ACT!

ANTICORRUPTION CITY TOOLKIT

RISK ANALYSIS
GUIDELINES

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GLOSSARY

CORRUPTION	Abuse of delegated power for private benefit
CORRUPTION EVENT	Instance of the abuse of power that the entity intends to prevent
RISK	Possibility of the corruption event occurring
RISK MANAGER	Person in charge of coordinating the risk analysis and management project
CRIMINAL PURPOSE	Cultural and crime-fostering element (motive) for the corruption event
ENABLING FACTOR	Organizational and contextual element increasing risk
METHOD	Operational dynamics, conduct used to carry out the corruption event
PROCESS	Sequence of related activities that transform resources into an output for an individual inside or outside the entity
RISK ANALYSIS	Process aimed at identifying corruption events, describing them, and prioritizing how they are treated

FOREWORD

In 2012, Italy adopted a national corruption prevention system through Law No. 190[1], which required all public administration entities to implement their own prevention strategy based on an accurate analysis of corruption risks. Every year the Italian National Anti-Corruption Authority (ANAC) publishes a National Anti-Corruption Plan,[2] which provides methodological guidance to public entities on how to implement the prevention strategy and the necessary risk analysis. The methodological process drawn up by the National Anti-Corruption Plans reflects good practice at European level and forms the basis of these guidelines.

These guidelines are designed to help entities carry out an effective and timely analysis of corruption risks, and retrace the methodological process for the definition of risk analysis, as defined by the Italian National Anti-Corruption Plans, reworking it to make it applicable also to non-Italian entities. The indications contained in these guidelines must be applied by the entities in compliance with any anti-corruption provisions laid down by the respective national systems.

INTRODUCTION

The analysis of corruption risks is a process consisting of a sequence of activities (**Errore. L'origine riferimento non è stata trovata.**) aimed at identifying and assessing corruption events, so as to neutralize them. The process is coordinated by the individual in charge, the *risk manager*, and envisages the involvement of internal staff and external parties.
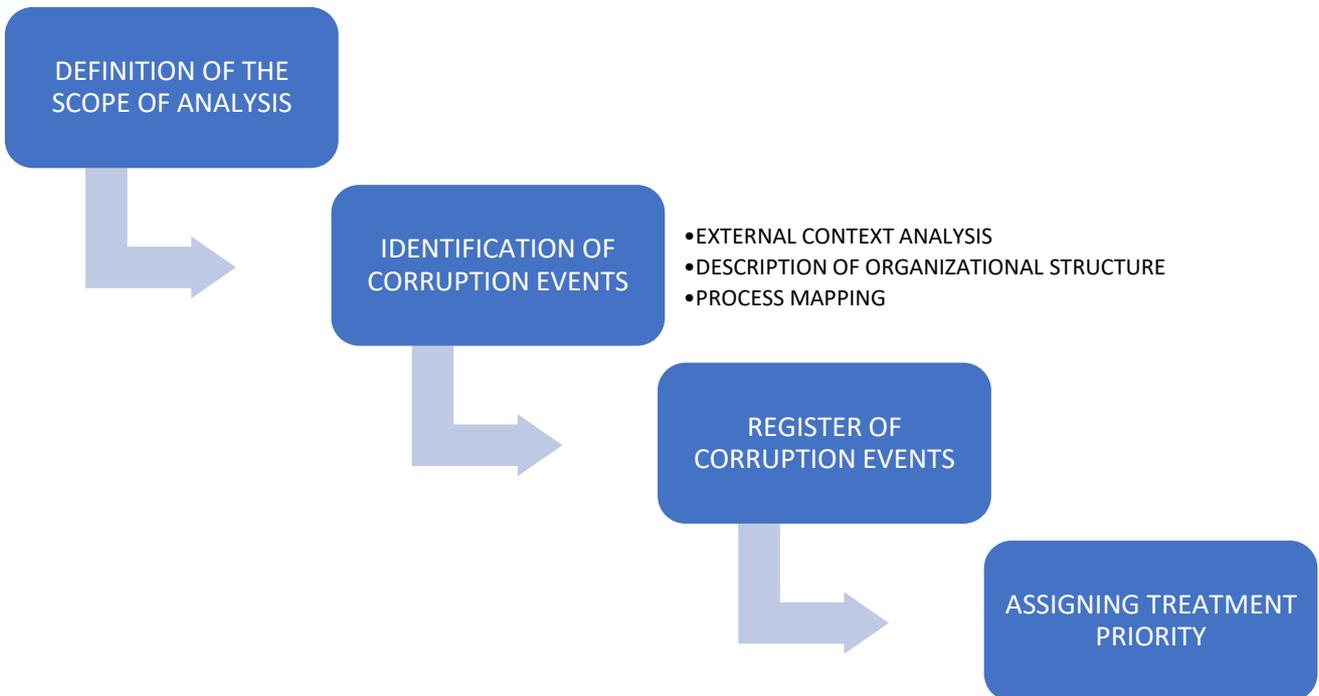
DEFINITION OF THE SCOPE OF ANALYSIS

