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Risk Management System Implementation: Improving the Role of Internal Control Unit (SPI)

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Abstract:

The Internal Audit Unit (SPI) is a body set up with the aim to help the organization or institution to supervise the implementation of the tasks and functions of the work unit. One of SPI tasks, is controlling or handling risks. Risk is anything that has the potential to adversely affect an activity. The purpose of this study was to identify all sorts of risks that could potentially occur in any SPI activities and formulate an integrated solution in order to address emerging risks. This study uses a mix research methods which combine qualitative and quantitative methods. Qualitative methods carried out by conducting interviews and observation of the informants. Meanwhile, quantitative data is done by charging a scale of risk/risk map. Object of this research is the Internal Audit Unit (SPI) at the State University of Semarang both lecturers and other education personnel. Furthermore, the data were analyzed using descriptive. The results showed that there are some risks, namely the risk of control and business risk (financial risk, operational risk, risk of human resources). Furthermore, it has been known integrated solutions to address and minimize such risks. The solution to such risks include applying SWOT analysis in order to determine the condition of the competitors, increasing the robustness of the system, training of human resources, and minimize human error through the separation of powers and duties.

Keywords: Risk management, SPI, risk, good university governance

1. Introduction

The college has a significant role for improving the quality of Indonesian society. Therefore, a college should be managed properly. This is in accordance with Government Regulation No. 60 of 2008 on the Internal Control System of the Government, that the government is pushing for the establishment of an internal control system that Internal Audit Unit (SPI), which was in college. The tasks of the SPI are expected to vastly improve the effectiveness of university performance through the realization of Good University Governance (GUG).

Good University Governance (GUG) should be able to be applied early in the various universities. By increasing the effectiveness of the Internal Audit Unit (SPI), the GUG can be achieved. The duties and role of SPI is to safeguard the assets of the organization and monitoring risk assessments. Therefore, when SPI perform risk management system or management of risk in college then GUG embodiment can be achieved. Furthermore, Labombang (2011) revealed that the presence of risk management can reduce costs and prevent entities from loss. Therefore, this study apply a risk management approach to determine what risks are contained in the Internal Audit Unit as well as how to control the risks.

2. Literature Review

2.1. Internal Audit Unit (SPI)

Based on the Regulation of the Minister of National Education of the Republic of Indonesia Number 47 Year 2011 concerning Internal Control Unit within the Ministry of National Education in Article 1 states that

- "Internal control is the whole process of audit activities, the Review, evaluation, monitoring and supervisory activities other towards the implementation of the tasks and functions of an organization that aims to control the activities, securing property and assets, the implementation of the financial statements, improved effectiveness and efficiency, and detection early occurrence of irregularities and non-compliance with the provisions of the legislation. Internal Control Unit, hereinafter referred SPI is monitoring unit set up to assist the implementation of monitoring the implementation of the task work unit within the Ministry of National Education"

Therefore, it can be concluded that SPI has the same role as the position of internal audit in a company. SPI became supervisors and controllers in the tasks and functions of each unit in order to realize the objectives of the entity. Furthermore, Rezaee (2009) states that the internal audit is the cornerstone for the achievement of corporate goals. The terms and conditions within a university SPI consists of one (1) chairman, secretary and members. Furthermore, SPI is directly responsible to the rector on anything he has done related to the control and supervision of work units. However, in the execution of its duties and powers SPI cannot escape from a variety of risks. The risk inherent in each of the activities SPI so we need some action to maximize SPI performance.

2.2. Risk

Risk is a condition where there is an opportunity for the occurrence of something that could have a negative impact (Muslich, 2007). So that the risks can be regarded as the uncertainty in the future that could have an adverse influence to the achievement of a particular purpose. Furthermore, Bahar and Crandal (1990) states that the risk is inseparable from all sorts of activities. So any activity undertaken by an entity / organization will certainly be risky. Wideman (1992) states that there are criteria or component of the risk can be divided into three, namely events, uncertainty and damage. Event can be defined as an event that is likely to give advantages and disadvantages. Uncertainty means that a degree of uncertainty in the future. While the damage is meant here is the damage resulting from an action or activity. Therefore, if the conclusions drawn, it means that the risk of a series of activities that will make an impact in the future both the impact of bad or good impact on the achievement of the goals vision and mission of the organization / entity.

Furthermore, ACCA (2011) states that there are two (2) types of risk including the risk of internal control and risk of business. Internal control risk is the risk that occurs due to the events that existed during the internal control processes that include covering operational risk, compliance risk and financial risk. While business risk is the risk that occurs due to the business climate. In an organization will have ups and downs certainly situations where the potential to provide internal control risk and business risk. Therefore, in order to minimize the wider impacts as a result of a risk business and risk of control, the SPI can apply risk management system, better known as Enterprise Risk Management System (ERMS).

