

Guideline on Board's Oversight Role in Audit



Content

03	Introduction
04	Working Committee on ESG Guidelines for Boards 2021
05	Section 1 Key Principles
08	Section 2 Guidelines

Guideline 1 Board's oversight roles in audit

09	1.1 Board's roles in audit
10	1.2 Audit Committee Authorization
12	1.3 Roles in strengthening Auding Committee
14	1.4 Performance evaluation of Audit Committee

Guideline 2 Nomination of Audit Committee

15	2.1 Composition, number, and qualifications of Audit Committee
16	2.2 Roles, duties, and responsibilities of Audit Committee
18	2.3 Collaboration with stakeholders
18	2.4 Terms of office
19	2.5 Meetings of Audit Committee
20	2.6 Report to the Board and regulator

Annex

22	1. Qualifications of Audit Committee
23	2. Qualifications of Independent Director
24	3. Roles and duties of Audit Committee
31	4. Example of Audit Committee Charter
40	5. Example of internal audit charter
43	6. Example of issues for self-evaluation of Audit Committee

49	References
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Introduction

Conducting business nowadays is rather challenging in the environment full of uncertainties beyond expectations. Leaping technological development, pandemic, natural disaster, management change, fiercer competition, new regulations, and trade barriers are among uncertainties that could significantly affect business process and attitudes of operational staffs.

Therefore, businesses that can stay sustainable in the new era must have solid fundamentals with flexibility to adjust strategies in accordance with changes in relevant rules, regulations, and standards. They must also have knowledgeable and competent “Board” that can respond comprehensively to expectations of various stakeholders.

In addition to being good organization leader, the Board has oversight roles to ensure achievement of pre-determined strategies and business plans. The Board should establish efficient, prudent, and independent audit process to ensure the organization has adequate and appropriate “internal control”. It should also put in place disclosure process to build trust of stakeholders and prepare “financial report” in accurate, complete, trustworthy, and timely manners.

In this regard, the Thai Institute of Directors (IOD) has prepared the Guideline on Board’s Oversight Role in Audit to help the Board recognize the significance of auditing roles and duties. It can also be used as a guideline in nominating and assigning duties and responsibilities to the Audit Committee in order to uplift operating standard in accordance with good corporate governance principles.

• Thai Institute of Directors (IOD) •





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Guidelines for Boards 2021

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Section 1



Key Principles

Key Principles

- 1 The Board has a duty to ensure the company complies with good corporate governance principles by stipulating that the management and staffs are responsible for business planning and operation under effective risk management and “internal control” while taking into account impacts on stakeholders, society, and environment.
 - 2 The Board should ensure the company has effective and prudent “audit” mechanism to evaluate the adequacy and appropriateness of internal control including:
 - 2.1 Mechanism to examine accuracy and completeness to maintain credibility of financial report and corporate disclosure.
 - 2.2 Mechanism to evaluate adequacy of internal control and internal audit systems.
 - 2.3 Compliance with relevant rules, laws or regulations.
 - 2.4 Effective risk management framework and process.
 - 2.5 Appropriate process to select, propose, appoint, and offer compensation to auditor.
 - 2.6 Appropriate process to review connected transactions or transactions with potential conflict of interest.
 - 3 The Board is tasked to appoint “Audit Committee” as another committee that comprises only of “independent directors” to support the Board in overseeing audit mechanism.
 - 4 The Board should nominate knowledgeable and competent Audit Committee in accordance with the company's context and requirements of regulator. The Audit Committee should be able to perform independently from the management or any interest groups to prevent potential damage to stakeholders. The Board should regularly enhance relevant knowledge and skills of Audit Committee.
 - 5 The Board should ensure the Audit Committee can appropriately and adequately contribute time to complete assigned duties. The Board should provide Audit Committee with sufficient budget and man power, including advisor or expert on specific matter as necessary, to ensure the committee's effective performance.
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- 6 The Board may assign certain tasks to the Audit Committee upon the latter's consent. However, the assigned tasks must not contradict the committee's independent performance.
- 7 The board should stipulate that Audit Committee meet at least every three month and report outcome to the Board on a quarterly basis, which may contain key issues detected. The Audit Committee may seek discussion with the Board on matters that need to be resolved in timely manner.
- 8 The Board should receive annual performance report of the Audit Committee and disclose the committee's performance in the Annual Report.



Section 2



Guidelines

Guideline 1 | Board's oversight roles in audit

1.1 Board's roles in audit

- 1.1.1 The Board is tasked to ensure creation of the company's sustainable value and meet expectations of stakeholders. Key policies to be assigned to the management include those concerning environment, social, and governance.
- 1.1.2 Despite aforementioned policies, personal mistake may occur both intentionally and unintentionally. To ensure effective operations, credible report, compliance with regulations and ethics, the Board should establish "audit" process that covers both internal audit and accounting audit.
- 1.1.3 Audit objective is to evaluate efficiency and effectiveness of internal control concerning finance, accounting, administration and resource allocation to ensure orderly operations and achievement of pre-determined objectives and targets.
- 1.1.4 The Board should recognize the significance of audit activities because
 - 1.1.4.1 They promote corporate governance and transparency, initiate red flags, and reduce chance/magnitude of threats against objectives.
 - 1.1.4.2 They improve work process, making it more convenience, prudent, less repetition, match with situation, and reduce cost.
 - 1.1.4.3 They provide check and balance, enhance appropriate resource allocation in accordance with priorities for utmost benefit of the company.

1.2 Audit Committee Authorization

- 1.2.1 The Board should see that established audit mechanism make it feel confidence in the following matters:
- 1.2.1.1 The company has accuracy and completeness assessment mechanism to maintain credibility of financial report and corporate disclosure.
 - 1.2.1.2 The company has mechanism to evaluate adequacy of internal control and internal audit systems.
 - 1.2.1.3 The company complies with relevant rules, laws, or regulations.
 - 1.2.1.4 The company has effective risk management framework and process.
 - 1.2.1.5 The company has appropriate process to select, propose, appoint, and offer compensation to auditor.
 - 1.2.1.6 The company has appropriate process to review connected transactions or transactions with potential conflict of interest.
- 1.2.2 Since auditing is an assurance activity, the Board and persons involving audit operations (i.e. internal auditor, auditor etc.) should not have any "interest" in the activities being audited to ensure independence of their performances and comments.
- 1.2.3 Therefore, regulator has stipulated that the Board nominate a separate "Audit Committee", comprising only "independent directors", to support the Board's performance in this regard. (See Annex 1 and 2)
- 1.2.4 The Board should authorize the Audit Committee to review the company's operations. (See guideline 1.2.1) The Audit Committee is tasked to proceed/screen these matters and then report or provide useful comments/recommendations to the Board.

