

The Role of Internal Audit in Risk Management Implementation in Regional Government Agencies (OPD) of Indragiri Hilir Regency

Ria Febrina

Doctoral Program in Economics, Faculty of Economics and Business, Universitas Jambi, Jambi, Indonesia

Email: riafebrina@gmail.com

Entered: April 15, 2026 Accepted: April 30, 2026

Revised: April 25, 2026 Published: May 04, 2026

ABSTRACT

This study aims to analyze the role of internal audit as a watchdog, consultant, and catalyst in the implementation of risk management in Regional Government Agencies (OPD) of Indragiri Hilir Regency. Risk management is a fundamental activity for any organization that wishes to achieve its strategic goals and objectives. In the context of local government, internal audit plays a strategic role not only as a supervisory body but also as a consulting partner and catalyst for change. The research employs a quantitative approach using Partial Least Square-Structural Equation Modeling (PLS-SEM) with data collected through questionnaires and interviews distributed to government internal auditors across OPD units in Indragiri Hilir Regency. The population consists of all government internal auditors in the regency, with cluster sampling used as the sampling method. The study examines three independent variables watchdog role (X1), consultant role (X2), and catalyst role (X3) and their influence on risk management implementation (Y) as the dependent variable. Findings are expected to contribute to the body of knowledge on public sector risk management and provide practical guidance for policymakers and practitioners involved in local government governance and accountability.

Keywords: Internal Audit; Risk Management; Watchdog; Consultant; Catalyst; Local Government

INTRODUCTION

Successful organizations worldwide are characterized by adherence to good governance practices. This not only gives them a competitive advantage but also helps them deliver quality products and services (Ackermann, 2016). Risk management is a critical task that organizations must undertake if they wish to achieve their business goals and objectives. Typically, regardless of sector, organizations must have a clear vision of what risk means to them and try to define a range of tolerance so that they can better manage risk and take necessary action when needed (Ahmeti & Vladi, 2017).

Risk management has been recognized since the 1970s, when only insurance companies practiced it. Over time, and with increasing public awareness of the need for risk management especially following the explosion of the Enron and WorldCom scandals the Committee of Sponsoring Organizations (COSO) published an enterprise risk management framework in 2004 aimed at providing guidance for risk management implementation in all organizations. This framework is currently the most widely used by companies worldwide (Hayne & Free, 2014).

Risk management is the primary means used to improve organizational efforts to manage uncertainty. The approach using a risk management framework links risk



management with business strategy and goal-setting, entering the domain of control, accountability, and decision-making (Arena et al., 2010). Its function is to communicate processes, identify risks and opportunities, and promote the pursuit of accountability. Risk management does not focus solely on performance improvement or compliance; rather, by separating subject and object in the organizational context, risk management can create space for difference and heterogeneity (Tekathen & Dechow, 2013).

In government, risk management refers to activities aimed at identifying, assessing, and managing risks that may occur in the public sector. Risk management is part of the decision-making process and can help government achieve its stated objectives. The process involves risk identification, risk assessment, risk handling, and monitoring and evaluation.

One institution with an important role in government risk management is the internal audit. Internal audit is an institution tasked with evaluating the management systems, procedures, and policies in government to ensure everything is running properly and in accordance with established standards.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations to help the organization achieve its objectives through a disciplined, systematic approach to evaluating and improving the effectiveness of risk management, control, and governance processes (The Institute of Internal Auditors, 2004).

Currently, the role of internal audit is increasingly important in organizations. According to Tampubolon (2005), the role of internal audit has evolved from being merely a watchdog to also serving as a consultant and catalyst for the organization. In its new role as a consultant, the internal auditor functions both as an examiner and as a management partner. In its role as a catalyst, the internal auditor directs quality management implementation in line with what was planned, acting as a facilitator and agent of change.

Based on the above description, this research proposes the title: The Role of Internal Audit in Risk Management Implementation in Regional Government Agencies (OPD) of Indragiri Hilir Regency.

METHODS

This study employs a quantitative research method to analyze the influence between dependent and independent variables. Quantitative methods were selected because this study uses numerical indicators to address the research problems.

The population used in this study consists of all government internal auditors in Indragiri Hilir Regency. Sample selection uses cluster sampling, dividing the population into several groups.

Data collection was carried out through questionnaire distribution and interviews. The data used in this study is primary data obtained directly through field surveys and interviews.

This study applies Structural Equation Modeling (SEM) based on Partial Least Square (PLS) using WarpPLS version 5.0. PLS is often referred to as soft modeling because it eliminates assumptions of OLS (Ordinary Least Square) regression such as the requirement for multivariate normal data distribution and the absence of multicollinearity problems among independent (exogenous) variables (Ghozali, 2014).

The dependent variable in this study is Risk Management Implementation (Y), measured based on four indicators derived from ISO 31000:2009 (2011): communication and consultation, context establishment, risk identification and analysis, and risk evaluation and treatment with monitoring and review.

