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# Strengthening Governance in Financial Services Industry

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**EMPOWERING INTERNAL AUDITORS : EMBRACING THE 4IR**

...“We **should not rush to regulate** this new innovations, but should allow innovation and experimentation to flourish first”



Joko Widodo,  
Bali Fintech Agenda 2018



**Mobile  
Banking**



# Improved Governance: The Safety Measures

Volatility  
Uncertainty  
Complexity  
Ambiguity

The dynamic environment constantly triggers new and emerging risk

Operational Risk  
Reputational Risk  
Cyber Risk  
Financial Risk  
Legal Risk

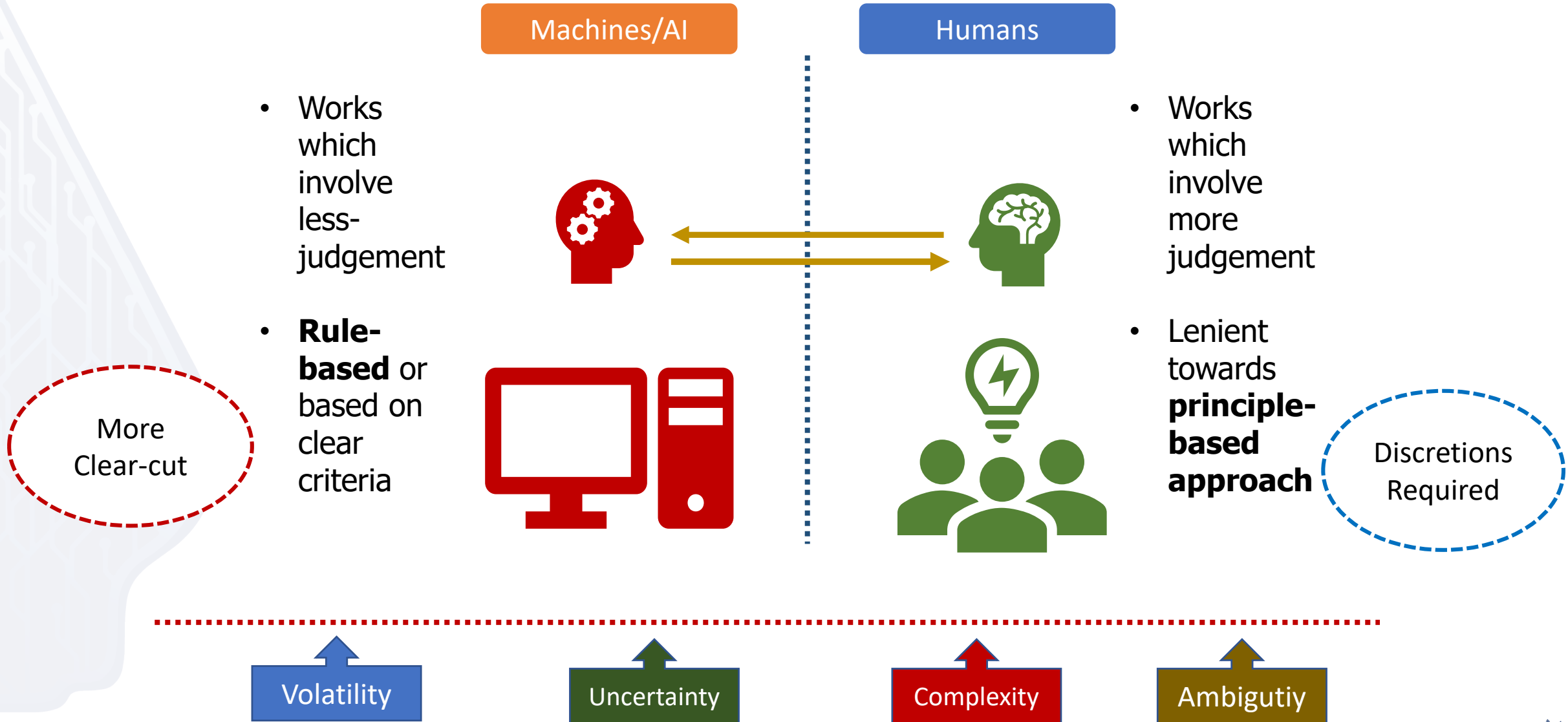


Improved value of beings:

- Becoming the Trusted Advisor
- Becoming the strategic partner

\*Adapted from Chambers (2017) and Walker (2014)

\*Three Lines of Defense



Future of Jobs Report 2018  
(World Economic Forum)

## Top 10 Declining Roles:

- Data entry clerks
- **Accounting, book keeping, and payroll clerks**
- Administrative and executive secretaries
- Assembly and factory workers
- Client information and customer service workers
- Business services and administration managers
- **Accountants and Auditors**
- Material-recording and stock-keeping clerks
- General and operations managers
- Postal service clerks

