

Potential risk management design based on ISO 31000:2018 a case study of RSUD BLUD X

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Abstract

Due to rapid changes in the entire business environment during Covid-19 pandemic brings about strategic uncertainty and strategic risk for an organization. This will relate to the organization's risk control and its efforts to mitigate the corporate risk might be facing. However, the implementation of risk management in RSUD X only carries out a risk identification process. There are no guidelines in the process of analyzing risk, mitigating risk, evaluating risk, so that it is vulnerable to objectivity. Thus, the risk management system is needed as the key to the success of the risk mitigation result. This research used descriptive qualitative method through document review and semi-structured interviews. The aims to analyze the potential risk management design based on ISO 31000: 2018. Finally, the research contribution is to solve public sector risk management problems in health institution, build risk awareness, and motivate management leaders to adopt best practices according to organizational conditions, culture, and values.

Kata Kunci: Good Public-Governance (GPG), Risk Management, ISO 31000:2018, Public Sector Accounting

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INTRODUCTION

The entire business environment during Covid-19 pandemic is filled with uncertainty which forces organizations to quickly adjust to new circumstances, determine the right steps in their business strategy and must consider the business risks that might be faced that will have an impact on organization objectives and performances. In facing challenges, the risk management system can be used as a tool for ensuring the implementation of the organization's strategy is in line with organization's goal (Kusuma, 2021; Rana et al., 2019, Martyn et al., 2016).

In order to anticipate conditions of uncertainty in the future as well as great attention to hospital performance in providing health services, RSUD X requires a well-functioning risk management system that can play an important role in an effective company management process (Mayer et al., 2019). As a public organization, RSUD X complies with the Regulation of the Minister of Health of the Republic of Indonesia Number 25 of 2019 concerning Implementation of Integrated Risk Management within the Ministry of Health. Thus, RSUD X is required to be able to manage existing risks in an integrated manner in order to create good governance.

As a public organization, RSUD BLUD X is subject to the rules made by the Minister of Finance as the financial advisor of the BLUD, to carry out risk management programs and must consider risk in every decision or action. Based on Minister of Finance Regulation Number 129/PMK.05/2020, BLU/BLUD leaders must consider risk in every decision making. Moreover, BLU/BLUD leaders also required to develop and run an integrated risk management system by assigning the Internal Control Unit (SPI) to carry out the functions of risk management and internal control (Ministry of Finance RI, 2020). Thus, risk management system is the right approach to identify, analyze, evaluate, and control risks that can hinder the achievement of the goals and objectives of RSUD X.

Risk management is an integral part of implementing the Government Internal Control System (SPIP). The implementation of the SPIP is further regulated through Government Regulation Number 60 of 2008 concerning the Government's Internal Control System. Article 47 of Government Regulation Number 60 of 2008 states that Ministers/Heads of Institutions and Regional Heads are responsible for the effectiveness of the implementation of the Internal Control System within their respective

organizations. The Internal Control System is implemented in order to provide reasonable assurance of the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations.

SPIP must be carried out by all lines/elements within the organization covering all stages of activities from planning, implementation, supervision, to accountability. In its application, SPIP must consider the sense of justice and propriety, as well as consider the size, complexity, and nature of the duties and functions of the public institution. That is, the bigger and more complex an organization is, the more internal control mechanisms are needed that are different from simple organizations.

In the organizational structure of the public sector in Indonesia, the internal control activities are carried out by the Government Internal Supervisory Apparatus (APIP). The implementation of SPIP must be assessed, so that it can describe how the organization manages its risks as stipulated in *Peraturan BPKP Nomor 5 Tahun 2021* concerning Maturity Assessment of Integrated SPIP Implementation at Ministries/Institutions/Local Governments. This regulation aims to make the SPIP maturity assessment more closely related to the objectives, structure and processes, and achievement of SPIP objectives. Thus, the role of APIP will become more concrete and strategic because in carrying out internal supervision, APIP has important tasks and functions to integrate the implementation of governance, risk management, and control (Governance, Risk, Control/GRC).

