2012).

Risk Management Information Disclosure to increase Accountability

In the last years risk management increase its role in the public sectors embedded in the practices of the management control systems (Hinna et al., 2017; Rana et al., 2019; Soin and Coiller, 2013) and many scholar explain how it represent a useful instrument in the public management (Rana et al, 2019; Riso and Castellini, 2019; Keban, 2017).

Moreover, the INTOSAI guidelines 9130 invite public administrations to increase the risk management activities in its organizations (INTOSAI 9130, 2007).

Leaving the way in which public administration embedded risk management in its organizations – that there isn't useful in this research – some researchers observe how is important to increase accountability of the public organization the information disclosure about risk management activities (Eckerd, 2014; Mol et al., 2011; Abdullah et al. 2015).

Indeed, the INTOSAI guidelines offer a specific advice for the communication and disclosure information in the public entities (INTOSAI GOV 9130, 2007, p. 36):

> *"There needs to be appropriate communication not only within the Entity, but with the outside as well. It is important to externally communicate with stakeholders about* ***the way in which the entity is managing risk to give them assurance that the entity will deliver what is expected to manage expectations of what can be delivered.***
>
> *This is particularly important in relation to risks that affect the public and where the public depend on their government to manage the risk for them. The seriousness in which communication with external parties is taken and the honesty of such communication also sends important messages*

throughout the entity and can have a significant impact on organisational culture.

In line with this view Ryan and Ng (2000) and Baharuddin and Yusod (2018) explain how the RMID (Risk Management Information Disclosure) increase public administrations' accountability as affirmed by many scholars for the private sector (Lajili and Zéghal, 2005; Mol and Zhang, 2011; Htay et al., 2011; Mishra et al. 2019).
Indeed, if the Mandatory Disclosure (MD) derives by legislative obligations, Voluntary Disclosure (VD) represents the way in which public administration communicates its actions to all stakeholders (Gesuele and Metallo, 2017).

A focus on the Italian municipalities' context

The Italian Municipalities have undergone several changes in the last thirty years, since 1990s with the advent of New Public Management influences (Cassia and Magno, 2011; Anessi-Pessina and Steccolini, 2005).
Indeed, the introduction of the managerial approach (Mussari, 2002) moves the Italian municipality towards a new way to think a citizen, considering it a client (Osborne et al. 2013).
Under legislative lens, Legislative Decree n. 267 year 2000 provides principals norms about the municipalities with the introduction of managerial instruments (i.e. a structural management control system (Lawton and Monfardini, 2010).
Moreover, after the first organic provision about anti-corruption norms (Law n. 190 year 2012) in the Italian regulation rises a norm that provides a principal "obligations of publicity, transparency and dissemination of information by public administrations" (Legislative Decree n. 33 year 2013).
The L.D. 33 year 2013 provides the principals documents and information that municipality are obliged to publish and disclose, defining in this way a principal MD information (Gesuele et al., 2016).
Under these legislative obligations, the RMID in the Italian municipalities contemplates principally corruption-risks (Gnaldi and Del Sarto, 2019; Galli et al, 2017) and these publish information on how manage risk of the lack of transparency and how repress corruption phenomena.

Method and Materials

This research analysed the MD and VD in the Italian Municipalities district capitals through a content analysis of the documents published on the official websites (Eckerd 2014; Kohli, Kaur and Singh 2012; Mayring 2004).

The choice of the sample – Italian district capital municipalities – derives from the assumption that municipalities with high number of inhabitants are more organizational structured with major resources and so are more involved to increase its accountability policies.

Another reason is that big organizations are more exposed to risks (strategically, compliance and operational) and inclined to adopt risk management strategies (Rasmusse and Suedung, 2000).

In Figure 1 was reported an image of the 110 municipalities analyzed with geographical distribution information:

Figure 1 – Sample of 110 Italian District Capitals Municipalities

Source: our elaboration

The analysis was developed in the summer 2020 and with a selection in the sections of the official websites of the municipalities of the documents published through keywords related to the word "risk".

After that collected the various documents for all municipalities these are listed in MD or VD, in order if the specific document published derives by a legislative obligation.

Finally, qualitative content analysis was used to understand how risk contemplate the documents, strategically, compliance or operational.

Results

The analysis conducted shows how the 100% of the municipalities analysed do MD related to RMID and only 2 municipalities – Milan and Rome – do VD integrating with the provisions related to presence of quality certifications (ISO 9001:2015 or ISO 14001:2015) or for the presence of offices dedicated to manage risks.

In the Table 1 was reported a double-entry matrix with a number or municipalities that do MD and VD in the columns and the number of municipalities that disclose information about strategically, compliance and operational risks in the rows:

Table 1: Matrix Mandatory and Voluntary Disclosure – Risks Information

Disclosure / Risk	Mandatory	Voluntary
Strategically	**110**	**2**
Compliance	**110**	**2**
Operational	**110**	**2**

Value: number of municipalities

Source: our elaboration

In deep, through a qualitative content analysis emerge how for the MD the strategically and compliance documents that treated of these risks are principally two:

- The three-year transparency and corruption plan;
- The manual management documentation electronic protocol, documental flows and archives;

Furthermore, the documents published about operational risks are:

- Single document for the assessment of interference risks (about risk that occurs during work);
- Documents with outsourcing insurance services related various risk (liability, property, Health, cyber, etc.).

No one municipalities analysed publish a single integrated document (with MD and VD) about RMID.

Discussions and conclusions

The study, replying to the research question, shows how almost totally of the municipalities analysed bring more over MD rather than VD and this result shows how the voluntary disclosure of the information is poorly developed, although it represents an important action that contributes to the accountability of the municipality (Eckerd, 2014; Mol et al., 2011; Abdullah et al. 2015).

