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The Implementation of Risk Assessment in the Context of Implementing Enterprise Risk Management (ERM) at PT. Solusi Bangun Indonesia Tbk

Richi Gunandi Sutarsa
Perbanas Institute, Indonesia
richisutarsa@gmail.com

Abstract

The aims of this study are to find out the Implementation of Risk Assessment in the Context of Implementing Enterprise Risk Management (ERM) at PT. Solusi Bangun Indonesia Tbk. This research uses a qualitative research approach in which qualitative research is often used to research in the field of social sciences and to problems that cannot be examined quantitatively. Based on the discussion above it can be concluded that: 1.In accordance with the data and observations obtained by researchers, the implementation of risk assessment in the Company has not been effective enough because there is still a shortage of risk assessors in terms of risk management knowledge, lack of awareness of control and risk on both the risk owner and RTU sides and also a lack of attention from upper management levels, so that the risk assessment process takes place arbitrarily (nice to have). 2. Several factors that become obstacles or obstacles to the running of the risk assessment process are also due to the pandemic conditions which require the process to run through the virtual, where the virtual process has weaknesses

Keywords
risk assessment; context of implementing; enterprise risk management

I. Introduction

Uncertainty is something that cannot be avoided in the business world and will have an impact that can be detrimental to companies or individuals. Uncertainty can also be said as a risk that must be borne by the Company in carrying out its business continuity. The risk itself is a part of the Company's activities where the risk does not only have a negative impact but also has a positive impact.

For example, in 2019, PT Asuransi Jiwasraya (Persero), based on its financial statements as of September 2019, experienced a state loss of Rp. 13.7 trillion, so that in the same year the BPK was requested by the DPR and also followed up on the Attorney General's request on 30 December 2019 to carry out Examination with a Specific Purpose (PDTT) in the framework of Calculating State Losses on Financial Management and Investment Funds at PT Asuransi Jiwasraya (Persero) from 2008 to 2018. Based on the results of the examination, the total state loss was IDR 16.8 trillion due to irregularities against laws and regulations carried out by related parties for the process of planning and implementing investment management in shares and mutual funds at PT Asuransi Jiwasraya (Persero).The implementation of PT Asuransi Jiwasraya (Persero)'s risk management also did not run optimally, as in carrying out investments the precautionary principle was not fulfilled.

The link between risk management and operational activities which is quite detrimental to the Company's reputation was also experienced by PT Garuda Indonesia Tbk (Persero) in 2018, where there was an incident that caused a Garuda passenger to

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suffer permanent disability caused when the Garuda flight attendant spilled two glasses of hot water on his body victim. As a result of this incident, the victim sued PT Garuda Indonesia Tbk (Persero) with material compensation of IDR 1.25 billion and immaterial compensation of IDR 10 billion. Operational risk for this Garuda case is the risk due to insufficiency and/or malfunction of internal processes such as not working procedures, human errors and so on, because it was believed at the time of the incident,

From the two examples above, it can be seen that the obstacles in implementing risk management are unreliable leadership and allowing a dysfunctional organizational culture.

The company that is the object of research is a company registered on the Indonesia Stock Exchange (IDX) so that based on the Financial Services Authority Regulation Number 21/POJK.04/2015 concerning the Implementation of Public Company Governance Guidelines, companies are required to implement Good Corporate Governance, which is based on regulations The aim is to increase the value of the Company and encourage professional, transparent and efficient management, accountability, fairness, trustworthiness and responsibility.

Good Corporate Governance has in fact unknowingly existed and has been carried out for a long time by the Company's management in the form of implementing internal control and the application of risk management in the Company which is the object of research, even though this has only been implemented since 2020.