One of the performance indicator targets for the state apparatus in President Joko Widodo's Government is the maturity level of SPIP implementation reaching level 3. Therefore, with the effectiveness of BPKP Regulation Number 5 of 2021, the implementation of SPIP is no longer just a regulatory compliance obligation, but a necessity for organization. Moreover, the impact of not implementing good risk management at RSUD X which has the status of BLUD is the possibility of revoking the flexibility of financial management facilities and flexibility in implementing policies on its business practices.

In the New Integrated SPIP concept, SPIP is not only related to internal control, but includes a series of governance, risk management and control processes. In the absence of good risk management, it will bring the results of the evaluation of the SPIP maturity level and hospital accreditation with low scores, reflecting poor performance and being considered as not making efforts to change the recommendations for improvements that have been given to RSUD X. Therefore, as public organizations, risk management and its potential must be carried out appropriately, professionally and proportionally (Nuriah et al., 2021).

Based on observations and initial interviews at RSUD X, the implementation of risk management in RSUD X only carries out a risk identification process, which process is also not based on the organization's risk appetite. Moreover, there are no guidelines in the process of analyzing risk, mitigating risk, evaluating risk, so that it is vulnerable to objectivity. This condition makes it difficult for RSUD X to compile risk management reports, both periodic and incidental reports. It indicates that the risk management implementation in RSUD X still needs attention. By having weak internal control and non-compliance with statutory provisions will have an impact on organizational outcomes and goals.

This research used ISO 31000:2018 as a conceptual framework by taking into account Government Regulation Number 60 of 2008 as a regulatory framework. ISO 31000:2018 is chosen because it is an international standard, which is able to provide generic guidelines regarding the implementation of risk management. This standard recommends organizations to develop, implement, and continuously improve a risk management framework that aims to realize overall organizational governance which includes strategy and planning, management, reporting processes, policies, and organizational values and culture (Winata, 2017).

According to CRMS Indonesia (2018), ISO 31000:2018 is proven to be able to increase the value added of the internal control in corporate governance. Furthermore, ISO 31000:2018 is the most widely adopted conceptual framework in Indonesia with a percentage of 67.5%, because the nature of ISO 31000 is not aimed at equalize risk management across organizations, but to provide supporting standards for the implementation of risk management that supports the achievement of organizational goals and objectives.

Triandini (2019) explain that ISO 31000:2018 is a more efficient approach that is easier to understand and apply. In addition, considerations from a cost perspective also tend to be cheaper than using the COSO ERM conceptual framework. For example, a hospital that already implemented integrated risk management according to the ISO 31000:2018 framework is RSUD Bendan in Pekalongan (as a class C Hospital). RSUD Bendan was chosen because the organizational size is the same as RSUD X, so that it can be used as an example to be implemented.

Previous studies have examined the dynamic interaction between management control systems and risk in public service organizations. (Rana et al., 2019, Vasileios & Favotto, 2021; Nuriah et al., 2021). Furthermore, this research responds to the call for continued research from Triandini. (2019) to solve public sector risk management problems in health institution, build risk awareness to all levels of the hospital workforce, and motivate management leaders to adopt best practices according to organizational conditions, culture, and values.

The question of the research are (1) How is the current implementation of risk management in RSUD X and (2) What are the proposed improvements to risk management at RSUD X Hospital using the ISO 31000:2018 conceptual framework. The purpose of this research are to evaluate the implementation of risk management in RSUD and to formulate the potential risk management design based on ISO 31000.

LITERATUR REVIEW

Good Public Governance (GPG)

In order to create good and clean government, a government system is encouraged to implement Good Public Governance (GPG). The OECD (2011) defines public governance as the formal and informal arrangements that determine how public decisions are made and how public actions are taken, from the perspective of defending a country's constitutional values when facing changing problems and environments.

The implementation of Good Public Governance (GPG) has become a must for all government agencies. The government's seriousness in realizing GPG is reflected in the existence of various regulations regarding this matter, one of which is Government Regulation Number 60 of 2008 concerning Government Internal Control Systems (SPIP). Most countries refer to the OECD public governance principles (2011) which were also adopted in Indonesia by the National Committee for Governance Policy of the Government of Indonesia (KNKG). KNKG (2010) establishes good public governance based on five principles, namely (1) democracy, (2) transparency, (3) accountability, (4) legal culture, (5) fairness and equality.