Furthermore, the information published, covering legislative obligations, referred to the strategically and compliance risks and, in minor relevance, to the operational risks.

Indeed, since year 2012 with the Law n. 190 in theme of prevention and repression of corruption and illegality in the public administration the MD concentred more resources to reduce the corruption risk and mange this risk (how demonstrated by the presence in all the municipalities analysed of the three-year transparency and corruption plan).

Lack of a legislative obligation that provide to manage all organizational risks with a holistic approach (Haimes, 1992) reflect its effect on the lack of RMID.

The RMID represents an opportunity to the municipality not only to increase its accountability policies but also to better understand its organizational problems and then, to better address political and managerial choices.

Indeed, INTOSAI suggest not only to defines enterprise risk management approach in public entities but also to increase communication plans to internal and external stakeholders.

Finally, as suggested by Eckerd (2014), RMID has more benefits:

- Increase accountability and transparency towards the citizens;
- Involve citizens who think risk as something to be management and not to be avoided, participating more in decision-making processes.

This first study about RMID in the Italian municipalities this is the attempt to design a first state of the art and opens the way to studies on larger samples or with international comparisons.

REFERENCES

Abdullah, S. F., Yusof, M. M., & Jambari, D. I. (2016). Model pengurusan risiko perancangan 78ector maklumat di 78ector awam. *Jurnal Pengurusan (UKM Journal of Management)*, *48*.

Anessi-Pessina, E., & Steccolini, I. (2005). Evolutions and limits of new public management—Inspired budgeting practices in Italian local governments. *Public Budgeting & Finance*, *25*(2), 1-14.

Barrett, P. (2019). New development: Managing risk for better performance—not taking a risk can actually be a risk. *Public Money & Management*, 1-6.

Baharuddin, B., & Yusof, M. M. (2018). Evaluation of Risk Management Practices in Information Systems Project in the Public Sector. *Jurnal Pengurusan (UKM Journal of Management)*, *53*.

Bosch, N., Espasa, M., & Mora, T. (2012). Citizen control and the efficiency of local public services. *Environment and Planning C: Government and Policy*, *30*(2), 248-266.

Cassia, F., & Magno, F. (2011). Differences between public administrators' and elected officials' perspectives on the role of the citizen in service quality improvement processes. *The TQM Journal*.

Chapman, R. J. (2001). The controlling influences on effective risk identification and assessment for construction design management. International Journal of Project Management, 19(3), 147-160.

Galli, E., Rizzo, I., & Scaglioni, C. (2017). Transparency, quality of institutions and performance in the Italian Municipalities.

Gesuele, B., & Metallo, C. (2017). Factors influencing mandatory and voluntary e-disclosure diffusion by municipalities. In *Reshaping Accounting and Management Control Systems* (pp. 263-276). Springer, Cham.

Gesuele, B., Metallo, C., & Agrifoglio, R. (2016). What do local governments discuss in social media? An empirical analysis of the Italian municipalities. In *Blurring the boundaries through digital innovation* (pp. 297-306). Springer, Cham.

Gnaldi, M., & Del Sarto, S. (2019). Corruption prevention: first evidences from the 2015 RPC survey for Italian municipalities. In *Italian Studies on Quality of Life* (pp. 81-95). Springer, Cham.

Greiling, D., & Spraul, K. (2010). Accountability and the challenges of information disclosure. *Public Administration Quarterly*, 338-377.

Eckerd, A. (2014). Risk management and risk avoidance in agency decision making. *Public Administration Review*, *74*(5), 616-629.

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing Risk Management in the Italian Public Sector: Hybridization between Old and New Practices. International Journal of Public Administration, 41(2), 110-128.

Htay, S. N. N., Rashid, H. M. A., Adnan, M. A., & Meera, A. K. M. (2011). Corporate governance and risk management information disclosure in Malaysian listed banks: panel data analysis. *International Review of Business Research Papers*, *7*(4), 159-176.

Husin, M. H., Loghmani, N., & Abidin, S. S. Z. (2017). Increasing e-government adoption in Malaysia: MyEG case study. *Journal of Systems and Information Technology*.

INTOSAI (2007). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management (http://www.issai.org/en_us/site-issai/issaiframework/intosai-gov.htm)

Knapp, M. S., & Feldman, S. B. (2012). Managing the intersection of internal and external accountability: Challenge for urban school leadership in the United States. *Journal of Educational Administration*, *50*(5), 666-694.

Kohli, Shruti, Sandeep Kaur, and Gurrajan Singh. 2012. "A website content analysis approach based on keyword similarity analysis." *IEEE/WIC/ACM International Conferences on Web Intelligence and Intelligent Agent Technology*. Vol. 1. IEEE.

Lajili, K., & Zéghal, D. (2005). A content analysis of risk management disclosures in Canadian annual reports. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, *22*(2), 125-142.

Lawton, A., & Monfardini, P. (2010). Accountability in the new public sector: a comparative case study. *International Journal of Public Sector Management*.

Lee, M. (2004). Public reporting: A neglected aspect of nonprofit accountability. *Nonprofit Management and Leadership*, *15*(2), 169-185.

Mayring, Philipp. 2004. "Qualitative content analysis." In *A companion to qualitative research*, edited by Uwe Flick, 159-176. SAGE.

Mishra, B. K., Rolland, E., Satpathy, A., & Moore, M. (2019). A framework for enterprise risk identification and management: the resource-based view. *Managerial Auditing Journal*.

Mol, A. P., He, G., & Zhang, L. (2011). Information disclosure in environmental risk management: Developments in China. *Journal of Current Chinese Affairs*, *40*(3), 163-192.