II. Review of Literature

2.1 Risks

Risk is the possibility of an event occurring that could be detrimental to the Company. Risk is essentially an event that has a negative or positive impact on the Company's goals and strategies. It is fundamental to identify and measure the possibility of the occurrence of risks and their consequences for the business. According to Sutanto (2012), risk is a combination of the likelihood and severity of an event. The amount of risk is determined by various factors, such as the amount of exposure, location, user, quantity and vulnerability of the elements involved. According to ISO 31000:2018, risk is the effect of uncertainty on targets. The effect referred to here is a deviation from what is expected, the effect can be positive or negative or both and can be related to creating or generating opportunities from threats. While goals can have various aspects and categories and can be applied at various levels. Still in the definition according to ISO 31000:2018, risk is generally stated with reference to the source of risk, potential events, consequences and likelihood of events. Risk management also provides tools for thinking in a structured way about the future and dealing with uncertainty. Risk management is an architecture (principles, framework & process) in order to manage risk effectively and efficiently Risk management also provides tools for thinking in a structured way about the future and dealing with uncertainty. Risk management is an architecture (principles, framework & process) in order to manage risk effectively and efficiently Risk management also provides tools for thinking in a structured way about the future and dealing with uncertainty. Risk management is an architecture (principles, framework & process) in order to manage risk effectively and efficiently

2.2 Enterprise Risk Management

According to COSO (2017), Enterprise Risk Management (ERM) is a process, which is influenced by the management, directors, and other personnel of an organization, implemented in strategic settings, and covers the organization as a whole, designed to identify potential events that affect an organization, managing risks within an organization's tolerance, to provide reasonable assurance regarding the achievement of organizational goals. Meanwhile, ERM improves the organization's ability to:

1. Aligning risk appetite and strategy
   Risk appetite is the level of risk, on a broad basis, that a company or entity can accept in pursuing its objectives. Management first considers the entity's risk appetite in evaluating strategic alternatives, then in setting objectives that are aligned with the established strategy and in developing mechanisms to manage related risks.
2. Link between growth, risk and return
   The entity accepts risk as part of creating and maintaining value, and earns a return according to the risk it takes. Enterprise risk management improves the entity's ability to identify and assess risk, determine an acceptable level of risk, relative to the desired growth objective and return.
3. Improving the quality of decisions in response to risk
   Enterprise risk management sharpens accuracy in identifying and selecting alternative responses to avoid (avoid), reduce (reduce), share (share) and accept (accept) risks. Enterprise risk management provides management methodologies and techniques for making these decisions.
4. Minimize operational shock and loss
   Entities will have higher capabilities to identify potential events, assess risks and determine responses. Thus the entity can reduce the possibility of surprises or losses.
5. Identify and manage risks as a whole (cross-enterprise risks)
   Every entity faces innumerable risks that affect various parts of the organization. Management must not only manage these risks one by one, but also must understand the interrelationship of the impacts of these risks.
6. Provide an integrated response to multiple risks
   Business processes contain many inherent risks, and enterprise risk management enables management to provide integrated solutions to manage these risks.
7. Seize opportunities
   Management must pay attention not only to risks but also potential events. By considering the series of related events as a whole, management can have an understanding of the events that present opportunities.
8. Rationalize capital
   More reliable information regarding total entity risk allows Directors and Commissioners and Company management to more effectively assess the Company's overall capital requirements and improve the accuracy of capital allocation.

2.3 Implementation of Risk Assessment

Risk Assessment or Risk Assessment according to ISO 31000: 2018 is a comprehensive process of risk identification, risk analysis and risk evaluation. Risk assessment should be carried out systematically, iteratively and collaboratively based on the knowledge and views of stakeholders. Assessment should be based on the best available information supported by further research as needed.

1. Risk Identification

The purpose of risk identification is to find, identify and describe risks that can help or hinder an organization in achieving its objectives. Relevant, adequate and up-to-date information is important in identifying risks.

Organizations can use a variety of techniques to identify uncertainties that may affect one or more objectives. The following factors and the relationship between them should be considered:

a. Tangible and intangible sources of risk
b. Causes and events
c. Threats and opportunities
d. Vulnerabilities and capabilities
e. Changes in the external and internal context
f. Pegari risk indicator (which arises)
g. The nature and value of assets and resources
h. Consequences and impact on targets
i. Limitation of knowledge and reliability of information
j. Time related factors
k. Bias, assumptions and beliefs of the parties involved

Organizations should identify risks regardless of whether the source of the risk can be controlled by the organization or not. It should be noted that there may be more than one type of output which can lead to various tangible or intangible impacts.

2. Risk Analysis

The purpose of risk analysis is to understand the nature of risk and its characteristics, including where possible the level of risk. Risk analysis involves a detailed consideration of uncertainties, risk sources, impacts, likelihoods, events, scenarios, controls and the effectiveness of those controls. An event can have a variety of causes and effects and can affect several objectives.