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• EXTERNAL CONTEXT ANALYSIS
• DESCRIPTION OF ORGANIZATIONAL STRUCTURE
• PROCESS MAPPING

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fig. 1 - Risk analysis process

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[1] Law no. 190 of 2012 - https://www.gazzettaufficiale.it/eli/id/2012/11/13/012G0213/sg
[2] ANAC's National Anti-Corruption Plans -
https://www.anticorruzione.it/portal/public/classic/Attivitadocumentazione/Anticorruzione/PianoNazionaleAnticorruzione

APPOINTMENT OF THE RISK MANAGER

The process for carrying out the risk analysis first requires an individual to be assigned the task of coordinating and finalizing the activities set out to bring the process to its conclusion.

To this end, it is recommended that the entity establish the role of "risk manager" and assign it to a person with autonomy and independence with respect to top-level management.

The risk manager is responsible for the following tasks:

Involving the political bodies, employees and parties external to the entity at every stage of the risk analysis

Adopting a clear definition of "corruption"

Supervising data collection

Process mapping

Drawing up the "Register of corruption events"

Assigning priority to how events are treated

The role of *risk manager* can be assigned to an individual who is either internal (an employee) or external (a consultant). In the first case, it is recommended that the entity identify, from among its own staff, the person considered most suitable for the position on the basis of his/her skills and experience; in the second case, it is recommended that the entity use a selection procedure that guarantees maximum transparency and rewards merit.

The entity should provide the *risk manager* with the resources and tools necessary to carry out the role. In particular, it is desirable to create an office or team, headed by the *risk manager*, with the specific function of providing him/her with support for the various activities.

The entity should acknowledge the responsibility of the risk *manager* for the quality of the risk analysis carried out, but not for any corruption events occurring within the entity itself.

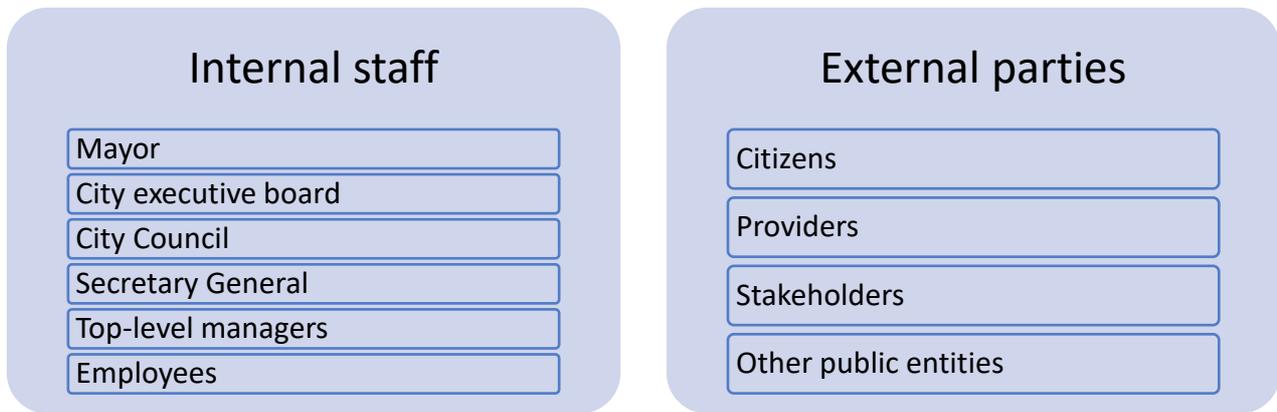## INVOLVEMENT OF INTERNAL AND EXTERNAL INDIVIDUALS

Each activity set out in the risk analysis process requires the greatest possible involvement of both the entity's internal staff and external parties.