Mussari, R. (Ed.). (2002). *Il Controllo di gestione nell'amministrazione finanziaria dello Stato: l'esperienza dell'Agenzia delle entrate*. Rubbettino Editore.

Osborne, Stephen P., Zoe Radnor, and Greta Nasi. 2013. "A new theory for public service management? Toward a (public) service-dominant approach." *The American Review of Public Administration* 43(2): 135-158.

Keban, Y. T. (2017). Risk Management: a neglected vital instrument in Public Administration in Indonesia. Management Research and Practice, 9(4), 5-21.

Poole, S. M. (2011). The relationship between external accountability policy and internal accountability: A cross-state analysis of charter and traditional public schools. *Journal of School Choice*, *5*(3), 261-280.

Rana, T., Wickramasinghe, D., & Bracci, E. (2019). New development: Integrating risk management in management control systems—lessons for public sector managers. Public Money & Management, 39(2), 148-151

Rana, T., Hoque, Z., & Jacobs, K. (2019). Public sector reform implications for performance measurement and risk management practice: Insights from Australia. *Public Money & Management*, *39*(1), 37-45.

Rasmussen, J., & Suedung, I. (2000). Proactive risk management in a dynamic society. Swedish Rescue Services Agency.

Riso, V., & Castellini, M. (2019). Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework. Economia Aziendale Online, 10(1), 149-158.

Ryan, C., & Ng, C. (2000). Public sector corporate governance disclosures: an examination of annual reporting practices in Queensland. *Australian Journal of Public Administration*, *59*(2), 11-23.

Romzek, B. S., & Johnston, J. M. (1999). Reforming Medicaid through contracting: The nexus of implementation and organizational culture. *Journal of Public Administration Research and Theory*, *9*(1), 107-140.

Ubaldi, B. (2013), "Open Government Data: Towards Empirical Analysis of Open Government Data Initiatives", *OECD Working Papers on Public Governance*, No. 22, OECD Publishing, Paris

5.
The need to investigate inside the municipality organizations’

In the light of the issue exposed until now appear how risk management was embedded in the Municipalities: the three previous studies, indeed, show how the risk assessment activities – part of risk management process – was done by the municipalities and disclosed in the official documents like entrustment or contracts published on the institutional websites.

Moreover, the previous studies analyse how the Risk Management Information Disclosure happened in the Municipalities, underlined how the Mandatory Disclosure – documents published under legislative obligations – prevails rather than Voluntary Disclosure.

Only the very High Municipalities, indeed, developed this last, – in an unsystematic way.

Another aspect that emerges by the studies is how the municipalities develops internal and external relationships to cover the needs to risk management activities, in according with the literature analysis in theme of professionals and advisor for the specific and professional tasks.

Retracing this path, in the next paper – the fifth – titled “*Analyzing Municipalities’ Risk Management in practice: a comparison in the Italian Municipalities*” was satisfied the need to analyze the risk management process inside the Municipality organization, examining the relationship with the Management Control System, the internal and external relationship and information management about Risk Management system.

This last paper closes the paper collection and acts as the first "view" within the organizational reality of the Italian municipalities.

For the benefit of the specific reader, the interviews were conducted during the period of the health emergency linked to the spread of the Covid-19 virus and for this reason the number of Local Authorities involved is not numerous.

5.1. Paper V
Analyzing Municipalities' Risk Management in practice: a comparison in the Italian Municipalities

Working paper:

M. Castellini, **Riso, V.,** (…) *Analyzing Municipalities' Risk Management in practice: a comparison in the Italian municipalities*

Abstract

Retracing the studies about Risk Management in the Public Sector many scholars and researchers explain how the relationship between Risk Management and Management Control systems represents the opportunity for organizations to create a way to preserve and ensure the achievement of their objectives.

Not just that, in the Public Sector Risk Management represents an important instrument useful to ensure services to all communities.

Furthermore, there are studies that show empirically how Risk Management was embedded in the Management Control System of the Public Administrations.

This paper aims to analyze the way in which the Risk Management was embedded in the Management Control System in the Italian municipalities.

Through a qualitative method, the analysis was developed with semi-structured interviews on 6 Italian municipalities.

The municipalities selected represent the municipalities' medium (2 municipalities over 50.000 inhabitants), medium-high (2 municipalities between 100.000-500.000 inhabitants) and high (1 municipality over 500.000 inhabitants).

Analyzing the interviews emerges how there isn't a strong integration between Risk Management and Management Control System and how the principal risk-managed is the corruption risk in force by the legislative obligation.

This research is useful to sustain the debate about Risk Management in the Public Sector and should address practitioners and scholars to cover municipalities' needs.

Keywords: Risk Management, Public Administration, Management Control, Practice

Introduction

Many scholars and researchers explain how Risk Management was embedded in the Public Administration (Soin and Collier, 2013; Hinna et al., 2018; Rana et al., 2019).

The need to ensure the achievement of the public objectives and to create resilient behaviors in the public organization move public managers to find formalized ways and methods useful to guarantee its organizations (Hinna et al, 2018; Nilsen & Olsen, 2005; Steen, and Morsut, 2020).

Highlighting world of the Municipality, that provides many services to various stakeholders like entrepreneurs, schools, Local Public Services companies and, in general, to citizens take particular importance understand how to ensure its functioning (Robey and Holmström, 2001; Bolìvar, 2018; Span et al., 2012; Rodrigues et al., 2012).

Moreover, in literature the role of the city manager and the public manager is widely studied (Newell and Ammons, 1987; Mouritzen and Svara, 2002; Demir and Nyhan, 2008; Nelson and Svara, 2015) and many explain how the typical approach of the "private manager" was embedded in the public logic.