2.3. Enterprise Risk Management (ERM)

Bromiley (2014) states that enterprise risk management is a management process that integrates the company's risks in a comprehensive manner in the framework of realizing good governance. ERM is seen as a good method to minimize risks in the company. The elements in the ERM as follows

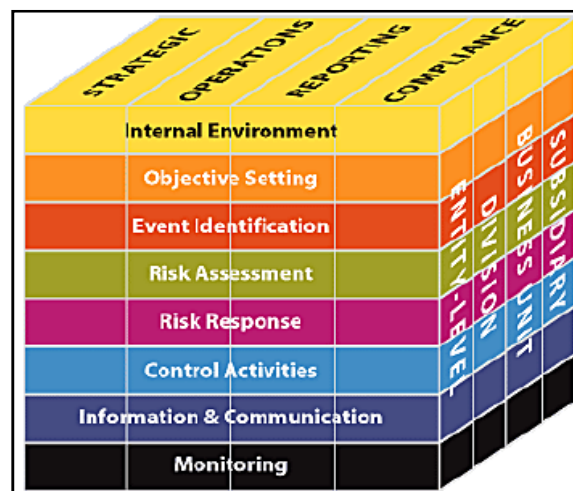


Figure 1: ERM Stages

Source: COSO, 2004

Based on the COSO (2004), there are seven (7) stages in the implementation of ERM including setting a good object, event identification / events, risk assessment, response to risk, control activities, information and communication, and monitoring. Seventh these elements are interrelated to one another for the sake of a comprehensive ERM embodiment. However, different opinions are believed by Cendrowski and Mair (2009) that there are three essential elements in the ERM as risk identification, risk evaluation and risk management / mitigation. This could be due in risk identification must have known the purpose of an activity so that the setting element objects can be ignored and immediately focused on the possibility of the potential risks arising in an activity/ activity.

3. Methodology

The object of this study is the Internal Audit Unit (SPI) of Semarang State University. This study uses a mix research method which combine qualitative and quantitative methods. Qualitative methods carried out by conducting interviews and observation of the informants involved in the Internal Control Unit both lecturers and other education personnel. Meanwhile, quantitative data is done by charging a scale of risk or risk map. The research instrument used in this study was a questionnaire assessment of risk of AS / NZS

4360 with some adjustments in accordance with the conditions of the research object. The acquired data was analyzed using descriptive analysis to describe the actual condition of the object of study in detail.

4. Results and Discussion

4.1. Results

Based on a series of research model that has been done, it can be concluded that there are four (4) types of risks encountered internal audit, namely financial risk, human resources risk, operational risk, reputation risk, and risk of control. As for the details of which can be seen in the following table

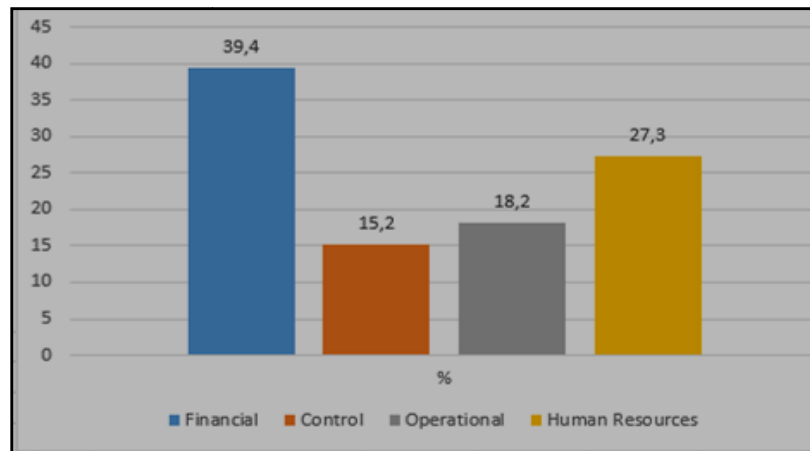


Figure 2: Risk Classification
Source: Processed Data, 2016

Based on Table 2. Risk Classification shows that there are financial risks contained in the Internal Audit Unit (SPI) as much as 39.4%. This is because when the SPI activities such as financial audit, audit budget and the like are not performed optimally it will allow financial fraud / fraud which will impact on the financial condition of the institution. For risk control are 15.2%, this risk which is emerging risks that related to the lack of supervision of compliance SPI implementation of activities that can lead to weak adherence to the principles and applicable legislation. Furthermore, the potential operational risk of 18.2% which these risks can result in delays on SPI activity. Moreover, the potential absence of the source data required when the audit program or other. Furthermore, for the risk of human resources contained in the SPI of 27.3%, this risk is related to the ability and competence of the auditors SPI in exercising its functions and role