	Key issues	Roles, duties, and responsibilities of the Board	Support by Audit Committee
1	Financial report (Guideline 1.2.1.1)	Ensure the company applies proper and effective accounting system and see that it prepares accurate financial statements to be proposed at the shareholders' meeting.	Review and provide comments to the Board about accuracy, completeness, and credibility of financial statements through continued collaboration with external auditor / relevant management.

	Key issues	Roles, duties, and responsibilities of the Board	Support by Audit Committee
2	Internal control and internal audit systems (Guideline 1.2.1.2)	Ensure the company has adequate and appropriate internal control and internal audit systems while seeing that effectiveness of the systems are regularly evaluated.	Review and provide comments to the Board about adequacy of internal control system as well as independence of internal control unit's performance.
3	Compliance with relevant rules, laws, and regulations (Guideline 1.2.1.3)	Ensure the company's operations comply with relevant rules, laws, and regulations while seeing that the company has compliance framework and clear reporting process.	Review and provide comments to the Board about compliance with relevant laws or regulations as well as report incident concerning fraud, law violation, or any irregularity that could significantly affect the company to the Board at once.
4	Risk management framework and process (Guideline 1.2.1.4)	Consider approving risk management framework/policy that covers the whole company and ensure effective structure, process and reporting of risks.	Review and monitor risk management performance as well as provide comments to the Board about efficiency of risk management policy/internal control.
5	Auditor (Guideline 1.2.1.5)	Consider approving the selection and the nomination of auditor (as proposed by the Nomination Committee) to the shareholders' meeting for approval.	Consider selecting, appointing, or terminating employment of auditor as well as appropriate compensation and then proposed to the Board.
6	Transactions with potential conflict of interest (Guideline 1.2.1.6)	Consider approving connected transactions (except those requiring approval from shareholders) to prevent transactions with potential conflict of interest.	Provide comments about transactions with potential conflict of interest so that the Board can use as supporting information in decision making.

- 1.2.5 The Board should ensure the “Audit Plan” revision to enhance operation efficiency in accordance with changing business risks and “key audit issues” under the plan are properly implemented and reported by the Audit Committee.
- 1.2.6 The Board should ensure the Audit Plan approved by the Audit Committee does not emphasize only corporate compliance with rules, laws, and regulations but also weigh specially on corporate “strategic issues” such as assessment and review of key strategic risks.

1.3 Roles in strengthening Audit Committee

- 1.3.1 The Board should grant the Audit Committee full access to information, documents, and authority to examine all works and personnel of the company.
- 1.3.2 The Board should emphasize specifically on “internal audit unit” as it directly affects the efficiency of Audit Committee’s performance. The Board should ensure the unit has a mechanism to perform independently, capable of conducting internal audit tasks, and understand corporate risks. The unit should be able to access the Board at all time upon detection of irregular transaction or face with obstacle in performing its duties. Personnel, budget, and resources must be allocated sufficiently in accordance with the scope of annual internal audit plan.
- 1.3.3 The Board should strengthen the Audit Committee’s knowledge and skills to ensure they match the company’s context and the assigned duties/responsibilities. Required knowledge and skills (in general) of Audit Committee comprising:

Required skills of Audit Committee member		
1	Intellectual curiosity and professional scepticism	Audit Committee member must understand business and ask questions professionally.
2	Courageous in making tough decisions	Audit Committee member must have courage to make tough decision, more often about “people” than “figures”. For instance, the committee must dare to change personnel within the internal audit department to ensure they have appropriate qualifications to perform their duties.

Required skills of Audit Committee member		
3	Balanced, ethical approach to whistleblowing	Audit Committee member must be able to handle whistleblowing ethically and appropriately, particularly when the issue involves the Board level.
4	Oversight of key risk	Audit Committee member must be able to identify key risks and may have to collaborate efficiently with the Risk Management Committee.
5	Able to challenge auditors	Audit Committee member must be able to ask the auditor difficult and challenging questions to evaluate business comprehension and the decision of the auditor.
6	Good listening	Audit Committee member must be good listener, particularly at Audit Committee meeting when hectic information is being presented by the head of internal audit unit.
7	Excellent relationship builder	Audit Committee member should establish positive relationship with all parties, especially Chairman of the Board and CEO, possibly by inviting them to attend its meeting.

- 1.3.4 The Board should ensure new Audit Committee member gets proper orientation that covers all key topics such as roles and duties of the Audit Committee, terms of reference, required time to perform duties, overall outlook of the company, strategies, risks, and introduction to key management.
- 1.3.5 The Board should ensure continuous training and knowledge development of the Audit Committee to keep up with changes in rules and regulations, accounting standards, business legislations, works of internal auditor and auditor, and risk management direction.
- 1.3.6 Following the nomination of Audit Committee, the Board should monitor performance of the Audit Committee in the following key aspects:
- 1.3.6.1 What are issues covered by the authorization scope of the Audit Committee?
 - 1.3.6.2 Had the Audit Committee held meeting with internal auditor and auditor without management's present?
 - 1.3.6.3 Had the Audit Committee held meeting with the management to comprehend about implementation of internal auditor's recommendations?