Indeed, since the last 40 years the influence of the New Public Management (Hood, 1995) changes the way to be Public Administration and Municipality too (Jansen, 2008; Ter Bogt, 2008; Suzuki and Avellaneda, 2018): the born of a Management Control System and Performance Management in parallel with Accountability and Transparency policies put in light the need to increase the knowledge of public and city managers (McGuire, 2006).

This paper aims to analyze the way in which the Risk Management was embedded in the Management Control System in the Italian municipalities.

Indeed, this paper aims to reply to two principal research questions:

- RQ1: Is there a relationship between Risk Management and Management Control System in the Italian Municipalities?
- RQ2: How public manager interprets Risk Management and practices it?

To reply to these research questions the analysis was conducted through a qualitative method and developed with semi-structured interview aimed at the public managers of 6 Italian municipalities (Reginato et al., 2010).

The municipalities selected represent the municipalities' medium (2 municipalities over 50.000 inhabitants), medium-high (2 municipalities between 100.000-500.000 inhabitants) and high (1 municipality over 500.000 inhabitants).
Nielsen and Olsen (2005) conducted a similar study in UK with the municipalities of Time and Klepp.
So, analyzing the interviews emerges how there isn't a strong integration between Risk Management and Management Control System and how the principal risk-managed is the corruption risk in force by the legislative obligation.

Literature Review

The Municipality's world in Italy

The Municipality is a public organization that provides public services to its citizens (Grossi et al., 2016).
Just for the many services performed there are various stakeholders that orbit around the Municipality: for example, the Municipality's policies affect the fiscal impact on the entrepreneurs (Barbera et al., 2016) and provides Local Public Services like waste management (Chifari et al., 2017), water management (Mazzanti and Montini, 2006) and management of urban roads safety (Demasi et al., 2018).
With the aim to ensure the achievement of its objectives the Italian legislator in the last twenty years provides law to introduce a "managerial approach" in the Italian Municipalities (Caccia and Steccolini, 2006; Sancini and Turrini, 2009) and oriented to performance management (Padovani et al., 2010; Bracci et al., 2017).
While in the Italian Municipalities was introducing New Public Management approaches in private world practitioners and Companies develops method to ensure the achievement of its objectives like Enterprise Risk Management framework, ISO 31000, COSO framework and other.
The reform process of the Local Authorities neglects the relationship between risk management and management control system (Reginato et al., 2012; Riso and Castellini, 2019) and, as observed by Peta (2016), the actions of the Italian Public managers don't appear informed to the "risk logic" (Peta, 2016, p. 24).

Risk Management and Management Control System in the Municipalities

Drawing a start of the Management Control System in the Italian Municipalities is a possibility to think to the time of the Legislative Decree n. 267 year 2000 where the Italian Legislator improve Municipal programming activities and create a formal Management Control System with the article 196 of the same Legislative Decree (Grossi and Mussari, 2008).

Indeed, the reform process introduces methods and instruments like budgeting system or financial programming useful to translates to the managerial level, in more precise detail, the policies, programs, financial resources, and objectives defined at the political level (Ziruolo, 2013; Grossi et al., 2016)

After twelve years, in 2012, the Italian legislator introduces a provision, Law n. 190, which introduce Anti-Corruption norms in the Municipalities implementing a first organic risk management process to manage corruption risk (D'Onza et al., 2017).

There isn't a law that provides how the municipalities put in place Enterprise Risk Management strategy and the way to implement choice to guarantee the achievement of the objectives is free and left to the ability of the public manager (Reginato et al., 2012; Peta, 2016; Riso and Castellini, 2019).

Instead, the International Organization of Supreme Audit Institutions - INTOSAI (2004) provides specific guidelines for the implementation of entity risk management in the public sector, explaining that the aim of risk management is to enable the management to effectively deal with uncertainty and evaluate risks and opportunities, enhancing the capacity to build and create value and deliver services more efficiently (INTOSAI Gov 9130, 2004).

The relationship between Risk Management and Management Control System was analyzed in Nilsen and Olsen's comparative cases study (2005) where emerges that two Municipalities that have different strategies do the same risk assessment procedures and behaviors in practice (Nilsen and Olsen, 2005).

Furthermore, Reginato et al. (2010) affirm that there is isomorphic behavior of the public managers in the Italian Municipalities analyzing the way in which are developed in practice the managerial instruments provided by the Legislative Decree n. 267 year 2000.

The decision-making process in the Municipalities is a complex process and risk-based decision are influences by various "*inter-organizational interactions among actors and how power, control and responsibility are distributed among them*" (Boholm et al., 2012, p. 3).

Data and Method

Acknowledged the need to investigate the relationship between Risk Management and Management Control System the qualitative method is the most suitable (Noble and Smith, 2005).

Indeed, the analysis was conducted through a semi-structured interview addressed to the public managers of the Municipalities selected (Reginato et al., 2010).

Moreover, the analysis was conducted in time of Coronavirus/Covid-19 sanitary emergency and this impacts on the number of municipalities involved.

The sample was constituted of 6 Municipalities with over 50.000 inhabitants and was divided in three-dimensional categories: medium (2 municipalities with over 50.000 inhabitants), medium-high (2 municipalities between 100.000-500.000 inhabitants) and high (1 municipality with over 500.000 inhabitants).

In Table 1 "Sample selected – Italian Municipalities" was reported the sample.

