


# Chapter 10

## Organisational Risk Management Plan: The Application of FMEA Methodology

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### ABSTRACT

*This chapter presents the results of the application of the failure mode and effects analysis methodology, within the scope of the Organisational Risk Management Plan, in the Municipal Division of Contract Works and Concessions of Oliveira de Azeméis City Council of the metropolitan area of Porto located in the north of Portugal with an area of approximately 164 Km<sup>2</sup> and a few more than 20,000 inhabitants. An update of the literature review allows us to conclude that this methodology remains a good approach for establishing a bridge between risk management and the Plan for Prevention of Risks of Corruption and Related Infractions, in line with the Organisation for Economic Cooperation and Development (OECD) recommendation on public integrity. Once the application of this methodology is understood, an example of its implementation for the management of risk in the contract works service of the Municipality of Oliveira de Azeméis is also provided.*

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## **INTRODUCTION**

The public organisations are subject to strong pressures due to the need for a constant updating, the growing complexity inherent to the introduction of new procedures and technologies, and due to a greater involvement of citizens. These pressures may cause failures in the internal control system, exposing organisations to a high number of risks, such as corruption and related infractions, which are unexpected, inopportune, and which can also reach large proportions (Domnişoru, Ogarcă & Dragomir, 2017). Thus, organisations should identify and assess the risks which threaten their activity in order to implement control mechanisms to mitigate them, without hindering the accomplishment of objectives and the sustainability of the organisation (Pinho, 2014).

A good internal control system can help create conditions for limiting illicit activities and is a good method of combating corruption, and for this reason has been adopted for this purpose by several governments and organizations (Shu, Wang, Zhao & Zheng, 2014; Lonescu, 2015). So, the Portuguese municipalities have been focused on identifying and validating risks associated with corruption and related infractions, and have been developing adequate control mechanisms to prevent them, through the creation of the PPRCRI, recommended by the Council for Prevention of Corruption (CPC), through recommendation N°. 1/2009 of 1<sup>st</sup> July (DR no. 140, 2nd series, of July 22, 2009). On 7 April 2010, the CPC reinforced the need for the preparation of prevention plans and their publication on the Internet site, recommendation no. 1/2010. In 2011 the CPC approved two recommendations: one on July 6 “prevention of risks associated with privatization processes” and another on September 14 “plans for risk prevention in the tax area”. The CPC approved on November 7, 2012, a recommendation regarding “conflict management of public sector interests”, this recommendation expresses the duty to include a reference to this in the reports on the implementation of the risk prevention plans. In 2015, three recommendations were approved, the first to January 7 on “Prevention of Corruption Risks in Government Procurement” and the second and third, on July 1, one recommends that the Plans should appoint sector managers and a general execution and monitoring and that the entities develop training, dissemination, reflection and clarification of these Plans and another is about “combating money laundering”. Finally, in 2017, the recommendation “Permeability of the Law to risks of fraud, corruption and related infractions” was approved on May 4, 2017. The creation of the Plan for Prevention of Risks of Corruption and Related Infractions (PPRCRI) should take into account that risk management, associated with any organisational activity, is essential to ensure its success, considering that an ineffective risk analysis can lead to non-detected failures which may have a considerable impact on the organisational performance and outcomes. However, the above recommendation does not include

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