Risk Management

Based on the IIA International Standard (2020), risk is the possibility of an event occurring that will have an impact on the achievement of organizational goals. According to Moeller (2011), every organization must face various kinds of risks so that it requires tools to assist organizational leaders in managing and making decisions based on the components of costs and risks. The purpose of risk management is to create and protect organizational value, so the role of leadership and commitment is very important in implementing risk management (CRMS Indonesia, 2018). Thus, the process of managing risk management is the joint responsibility of all employees with awareness of the existence of risks that have become an integral part of the organizational culture of RSUD X.

According to ISO 31000 (2018), the implementation of effective risk management requires eight elements, namely (1) integrated, (2) structured and comprehensive, (3) customized, (4) inclusive, (5) dynamic, (6) the best available information, (7) human and cultural factors, and (8) continuous improvement. These eight elements support the objectives of risk management itself, namely the creation and protection of value. Value in an organization is realized by increasing performance, encouraging innovation, and supporting the achievement of organizational goals and objectives (Maralis & Triyono, 2019).

Risk Management and Internal Control based on Government Regulatory Framework

As a public organization, RSUD X complies with the Regulation of the Minister of Health of the Republic of Indonesia Number 25 of 2019 concerning Implementation of Integrated Risk Management within the Ministry of Health. RSUD X is required to be able to manage existing risks in an integrated manner in order to create good governance. The application of risk management requires awareness, leadership, and commitment from top management, and the active involvement of all members of the organization (Rana et al., 2019).

As a hospital with BLUD status, RSUD X is subject to the rules made by the Minister of Finance as the BLUD's financial advisor, to carry out risk management programs and must consider risk in every decision or action. Based on Minister of Finance Regulation Number 29/PMK.05/2020, BLUD leaders are required to develop and implement a management program integrated risk by assigning the Internal Control Unit (SPI) to carry out the risk management and internal control functions (Ministry of Finance RI, 2020).

RSUD X as a public institution is also required to carry out an internal control process as regulated in Government Regulation Number 60 of 2008 concerning the System Government Internal Control (SPIP). It means that every public institution must develop an element of an internal control system that functions as a guideline for implementation and benchmarks for testing a system within the organization. This development needs to consider aspects of cost and benefit, existing human resources, clarity of criteria for measuring effectiveness, and development of information technology and is carried out comprehensively.

To provide adequate assurance that the process of implementing the SPIP has supported the achievement of organizational goals in accordance with the mandate that has been set, BPKP has developed guidelines for evaluating the maturity of the implementation of the internal control system, namely BPKP Regulation Number 5 of 2021. This guideline is the standard that regulates the assessment of the maturity of the SPIP, Index Risk Management (MRI) and Corruption Control Effectiveness Index (IEPK). All three are New SPIP concepts that can be used as tools to assess observable practices and structures related to organizational governance, management decision-making processes, and risk management (BPKP, 2021).

According to Tuannakotta (2019), the practice of implementing risk management by each organization can vary, so efforts are needed to advance risk management practices on an ongoing basis to strengthen the internal control system. The elements of the government's internal control system according to Government Regulation Number 60 of 2008 include: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

Risk Management based on ISO 31000:2018 Conceptual Framework

This research used ISO 31000:2018 as a conceptual framework by taking into account Government Regulation Number 60 of 2008 as a regulatory framework. ISO 31000:2018 is chosen because it is an international standard, which is able to provide generic guidelines regarding the implementation of risk management. Moreover, the process of risk analysis has not been regulated in detail in Government Regulation Number 60 of 2008. Thus, ISO 31000:2018 conceptual framework is used to complement the rules regarding risk management in Government Regulation Number 60 of 2008.