Therefore, the risk manager should identify and adopt, on the basis of the analysis process, the most effective actions to involve the range of parties involved.

Internal staff can be involved by participating in meetings (focus groups, workshops, plenary events) or through questionnaires or interviews.
External parties can participate through public consultations to gather opinions and suggestions on the analysis, surveys on perceptions and experiences of corruption, or events open to citizens to discuss the issue.
It is recommended that the entity ensures that all internal staff cooperate by participating in the activities proposed by the *risk manager*.

Internal staff
Mayor
City executive board
City Council
Secretary General
Top-level managers
Employees

External parties
Citizens
Providers
Stakeholders
Other public entities

The level of involvement on the part of internal staff and external parties can be assessed using the following classification:[3]

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[3] Classification developed using the model of the Independent Reporting Mechanism (IRM) for the evaluation of the Action Plans adopted by the Governments belonging to the Open Government Partnership.

Empower
- the parties involved define the risks and approve the risk analysis

Collaborate
- the parties involved define the risks and contribute to the approval of the analysis

Involve
- the parties do not contribute to the approval of the analysis, but make suggestions during the process of it being created and the *risk manager* is obliged to take them into account

Consult
- the parties do not contribute to the approval of the analysis, they make suggestions on the final version of the analysis, but the *risk manager* is not required to take them into account

Inform
- the parties involved are informed of the results of the risk analysis

DEFINITION OF THE SCOPE OF ANALYSIS

The first task in analysing risks is to adopt a clear and precise definition of "corruption".

To this end, the entity should: define a precise notion of corruption that facilitates the identification of behaviours considered "corrupting"; allow the risk manager to carry out an in-depth risk analysis; and allow all of its staff, as well as external parties, to understand which behaviours are permitted and which are not, drawing a clear line between "lawful" and "unlawful".

In order to adopt a definition of corruption for the purposes of risk analysis, the entity should first refer to the definition of the <u>offence of corruption</u> set out by its own legal system - usually the criminal code - and then consider whether to extend it, and to what extent, so as to broaden the range of conduct to be considered in the analysis.

In the Italian model, ANAC refers to the definition of corruption set out by the criminal code and suggests that public entities analyse and prevent other deviant behaviour that goes beyond the offences, thus broadening the notion of corruption to also include behaviour that can be qualified as "maladministration".

A broad definition of corruption is also recognised internationally, consisting of the *abuse of delegated power for private gain*.

The types of conduct that the entity can relate to the definition of corruption to be adopted in the analysis are:

CORRUPTION	Illegally obtaining a benefit of any nature by abuse of power with third party involvement (e.g. bribery)
FRAUD	Illegally obtaining a benefit of any nature by intentionally breaking a rule (e.g. theft)
ABUSES	Unjustly obtaining a benefit of any nature by knowingly stretching a rule or a guideline or by taking advantage of an absence of rule or guideline (e.g. definition of special criteria for the assignment of works in order to favour a particular subject)

ERRORS	Unjustly obtaining a benefit of any nature by unintentionally breaking a rule or guideline

