



# A Mixed Study into Role of the Internal Audit and Risk Management on the Private Higher Education

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**Abstract.** The study aims to investigate how the implementation and role of internal audit and risk management in private higher education, and also to design a new model of the role of internal audit and risk management for private higher education institutions in the industry 4.0 eras. The study was conducted in numerous private universities in Palembang City, The research utilized the mixed method, which is a combination of qualitative and quantitative methods. The research was started by doing a preliminary analysis of the current role of Risk Management and Internal Audit in Private Higher Education Institutions. And then continue to do collecting research data through depth interviews and spreading the closed questionnaire form to research objects at the same time. The collected data was analyzed supported by Nvivo 12 application. The research result shows that the current role of internal audit and risk management was done by one department, it was a quality assurance department. Therefore, the research is also resulting in an applicable Risk Management and Internal Audit framework for Higher Education institutions.

**Keywords:** Risk Management · Internal Audit · Internal Contro · Higher Education · Industry 4.0

## 1 Introduction

The revolution of industry 4.0 is not only given an impact on the business site [1] but has affected the education world too, particularly at the higher education level, where it was signed by the presence of the Learning Management Systems (LMS). LMS is an online platform that integrates various systems which provide access to academics, students, and administrators [2], therefore the learning and teaching process could be conducted and accessed everywhere and at every time [3].

However, it has spawned a new generation of risks[4]. Even though the higher education institution is known as a pioneer in exploring new knowledge, promoting new ideas, and transforming innovation, it is far behind the business and industry in the development and implementation of enterprise-wide risk management (ERM) [5]. Therefore, a breakthrough is needed to implement the role of risk management in universities properly and effectively with support internal audit.

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Internal Audit plays an important role in all institutions and industries. It provides the senior management with the necessary information that helps in making decisions and provides information on the efficiency and effectiveness of the internal control system applied in these institutions [6]. Besides that, the Internal audit's core role is also to provide objective assurance to the board on the effectiveness of risk management [4]. Internal managerial control structure and the internal audit structure have the role of helping the university management in fulfilling the assumed obligations, in the sense of directing the institution towards achieving the assumed objectives [2].

The role of Internal Audit in the Higher Education Institutions is carried out by Internal Control Unit. This condition is aligning with the Indonesian Ministry of National Education Regulation. However, it has not functioned well, since it less optimal controlling and function carried out by Internal Control Unit [7]. According to Indonesia Corruption Watch, total corruption from the Education site reaches 1,6 T [8].

Meanwhile, the role of Risk Management in Higher Education Institutions is not implemented completely as well. The role of Risk Management, particularly Risk Assessment becomes the Internal Control Unit responsible, whereas the other functions are not implemented clearly. This condition could open the opportunity to do fraud for the irresponsible party. According to ISO31000:2009, the function of Risk Management is to lead to Enterprise Risk Management practice, and the function of Internal Audit is to Risk Assessment, therefore both of the functions should be separated.

## 2 Theoretical Review

### 2.1 Internal Audit

According to IIA (Institute of Internal Audit), an internal audit is a function which will support the organization in achieving goals through a systematic approach to evaluating and improving risk management effectiveness, internal control and good governance [9–10]. Internal Audit is the systematic assessment and objective done by the auditor internal to the operation and control of the organization.

In 2016, Fury Kuhristianty Fitriyah [7], Zamzulaila Zakaria, Susela Devi Selvaraj and Zarina Zakaria in 2016 [11] and Turcanu Liliana 2020 [2], tried to explore the role of the Internal Audit Unit in Higher Education Institutions.

### 2.2 Risk Management

ISO 31000 states that risk management is a function of identification, analysis, and evaluation to reject, mitigate or accept the risk in the goal achievement. Risk management is the implementation of regulations and procedures to minimise the occasion that could decrease the capacity and quality of the company.

Jiri Tupa, Jan Simotan and Frantisek Steiner 2017 [12], were studied the Aspects of risk management implementation for Industry 4.0. Tufano, P in 2011 [5] conducted a study on the Managing Risk in Higher Education.

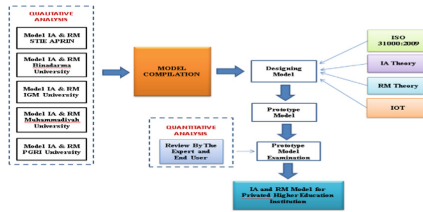


Fig. 1. Framework of Thinking

### 2.3 Apply Framework

Based on the recent application the internal audit and risk management in the private higher education institution, the researcher has been design the framework of thinking (Fig. 1).

## 3 Research Method

The purpose of this research is to understand how the implementation of internal audit and risk management in private higher education, therefore we employ a multi-method approach that builds on both qualitative and quantitative methods [11]. To explore the research questions we adopted an embedded design. In the embedded design, the first step is collecting data by deep interview, then the data is analyzed by support Nvivo12. The analysis data is then interpreted as quantitative.

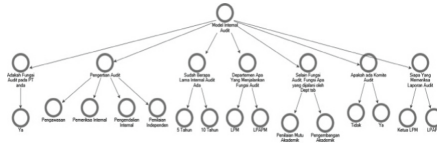
The data was collected from object research, through depth interviews with the person in charge appointed by the counsellor. The objects of research are STIE APRIN Palembang, Indo Global Mandiri University, Bina Darma University, Muhammadiyah University and PGRI University.

## 4 Result and Discussion

After all, questionnaires have been distributed and have been completely answered by the respondents, then the data is examine utilized the Nvivo 12 application. The examination is divided into 2 phases, namely examination questionnaires related to Internal Audit and Risk Management. The examination results obtained as the following.

