

A Newsletter of RSM AAJ Associates

Wake Up Call

Quarter III - 2013 Edition



RSM AAJ
Audit • Tax • Advisory

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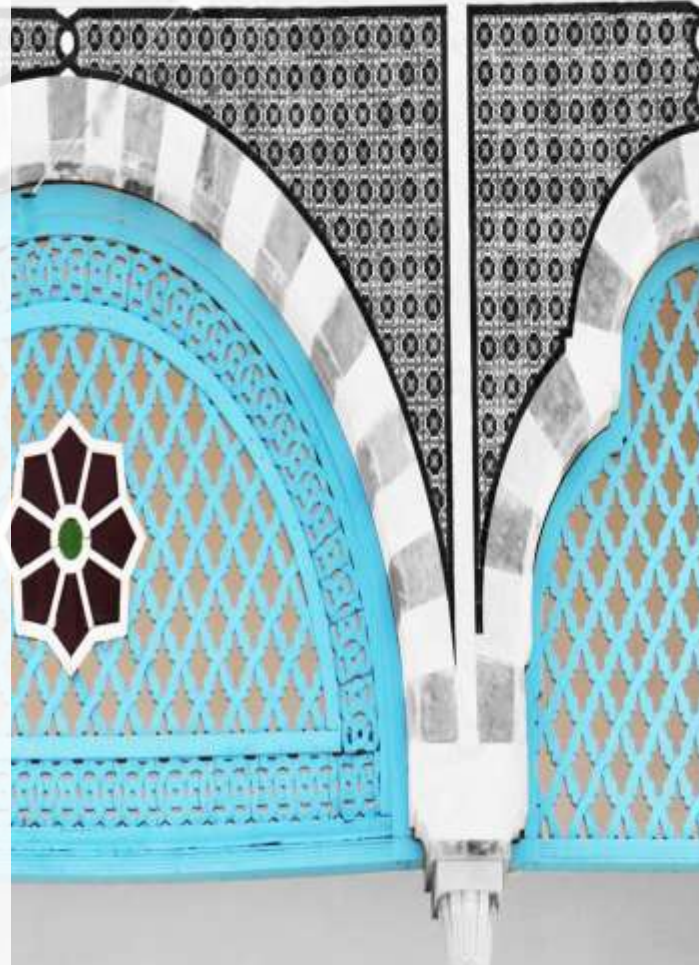
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“business opportunities
are like buses,
there's always
another one coming”

richard branson





Outsourcing: From Cost-Saving to Partnering

There are a large number of reasons to consider in outsourcing a function, apart from just jumping on the bandwagon i.e. "the coming trend" such that a company must use it or else fail. The reasons include anticipated cost savings, the need for better skills and management, and handling overflow situations.

Acquire new skills. A company may find that its in-house skill set is inadequate for a given function. It can overcome the same by handing over the function to a vendor who specializes in that function and is highly competent in its administration, using well-trained and experienced staff as well as the most current procedures and technological advances.

Acquire better management. It can be very difficult to obtain quality management, so outsourcing the function to a vendor just to gain access to better management can be a viable option.

Focus on strategy. A company typically spends most of the day handling the detailed operations of its functional areas - the tactical aspects of the job. By outsourcing the function while retaining the core management team, a company can give the tactical part of each manager's job to a vendor, which allows the management team to spend quality time on strategy-related issues.

Focus on core functions. A company may have a very small number of functions that are key to its survival. It may want to focus all of its energies on those functions and distribute all other functions among a group of vendors who are capable of performing them well enough that company management will not have to be bothered with any of the details associated in running them.

Avoid major investments. A company may find that it has a function that is not as efficient as it could be, due to lack of investment in the function. If the company keeps the function in-house, it will eventually have to make a major investment in the function in order to modernize it. By outsourcing the function, the company can permanently avoid having to make this investment.

Assist a fast-growth situation. If a company is rapidly acquiring market share, the management team will be stretched to its limits building the company up so that it can handle an expanded business volume. In such situations, the management team will desperately need additional help in running the company. A vendor can step in and take over a function so that the management team can focus its attention on a smaller number of core activities.