Table 1 – Sample selected – Italian Municipalities

Municipalities	*Medium*	*Medium-High*	*High*
Between 50.000-99.999 inhabitants	**2**	n.d.	n.d.
Between 100.000-499.000 inhabitants	n.d.	**3**	n.d.
Over 500.000 inhabitants	n.d.	n.d.	**1**

Source: our elaboration

The data collection occurred in writing and the questions asked to the interviewed investigate two main themes:

1) The practices of Risk Management in the Municipalities and the relationship with the Management Control System;

2) The Information Management within the organizations.

The interviewed covers the role of General Secretary or General Affairs Manager or similar.

Results

The analysis conducted shows how the managers interviewed adopted heterogeneous behavior.

In the Table 2 "Risk Management and Management Control System: synthetic report of municipalities' interviews" was reported the results of the first part of the interview acts to investigate the practices of Risk Management in the Municipalities and the relationship with the Management Control System.

Table 2 – Risk Management and Management Control System: synthetic report of municipalities' interviews

	Issue	Data	Medium Municipalities	Medium-High Municipalities	High Municipality
Awareness	*1*	*Self-evaluation about RM strategies awareness* (Min 1 – Max 5)*	3,5	2,7	5
Organizational practices	*2*	*Meeting about RM strategies*	No	Yes 33% No 66%	No
	3	*RM objectives defined*	No	Yes 66% No 33%	Yes
	4	*RM objectives reported in the Single Programming Document*	No	No	No
	5	*Presence of monitoring procedure of RM objectives*	No	Yes 33% No 66%	Yes
	6	*Active comparison between Administrators and Managers and officials about RM strategies*	No	Yes 33% No 66%	No
Technical practices	*7*	*Presence of KPIs to monitoring the achievements of RM objectives*	No	Yes 33% No 66%	Yes
	8	*Presence of a budgeting process for RM*	No	No	No
	9	*Change of allocation resources process and risk related to Covid-19*	Yes 50% No 50%	No	Yes

** medium value; RM = Risk Management*

Source: our elaboration

In the first and second columns was reported the number of issue and information related to it, then in the last three columns, the reply of the 6 Municipalities interviewed.

Moreover, Table 2 was divided into three areas of issue: the first about the aspect of "Awareness", the second about "Organizational practices" and the third about "Technical practices".

In the area "Awareness" there is one issue about the self-evaluation in the 1-5 (minimum-maximum) scale about the knowledge of the Risk Management strategies where the medium-high municipalities present the lowest value, 2,7, the medium municipalities present an intermediate value rather than the High municipality with the highest value of 5.

In the second area, "Organizational practices", there are five issues (rows 2-6): the Medium municipalities, 66% of the Medium-High and the High affirmed that there isn't any meeting the municipalities to define the Risk Management strategies while the 33% of the Medium-High Municipalities do it and the same affirm that there isn't an active comparison between Administrators and Managers and officials about Risk Management strategies of the Municipality.

The Medium and part of Medium-High Municipalities explained that there aren't defined objectives of Risk Management and, consequently, there aren't monitoring procedures of the Risk Management objectives; part of Medium-High and High municipalities, instead, have heterogeneous behavior and presented a positive response.

Finally, all the interviewed affirmed that the Risk Management objectives aren't reported in the Single or Whole Programming Document.

In the last area, "Technical practices", there are three issues (rows 7-9): all the Municipalities affirmed that there isn't a formal budgeting process to the Risk Management activity.

Then, the High Municipality and part of the Medium-High explained that have created a set of KPIs to monitoring the achievement of the Risk Management objectives; part of Medium-High (66%) and medium Municipalities there aren't any KPIs.

Finally, half part of the Medium Municipalities and the High changed the allocation resources process to contrast the risk related to Covid-19; the other Municipalities interviewed not.

The second part of the semi-structured interview was reported in Table 3 "Risk Management process – synthetic report of municipalities' interviews".

In the rows 1-2 of Table 3 was exposed inform about risk assessment activities: all the Municipalities rather then 33% of the Medium-High developed the risk assessment analysis with the mapping of the Entity's activities or the analysis of the harmful events occurred in the past.

Part of these – 50% of the Medium and 33% of the Medium-High do risk assessment analysis with the help of an external consultant.

Table 3 – Risk Management process – synthetic report of municipalities' interviews

Issue	Data	Medium Municipalities	Medium-High Municipalities	High Municipality
1	*Development of risk assessment analysis*	50% Analysis of harmful events that occurred in the past 50% Entrust to external advisor	33% no development 66% Mapping of the Entity's activities and risk assessment	Mapping of the Entity's activities and risk assessment
2	*Risk assessment with the help of an external consultant*	50% Yes 50% No	Yes 33% No 66%	No
3	*Shared information of RM with the organization*	No	Yes 33% No 66%	Yes
4	*Disclosure of RM strategies information*	No	Yes 33% (Internal) No 66%	Yes (Internal)
5	*Training about RM*	No	No	Yes

Source: our elaboration

The High Municipality and the 33% of the Medium-High shared information of Risk Management with the entire organization, rather the Medium and the 66% of the Medium-High not and the same Municipalities created a document to disclosure inside the organization the Risk Management Strategies.

Finally, only the High Municipalities put in place training activities in its organization about Risk Management theme.

Discussion

The analysis conducted permits to reply to the two Research Questions reported above.

Replying to the first QR (about the relationship between Risk Management and Management Control System in the Italian Municipalities) through the analysis of the issues exposed in Table 2 is possible to observe how only in the High Municipalities –

that has over 500.000 inhabitants and therefore an articled organization – the relationship between Risk Management and Management Control System appears mature and integrate.

Indeed, the Medium Municipalities presented in all issues negative responses while the Medium-High Municipalities reported heterogeneous responses.