ISO 31000 (2018) divides the risk management process into six process stages consisting of three core stages (determination of scope, context and criteria; risk assessment; and risk treatment) and three umbrella stages (communication and consultation; monitoring and review; and record keeping and reporting). The process begins with communication and consultation among stakeholders. Furthermore, setting the scope, context, and criteria followed by risk assessment and risk treatment so as to produce risk management process outputs such as risk registers. The output of this process is then followed up with a monitoring and review process and recorded by recording and reporting.

Risk management is not a system that can stand alone, therefore it requires integration with other systems within the organization. The results of the integration will be realized in the design of the risk management framework to be further implemented in the implementation.

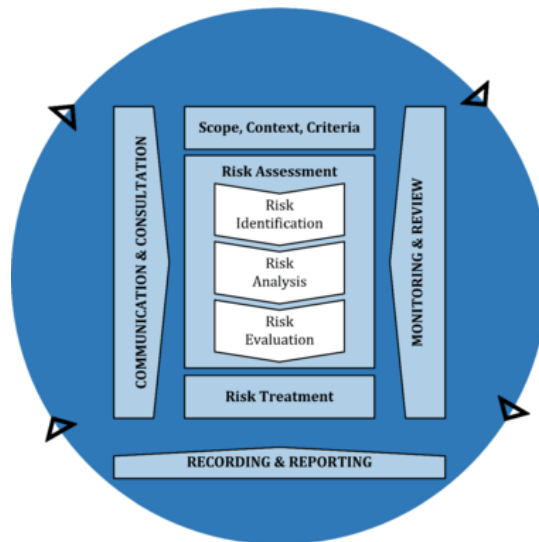


Figure 1. Risk Management Process
Source: ISO 31000:2018

The Conceptual Framework

Based on the following literature, the conceptual framework of this study is illustrated in Figure 2.

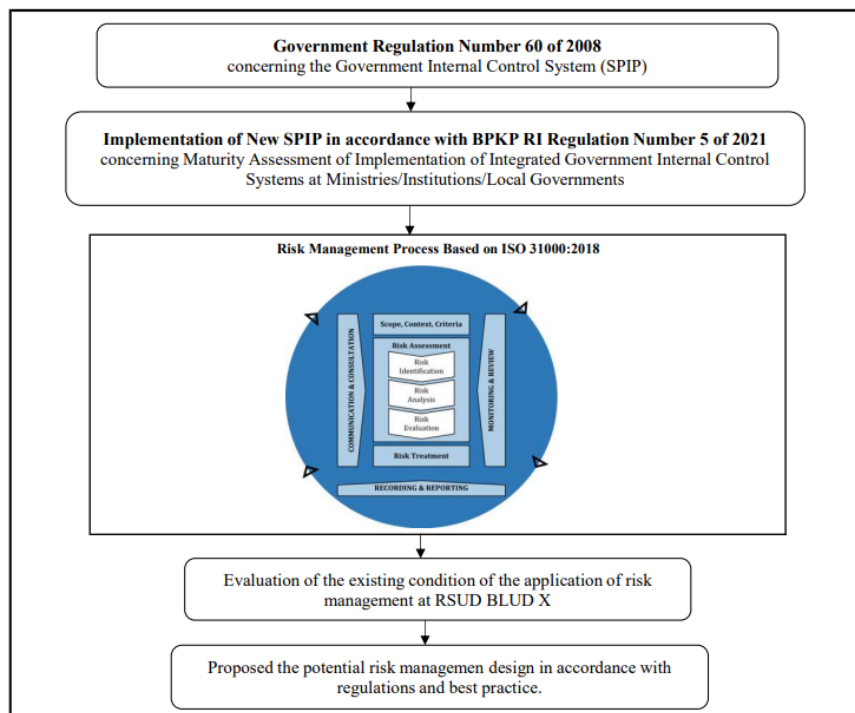


Figure 2. The Conceptual Framework
Source: Self processed

RESEARCH METHODS

Unit Analysis

The unit analyzed in this study is RSUD BLUD X, where’s the limitation of the object of research is directed at the Risk Management Division. This research was carried out based on activities that had been carried out by members of the SPI starting at 2020 to semester 1 of 2022. The activities in question are focused on risk register planning activities, as well as on risk assessment, analysis and mitigation activities.