Handle overflow situations. A company may find that there are times of the day or year when a function is overloaded for reasons beyond its control. In these situations, it may be cost-effective

to retain a vendor to whom excess work is passed on when the in-house staff is unable to keep up with work volume.

Improve flexibility. This is similar to using outsourcing to handle overflow situations, except that the vendor gets the entire function, not just the overflow. When a function experiences extremely large swings in the volume of work it handles, it may be easier to eliminate the fixed cost of an internal staff and move the function to a vendor who will only be paid for actual work done. This effectively converts a fixed cost into a variable cost - the price of the vendor's services will fluctuate directly with the transaction volume it handles.

Improve ratios. Some companies are so driven by their performance ratios that they will outsource functions solely to improve them, e.g., outsourcing a function that involves transferring assets to the vendor will increase the company's return on assets; the functions most likely to improve this ratio are those heavy in assets, such as maintenance, manufacturing and computer services.

Enhance credibility. A small company may use outsourcing as a marketing tool. It can tell potential customers the names of its suppliers, implying that since its functions are being maintained by such well-known suppliers, the company's customers can be assured of a high degree of quality service.

Outsourcing: From Cost-Saving to Partnering

Also, for key functions, the company may even want to team up with a supplier (vendor) to make joint presentations to company customers, since having the vendor's staff present gives the company additional credibility.

Maintain old functions. A company may find that its in-house staff is unable to maintain its existing functions while also shifting to new technology or to a new location. Outsourcing is a good solution here, for it allows the company to focus its efforts on implementing new initiatives while the vendor maintains existing day-to-day functions.

Reduce costs. Reducing costs by using a vendor is possible, but not in all situations. A vendor has clearly lower costs if it can centralize the work of several companies at one location; otherwise, its costs may be higher than those of the company, for it must include a profit in its budget, as opposed to a company's internal department. Thus, there are a few situations in which a company can reduce its costs by outsourcing, but there are many more cases where this is not a realistic reason for outsourcing.

Begin a strategic initiative. A company's management may declare complete company reorganization,

and outsourcing can be used to put an exclamation point on its determination to really change the current situation. By making such a significant move at the start of the reorganization, employees will know that management is serious about the changes, and will be more likely to assist in making the transition to the new company structure.

Before deciding to outsource based on one or more of the abovementioned reasons, a company should consider the underlying reasons why outsourcing is being considered in the first place. It may be due to one of the previous reasons, but a deeper problem may be that the function in question is not doing a good job of presenting its benefits to management. In such cases, a function manager may not be doing a good job of trumpeting the function's accomplishments or of showing management that the cost of keeping the function in-house is adequately offset by the resulting benefits.

In these cases, it may do no good to outsource the function, because management may be replacing a perfectly adequate in-house staff that is not good at publicizing itself with a vendor who performs no better, but who is quick to point out how much it is doing for the company.

If management suspects that this may be the reason why outsourcing is being considered, it is useful to bring in a consultant who can review the performance of in-house employees and see if they are, in fact, doing a better job than they are saying. Sometimes, investigating the ability of in-house staffs prior to outsourcing functions will keep the outsourcing from occurring.

The typical outsourcing path that a company follows starts with a function that has minimal strategic value and will not present a problem even if the vendor does a poor job of providing the service. If the company's experience with these low-end functions proves successful, then company management will be more likely to advance to outsourcing those functions with more strategic value or with more company-threatening consequences if the provided service is inadequate. These functions include accounting, internal audit, human resources and materials management.

Finally, if the company continues to perform well with all or part of these functions outsourced, it will consider moving to outsourcing the most important functions. Thus, many companies experiment with outsourcing functions of low importance, and later include functions with more strategic importance, depending on their earlier experience with the other functions.