4.2. Discussion

4.2.1. Financial Risk

Financial risks are emerging risks associated with financial. This risk is a risk arising from a condition that caused the financial and economic turmoil. Internal Audit asset that serves as a guard should be able to provide a guarantee for the sustainability of the business / activity of university advancement. This is in accordance with the opinion of Rezaee (2009) which states that the existence of internal audit has a role to be an asset to the entity. Furthermore, one of the financial risks that arise in the future is a fraud. As expressed by Tuanakotta (2015) that cheating in an entity's financial statements may include, asset fraud, and tax evasion. This required a closer scrutiny of the internal audit to ensure the stability of the financial condition of the entities. Internal Audit Unit (SPI) has a very significant role for the sustainability of an organization. Success or failure of achieving the vision and mission entity / organization depends on the performance of the SPI. This is in accordance with the opinion of Hundal (2013) which states that the lack of independence, the auditor's expertise and experience can contribute to low effectiveness of auditors in carrying out its duties and functions. Therefore, SPI should be truly independent to be able to carry out its duties and functions optimally.

4.2.2. Control Risk

Risk of oversight is the risk associated with obedience or adherence to the implementation of the principles and rules on the entity / organization. Within an entity sometimes employees do not comply with the rules and ignore some of the principles for the sake of completing the work quickly. Therefore, the role of SPI is very important in minimizing the risk of this oversight. This is in accordance with the regulations of the Minister of National Education of the Republic of Indonesia Number 47 Year 20 11 on Internal Control Unit within the Ministry of National Education article 3 that

- "SPI was established to assist the implementation of monitoring implementation of the task unit in the Ministry"

Therefore, SPI should really be able to perform the duties and role, especially in terms of monitoring the implementation of the task work units. Furthermore, SPI at a university actually has the same role as the audit committee who are in a company. So the role and

tasks SPI is relatively the same as in the company's internal audit. Therefore, all the elements SPI should improve performance, especially in the field of supervision and control of regulatory compliance.

4.2.3. Operational Risk

Operational risks are risks inherent in the conduct of activities in the form of an error or failure in the delivery of letters, financial statements recording errors. These risks can be a big impact for the company. As stated by Weller (2008) that operational risk could provide a devastating impact if the entity / organization is not able to avoid it. This is because the complexity of operational risk has linkages with many things include labor, competition, technology, policy system.

Furthermore, disclosed by Laycock (1998) who believes that operational risk is a combination of various risks linked to the rise and fall of a condition that is the result of the failure of the system and supervision as well as uncontrollable conditions. A similar opinion was also listed in Bank Indonesia regulation that operational risks arise due to a weak internal functions, human error, external problems and system failures. Therefore, the SPI should take precautions related to operational risk by implementing policies as appropriate, apply the SWOT analysis in order to determine the condition of the competitors, as well as enhance the resilience of the system, and minimize human error through the separation of powers and duties.

4.2.4. Human Resources Risk

All sorts of risks related to human resources need to specifically refer to the competence and ability of man can be categorized as human resource risks. The risks may include low capacity of human resources employees about job duties in an organization, employees who stutter technology, employee motivation is low, employees are susceptible to disease, declining performance due to high age, and others. Therefore, it can be concluded that the risk of human resources is the risk that comes from the workers or employees who are able to provide adverse effects to the achievement of objectives entity or organization. Furthermore, employees (human resources) is a very valuable asset for the company. Success or failure of a company is more likely to be determined by factors of human resources.

Therefore, the risk of human resources should be controlled and appropriate solutions to minimize the impact of human resource risks. According to Ishak and Tanjung (2003) states that the risk of human resources can be controlled by imposing sanctions for violations. Furthermore, Siagian (2001) states that companies that depend on or are afraid of losing employees will tend to give non-financial rewards to be able to meet the psychological needs and status of employees such as private cars, promotion, home offices, health facilities. Thus, in order to address or minimize the risk of human resources is more widespread then organization should apply some of the following

1. Provision of guarantees safety and health of employees
2. Training to improve the quality of human resources through workshops, training, and upgrading
3. Establish verbal and nonverbal communication as well with employees

5. Conclusion

Based on research that has been done for the sake of improving the performance of the Internal Audit Unit (SPI), the risks that could potentially arise should be minimized. Furthermore, this study shows that there are two types of risk classification in outline is the risk control and business risk. Risks include the supervision of internal controls, while the business risk include financial risk, operational risk and reputation risk. Furthermore, it has been known integrated solutions to address and minimize such risks. The solution to such risks include applying SWOT analysis in order to determine the condition of the competitors, increasing the robustness of the system, training of human resources, and minimize human error through the separation of powers and duties. The results showed that the risk appears highest potential is the financial risks such as corruption, and embezzlement. Therefore, further research is expected to focus on the research of financial risk mitigation on improving the role of internal control board.

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