Research Design

This study used a qualitative descriptive research method with a case study approach. This research is included in the type of problem solving. It means, this research is intended to analyze how the existing conditions are related to the implementation of risk management activities in RSUD X which illustrates the extent of the gaps that occur, by providing suggestions for how to implement effective risk management using the ISO 31000: 2018 framework.

Data Collection Technique

The primary data in this study were obtained from semi-structured interviews. Interviews were conducted with 4 people, namely the Director of RSUD X as the head of the risk owner unit, the Head of the Internal Audit Unit (SPI) and Risk Management (MR) of RSUD X, the Head of Planning and Budget (PA), as well as the RSUD Supervisory Board who are involved and competent in internal control activities and risk management at RSUD X. The selection of informants in this study are parties who are the most representative, experienced, have an adequate level of depth of substance, and are obliged to carry out control and supervision on the implementation of the risk management and control system in RSUD X. The reason for conducting this interview was to verify the questions posed to each resource person and to dig deeper and more comprehensive information.

Table 1. List of Question for Interview

No.	Research Elements	List of Questions	Source Person
1.	Communication and Consultation	<ol style="list-style-type: none"> Do the Board of Directors and Board of Commissioners provide clear directions regarding the implementation of risk management? Do the Board of Directors and Board of Commissioners claim to be responsible for the implementation of risk management? Does the organization identify, define and communicate responsibilities for risk management? Are of the Board of Directors in implementing risk management communicated to the relevant parties? Does the objectives of the implementation and commitment the organization support change, if needed to improve internal communication? 	<ol style="list-style-type: none"> Head of SPI & MR Head of Planning and Budgeting
2.	Scope, Context, and Criteria	<ol style="list-style-type: none"> Does the company consider internal and external contexts in preparing the risk management framework? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting
3.	Risk Identification	<ol style="list-style-type: none"> Has the risk identification process taken into account the vision and mission of the organization? Are the identified risks in line with the organization's strategy and objectives? Who is responsible for the risk identification process at RSUD X? Based on the results of the documentation analysis, RSUD X has identified risks but has not categorized the risks, why? How does RSUD X classify these risks? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting
4.	Risk Analysis	<ol style="list-style-type: none"> What is the process for determining the scale of the impact of the previously identified risks? What is the process for determining the possible scale of identified risks? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting
5.	Risk Evaluation	<ol style="list-style-type: none"> What is the process of determining risk priorities at RSUD X? Has the organization determined its risk appetite and risk tolerance? Is the risk management framework updated regularly? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting
6.	Risk Treatment	<ol style="list-style-type: none"> Based on the results of the documentation analysis, RSUD X did not respond to the identified risks, why? Has RSUD X done risk mitigation on the identified risks? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting
7.	Risk Management Process	<ol style="list-style-type: none"> Does each risk owner unit understand how to identify, assess, determine priorities and responses, as well as the risk monitoring process? Is there any potential for additional risks that need to be included in the risk document at RSUD X? 	<ol style="list-style-type: none"> Director Head of SPI & MR Head of Planning and Budgeting Supervisory Board

Meanwhile, for secondary data is generally obtained through document review and or summarized in a report issued by the internal party (RSUD X) or by external parties.

Research Data Acquisition Flow

The research process begins with the collection of secondary data documents related to the implementation of risk management, which are then analyzed according to the background or concept from ISO 31000: 2018 with the regulatory framework of Government Regulation Number 60 of 2008. This comparison is carried out to identify gaps that occur related to the implementation of risk management in RSUD X whether or not it is in accordance with the research framework.

Based on the analysis of the documentation, the resulting questions were used as separate interview questions with the informants of the research object. The questions asked in the interviews were matters that were not clarified in the documentation analysis process. The results of the interviews were analyzed together with the analysis of the documentation to get answers to the first research question, namely how to evaluate the current implementation of risk management at RSUD X.

To answer the second research question, regarding proposed improvements adapted to regulations and the ISO 31000: 2018 framework, the results of analysis of documentation and previous interviews were used. In the next stage, the proposed design for improving risk management will be communicated to the SPI and MR units to assess whether the design can be applied to RSUD X. With this, the research is complete.