- 1.3.6.4 Had the Audit Committee conducted annual report on performance, detected issues, and the management's compliance with recommendations?
- 1.3.6.5 What are performance indicators used by the Audit Committee and how appropriate are they?
- 1.3.7 Besides consideration of progress and performance in various aspects through "Audit Committee Report", the Board may seek periodical discussion with the Audit Committee to ask about other matters such as:
 - 1.3.7.1 The balance between allocated manpower/resource and assigned tasks under Audit Committee Charter.
 - 1.3.7.2 Required skills, knowledge, and expertise to perform Audit Committee's duties that still lack or scarce.
 - 1.3.7.3 Obstacle that prevent the Audit Committee from accessing corporate information.
 - 1.3.7.4 Accuracy, completeness, adequacy, and timeliness of information received by the Audit Committee.
 - 1.3.7.5 Obstacle (if any) in collaborating with external auditor, internal audit unit, management and the Board.
 - 1.3.7.6 Changes in surrounding factor that could raise concern or challenge the Audit Committee in performing its duties. For instance, emerging risk, change in accounting standard or rule and regulation within the industry.
 - 1.3.7.7 Other issue that the Audit Committee needs special support from the Board.

1.4 Performance evaluation of Audit Committee

- 1.4.1 The Board should require Audit Committee's performance evaluation at least once a year. The Board may conduct the evaluation, ask the Audit Committee to conduct self-evaluation, or require an expert to evaluate independently and report the result to the Board. (See Annex 6)
 - 1.4.2 Key topics in the Audit Committee's performance evaluation should cover both "principle" and "practical" aspects.
 - 1.4.2.1 Evaluation by principle term is to evaluate whether the Audit Committee has completely performed its duties in accordance with the best practices.
 - 1.4.2.2 Evaluation by practical term is to evaluate the efficiency and effectiveness of the Audit Committee's performance. For example, can the Audit Committee manage internal audit process to cover all key risks of the company?
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Guideline 2 | Nomination of Audit Committee

Objective of Audit Committee nomination is to ease the Board's audit burden to ensure the company has appropriate and adequate governance/internal control. Therefore, the Audit Committee is a key supporter for the Board to perform its duties more carefully. However, the operations remain under the Board's accountability.

2.1 Composition, number, and qualifications of Audit Committee

- 2.1.1 The Audit Committee can be nominated either by the Board or shareholders' meeting. The Audit Committee must consist of at least three members, (Practically, the number is usually in the range of 3-5) including Chairman of the Audit Committee. All members of the Audit Committee must be "independent director".
- 2.1.2 The Audit Committee should consist of members with diverse knowledge in business, law, technology, risks, internal control and should also have business experience and expertise. At least one member of the Audit Committee must have knowledge, expertise, and experience in reviewing financial statements.
- 2.1.3 Besides basic qualifications required by regulator, the Audit Committee must be "independence" in speaking, thinking, taking action, decision-making, and reporting. The Audit Committee should be capable of noticing, questioning, and having diverse views to perform duties and provide constructive suggestions.
- 2.1.4 The Board should nominate a member of the Audit Committee as "Chairman of the Audit Committee" by considering qualifications such as leadership, interpersonal skills to build positive relationship with fellow committee members, the management, internal auditor, and auditor. Besides, the Chairman must also be a dedicated person who can commit fully, have experience, and understand business risks in order to provide appropriate suggestions to the management.

2.2 Roles, duties, and responsibilities of the Audit Committee

2.2.1 The Board should stipulate clear duties and responsibilities of the Audit Committee in written in the form of "Audit Committee Charter" (See Annex 4) and disclose the charter through various channels such as the company's website.

2.2.2 The Audit Committee plays a crucial role in creating confidence that the company has adequate and appropriate internal control. Key duties and responsibilities of the Audit Committee are summarized as follow:

Key duties		Objectives
1	Financial report and disclosure	<p>To ensure that financial report has been accurately prepared and that information disclosure meets accounting standard.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Consider annual financial statements and relevant financial report as well as accounting principles, compliance with accounting standards, and rational of the management about determination of accounting policy before proposing to the Board. • Review or approve quarterly financial report and Management Discussion and Analysis (MD&A) before proposing to the Board. • Consider issues or constraints arising from auditing financial report together with the auditor.
2	Internal control and internal audit	<p>To ensure internal control and internal audit are efficient and effective enough for operations to achieve the company's objectives.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Review adequacy of internal control in operational, administrative, and technological aspects. • See that the company's internal control aligns with internal auditing standard.
3	Compliance with relevant rules, laws, and regulations	<p>To ensure the company complies fully and accurately with relevant rules and regulations.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Review compliance monitoring mechanism. • Review complaints handling mechanism.

Key duties		Objectives
4	Review risk management system	<p>To ensure the company has efficient and effective risk management system.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Review risk management structure and roles/duties in the company. • Review risk identification and assessment mechanism to cover at least risks concerning strategies, operation, finance, compliance, technology, environment, social and governance (ESG). • Review risk reporting mechanism.
5	Auditor selection	<p>To ensure the auditor has been selected transparently, independently, and match with the company.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Review auditor selection criteria and process. • Review independence review of the auditor. • Review mechanism to determine auditor's compensation.
6	Connected transaction	<p>To ensure connected transaction is treated fairly and does not trigger conflict of interest.</p> <p><i>Examples of required tasks</i></p> <ul style="list-style-type: none"> • Review the determination of connected transaction. • Review the mechanism in handling and approving connected transaction. • Review the mechanism in monitoring transactions that may trigger conflict of interest.

Remark (Additional) details about roles, duties, and responsibilities of the Audit Committee can be found in "Annex 3".

2.3 Collaboration with stakeholders

2.3.1 The Audit Committee must work with various parties to comprehensively perform its duties. Those relevant parties can be categorized as follow:

2.3.1.1 "Internal auditor" has key duties including

- Perform and report directly to the Board. Internal auditor usually acts as "Secretary of the Audit Committee".
- Review internal control and other relevant issues assigned by the Audit Committee by referring to operational methods under the internal auditing standard.
- Discuss with Audit Committee anytime or at least four times a year and discuss in private without other participant at least once a year.

2.3.1.2 "Auditor" has key roles including

- Perform and report to shareholders.
- Review financial report in accordance with auditing standard.
- Discuss with Audit Committee anytime or at least once a year (or at least four times a year in case of listed company) and discuss in private without other participant at least once a year.