Moreover, replying to QR2, in the almost all Municipalities analyzed appear how there aren't meetings and comparisons with the organization (see issue 2, Table 2) or with the Administrators (see issue 6, Table 2) about the Risk Management strategies that the Municipality undertakes.

This fact shows a low level of engagement of other parts – especially of the Administrators, political part – in the Risk Management process for which the strategy undertaken is only communicated to all organization (see issues 3 and 4, Table 3).

Furthermore, the absence of a budgeting process in all the Municipalities indicates how there is a poor integration between Risk Management and Management Control System.

Only the High Municipality and part of the Medium-High Municipalities define its Risk Management objectives and creates a set of KPIs to monitor the achievement of these (see issues 3 and 6, Table 2): the programming and controlling process thinks development of objectives and KPIs to monitor the achievements (Kaplan, 2009).

Moreover, the half part of the Medium Municipalities and the High changed the allocation resources process to contrast the risk related to Covid-19, the other Municipalities interviewed not.

About the risk assessment process, the analysis shows how all the Municipalities rather than 33% of the Medium-High developed the risk assessment analysis with the mapping of the Entity's activities or the analysis of the harmful events occurred in the past.

Part of these – 50% of the Medium and 33% of the Medium-High do risk assessment analysis with the help of an external consultant.

Another issue that testifies the scarce integration between Risk Management and Management Control System is the absence in the Medium and Medium-High Municipalities of the training activity about Risk Management theme.

Finally, the absence of a process of Risk Management Information Disclosure to increase Municipality's accountability was confirmed in the issue 4 of the Table 3 where High Municipality and 33% of the Medium-High shared information of Risk Management with its organization (internal communication, not external), rather the Medium and the 66% of the Medium-High not.

Conclusions

The analysis conducted shows how the relationship between Risk Management and Management Control System is a relationship in process and that this relationship has not yet reached its maturity (Reginato et al., 2012; Peta, 2016; Riso and Castellini, 2019).
Moreover, the results confirm how Risk Management was embedded in the Municipalities involved (Hinna et al., 2018).
Furthermore, the analysis shows how the municipalities develop internal and external relationships to cover the needs to risk management activities, in accord with the literature analysis shown in the theme of professionals and advisor for the specific and professional tasks (Petak, 1985; McKenna, 1985; Lapsley and Oldfield, 2001; Dent, 2002).
The need to improve the relationship between Risk Management and Management Control System emerges by the analysis and a hypothesis of a possible development will be these suggestions:

- Increasing the involvement of the Administration and the Municipality's organization in the Risk Management strategy process;
- Developing objectives and monitoring process with the creation of expressed KPIs;
- Creating a budgeting process for Risk Management and integrating it in the programming document (like the Single or Whole Programming Document) yet provided by the Legislative Decree n. 267 year 2000;
- Promoting a "risk culture" doing training about the Risk Management theme.

This study presents a limit of the number of Municipalities involved in the interviews and future research will try to reach a major number of Municipalities to confirm or discuss the results of this study.

References

Barbera, C., Guarini, E., & Steccolini, I. (2016). Italian Municipalities and the fiscal crisis: four strategies for muddling through. *Financial Accountability & Management*, *32*(3), 335-361.

Boholm, Å., Corvellec, H., & Karlsson, M. (2012). The practice of risk governance: lessons from the field. *Journal of Risk Research*, *15*(1), 1-20.

Bolívar, M. P. R. (2018). Governance in Smart Cities: A Comparison of Practitioners' Perceptions and Prior Research. *International Journal of E-Planning Research (IJEPR)*, *7*(2), 1-19.

Bracci, E., Maran, L., & Inglis, R. (2017). Examining the process of performance measurement system design and implementation in two Italian public service organisations. Financial Accountability & Management, 33(4), 406-421.

Caccia, L., & Steccolini, I. (2006). Accounting change in Italian local governments: What's beyond managerial fashion?. *Critical Perspectives on Accounting*, *17*(2-3), 154-174.

Chifari, R., Renner, A., Piano, S. L., Ripa, M., Bukkens, S. G., & Giampietro, M. (2017). Development of a municipal solid waste management decision support tool for Naples, Italy. *Journal of Cleaner Production*, *161*, 1032-1043.

Demasi, F., Loprencipe, G., & Moretti, L. (2018). Road safety analysis of urban roads: Case study of an Italian municipality. *Safety*, *4*(4), 58.

Demir, T., & Nyhan, R. C. (2008). The politics–administration dichotomy: An empirical search for correspondence between theory and practice. *Public Administration Review*, *68*(1), 81-96.

Dent, H. (2002). Consultants and the public service. *Australian Journal of Public Administration*, *61*(1), 108-113.

D'onza, G., Brotini, F., & Zarone, V. (2017). Disclosure on measures to prevent corruption risks: a study of Italian local governments. *International journal of public administration*, *40*(7), 612-624.

Grossi, G., & Mussari, R. (2008). Effects of outsourcing on performance measurement and reporting: the experience of Italian local governments. *Public Budgeting & Finance*, *28*(1), 22-38.

Grossi, G., Reichard, C., & Ruggiero, P. (2016). Appropriateness and use of performance information in the budgeting process: Some experiences from German and Italian municipalities. *Public Performance & Management Review*, *39*(3), 581-606.

Hinna, A., Scarozza, D., & Rotundi, F. (2018). Implementing risk management in the Italian public sector: Hybridization between old and new practices. International Journal of Public Administration, 41(2), 110-128.

Hood, C. (1995). The "new public management" in the 1980s: Variations on a theme. *Accounting, organizations and society*, *20*(2-3), 93-109.