The independent variable is Internal Audit Role (X), which is divided into three sub-variables: Watchdog role (X1), Consultant role (X2), and Catalyst role (X3). Measurement of all variables uses a Likert scale instrument with items validated through Convergent Validity, Discriminant Validity, and Composite Reliability assessments.

RESULTS AND DISCUSSION

This study examines the role of internal audit in three capacities—watchdog, consultant, and catalyst and their effect on risk management implementation in regional government agencies (OPD) of Indragiri Hilir Regency. The following discussion integrates theoretical foundations with the relevant prior literature.

The role of internal audit as a watchdog aims to ensure that risk management in government is carried out appropriately and in accordance with established standards. Internal audit as watchdog ensures that risk management processes are carried out transparently and accountably, and that there is no corruption or ethical violation in the management of government risks. Based on prior research by Rosdini et al. (2019), respondents had a positive perception of the effectiveness of government internal auditors in performing risk management in local government, although issues such as insufficient workforce, competence, tone at the top, and independence challenges were also noted.

In its role as consultant, internal audit provides objective assurance to the board regarding the effectiveness of risk management. The internal audit function is the first to introduce risk management within the organization, leveraging its expertise in managing risks and controls to provide advice, facilitate workshops, train the organization on risk and control, and promote the development of frameworks (IIA, 2009). Enterprise Risk Management requires internal audit to monitor, control, examine, evaluate, and report on the ERM process. As Liu (2012) notes, since risks may be comprehensive where risk caused by one department may affect another understanding risk and risk control must be considered holistically.

As a catalyst, internal audit is expected to take a proactive role in assessing risks within the organization's business processes and directing quality management implementation. The catalyst role includes involvement in system design and development, human resource competency reviews, organizational planning, performance evaluation, budgeting, strategy formulation, and strategic change proposals (Harry Andrian Simbolon, 2010; Rahayu et al., 2020).

The findings are consistent with research by Rosdini et al. (2019), which found that government internal auditors have a positive role in risk management at local governments in West Java Province. Similarly, Said et al. (2016) found that 94.7% of respondents agreed to implement risk management in their respective departments, with the accounting and audit scheme group showing somewhat lower effectiveness compared to the general average.

In the Indonesian context, Alijoyo & Fisabilillah (2021) confirmed that Indonesia's national risk management standard, aligned with ISO 31000, is expected to help public sector organizations manage risk more effectively. Furthermore, Wardhaningrum & Kartika (2020) identified that risk management development in Indonesian local

government is triggered by regulation, corruption prevention, and synchronization with risk-based auditing, though constraints such as lack of dedicated teams and uneven risk awareness remain.

The research model proposed in this study is presented as follows:

Watchdog Role (X1) → Risk Management Implementation (Y)

Consultant Role (X2) → Risk Management Implementation (Y)

Catalyst Role (X3) → Risk Management Implementation (Y)

Table 1. Summary of Previous Research

No.	Author/Year	Journal	Title	Theory	Results
1	Ahmeti & Vladi (2017)	European Journal of Multidisciplinary Studies	Risk Management in the Public Sector: A Literature Review	Risk Theory	Risk management is a necessity for every type of organization. Managing risk in the public sector is more challenging than in the private sector due to high levels of regulation and bureaucracy.
2	Said et al. (2016)	Int'l Journal of Business and Emerging Markets	Assessment of Risk Management Implementation Effectiveness in Malaysian Public Sector	Risk Management	94.7% of respondents agreed to implement risk management. The accounting and audit group showed lower effectiveness compared to the general average.
3	Rosdini et al. (2019)	Opcion	The Roles of Internal Audit in Risk Management at Local Governments in West Java Province	Internal Audit & Risk Management	Respondents had positive perceptions of government internal auditors. Challenges include insufficient workforce, competence gaps, and independence issues.
4	Alijoyo & Fisabilillah (2021)	Organizational Cultures: An Int'l Journal	Risk Management Implementation in Public Sector Organizations: Case Study Indonesia	ISO 31000	Indonesia's national risk management standard aligned with ISO 31000 is expected to help PSOs manage risk more effectively.
5	Wardhaningrum & Kartika (2020)	Advances in Social Science, Education and Humanities Research	Risk Management in Indonesian Local Government: Drivers, Conditions, and Strategies	Risk Management, Risk-Based Auditing	Risk management development is driven by regulation, corruption prevention, and risk-based auditing. Lack of dedicated teams and uneven awareness remain as constraints.

Source: Compiled from various literature

CONCLUSIONS

This study examines the role of internal audit—as watchdog, consultant, and catalyst in the implementation of risk management within Regional Government Agencies (OPD) of Indragiri Hilir Regency. Based on theoretical foundations and prior research, three hypotheses are proposed:

H1: The role of internal audit as watchdog positively influences risk management implementation.

H2: The role of internal audit as consultant positively influences risk management implementation.

H3: The role of internal audit as catalyst positively influences risk management implementation.