2.3.1.3 "Management" has key roles including

- Manage and administrate daily routine of the company.
- Have CEO as top executive that reports to the Board.
- Discuss with Audit Committee anytime or at least once a year (or at least four times a year in case of listed company) and discuss in private without other participant at least once a year.

2.4 Terms of office

2.4.1 Terms of Audit Committee should align with terms of the Board. Upon terms completion, some Audit Committee members may be reappointed by approval of the Board but the terms should not be renewed automatically. The Board should consider renewing terms mainly from the performance of the Audit Committee member.

2.4.2 The company may stipulate policy about limiting terms of Audit Committee to allow rotation of new member who may have different views and bring about performance dynamics.

2.5 Meetings of Audit Committee

2.5.1 Meeting frequency and length

2.5.1.1 The Audit Committee should stipulate appropriate frequency and the length of its meetings, depending on various factors such as type of company, significance of issues, changes in business and accounting standard, and number of agenda items to be considered etc.

2.5.1.2 In case of listed company, the Audit Committee must arrange at least four meetings a year in alignment with financial report submission schedule. For non-listed company, the Audit Committee should (at least) meet when the company starts to prepare operating plan at the beginning of the year and when conducting year-end result summary.

2.5.1.3 The Audit Committee Chairman may call meeting in addition to initially scheduled meetings should there be any problem or emergency that the Audit Committee needs to be informed.

2.5.2 Meeting agenda and required documents

2.5.2.1 The Audit Committee Chairman is responsible for setting the meeting agenda by taking into account the company's specific issues and administrative condition.

2.5.2.2 For listed company, "key agenda item" is the discussion with the auditor to approve financial statements and acknowledge internal auditing result. "Other items" may include compliance reporting and special investigation reporting etc.

2.5.2.3 Secretary of the Audit Committee should prepare relevant reports and send to Audit Committee at least seven days ahead of the meeting to provide committee members sufficient time to consider the information.

2.5.3 Meeting attendants

2.5.3.1 The Audit Committee Chairman is responsible for determining the meeting attendants in accordance with relevant agenda items such as auditor and internal auditor. The management will only be invited to join only on agenda items concerning them so that the Audit Committee can question them directly.

2.5.3.2 The Audit Committee Chairman can seek to arrange private meeting with the auditor and internal auditor anytime in case there is any issue that should not be heard by any other.

2.6 Report to the Board and regulator

2.6.1 Report to the Board

2.6.1.1 The Audit Committee must report its performance to the Board, covering key issues as follow:

- Key issues about financial report and ways to fix those issues.
- Evaluation result of the auditor's performance and auditing method as well as comments about auditor nomination for the next round.
- Other issues that the Board want the Audit Committee's comment. In such case, the Audit Committee must clearly identify problems and offer suggestions on how to fix them.

2.6.1.2 Should the Board and Audit Committee have different views, both parties should contribute sufficient time to discuss the issue together. If mutual agreement cannot be settled, the Audit Committee should note the issue in the Audit Committee report.

2.6.2 Report to shareholders

2.6.2.1 The Audit Committee must report its performance to shareholders in the form of Audit Committee Report and also disclose it in the Annual Report. The Audit Committee Report must be signed by the Audit Committee Chairman and should include the following information (at the minimum):

- Comments about accuracy, completeness, and trustworthy of the financial report. The Audit Committee must use discretion in considering the significance of transactions and elaborate the transactions to make readers understand.
 - Comments about adequacy and appropriateness of risk management system and internal control.
 - Comments about compliance with securities and exchange legislations, regulations of the stock exchange, and relevant laws concerning the company's business.
 - Comments about appropriateness of the auditor.
 - Comments about transactions with potential conflict of interest.
 - Number of Audit Committee meetings and attendance record of each committee member.
 - Comments or overall observations that the Audit Committee has after performing duties stipulated in the Charter.
 - Methods used to evaluate performance of the Audit Committee, auditor, and internal auditor.
 - Other items that shareholders and general investors should aware under the scope of duties and responsibilities authorized by the Board.
 - Development/improvement direction to enhance governance efficiency.
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2.6.2.2 Report to regulator

- Section 89/25 of the Securities and Exchange Act B.E. 2535 stipulated that the Audit Committee inspect any suspicious circumstance discovered by the auditor concerning actions of director, manager or any person responsible for the operation.
- After the Audit Committee has been informed by the auditor, the Audit Committee must quickly conduct inspection together with internal auditor or external expert to study and provide comments within 30 days.



Annex

Annex 1 Qualification of Audit Committee

The Securities and Exchange Commission stipulated qualification of the Audit Committee as follow:

- Being appointed by the Board or the shareholders' meeting to take up the position in the audit committee
 - Qualified as independent director.
 - Not being a director assigned by the Board to take part in the business decision of the company, its parent company, subsidiary, associated company, same-level subsidiary, major shareholder, or controlling person.
 - Not being a director of the parent company, subsidiary, or same-level subsidiary only in the case where such companies are listed companies.
 - Having adequate knowledge and experiences to perform duties as an audit committee member, provided that at least one member of the audit committee shall have adequate knowledge and experiences to review the reliability of financial statements.
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Annex 2 Qualification of Independent Director

The Securities and Exchange Commission (SEC) stipulated qualification of Independent Director as follow:

- Holding no more than one percent of the total voting shares, including shares held by connected persons of such independent director.
- Not being or having been an executive director, employee, staff, advisor earning regular monthly salary or the controlling person of the company unless the foregoing status has ended for at least two years.
- Not being a person who is related by blood or legal registration with other directors, executives, major shareholders, controlling person or person to be nominated as director, executive or controlling person of the company or its subsidiary.
- Not having or having had a business relationship with the company in a manner that may interfere with independent discretion, which includes not being or having been a significant shareholder or the controlling person of any person having a business relationship with the company unless such foregoing relationship has ended for at least two years
- Not being or having been an auditor of the company and not being a significant shareholder, controlling person, or partner of the audit firm which employs the auditor of the company unless such foregoing relationship has ended for at least two years.
- Not being or having been a provider of professional services, which includes serving as a legal advisor or financial advisor being paid with a service fee of more than two million baht per year by the company and not being a significant shareholder, controlling person, or partner of such provider of professional services, unless the foregoing relationship has ended for at least two years.
- Not being a director who is appointed as the representative of directors of the company, major shareholder, or shareholder who is a connected person of a majority shareholder unless the foregoing status has ended for at least two years.
- Not undertaking any business of the same nature and in significant competition with the business of the company or its subsidiary, or not being a significant partner in a partnership, or an executive director, employee, staff, advisor earning regular monthly salary, or holding more than one percent of the voting shares of another company that undertakes a business of the same nature and in significant competition with the business of the company or its subsidiary.
- Not having any other characteristics that cause the inability to express independent opinions on the business operation of the company.