### 4.1 Internal Audit Questionnaire Examine

From the examine results above, it can be explained that the respondent’s internal audit function has been carried out, but this function is carried out in concurrent positions by the Quality Assurance Agency or the Academic Development and Quality Assurance Institute. The institution is an institution formed at a university whose function is to assess the quality of education at the university. This dual assignment not only results in unclear responsibilities, but also results in the internal auditor being not independent, and this can even lead to a conflict of interest. Another weakness that arises from the existing



**Fig. 2.** The Internal Audit Questionnaire Examine Result

system is the absence of audit committees at several universities. An audit committee is a tool that functions to assist the BOD or university leaders in analyzing the results of audits that have been carried out by the Internal Auditor, as well as considering making decisions to follow up on the audit results (Fig. 2).

**4.2 Risk Management Questionnaire Examine**

From the results of the above analysis, it is known that the risk management applied to respondents currently only refers to Permendikbud No. 50 of 2014, so the function of risk management is currently concurrently with the function of the Quality Assurance Agency, which also concurrently serves as the Audit function. In this model, it can be seen that the supervision of the implementation of risk management is also carried out by the LPM. Thus, it can be concluded that there is no separation of responsibilities between Internal Audit and Risk Management because both functions are carried out by 1 department, namely the Quality Assurance Agency (Fig. 3).

Based on the phenomena and results of the analysis above, a prototype of the Internal Audit and Risk Management model was compiled which would then be reviewed by several practitioners and experts in the field of Internal Audit, Risk Management and academics, so that the prototype could be implemented in private universities.

The Current Internal Audit and Risk Management Model is shown in Fig. 4, and the prototype model of the Internal Audit and Risk Management is shown in Fig. 5 and Fig. 6



**Fig. 3.** The Risk Management Questionnaire Examine Result



**Fig. 4.** The Current Internal Audit and Risk Management Model on Private Universities

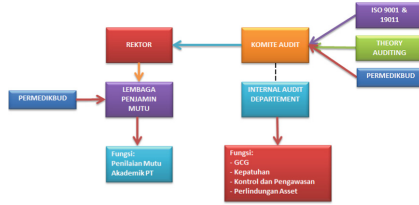


Fig. 5. Prototype Model Internal Audit for Private University

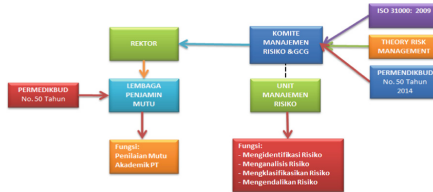


Fig. 6. Prototype Model Risk Management for Private University

## 5 Review By Practice and Expert on Internal Audit and Risk Management

### 5.1 Internal Audit Model

Based on the prototype that has been designed above, the next step is to ask for an assessment and review from several practitioners and experts in the field of Internal Audit, both professionals and academics. The following is the data of the prototype reviewers of the Internal Audit model:

1. Mr. Feri Gustavandi, Internal Audit Department Head PT BFI Finance Indonesia, Jakarta
2. Mr. Riyan Salambesi, Auditor Head, KAP Tuannakota & Mustafa, Jakarta
3. Mr. Hendra Musa, M.Si, M.H, Head of Management Program STIE APRIN Palembang

Practitioners and experts in the field of Internal Audit expressed the following views: The design of the model that has been made has met the standards, where the Internal Audit position must stand independently and coordinate with the Audit Committee for each of its duties. This view was conveyed by Mr. Ferry Gustav and Mr. Riyan Salambesi, but another view from academic practitioners states that, when referring to existing standards such as ISO, auditing theory and the provisions of accounting standards, the model is very appropriate, but in universities, the model is constrained by the Minister of Education and Culture which mentions the functions of supervision and management. Risk is carried out by a quality assurance agency.

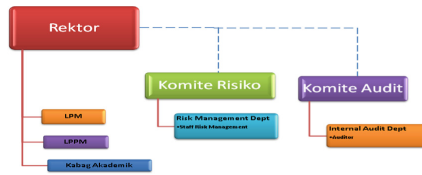


Fig. 7. The Recommended Internal Audit and Risk Management Model

## 5.2 Risk Management Model

Reviews of the risk management model are carried out by practitioners as well as academics, including:

1. Mr. Joca Apriliando, S.E, Risk Manager PT JCB International Indonesia, Jakarta
2. Mrs. Dr. Terttiaavini, M.Kom, Chairman of LPPMK Indo Global Mandiri University, Palembang

According to Mr Joca, the Risk Management model is very appropriate, especially when a risk management committee is designed so that the functions of the risk management department can run well. However, from the University's point of view, it is again hit by the provisions in the Minister of Education and Culture which state that the risk management function is carried out by the Quality Assurance Agency.

Based on the results of the assessment and analysis of experts and academics, the authors have designed an Internal Audit and Risk Management model that adopts the needs of higher education institutions while still paying attention to the independence and competence as well as the main functions of internal audit and risk management, so that it is hoped that higher education will be implemented the good corporate governance. The new model is shown in Fig. 7.

## 6 Conclusion

The recent role of internal audit and risk management is not implemented completely in a private higher education institution. Both roles and functions are done by Quality Assurance Department. There are no separate functions for both internal audit and risk management. Even, there has another function under the quality assurance department, such as academic quality assessment. This condition makes unclear jobs and descriptions.

Internal audit is played an essential function, it will provide important information for management to take the decision. Therefore, it should be independent. Internal audit should not be under the department which doing the operational function. It aligned with ISO 9001, COSO and IIA, which states that internal audits should be independent.

Based on the condition, the researcher has designed a new model of Internal Audit and Risk Management in Private Higher Education Institutions, which accommodated all standards and regulation. The model also has been reviewed by the practitioner and academic.

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