Renato M Leuterio
Partner
Tax & Outsourcing Practice

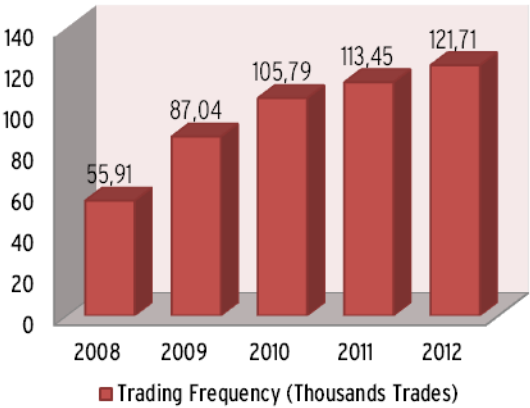


IT Buzz in the Indonesian Stock Trading Market

It has been over 2 decades that the Indonesian Stock Exchange (IDX) been facilitating investment opportunities and financing sources that support the growth of Indonesian economy.

IDX trading activities consist of varied form of trading instruments including shares, rights, warrants, bonds and convertible bonds that is participated by both local and foreign investors.

As year passes by, trading activities at IDX is increasing continuously. Growth in number of transactions as well as the increasing of local and foreign investors' interest to trade in stock market, causes the increasing needs for automatic transactions services using information technology.



Source: IDX Annual Report

This increasing demand for information technology advancement in stock trading mechanism in Indonesia have triggered changes on how securities companies/brokers run its business.

Stock trading practice at the IDX has been transformed since 1995, at the time of Automated Securities Trading System (ASTS) called Jakarta Automated Trading System (JATS) implemented. It changed stock trading mechanism to scrip less; reduced the efforts of traders, as well as assisted IDX in controlling and monitoring the stock trading activities on the market.

At end of 2001, IDX decided to implement remote trading (RT) mechanism, using a host-to-host concept that resulted all securities companies (Exchange Members - EM) can trade directly from their offices.

This breakthrough concept made JATS which resides in IDX, connect with Brokerage Office System (BOFIS) at EM's office, by adding 1 interface application system called the Order Routing Interface (ORI). On 2009, IDX enhanced its trading system from JATS to JATS Next G to enhance its capabilities.

Later, growth in stock trading are more intense with wide range of facilities and channels that are granted to investors, which includes online trading, direct market access, mobile and web trading which is an extension of online trading, as well as, algorithm trading.



To support this growth, **IDX has set up rules and regulations to safeguard the investors and securities companies in performing securities trading.**

In responding to development in trading practice, regulations in form of standards and guidelines have been issued by IDX which on information technology requirements that must be adhered to by EM.

Those standards and guidelines among others are related to the implementation of Remote Trading, Direct Trading Facilities, Algorithm Trading, Brokerage Office System (BOFIS), Business Continuity Plan (BCP) and, IT infrastructures and Data Center. The reasoning was that IDX need to safeguard both EM and its customers when entering securities trading in the Indonesian Capital Market.

Remote trading guideline (*Pedoman Remote Trading*) published by IDX to assist EM in implementing the remote trading system and supporting infrastructures prior to be permitted by IDX to perform trading. Areas covered in the guidelines are IT and Remote Trading Operational Procedures, Information Security, IT Infrastructures specifications and configurations, and application system testing.

minimum standard to be met by all Exchange Members. Standardization of BOFIS version 1.0 governs the standards need to be embedded on BOFIS, either internally developed or externally developed by application system vendor. It covers requirements on BOFIS standard and functionality, configuration, as well as IT security governance, applicable for both exchange members and system developers.