Annex 3 Roles and duties of Audit Committee

1. Review financial report and disclosure

The Audit Committee should perform the following tasks:

- Review to ensure accurate and trustworthy financial report in accordance with the accounting standard, emphasizing items with high risks of being misrepresented in the financial report. The Audit Committee may seek information from a site visit or inviting responsible management to clarify the matter.
 - Comprehend with the company's accounting policy and ensure that the accounting policy is correct and appropriate. The Audit Committee may ask the auditor, investor relation department, legal department, or the management if there was any complaint by investor about inappropriateness of accounting policy, what accounting policies being adopted by competitors, what is the auditor's view, what is the management's view etc. At present, several new accounting standards have been issued and the Audit Committee should also seek to understand these new standards.
 - Review special item, or item that rarely occurs and not being considered normal transaction of the company. The Audit Committee should discuss appropriateness and impact of such item with the management and auditor. It should also ensure the company discloses such item clearly, accurately, and in synch for all reports and periods being disclosed.
 - The Audit Committee should emphasize item with high fraud risk, particularly once concerning financial statement manipulation to paint unrealistically good performance so as to gain performance incentive or drive up stock price. To assess such risk, the Audit Committee should understand irregular items such as excessively high sales during economic slump. In addition, the Audit Committee should also observe the management's behavior and attitude, receive whistleblowing information, study internal control assessment, and discuss with auditor and internal auditor.
 - Consider if the company's accounting policy, management estimates and management judgement are appropriate.
 - Study auditor's report, discuss if there is any incident affecting audit quality (regardless of whether the incident has been resolved for not) and how did the auditor manage risks that could affect audit quality as well as discuss about items that relied on management's opinion, revised items, or any item with significant mistake.
 - Review to ensure the company has disclosed information clearly, completely, and in alignment with financial report. Also review information concerning the company's strategies and risks, taking into account the adequacy and appropriateness of information.
 - Should there be any issue that the Audit Committee or the auditor requested the management to revise or fix such as accounting item and disclosure, the Audit Committee must follow up to ensure the management complies accordingly.
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- Review to ensure the preparation of financial report has sufficient internal control to prevent financial statement manipulation.
- Consider Key Audit Matters (KAM) by itself despite information received from the auditor. The Audit Committee should discuss whether what information is required to review the key audit matters and report the review result to the Board as well as find ways to resolve these key audit matters.
- Discuss with the auditor at the beginning of the year about annual audit plan, materiality, and assessment of knowledge, competency, and experience of the auditor's team.

2. Review adequacy and efficiency of internal control and internal audit

- The Audit Committee should audit internal control by using COSO Internal Control Framework 2013, dividing internal control composition into five categories including Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Internal control composition under COSO Internal Control Framework 2013	
1.	Control Environment
2.	Risk Assessment
3.	Control Activities
4.	Information and Communication
5.	Monitoring

- Company that has all five internal control composition can be assured that it can achieve three key objectives including efficient and effective operations, trustworthy report, and full compliance with laws and regulations.

Regarding internal audit oversight, The Audit Committee should perform the following tasks:

- Oversee and provide suggestions to ensure auditing practices align with internal audit standard.
- Hold formal meeting with internal auditor at least quarterly and discuss with internal auditor without the management's present at least once a year to seek comment about tone at the top, ethical compliance, attitude and cooperation in internal control improvement, suspicious issues concerning performance of the management etc.

- Assess the independence of internal auditor in performing duties, reporting, and relationship between internal auditor and the management and auditor. In case the internal auditor is not capable to perform independently, the Audit Committee should immediately acknowledge the Board to resolve the matter in timely manner.
- Review and approve annual internal audit plan presented by Internal Audit unit head at least once a year. Issues to emphasize include audit universe, risk assessment of each audit universe, planning of man power or man hour to be used in auditing, and determination of audit period. After the Audit Committee approved the audit plan, any future amendment of the plan requires approval from the Audit Committee.

Example of Internal Audit plan

Process	Risk score						Audit period			
	Total Score	8	7	8	5	7	2563			
		Risk 1	Risk 2	Risk 3	Risk 4	Risk 5	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Process 1										
Process 2	20	X	X		X					
Process 3	13			X	X					
Process 4	13			X	X					
Process 5	27	X	X		X	X				
Process 6	20			X	X	X				

- The Audit Committee should receive internal audit report soon after auditing completion. Good internal audit report should have short and concise executive summary with visualization or explanation about the company's overall internal control system, issues detected, risks of the issues, business impact, direction to fix the issues, responsible person, and dates scheduled to complete fixing the issues. In case of follow-up issue, it should report fixation status and reasons in case the issue has not been fixed as planned.
- Arrange Quality Assurance Review of internal auditing by independent external expert at least every five years in accordance with internal audit standard. The review should cover key matters as follow:
 - Internal audit strategy: This will help planning work and personnel development in accordance with business strategy. For example, if the company is planning to expand overseas, internal auditor should prepare how it should perform auditing tasks, taking into account language and culture of the foreign unit etc.
 - Structure of internal audit unit: It should be independent and have sufficient authority to review internal issues.
 - Internal audit personnel: They should have adequate and proper knowledge and experience such as internal auditing, risks, business, technology as well as possess skills in data analysis, communication, leadership, creativity, and positive human relation with the Audit Committee, management, persons being audited, co-workers. (particularly those in risk management department)
 - Internal audit process: This includes risk assessment, planning, audit method selection, report writing and presenting.
 - Applying technology for data analysis in internal auditing: This will allow in-depth auditing and can be used to prepare working paper to ensure compliance with internal audit standard.