It is recommended that the entity pay particular attention to this first, but essential, activity: the more types of conduct included under the definition of corruption, the greater the scope of the risk analysis (risky events, enabling factors and methods) (*see* SOURCES OF RISK page below)
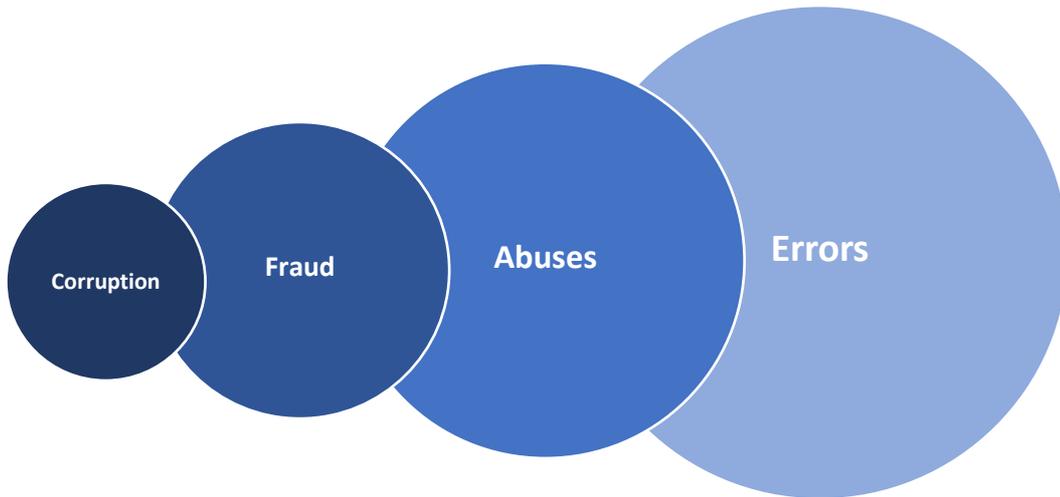
The entity should carefully consider including non-malicious actions, such as errors, within the definition of corruption.

IDENTIFICATION OF CORRUPTION EVENTS

The analysis of risks requires first of all the identification of all possible corruption events, understood as those facts, situations and behaviours that can be included under the definition of corruption adopted, and which the entity wishes to prevent.

For example, the issuing of authorizations and concessions to persons who are not entitled and/or lack the necessary requirements; the choice of suppliers of goods and services in violation of the tender procedure; the failure to sanction persons responsible for violations; the hiring of personnel without the necessary qualifications.

The event identification activity should be carried out by the entity in depth because an unidentified event will not be able to be managed and its failure to be identified could compromise the implementation of an effective corruption prevention strategy.

The identification must include all corruption events that, even if only hypothetically, could occur; it can be achieved via a gradual approach, taking into account the resources and skills actually available. The active participation of departmental managers in the identification is crucial as each of them has in-depth and detailed knowledge of the activities carried out in their offices.

The identification activity must include:

- the corruption event, i.e. the fact, situation or illegal conduct to be prevented. For example, issuing a permit or awarding a public contract to a person who does not meet the necessary requirements.
- the criminal purpose (motive), i.e. the cultural and crime-fostering element (motive) element that drives the perpetrator to violate the rules and abuse his/her function to advance his/her own interest

or a particular interest of third parties. For example: the desire to obtain wealth, to gain power, to please someone, to help a relative or friend.

- the enabling factors, or risk factors, i.e. the organizational and contextual elements that facilitate the occurrence of the event or the ways in which it can take place. For example: lack of control measures, excessive discretion, lack of transparency, poor accountability, inadequate staffing of processes, poor culture of legality, excessive regulation, complexity and lack of clarity in the relevant legislation.

- the methods, which represent all the operational dynamics and conduct developed by internal staff and external parties that are necessary for the corruption event to take place. For example, collusion between public employee and business owner, acceptance of gifts/money, abuse of discretion, omission of checking, manipulation of a ranking list in a public competition, certification of credentials in a person who lacks them, cancellation of a fine.
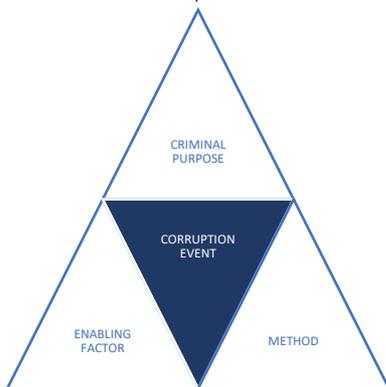
It is recommended that the entity also identify, together with the corruption events, the enabling factors and methods: knowing what can facilitate an event and how it can actually occur allows the entity to fully understand the risks.

SOURCES FOR THE IDENTIFICATION OF EVENTS

In order to identify corruption events and enabling factors, it is necessary to analyse the organizational structure of the entity and the context in which it operates. In addition, in order to also identify the methods, it is necessary to map out all the processes of the entity.