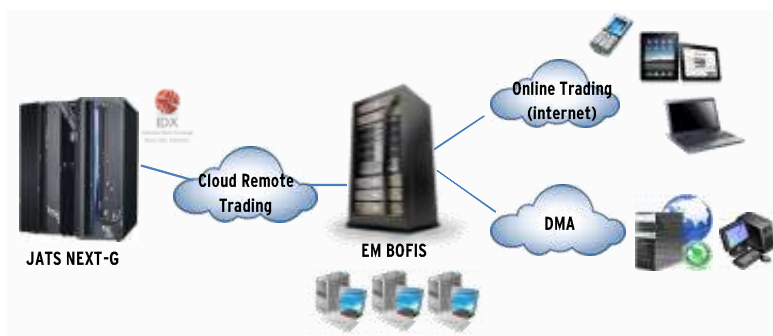
- Training and awareness program
- BCP testing and maintenance
- Compliance monitoring and Audit

As stated on IDX regulations No.III-A (Kep-00401/BEI/12-2010) regarding Exchange Membership, **exchange members must comply to standards and regulations provided by IDX and assessed by an IDX registered independent reviewer** prior to provide trading system to its customer.

To do so, EM must first submit a request letter to IDX prior to implementation, enhancement, or changing the related systems and infrastructures.,

In order to test the system prior acquiring approval from IDX, EM must test the system through a Mock Testing process, which is a test mechanism to simulate trading that is perform in the development area and production area of JATS Next G. Mock Testing on production area is perform on a given schedule by IDX and must be observed by independent reviewer.

If you need further information or seeking for firm that can assist you in complying these regulations, you can directly consult our Risk Advisory consultants.



For key functions, the company's Algorithm trading or called the Automated Ordering System is used for decision making in executing orders without human intervention to achieve the purpose specified by the algorithms and parameters established such as volumes, prices, instruments, markets, types, time, news and others.

Currently, IDX is in the process of establishing the standard, but some criteria regarding the automated ordering such as the existence of surveillance and monitoring system, organizations and policies and procedures, is required to be implemented before IDX grant the permission to utilize the system in trading.

On May 2013, Indonesia Stock Exchange has issued 2 guidances related to BOFIS, which are Standardization of BOFIS version 1.0 and BOFIS Implementation Guidance version 1.0, which both serves as the

BOFIS Implementation Guidance version 1.0 govern aspects related to BOFIS implementation procedure, technical requirement for implementation, and coverage of implementation review.

IDX also launched BCP Guideline (*Pedoman BCP Anggota Bursa*) and IT Infrastructure Design and Data Center Guideline (*Pedoman Rancangan Infrastruktur TI dan Data Center Anggota Bursa*) in 2012. It provide guidance and minimum requirements in organizing the structure of BCP.

To standardize the implementation, IDX utilizes BCM Capability Maturity Level which assess 8 focus areas of:

- Management commitment and support
- Risk analysis and business impact analysis
- Business continuity strategy
- Business alignment
- BCP development and implementation

Syahraki Syahrir
Partner
Risk Advisory Practice

Are You Ready for COSO 2013 Internal Control Framework?

COSO has issued the 2013 Internal Control-Integrated Framework (Framework) on May 2013. The Framework published in 1992 is recognized as the leading guidance for designing, implementing and conducting internal control and assessing its effectiveness.

In the 20 years since the original Framework was launched, markets continue to globalize. Business models changed significantly, including greater use of shared services and outsourced service providers. Complexity and pace of change in rules, regulations, and standards have intensified demands.

Reliance on evolving technology—increasingly important in improving business performance, business processes, and decision making—also continues to grow.

Regulators and other stakeholders have higher expectations regarding governance oversight, risk management, and the detection and prevention of fraud.

COSO's new Framework is the result of a significant multiyear project—including two rounds of public exposure—to review, refresh, and modernize the original Framework, ensuring it remains relevant.

The 2013 Framework is expected to help organizations design and implement internal control in light of many changes in business and operating environments since the issuance of the original Framework,

broaden the application of internal control in addressing operations and reporting objectives, and clarify the requirements for determining what constitutes effective internal control.

What is NOT changing

- Core definition of internal control
- Three categories of objectives and five components of internal control
- Each of the five components of internal control are required for effective internal control
- Important role of judgment in designing, implementing and conducting internal control, and in assessing its effectiveness.

In the spirit of continuous improvement, entities should periodically reassess their system of internal control over external financial reporting to identify opportunities to improve its efficiency and/or effectiveness.