The review result should make the Audit Committee aware of the quality, experience, and expertise of internal auditor. The Audit Committee should also consider whether the management provided adequate support to develop competency of the internal auditor.

- Encourage internal auditor to apply technology in performing duties so as to create additional value of internal auditing through accessing more insights, accommodating speedy issuance of internal audit report with visualization. Internal auditor may start with simple technology that does not require substantial budget such as Excel Spreadsheet and eventually upgrade to more sophisticated software and new technologies such as Robotic Process Automation (RPA) and Artificial Intelligence etc.
- Appoint, remove, and evaluate performance of internal audit unit head.

3. Review compliance with relevant rules, laws and regulations

The Audit Committee should perform the following tasks:

- Review structure design of compliance unit to ensure it matches with the company. It may stipulate direct reporting to top executive or senior management of relevant units.
- Review efficiency of process to compile, communicate, and monitor relevant rules and regulations as well as performance independence of the unit, comprehension with key findings and disciplinary measures. Compliance also covers the Code of Conduct.
- Review the adequacy and appropriateness of compliance reporting to the Board.
- Review policy, system to prevent handle transactions with conflict of interest that could extend direct or indirect benefit or privilege to any person.
- Review whistleblowing policy/system, fact-finding method, result conclusion, reporting, treatment of relevant persons, reward for whistleblowers, and penalties for wrongdoers.

4. Review risk management system

The Audit Committee should perform the following tasks:

- Review if the company has risk management policy and communicate with personnel at all levels to comply.
- Review if the company has accommodative structure for the Board to oversee risk management system and receive risk management report regularly and in timely manner.
- Review to ensure that risk management process links with strategic planning, is designed to be implemented together with operating process, help with decision making, can identify all types of risks, prioritize severity, determine risk management plan, and report risks in timely manner. The company should establish risk management mechanism at all units and all levels in the organization structure.
- Review if the company conducts risk assessment of strategic plan before the plan takes effect. If the company does not have this process, the Audit Committee should suggest establishing it.
- According to COSO Enterprise Risk Management Framework, Strategic Risks can be considered from three aspects including



Source: COSO Enterprise Risk Management Framework

- Possibility of strategy not aligning – For instance, the company has a vision to emphasize more on social benefit than making profit but the strategic plan focuses on marketing to maximize revenues.
 - Implications from the strategy chosen – This risk occurs because the company has various alternatives but make wrong decision. For example, the company has an option to maintain conventional and highly experienced business that yield relatively low earnings growth and limited risk. The second option is to engage in new business that it has no experience and requires massive investment. Potential return of the new business is very tempting but it also come with high risk. If the management chooses the latter and fails to achieve targets, overall business could be affected and regressed.
 - Risk to strategy and performance - This risk may derive from various factors such as lacking of knowledge, competency, experience, specialist, and appropriate technology etc.
- Review if risk management method used by the management align with risk appetite approved by the Board.
 - Review if the company has assessed Environmental, Social and Governance (ESG) risks. The management can include ESG risk assessment as part of the company's risk management by setting clear ESG definition.

5. Auditor oversight

The Audit Committee should perform the following tasks:

- Arrange joint meeting with the auditor on quarterly basis (or at least once a year) to discuss meeting agenda and the auditor's operational concerns. In certain case, the Audit Committee Chairman may hold informal discussion with the auditor to exchange information and assess independence, competency, experience and quality control of the audit firm and auditor's team.
- Select, evaluate, appoint, and change the auditor by considering key qualifications such as independence, reputation, knowledge, and experience of the audit firm in the company's industry, leader and members of the audit team, ethical standard and quality control of the audit firm.
- If the auditor quits, the Audit Committee must find out true reasons and consider if it should take further action to acquire more information.
- Stipulate a policy to rotate auditor every five years. If the company cannot complies with this policy, the Audit Committee must report this matter and clarify reasons to shareholders.
- Conduct auditor's performance evaluation at least once a year, using direct experience and comments from others working with the auditor such as the Chief Financial Officer, Internal Audit unit head etc. Among key issues to be used in the auditor's performance evaluation are audit process efficiency, attitude, skill, knowledge, discretion, auditor's response to the Audit Committee's questions, suggestions about internal control, and work culture of the audit firm.

- Request and study the management's certification submitted to the auditor to comprehend with the accounting treatment chosen by the management, forecasts, special items subject to discretion of the management. Also discuss with the auditor if there is any problem or obstacle in obtaining the certification from the management and how.
- In case the management and auditor have different views, the Audit Committee should take part in resolving the conflicting views through discussion with both parties to comprehend with the problem, transaction characteristic, accounting impact, and additional accounting treatment alternatives. The Audit Committee should then consider if there was any similar case that the regulator had given prior opinion. If not, the Audit Committee may ask accounting expert or openly discuss ways to resolve the matter with the management and auditor.
- Consider the hiring of the company's audit firm to perform other tasks beyond accounting audit because the type of work and compensation of the task may affect the auditor's independence. Tasks that can be approved must not have the following characters:
 - Auditing or reviewing works that the audit firm had involved.
 - Performing tasks involving decisions under the responsibility of the company's management.
 - The audit firm certifies the company's operations instead of the management.
 - The audit firm has conflict of interest or other interest with the company.
 - Fee for the other tasks exceed the audit fee or deem very high in comparison with the audit fee.

The Audit Committee should stipulate criteria in hiring audit firm to perform other tasks beyond accounting audit for the company and propose the criteria to the Board for approval.

The Audit Committee should assess whether hiring the audit firm to perform other tasks beyond accounting audit for the company (i.e. establish accounting system, internal audit process etc.) will threaten the audit firm's independence and how do the company or the audit firm preserve the independence.