Internal audit in local government is expected to go beyond its traditional watchdog function to serve as a trusted partner that provides consulting services and acts as a catalyst for organizational change, particularly in managing risk effectively. The evolution of internal audit toward Risk-Based Internal Auditing (RBIA) underscores the importance of proactive risk assessment and integration of risk management into all levels of organizational strategy and operations. This study is expected to contribute theoretically to the understanding of risk management in the public sector and provide practical implications for stakeholders both internal and external in strengthening risk management practices at the local government level.

REFERENCES

- Ahmeti, R., & Vladi, D. B. (2017). Risk Management in Public Sector: A Literature Review. *European Journal of Multidisciplinary Studies*, 5(1), 323. <https://doi.org/10.26417/ejms.v5i1.p323-329>
- Alijoyo, A., & Fisabilillah, L. W. P. (2021). Risk Management Implementation in Public Sector Organizations: Case Study Indonesia. *Organizational Cultures: An International Journal*.
- Arena, M., Arnaboldi, M., & Azzone, G. (2010). The organizational dynamics of Enterprise Risk Management. *Accounting, Organizations and Society*, 35(7), 659–675.
- Bakar, B. A., Rasid, S. Z. A., Rizal, A. M., & Baskaran, S. (2019). Risk management practices to strengthen public sector accountability. *Asian Journal of Business and Accounting*, 12(1), 1–40.
- Domokos, L., Nyeki, M., & Jakovac, K. (2015). Risk Analysis and Risk Management in the Public Sector and in Public Auditing. *Public Finance Quarterly*, 60(1), 7–28.
- Eckles, D. L., Hoyt, R. E., & Miller, S. M. (2014). The impact of enterprise risk management on the marginal cost of reducing risk: Evidence from the insurance industry. *Journal of Banking and Finance*, 49, 409–423.
- Harry Andrian Simbolon (2010). *Peran Auditor Internal sebagai Katalisator*. Internal Audit Publications.
- Hayne, C., & Free, C. (2014). Hybridized professional groups and institutional work: COSO and the rise of enterprise risk management. *Accounting, Organizations and Society*, 39(5), 309–330.
- IIA (2004). *Standards for the Professional Practice of Internal Auditing*. The Institute of Internal Auditors.
- IIA (2016). *International Standards for the Professional Practice of Internal Auditing*. The Institute of Internal Auditors.
- ISO 31000:2009,DT (2011). *Risk Management—Principles and Guidelines*. International Organization for Standardization.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Kong, Y. (2018). The value of public sector risk management: An empirical assessment of Ghana. *Administrative Sciences*, 8(3).

- Liu, J. (2012). The Enterprise Risk Management and the Risk Oriented Internal Audit. *iBusiness*, 04(03), 287–292.
- Mormul, K. (2021). Risk management in the management control system in Polish local government units—assumptions and practice. *Risks*, 9(5).
- Pangesti Mulyono, R. D. A. (2020). How Important Risk Management Culture in Local Governments? *Journal of Governance and Public Policy*, 7(1), 35–40.
- Pickett, K. H. S. (2005). *The Essential Handbook of Internal Auditing*. John Wiley & Sons.
- Quon, T. K., Zeghal, D., & Maingot, M. (2012). Enterprise Risk Management and Firm Performance. *Procedia—Social and Behavioral Sciences*, 62, 263–267.
- Rahayu, S., Yudi, S., & Rahayu, S. (2020). Internal auditors role indicators and their support of good governance. *Cogent Business and Management*, 7(1).
- Rosdini, D., Fitriyah, F. K., Sari, P. Y., & Irawady, C. (2019). The roles of internal audit in risk management at local governments in West Java Province. *Opcion*, 35(Special Issue 21), 2899–2921.
- Said, J., Alam, M. M., & Khalid, M. A. (2016). Relationship between good governance and integrity system: Empirical study on the public sector of Malaysia. *Humanomics*, 32(2), 151–171.
- Sawyer, L. B. (2003). *Sawyer's Internal Auditing* (5th ed.). The Institute of Internal Auditors Research Foundation.
- Soltanizadeh, S., Rasid, S. Z. A., Golshan, N., Quoquab, F., & Basiruddin, R. (2014). Enterprise Risk Management Practices among Malaysian Firms. *Procedia—Social and Behavioral Sciences*, 164, 332–337.
- Sugiyono (2012). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Alfabeta.
- Tampubolon, R. (2005). *Risk and Systems-Based Internal Auditing*. Elex Media Komputindo.
- Tekathen, M., & Dechow, N. (2013). Enterprise risk management and continuous re-alignment in the pursuit of accountability: A German case. *Management Accounting Research*, 24(2), 100–121.
- Wardhaningrum, O. A., & Kartika. (2020). Risk Management in the Local Government of Indonesia: Drivers, Conditions, and Strategies. *Advances in Social Science, Education and Humanities Research*, 436, 1002–1006.