Analysis of the external context

The analysis of the external context serves to understand the cultural, social and economic characteristics of the area in which the entity operates, the existing relations with stakeholders, and how these elements can influence corruption events.

The *risk manager*, with the collaboration of personnel and external parties, acquires information useful for identifying the characteristics of the environment in which the entity operates and highlights how these may favour corruption events.

The information can be both *objective* (e.g. economic and legal data, etc.) and *subjective* (data on the perception of the phenomenon), and can be collected both within the entity and from external sources.

The risk manager must interpret the data collected in order to identify potential corruption events, their enabling factors and methods.

For example, the entity may collect data on the analysis of the perception of corruption carried out in the area in which it operates

Possible sources to consult

- National or regional databases
- Studies and reports from research centres and universities
- Studies by statistical institutes
- Law enforcement data
- Surveys on the perception and victimization of corruptionInterviews with the governing body or departmental managers
- Information gathered during meetings with staff
- Information collected in the course of joint activities with other administrations operating in the same territory or sector
- Reports received through a whistleblowing channel or other methods

or carry out a market analysis aimed at identifying parties who may have private interests connected to the activity of the entity.

Description of the organizational structure

The identification of corruption events and enabling factors also requires an analysis of aspects related to the organization and management of processes, the system of responsibilities and the level of complexity of the entity.

The risk manager must analyse the organizational structure, with reference both to the central structure and to any peripheral offices located throughout the territory, paying particular attention to the following aspects:

Governing bodies	Departmental organization	Roles and responsibilities
Policies, objectives and strategies	Resources	Knowledge, systems and technologies
Quality and quantity of staff	Decision-making processes	Internal and external relations

Process mapping

The central aspect in the process of analysis is process mapping, which consists of the identification and analysis of the organizational processes with which the entity carries out its functions.

A process can be defined as a sequence of interrelated and interacting activities that transform resources into an output intended for an internal or external party (user).

The process represents the container within which the dishonest employee carries out the corruption event. Some of the elements to consider when mapping a single process are as follows:

- Input elements that trigger the process - "INPUT"
- Expected outcome of the process - "OUTPUT"
- Activity development phases - the "STAGES"
- Sequence of actions to achieve the output - the "ACTIVITIES"
- Responsibilities related to single activities
- Timing of activities
- Procedural constraints
- Interrelationships between processes

The goal of this phase is to create a comprehensive list of the entity's processes. To do this, it is necessary to survey and classify all internal activities and responsible parties.

The mapping of the entire activity can be achieved in a progressive manner, taking into account the resources and skills actually available, starting with the processes considered the highest risk.

The process mapping can be drawn up by following the scheme below.

Process	Phases	Activities	Responsibilities
Process X	Phase 1	Activity A	Office 1
	Phase 2	Activity B	Office 2

Process Y	Phase 1	Activity C	Office 3
	Phase 2	Activity D	

In order to carry out the mapping, it is advisable for the *risk manager* to involve the heads of the main organizational structures and, if possible, the heads of the individual processes.

Other sources

In addition to the results of analysis of the external context, of the organizational structure and of the mapping of processes, the entity should collect further and different information that it deems useful for the identification of potential corruption events. This could be drawn from sources such as, for example, episodes of past mismanagement in the entity or in other similar entities, or consulting the risk register created by other authorities similar in type and organizational complexity.

REGISTER OF CORRUPTION EVENTS

At the end of the identification phase, the risk manager prepares a "Register of corruption events".

The Register of events allows the entity and the *risk manager* to clearly understand the critical issues linked to individual processes, or the critical issues present in different activities of the entity; and how the same corruption event can be facilitated by different risk factors and carried out in different ways, depending on the process.

As with process mapping, the register can also be built up progressively, on the basis of the resources and skills actually available. The Register of corruption events can be created using the following scheme:

Corruption event	Process	Activities	Function	Risk factor	Method
The issuing of authorizations and concessions to persons who are not entitled and/or lack the necessary requirements	Process X	Activity B	Office 2	I	...
	Process Y	Activity C	Office 3	II	...
Recruitment of unqualified staff	Process X	Activity A	Office 1	II	...

ASSIGNING TREATMENT PRIORITY

The risk analysis process concludes with the prioritization of treatment.