Further, COSO believes that users should transition their applications and related documentation to the updated *Framework* as soon as is feasible under their particular circumstances.

COSO will continue to make the original Framework available through 15 Dec 2014, at which time the 1992 Framework will be considered superseded.

During this transition period – that is up to December 15, 2014 – COSO believes continued use of the 1992 Framework is acceptable.

What is Changing

- Changes in business and operating environments considered
- Operations and reporting objectives expanded
- Fundamental concepts underlying five components articulated as principles
- Additional approaches and examples relevant to operations, compliance, and non-financial reporting objectives added

Entities leveraging COSO's *Internal Control-Integrated Framework* for external reporting purposes during the transition period, however, should clearly disclose whether they used the 1992 or 2013 version.

There are effects of the changes in which directors, commissioners, and audit committee members must observe, which among others are:

- New fraud considerations.
- Changes to "oversight functions".
- In-depth questions regarding forecasting impact of changes to internal control over financial reporting and to operations.

Angela I Simatupang
Partner
Risk Advisory Practice



**mohon maaf lahir batin
selamat hari raya idul
fitri 1434 H**

**taqabalallahu minna wa minkum
eid mubarak 1434 H**



News From Our Office

audit & consulting firm soccer match

On May and June 2013, **RSM AAJ Football Club** participated in friendly soccer match with colleagues of similar profession from E&Y, KPMG, and Moore Stephens.

The game was carried on as a networking platform as well as a way to refresh after undergone the busy season.

On the last quarter of this year, 2 sporting events are plan to be held, which RSM AAJ intend to participate; that is the Football Accountant Cup, and the Mini Olympic Accountant that will also feature badminton, soccer and women futsal competition.



rsm celebrates europe's finest at the final of the european business awards

**European
Business
Awards™**

Sponsored by



Over 250 leaders of some of Europe's most successful businesses gathered on 6 June in Istanbul for the European Business Awards 2012/13 Gala Ceremony.

The European Business Awards is regarded as one of the most prestigious and toughest business competitions in Europe.

The programme engaged with over 15,000 businesses and organisations from across Europe, culminating in the 100 Ruban d'Honneur recipients being celebrated at the event and from those the overall winner of each category being announced.

The RSM brand featured heavily at the event, from Turkish Delight to sponsor boards showcasing our alignment with success, excellence and innovation. The awards provide us with a unique and extensive platform from which to build relationships and business with diverse and dynamic companies both within and beyond Europe.



rsm academy

RSM International, has just finish hosting its annual RSM Academy in Eindhoven, The Netherlands. This year marked the 350th RSM Academy graduate, as 56 delegates from 22 countries participated in the intensive week long training programme. **Two partners from Indonesia, Syahraki Syahrir of risk advisory practice and Maurice Nainggolan of audit assurance practice were among those participants.**

RSM Academy is a development program designed for senior managers, directors and junior partners within RSM International member firms; which focused on international client skills, cultural awareness, as well as international technical and managerial skills.

Attendees also worked on a practical case study focusing on working with cross-border clients - an exercise designed to enhance technical knowledge and facilitate the practical application of the new skills learnt throughout the programme.



News From Our Office

next event:

capitalising on indonesia's diverse investment opportunities

hotel mulia, jakarta, 22 to 23 aug 2013

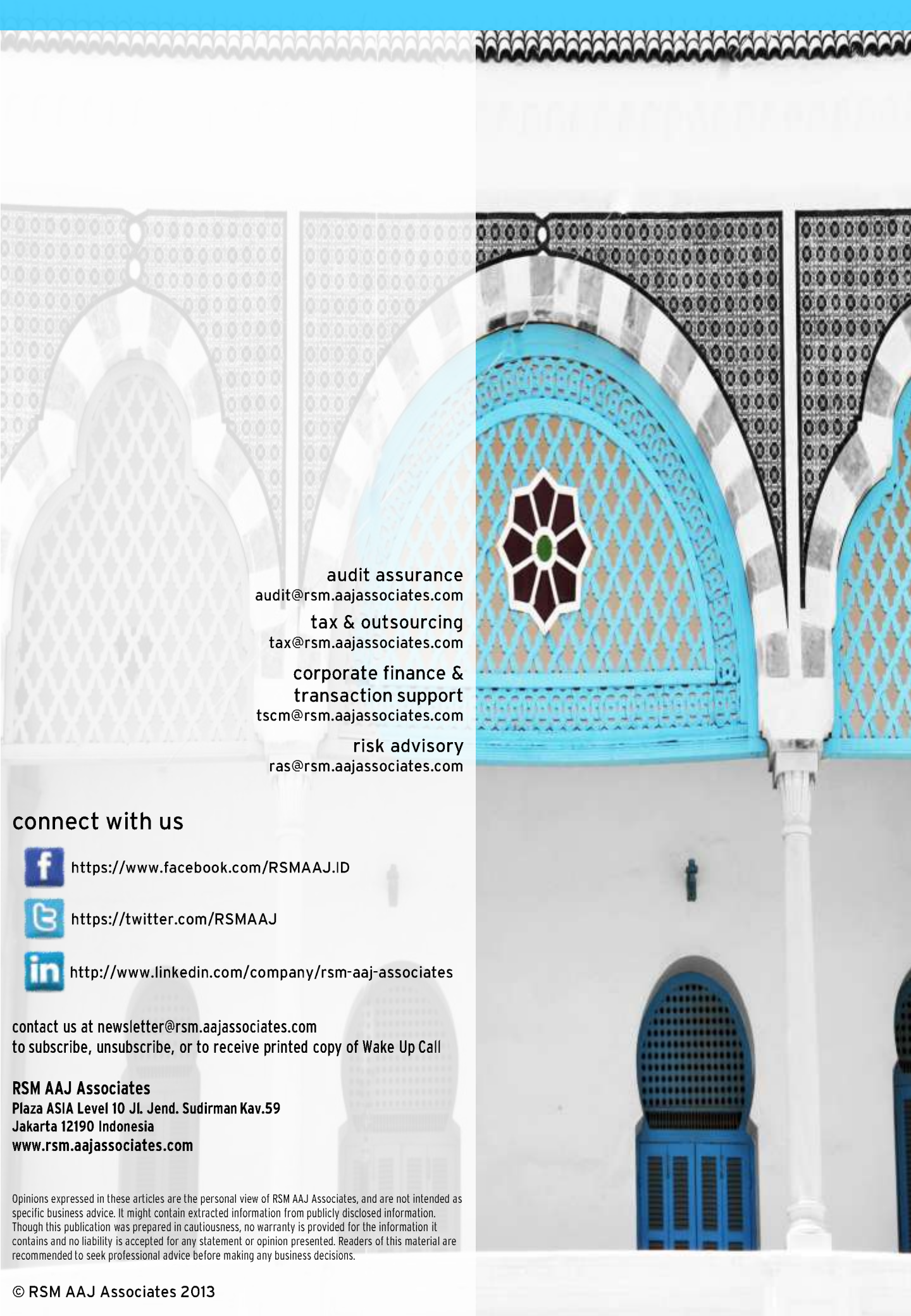


2012 saw Indonesia's Foreign Direct Investments (FDI) grow 26% to US\$24.5billion, and the momentum continued into the first quarter of 2013 during which its FDI rose 27% to US\$6.7billion. What is driving this growth and how can your business capitalise on it?

RSM AAJ partnering with UOB Ltd Singapore invites you to its first symposium on understanding Indonesia and Southeast Asia's growing appeal for FDI. The symposium is designed to provide a wide range of relevant and critical information for foreign investors keen on investing in Indonesia and Indonesian businesses who are keen to partner with these foreign investors. To give you a pulse of what is actually happening on the ground, this symposium will also include a commercial office location.

During the symposium on 22 August, **our partner, Nick Graham of tax & outsourcing practice will be presenting on Indonesian Tax - Myths and Realities.**

Interested attendee can directly contact
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