The flow of obtaining research data describes the process of research analysis, with the aim of simplifying the flow of the research process so that it is easily understood by readers as shown in Figure 3.

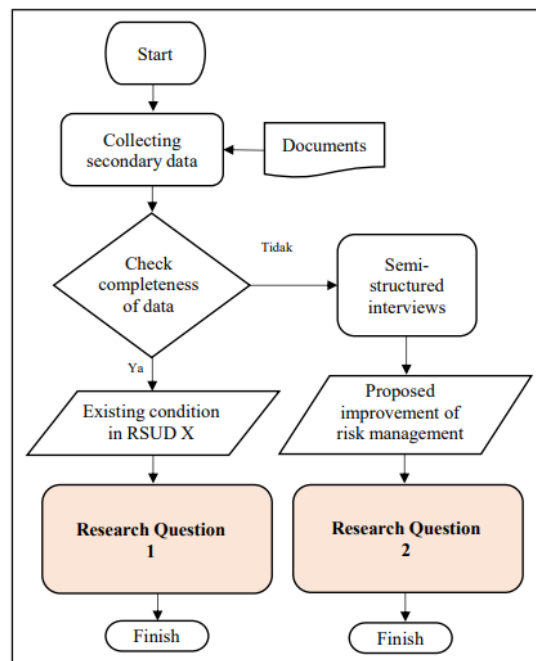


Figure 3. Flow Process
Source: Self processed

Data Analysis

Data analysis of the results of the research instrument was analyzed using the Thematic Analysis method. Thematic analysis is implemented through data reduction, data presentation and interpretation/conclusion (Sugiyono, 2016).

The thematic analysis step begins with data reduction and understanding relevant research concepts as a guideline for understanding the initial theme, namely the concept of risk management and

ISO 31000:2018. The initial theme is taken from every detail or stage of the research concept used, namely: organizational understanding, assessment of risk management roles, risk registers, communication with the supervisory board and management, collaboration between each lines/elements.

The next step is data collection activities carried out through interviews. The results of the interviews were then translated and presented in a text and organized into appropriate topic groups so that a description related to the topic of research discussion emerged, in the form of transcripts from interviews with risk managers at RSUD X. The results of the definition and grouping of the same theme from each answer to the questions were reviewed. If there are no different answers, it means that the results are final and ready to be analyzed to answer the research questions.

The final step is interpretation/ conclusion. This is the last stage in data analysis. The author tries to find meaning in each research focus. Furthermore, conclusions are drawn for each of these focuses, but in a comprehensive framework.

In this study, testing the validity of the data was carried out using the triangulation method. Triangulation is checking data from various sources in various ways and at various times to answer research questions (Sugiyono, 2007). The triangulation carried out in this study was (1) triangulation of data sources means the researchers explore the truth of certain information through various methods by exploring the truth of certain information using various data sources such as documents, archives, interview results, observation results or also by interviewing more than one subject who is considered to have a different point of view. (2) triangulation technique is used to obtain credible research results, namely data obtained from interviews was checked with observation and secondary data that had been collected at the beginning of the study.

CONCLUSION

The risk management process at RSUD X has been carried out in accordance with Government Regulation Number 60 of 2008. However, at several stages of the process, there are deficiencies that must be corrected so that the risk management process can run in a systematic, effective and efficient manner. This research used ISO 31000:2018 as a conceptual framework to complement the rules regarding risk management in Government Regulation Number 60 of 2008 as a regulatory framework. ISO 31000:2018 is chosen because it is an international standard, which is able to provide generic guidelines regarding the implementation of risk management.

The author acknowledge that this study has several limitations, so the author provide some suggestions for the future research. Firstly, there are limitations in collecting the data, because the source person is limited and we are not conducting questionnaires to employees as a sample, which may interfere with the result. Secondly, because of the implementation of risk management are closely related to company's culture, it would be interesting to take an additional respondent, to better ensure the consistency of the result. Lastly, future studies can explore more in conducting a comparative analysis of risk management system with other institution to find out the best practice for public organization.

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