The risk manager must evaluate the corruption events that have emerged to decide where he/she should focus his/her attention and prevention strategy.

In order to assign priority, the *risk manager*, in collaboration with the policy-making body, defines one or more indicators, on the basis of which to assign priority in treating corruption events; furthermore, for each indicator, the *risk manager* establishes the parameters for weighting such indicators.

The assessment of corruption events is carried out by consulting the information and data collected through the identification activity.

Indicator selection → Parameter definition → Data Analysis → Assignment of priority

Examples of possible indicators are given below.

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IMPACT ON INTERNAL STAFF

- The entity prioritizes corruption events that involve processes affecting the greatest number of employees

ORGANIZATIONAL IMPACT

- The entity prioritizes corruption events that affect the greatest number of processes

ORGANIZATIONAL IMPACT

- The entity gives priority to corruption events related to processes which, in each department/function, involve the greatest number of employees in percentage terms

FAILURE TO APPLY CONTROLS AND MEASURES

- The entity gives priority to corruption events in which no checks or prevention measures have been applied

ECONOMIC IMPACT

- The entity gives priority to corruption events related to processes that have an economic bearing on citizens/users of the entity

POTENTIAL DIVISION OF THE PROCESS

- The entity gives priority to corruption events relating to processes where the final result can also be achieved by carrying out multiple smaller financial operations which, considered as a whole, ultimately ensure the same result

REPUTATIONAL IMPACT

- The body gives priority to corrupt events, which over the past 5 years, have garnered more media interest

FREQUENCY OF CORRUPTION EVENTS

- The entity prioritizes corruption events that have occurred over the past 5 years

EXTERNAL NUMERICAL IMPACT

- The entity gives priority to corruption events related to processes whose output is aimed at the largest number of citizens/users

DISCRETIONARY POWER

- The entity gives priority to corruption events related to processes involving a higher degree of discretionary power

COMPLEXITY OF THE PROCESS

- The entity gives priority to corruption events related to processes involving other entities

Examples of possible parameters:

INDICATOR	PRIORITY	PARAMETER
IMPACT ON INTERNAL STAFF	HIGH	The corruption event concerns processes involving 100% of employees
	MEDIUM	The corruption event concerns processes involving more than half of the employees
	LOW	The corruption event concerns processes involving less than half of the employees

INDICATOR	PRIORITY	PARAMETER
ORGANIZATIONAL IMPACT	HIGH	The corruption event affects 100% of the processes
	MEDIUM	The corruption event affects more than half of the processes
	LOW	The corruption event affects less than half of the processes

INDICATOR	PRIORITY	PARAMETER
FAILURE TO APPLY CONTROLS AND MEASURES	HIGH	The corruption event is not subject to control measures
	LOW	The corruption event is already subject to control measures

INDICATOR	PRIORITY	PARAMETER
REPUTATIONAL IMPACT	HIGH	During the last 5 years articles about the same or similar events have been published in national newspapers or magazines
	MEDIUM	During the last 5 years articles about the same or similar events have been published in local newspapers or magazines
	LOW	During the last 5 years, no articles about the same or similar events have been published in newspapers or magazines

Once the indicators have been applied, the institution is able to prioritize dealing with the risks, as shown in the table below:

Priority	Corruption event	Process	Activity	Function	Risk factor	Method
2°	The issuing of authorizations and concessions to persons who are not entitled and/or lack the necessary requirements	Process X	Activity B	Office 2	I	…
		Process Y	Activity C	Office 3	II	…
1°	Recruitment of unqualified staff	Process X	Activity A	Office 1	II	…

For more information and further insights, the following sources can be consulted:
A Guide for Anti-Corruption Risk Assessment, The Global Compact - https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2FAnti-Corruption%2FRiskAssessmentGuide.pdf
The basics of corruption risk management. The Anti-Corruption Resource Centre - https://www.u4.no/publications/the-basics-of-corruption-risk-management-a-framework-for-decision-making-and-integration-into-the-project-cycles.pdf
Corruption Risk Assessment Topic Guide, Gateway & Transparency International - https://knowledgehub.transparency.org/assets/uploads/kproducts/Corruption_Risk_Assessment_Topic_Guide.pdf