6. Review connected transaction

- Consider connected transaction or transaction with potential conflict of interest to ensure they comply with the laws and the Stock Exchange's regulations, make sense, and yield utmost benefit to the company.
 - Connected transaction is a sensitive financial item because it cannot clearly determines the market price and usually attracts attention of stakeholders. In particular, the Audit Committee should cautiously examine the appropriateness of transactions involving director and management as well as financial assistance to connected person or agency and whether the management has sufficiently disclosed the information.
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Annex 4

Example of Audit Committee Charter (Reference from Institute of Internal Auditors Thailand)

Organizational Principles

Introduction

Audit Committee is a crucial mechanism in corporate governance, risk management, and internal control. The Audit Committee is established on [date] with a Charter to determine its roles, duties, and responsibilities that is amended and approved by the Board on [date]

Objectives

Objective of the Audit Committee establishment is to ensure the company has concrete corporate governance, risk management and internal control. The Audit Committee assists the Board by providing recommendations and directions for the following matters:

- Values and ethics
- Governance structure
- Business risk management and control
- Internal control and audit
- Oversight of internal auditor, auditor, and assurance service provider.
- Financial report and report of the Board's accountability toward the financial report.

In summary, the Audit Committee will review the aforementioned matters and then provide independent comments or recommendations to the Board on issues concerning adequacy and efficiency of the company's administration and improvement direction.

Audit Committee's authorities

The Audit Committee Charter is drafted to determine roles, duties, and responsibilities of the Audit Committee in accordance with objectives set by the Board. To perform its duties, the Audit Committee can appropriately access the management, staffs, and relevant information in order to achieve auditing objectives. The Audit Committee also has the authority to request relevant notes, information, and reports. If the request for such information is rejected due to legal constraint or confidentiality, the Audit Committee and/or Chief Audit Executive (CAE) must comply with the company's guideline or procedure in seeking approval from the Board.

The Audit Committee is entitled to receive appropriate and sufficient information and explanation to perform its duties and get cooperation from the management and employees as per requested.

The Audit Committee may seek independent views from other professional advisor, if necessary, to form useful opinions.

The Audit Committee has the authority as follow:

- Appoint, compensate, and oversee accounting audit and other services.
- Resolve conflicting views between the management and auditor regarding financial report or other issues.
- Approve the appointment of auditor or assign the auditor to conduct other services beyond accounting audit for the company.

Audit Committee Composition

The Audit Committee comprises [indicate number of members with a minimum of three] members, all of which must be independent director with sufficient competency in auditing, finance, industry-specific knowledge, information technology, governance, law, risks, and internal control. Since duties and responsibilities of the Audit Committee involve with governance, economic, and report preparation, Audit Committee members' competency should be regularly evaluated to ensure the committee is capable to respond quickly to changes in relevant factors.

Audit Committee Chairman

The Audit Committee Chairman is appointed by

Terms of office of the Audit Committee

The terms of Audit Committee member is [indicate a timeframe] and terms renewal will be reviewed every years to ensure continuity. [In case there is any regulation concerning terms counting of the Audit Committee member, it should also be indicated in the Charter.]

Meeting quorum

The quorum of Audit Committee meeting should be the majority of Audit Committee members.



Operational Principles

Operating plan

The Audit Committee Chairman will collaborate with senior management and Chief Audit Executive in preparing operating plan to ensure the Audit Committee can perform duties on schedule.

Meeting agenda

The Audit Committee Chairman will set agenda for the Audit Committee meeting by having discussion with Audit Committee members, senior management, and Chief Audit Executive.

Information used for auditing purpose

Information needed for auditing that include characteristics, scope, and period of information should be submitted to the Audit Committee at least seven days ahead of the Audit Committee meeting.

Meeting with the management

If necessary, the Audit Committee may arrange private meeting with the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Audit Executive, other professional advisor, or any other person deems appropriate by the Audit Committee.

Preparation and meeting attendance

Audit Committee members must study information and documents related to the meeting agenda and attend every meeting.

Conflict of interest

The Audit Committee must adhere to business ethics, including the company's values and ethics, and its members must disclose any personal conflict of interest or potential personal conflict of interest to the Audit Committee. In case of doubt, the Audit Committee member in question must abstain from voting in that particular agenda item.

Orientation and training

The Audit Committee will get formal orientation about objectives and authorities of the Audit Committee as well as objectives of the company. There will also be continuous trainings throughout their terms.

Operational Procedures

Audit Committee meeting arrangement

The Audit Committee will arrange to meet at least [indicate number] times a year. The Board may call additional special meeting if necessary.

Audit Committee meeting minutes

Meeting minutes will be prepared in accordance with laws, regulations, policy, operating procedures and/or any other demand. Draft of the meeting minutes must be completed within two weeks after the meeting.

Audit Committee meeting participants

The Chief Audit Executive must attend every meeting of the Audit Committee.

Secretary of the Audit Committee

Chief Audit Executive or any person agreed by the Audit Committee will make meeting appointment and assist the Audit Committee's operations in accordance with available time and resources.

Audit Committee compensation

The Audit Committee may disburse travel expense or other relevant expenses [If possible, there should be clear policy about relevant laws and/or the company's travel disbursement policy.]

Travel expense and allowance rates of the Audit Committee are stipulated in [Indicate relevant laws, rules, policies or regulations that have been approved in written.]

Professional Indemnity Insurance: [Indicate insurance policies for the Audit Committee members and the company as well as agreed upon procedures.]

Duties and responsibilities

Roles, duties, and responsibilities of the Audit Committee are to express independent and fair opinions to the Board regarding the adequacy of the management's performance and corporate governance.

Values and ethics

To achieve reasonable confidence that operations comply with the company's values and ethics, the Audit Committee will perform the following tasks:

- Review and assess policy, operating procedures, and operating method set by the management to ensure the manager and staffs comply with business ethics and the company's ethics policy.
- Oversee operating mechanism set by the management to ensure the manager and staffs maintain ethical standard.
- Review and provide recommendations about operating system and method set by the management to ensure compliance with rules, laws, regulations, policies, and ethical standards as well as indicate risks of law violation.

Organizational governance

To achieve reasonable confidence in the company's governance principle, the Audit Committee will review and provide recommendations on operating process and procedures to maintain good corporate governance principle.