INTOSAI (2004). INTOSAI GOV 9130 – Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management. Retrieved from www.issai.org. Consulted at September 2020

Jansen, E. P. (2008). New public management: Perspectives on performance and the use of performance information. *Financial Accountability & Management*, *24*(2), 169-191.

Kaplan, R. S. (2009). Conceptual foundations of the balanced scorecard. *Handbooks of management accounting research*, *3*, 1253-1269.

Lapsley, I., & Oldfield, R. (2001). Transforming the public sector: management consultants as agents of change. *European Accounting Review*, *10*(3), 523-543.

Mazzanti, M., & Montini, A. (2006). The determinants of residential water demand: empirical evidence for a panel of Italian municipalities. *Applied Economics Letters*, *13*(2), 107-111.

McKenna, C. D. (1995). The origins of modern management consulting. Business and Economic History, 51-58.

McGuire, M. (2006). Collaborative public management: Assessing what we know and how we know it. *Public administration review*, *66*, 33-43.

Mouritzen, P. E., & Svara, J. H. (2002). *Leadership at the apex: politicians and administrators in Western local governments*. University of Pittsburgh Pre.

Nelson, K. L., & Svara, J. H. (2015). The roles of local government managers in theory and practice: A centennial perspective. *Public Administration Review*, *75*(1), 49-61.

Newell, C., & Ammons, D. N. (1987). Role emphases of city managers and other municipal executives. *Public Administration Review*, 246-253.

Nilsen, A. S., & Olsen, O. E. (2005). Different strategies—Equal practice? Risk assessment and management in municipalities. Risk Management, 7(2), 37-47.

Nilsen, A. S. (2007). *Municipal risk management: implications of the use of different risk tools*. University of Stavanger, Norway.

Noble, H., & Smith, J. (2015). Issues of validity and reliability in qualitative research. *Evidence-based nursing*, *18*(2), 34-35.

Padovani, E., Yetano, A., & Orelli, R. L. (2010). Municipal performance measurement and management in practice: which factors matter? Public Administration Quarterly, 591-635

Peta, Anna. (February 25, 2016). I controlli interni della pubblica amministrazione: criticità e prospettive evolutive (Internal controls in the public administration: current problems and future challenges) Bank of Italy Occasional Paper No. 312.

Rana, T., Wickramasinghe, D., & Bracci, E. (2019). New development: Integrating risk management in management control systems—lessons for public sector managers. Public Money & Management, 39(2), 148-151

Reginato, E., Nonnis, C., & Pavan, A. (2002). Modern public internal control systems and accountability in health care organisations. Economia Aziendale Online, 2(4), 381-396.

Reginato, E., Fadda, I., & Pavan, A. (2010). Italian municipalities' NPFM reforms: an institutional theory perspective. *Pecvnia: Revista de la Facultad de Ciencias Económicas y Empresariales, Universidad de León*, (11), 153-175.

Riso, V., & Castellini, M. (2019). Poor integration between operational risk management activities and internal control system in the municipalities: an analysis of the Italian legislative framework. Economia Aziendale Online, 10(1), 149-158.

Robey, D., & Holmström, J. (2001). Transforming municipal governance in global context: A case study of the dialectics of social change. *Journal of Global Information Technology Management*, *4*(4), 19-31.

Rodrigues, M., Tavares, A. F., & Araújo, J. F. (2012). Municipal service delivery: The role of transaction costs in the choice between alternative governance mechanisms. *Local Government Studies*, *38*(5), 615-638.

Soin, K., & Collier, P. (2013). Risk and risk management in management accounting and control.

Steen, R., & Morsut, C. (2020). Resilience in Crisis Management at the Municipal Level: The Synne Storm in Norway. *Risk, Hazards & Crisis in Public Policy*, *11*(1), 35-60.

Suzuki, K., & Avellaneda, C. (2018). New public management and municipal performance: Do NPM reforms boost performance. *QoG Working Paper Series*, *12*.

Ter Bogt, H. J. (2008). Management accounting change and new public management in local government: a reassessment of ambitions and results—an institutionalist approach to accounting change in the Dutch public sector. *Financial Accountability & Management*, *24*(3), 209-241.

Ziruolo, A. (2013). Accounting and management practices in Italian local governments. In M. Sargiacomo (Ed.), Public sector management in Italy (pp. 85–118). Milan, Italy: McGraw-Hill.

6. Final remarks

The five papers presented above underline the analysis of the internal and external relationship and need for Risk Management in the Italian Local Authorities.

Indeed, retracing the path of the paper collections, the analysis develops with a first explorative study that investigates the relationship between the insurance broker and the Municipalities.

Then, in the second paper the analysis shift to the analysis of the Italian legislative framework about the relationship between Risk Management and Management Control System.

In the third paper, instead, retracing the path with Public Risk Management, it entered municipal organizations on the impulse of the New Public Management approach and broads the analysis on the sample of 500 Municipalities that represents all Italian Regions and reaches the presence of a risk assessment activity in the sample analyzed.

Focusing on the evolution of New Public Management to Public Risk Management the analysis retracing the needs of Transparency and Accountability for the Public Administration and, in particular, for the Municipalities.

About the Risk Management Information Disclosure, it represents an opportunity to the Municipality not only to increase its Accountability policies but also to better understand its organizational problems and then, to better address political and managerial choices.

The study presented in the fourth paper, indeed, investigates this problem and presents a first analysis to understand how is the state-of-the-art of RMID in the Italian Municipalities.

Furthermore, the last paper, the fifth, covers the needs to highlights the Risk Management in practice inside the Municipalities' organizations and to analysis the relationship with the Management Control System.

In this last study appears how the relationship between Management Control System and Risk Management is a relationship in the process, that has not achieved its maturity and a wide integration.