Risk analysis can be carried out with varying levels of detail and complexity depending on the purpose of the analysis, availability and reliability of information and availability of resources. Analysis techniques can be qualitative or a combination of both, depending on conditions and intended use.

The risk analysis should consider factors such as:

a. Likelihood of events and consequences
b. The nature and magnitude of the consequences
c.Time related factors and volatility
d. Effectiveness of existing controls
e. Level of sensitivity and trust

Risk analysis can be influenced by different opinions, biases, risk perceptions and judgments. Additional influences are the quality of the information used, the assumptions and exceptions that are made, the limitations of the technique and the execution of the technique. These influences should be documented and communicated to decision makers.

Events of high uncertainty can be difficult to quantify. This can be an issue when analyzing events with severe consequences. In such cases, the use of a combination of techniques can generally provide broader insights.

Risk analysis provides input for risk evaluation to decide whether risks require treatment and how to treat them as well as the most appropriate risk treatment strategy and method. The results provide insight for decisions where choices are made and these choices involve different types and levels of risk.

3. Risk Evaluation

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with established risk criteria to determine whether additional action is required.

This can lead to decisions to:

a. Do nothing further
b. Consider risk treatment options
c. Carry out further analysis to understand risks better
d. Maintain existing controls
e. Reconsider goals

Decisions should consider the wider context as well as the perceived actual consequences for external and internal stakeholders

The output of the risk evaluation should be recorded, communicated and validated at the appropriate level within the organization.

III. Research Method

This research uses a qualitative research approach in which qualitative research is often used to research in the field of social sciences and to problems that cannot be examined quantitatively. Qualitative research can also add to the richness of references in quantitative research.

A qualitative research approach is defined as an approach or search to explore and understand a central phenomenon (Creswell in Hifni & Noven, 2015). So therefore, researchers want to obtain in-depth information about this research in order to be able to present research that is accurate and accountable.

III. Result and Discussion

The implementation of the risk assessment carried out in the Company uses a combination of Top Down and Bottom-Up Approach. Each cycle of Risk Management implementation begins with a High-Level Risk Interview/Discussion involving the Board of Directors as a resource person to obtain strategic views regarding the Company's external and internal context, the Company's goals, and various risk issues faced by the Company. However, the Board of Commissioners was not involved in the process, so the risk assessment that was carried out did not receive attention from the highest levels of the Company

Furthermore, the context, targets and various risk issues discussed with the Board of Directors are cascade down into the entire risk assessment process which is carried out using a bottom-up approach, involving all process owners in all risk-taking units (RTU).

The stages of activities in the core risk assessment process include risk identification, risk analysis and risk evaluation. The end product of the implementation of the risk assessment is the compilation of a risk register (risk register). The risk assessment methodology consists of:

1. Discussion procedures
   *risk assessment*carried out in the form of process cluster-based meetings or discussions (focused group discussions) attended by Heads of Work Units or Business Units as Risk Owners as well as other relevant officials and employees facilitated by the Risk Management Unit. Action plans for risks that have been assessed at the cluster level are budgeted and managed at the Risk Owner Work Unit level.

All Risk Owners (Risk Taking Units/RTU) must carry out a risk assessment of all the contexts that have been determined to determine the level of risk exposure that is relevant to the context concerned, as well as to set priorities for mitigating these risks. Risk assessment must include risk identification, risk analysis and risk evaluation.

2. Execution time

   *risk assessment*corporate & operational levels are conducted at least once a year, in the RKAP/ RJPP preparation cycle, including investment risk review for capital expenditure (CAPEX). This assessment includes an analysis of strategic risk exposure, operational risk, financial risk and compliance risk. The result of the analysis is an integration of various analyzes of financial, production, and external factors that have the potential to affect the Company in a stipulated time period.

3. Final Process

   The next step after providing a risk response is to propose a risk management plan, namely by reducing the possibility of the risk occurring, reducing the negative consequences that arise if the risk occurs, transferring the risk to another party or avoiding the risk (by avoiding objectives, strategies, goals or related activity outcome plan). The Risk List which contains all information up to information on risk exposure level assessment after the handling plan is implemented is submitted to the Risk Management Unit (RM).