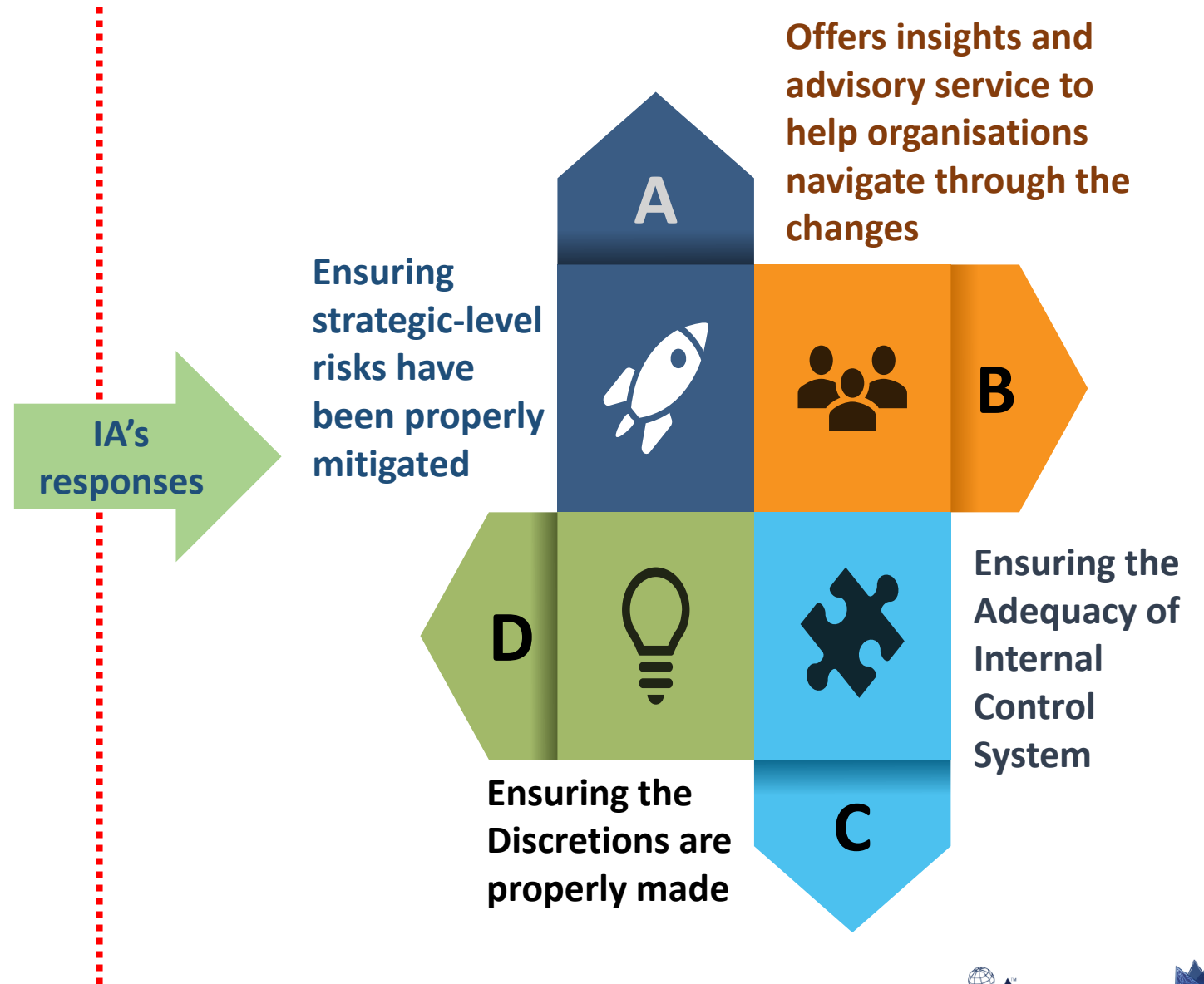
The Key to survival:  
Staying relevant!

VUCA pushes organisations to be more adaptive, and they also open doors to new risks and challenges

The Implementation of Principle-based approach requires some pre-requisites:

1. The regulated industry/firms should have passed certain degree of maturity in regulatory compliance.
2. There should be close engagement between the regulator and the regulated parties based on mutual trust.
3. Ensuring an appropriate style of supervision and enforcement, and a balance between the two.
4. Ensuring that the accountability mechanisms in rule making are not bypassed.
5. Changing the skills and mindset of regulators and regulated firms.
6. Constructive dialogue between the regulator and the regulated firms

(Adapted from Decker, 2018; SSE, 2016; Black, Hopper, and Band, 2007)



The future of internal audit lies somewhere between **independent assurance** and **management advisor** (Deloitte, 2010)



**Be agile!**  
Know where, when, how, and the skill set needed to be involved

Provide early warning before it's too late

Keep the latest changes in check

Understand the business environment which constantly adapt to changes

Accounting and auditing are the basics, while the dynamic competence is limitless

Stop applying obsolete, time consuming procedures

Listen to the needs of the users

**Terima Kasih**