In all papers presented here emerges how the Municipalities cover a central role in the society and the stakeholders involved by their choices and policies are various.

Maybe for that, the legislator in the years creates a set of rules, laws, and provisions to improve the knowledge of the Public Managers.

Perhaps this "iper-regulation" has backfired and forces the Municipalities organizations to reach the way to cover all the obligations and to think only to bureaucratic control of its actions and public choices.
In this context, public managers are not able to cover all needs in autonomy and recur to the ability of external advisors and professionals.
Indeed, about Risk Management practices, as emerged in three papers – the first, the third and the last – the help of the external professional in the Risk Management process was acclaimed.
In the light of these observations, it follows the main conclusions resulted by the papers proposed:
1) The first paper "*Risk Consulting in Public Administration: Evidences of Insurance Brokers in the Emilia-Romagna Municipalities"* deals with the research question about the nexus between the insurance broker services and municipalities needs.
The study shows that almost all municipalities analyzed have a relationship with an insurance broker, which hints at two hypotheses:

- An insurance broker meets the need for operational risk management activities and transfers risk as necessary with an insurance contract.
- The municipality conducts risk management activities independently or assisted by the insurance broker, using him or her as a distribution channel to make a contract to transfer the risks.

This research covers the first part of the analysis showing who is one player involved in the Risk Management process of the Municipality and what is the expertise developed by this advisor that are spent in the practice.
2) The second paper titled "*Poor Integration between Operational Risk Management activities and Internal Control System in the Municipalities: An analysis of the Italian legislative framework*" shifts the attention on another research question related to the issue: understand if there is integration between the Operational Risk Management activities and Internal Control System in the Municipalities under the lens of the Italian legislative framework.
The results highlight how the "management" and "control", according to the post New Public Management, are the main issues treated in the legislative framework and how the policymakers are concentrated on it rather than also on risk management practices.

The risks analysis and risk management operations are activities planned with the goal to assure an effective risk response and not compromise the achievement of its objectives.
This, indeed, in line with the obligation of Article 196 of the Legislative Decree 267/2000 that provides how every public local entity implement a management control system to ensure the achievement of the planned objectives, the economic management of the public resource and the good performance of the Public Administration.
The main risk that the Italian Regulation provides to manage is the corruption risk (Law n. 190/2012).
Risk Management with a "holistic approach" is left to the ability (a sensibility) of the public manager.
3) The third paper "*From New Public Management to Public Risk Management An Overview in the Italian Municipalities"* investigates the relationship between risk management and management control systems.
Indeed, the study shows how the municipalities analyzed do risk management activities through a risk assessment process involving an external professional or advisor: this phenomenon raises the hypothesis of 'non-risk-management' activities by the municipalities that could rely on external help to do it.
Indeed, the documents analyzed with a qualitative content analysis show a similar form of documents published (similar words and format of the document).
This phenomenon could be explained by the theory of mimetic isomorphism where municipalities tend to imitate the behavior of other entities and emulate it.
Finally, although the main literature on the theme of accountability of public action suggests increasing the disclosure of the activities pursues, the risk management information disclosure happens only as mandatory and not as voluntary.
4) The fourth paper - *Risk Management Information Disclosure in the Municipalities: a brief overview in Italy* – was studied the municipalities' behavior in terms of Information Disclosure about Risk Management Information (RMID).
Lack of a legislative obligation that provides to manage all organizational risks with a holistic approach (Haimes, 1992) reflect its effect on the lack of RMID.
The RMID represents an opportunity to the municipality not only to increase its accountability policies but also to better understand its organizational problems and then, to better address political and managerial choices.
5) The fifth paper - "*Analyzing Municipalities' Risk Management in practice: a comparison in the Italian municipalities*" - analyses the relationship between risk

management and management control system and presents, through a method of a semi-structured interviews, the experience of risk management in practice in six municipalities available to the interview.

The analysis conducted shows how the relationship between Risk Management and Management Control System is a relationship in process and that this relationship has not yet reached its maturity but confirms how Risk Management was embedded in the Municipalities involved.

Furthermore, the analysis shows how the municipalities develop internal and external relationships to cover the needs to risk management activities, in accord with the literature analysis shown in the theme of professionals and advisors for the specific and professional tasks.

The *fil-rouge* that combines this paper collection show how the debate about Public Risk Management in the Municipalities is a debate in progress and this study moves to sustain this debate affirmed that the implementation of Public Risk Management and the improvement of this with Management Control System occurs with the increase of risk knowledge of public managers too.

7. Acknowledges

There are many people I want to thank and who have allowed me to complete this research.

I would like to express my gratitude to all Professors of the University of Ferrara and of the University of Parma that make possible the PhD course in Economics and Management of Innovation and sustainability, thanks to this incredible experience!

In particular, a special thanks and all my gratitude to my PhD Supervisor – Professor Monia Castellini – for her guidance during my PhD and for teaching me to work with passion, because without passion the results do not come!

I am extremely grateful also for Dr. Marianna Marzano to the support and friendly suggestions.

I am grateful to my PhD colleagues with whom we have shared experiences and thoughts over the years.

I would also like to thank for the support and inspiration Pier Luigi Giovannini, Stefano Giovannini, Igor Poletti, Vittorio Gennari and other of Ariostea Broker of Ferrara, thanks for your support and suggestions!

Another thanksgiving to all my friends, to my family, dad, mom, Emanuele, Pierpaolo and Davide and to my other family, Biagio, Asssuntina, Simona, Andrea, Flavia and Edoardo: thanks for always being there!

Last but not the least, a huge thanks to the person who, with love and patience, has made this possible since high school: thanks Sofia, thanks.

The usual disclaimers apply to all of the above.