4.1 The role of each function including the risk assessor (RA) and risk-taking unit (RTU)

Risk must be managed in every process and function in the Company. Risk management is an integral part of all processes and functions in the Company. Everyone is responsible for managing risk according to their respective duties, authorities and responsibilities. All parties responsible for implementing risk management in the Company need to view and implement risk management as an integral part of all business processes for which they are responsible. Risk management is intended to oversee the achievement of the Company's goals and the smooth running of the Company's operational activities. Following are the duties and responsibilities of each function in the Company regarding the implementation of risk assessment:

Table 1. Duties and responsibilities of each function in the Company related to risk assessment implementation

No.	Position	The assignment of responsibilities
1.	Directors	As the Leader of the Company plays a role in: • Establish Risk Management Policies and Procedures, level of risk appetite and risk tolerance, and establish risk management management organization. • Provide the resources needed for the implementation of risk management. • Ensure that every decision-making is based on adequate risk assessment both in long-term strategic decision-making and decision-making at the Directorate level
2.	Risk Management Unit	As a corporate risk management facilitator, he is responsible for: • Develop draft Risk Management Policies and

No.	Position	The assignment of responsibilities
		Procedures to be submitted to the Board of Directors (according to changing needs). • Facilitate the Risk Assessment process throughout the Company to be reported to the Board of Directors periodically (semi-annually and/or annually) and at any time if there are significant changes. • Prepare the Company's Annual Risk Profile Report on the RKAP and its implementation and Follow-up Monitoring Reports (Risk Mitigation) periodically (semi-annually and/or annually). • Evaluating the implementation of Risk Management and evaluating risk control strategies, in the form of testing of control (TOC) and risk maturity level (RML) assessments. The testing of control (TOC) process is carried out by the function that manages internal control. • Coordinate risk management planning with related units. • Communicating the risk management process to all units, so that the implementation of the Company's Risk Management is achieved. • Make periodic reports on the Implementation of Company Risk Management to the Board of Directors. • Facilitate and present to the Audit Committee (if requested), the results of the risk assessment for the current period. • Report to the Board of Directors through meetings if you see that the Work Unit or Business Unit has identified risks that exceed acceptable risk tolerance limits. • Become a consultant who provides technical assistance (whether in the form of outreach, training, workshops, or one on one coaching) to Work Units or Business Units (to improve the ability of Work Units or Business Units to carry out risk assessments).
3.	Leader of Risk Taking Unit (Risk Owner)	Responsible for the implementation of risk management in the unit, including: • Ensure that all activities carried out have gone through a risk management process. • Perform goal setting, risk management process and plan for handling it. • Prepare, maintain, review, and manage changes to

No.	Position	The assignment of responsibilities
		the risk register in the unit on a regular basis. • Carry out control and monitoring of risk management in the unit. • Report on the implementation and development of risk management and its handling to the Risk Management Work Unit (RM). • Appoint a Risk Officer in the work unit whose duty and responsibility is to facilitate the risk assessment process and prepare reports on the implementation and development of RTU risk management, store and manage the risk taking unit work papers (risk register).
4.	Internal Auditing	• Carry out risk-based audits to test risk events and implement risk mitigation. • Provide recommendations for improving the implementation of risk management. • Evaluate the entire process and stages of risk management implementation. • Conduct studies (identification, analysis and evaluation) and follow-up on potential and incidents of abuse of authority/fraud.
5.	Employee	Employees participate actively in identifying potential risks in their environment and assisting in implementing risk control and management measures, including by: • Understand the risk management policies and procedures set by the Board of Directors. • Inform his superiors and/or the risk officers/risk champions in their area of the risks that may occur from activities they know.

V. Conclusion

Based on the discussion above it can be concluded that:

1. In accordance with the data and observations obtained by researchers, the implementation of risk assessment in the Company has not been effective enough because there is still a shortage of risk assessors in terms of risk management knowledge, lack of awareness of control and risk on both the risk owner and RTU sides and also a lack of attention from upper management levels, so that the risk assessment process takes place arbitrarily (nice to have)
2. Several factors that become obstacles or obstacles to the running of the risk assessment process are also due to the pandemic conditions which require the process to run through the virtual, where the virtual process has weaknesses, namely:

- Internet access limitations
- Reduced interaction between the risk assessor and the RTU
- Understanding of risk assessment material

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