Risk management

To achieve reasonable confidence in the company's risk management principle, the Audit Committee will perform the following tasks:

- Review the company's risk profile annually.
- Ask for annual report of the company's operating and risk management directions employed by the management.
- Oversee key risks and control which include fraud risks, other governance problems, and any other issues as needed or being requested by senior management and the Board.
- Ensure adequacy of assurance service.
- Review and provide recommendations about risk management process that the management has implemented and see that operating procedures are in place to ensure they are implemented accordingly.

Fraud

To achieve reasonable confidence in the company's fraud prevention and detection process, the Audit Committee has duties as follow:

- Oversee fraud prevention and suppression by the management.
- Ensure proper steps are taken against wrongdoers.
- Develop competencies of the management as well as internal and external auditors to ensure the company has anti-fraud program, appropriate internal control to identify potential fraud, and proper investigation process in case of fraud detection.

Internal control

To achieve reasonable confidence in the adequacy and effectiveness of the company's internal control against the company's risks, governance, operations, and information technology system. The Audit Committee has duties as follow:

- Consider the effectiveness of the company's internal control, which also cover safety and controls of the information technology system.
- Review and provide recommendations about the company's overall controls and specific controls of each unit.
- Get report on all significant issues from professional financial and internal control advisors.

Compliance

The Audit Committee has duties as follow:

- Review the effectiveness of compliance monitoring system regarding laws, rules, regulations as well as the management's investigation and monitoring (including disciplinary measures) in case of violation.
- Review observation and conclusion by the internal auditor and external auditor as well as observation by other regulatory body.
- Review system to communicate about ethics with the company's personnel and compliance monitoring.
- Ensure continuous improvement in compliance by the management and relevant legal agencies.

Oversee internal audit and other assurance services

Internal audit

To achieve reasonable confidence in the implementation of internal control, the Audit Committee must oversee internal control operations regarding:

Internal audit charter and resource

- Review and approve internal audit charter at least annually. The charter should be reviewed to ensure it accurately reflects objectives, authorities, and responsibilities of internal control activities in accordance with mandatory professional guideline, the scope and characteristics of assurance and consultancy service as well as financial, risk management, and corporate governance processes. The charter should also reflect the development of professional internal audit performance.
 - Propose to the Board about resource addition/reduction to achieve internal audit plan and assess whether more resource is needed or external parties should be hired.
-

Performance of audit executives

- Provide recommendations to the Board about qualifications, recruitment, nomination and removal of audit executives.
- Provide information to the management involving with performance evaluation of audit executives.
- Provide recommendations to the management or person authorized to determine appropriate compensation of the audit executives.

Internal audit plan and strategy

- Review and provide information about strategic plan, objectives, performance evaluation activities, and outcome of internal audit activities.
- Review and approve internal audit plan in accordance with risks and provide recommendations about internal audit structure.
- Review and approve internal audit plan and check if the internal audit unit has adequate required resources to achieve the plan.
- Check efficiency of internal audit performance against the audit plan.

Internal auditing and monitoring

- Review internal audit report and other communication from the management.
- Review and monitor the management's operating plan in accordance with recommendations from internal auditing.
- Review and provide recommendation to the management about the outcome of any special investigation.
- Ask audit executives if there is any internal auditing or any other task (besides complete auditing) that was not reported to the Board. If so, ask them for any significant issue arising from such task.
- Ask audit executives if there was any indication of fraud evidence while conducting internal auditing and whether additional steps should be taken.

Internal audit standard compliance

- Ask audit executives about procedures to ensure internal audit activities align with international internal audit standard.
 - Ensure internal audit activities have assurance program and the outcome is periodically presented to the Audit Committee. The assurance by external expert is conducted every five years.
 - Review assurance outcome by external independence party and monitor the implementation of internal audit operating plan to indicate recommendation.
 - Provide recommendations to the Audit Committee about continuous improvement of internal audit activities
-

Internal auditor

To achieve reasonable certification about the auditor's performance, the Audit Committee has to discuss with the auditor during the planning stage, the presentation of audited financial statements, the discussion of outcome and recommendations to the management.

The Audit Committee has duties as follow:

- Review audit scope and the auditor's direction as well as coordinate between auditing and internal auditing.
- Review auditor's performance in order to give final approval to the appointment or dismissal of auditor.
- Confirm the auditor's independence.
- Schedule special meeting with the auditor to discuss sensitive issues.

Financial report

The Audit Committee has duties as follow:

- Review auditing result and problems found together with the management and auditor.
- Review significant accounting and detected issues as well as complex or irregular transactions, transactions with discretion, regulations announced by regulatory body, and comprehend with impact on the financial report.
- Review annual financial statements and consider whether they are complete, align with information gathered by the Audit Committee, and reflect proper accounting principles.
- Review other parts of the annual report, fill information regarding relevant rules and regulations, and consider information accuracy and completeness before distribution.
- Review issues to communicate with the Audit Committee under generally accepted auditing standards.
- Work with the management and auditor to comprehend with strategy, assumptions, and forecasts used by the management in the preparation of financial statements, budget, and investment plan.
- Comprehend how the management prepared interim financial information and how internal auditor and auditor took part in process.
- Review interim financial report with the management and auditor before submitting to regulatory body and consider if the financial report is complete and in alignment with information gathered by the Audit Committee.

Other responsibilities

The Audit Committee has duties as follow:

- Conduct other activities relevant to this charter as per requested by regulatory body.
 - Establish and oversee special investigation as necessary.
 - Evaluate performance of all Audit Committee members.
-

Audit Committee's performance reporting

The Audit Committee must report its annual performance to the Board. The report should include the following information:

- Summary of tasks performed by the Audit Committee during the past year.
- Summary of progress in managing issues detected from internal auditing and audit activities.
- Overall assessment of risks, internal control, operation compliance, as well as details of key new risks or changes in legislation.
- Meeting details, including number of meetings held during the period, and attendance information of each Audit Committee member.
- Necessary information (if any) such as corporate governance development.
- The Board may report to the regulatory body any time about other issues it deems significant.

Source: Model Audit Committee Charter, The Institute of Internal Auditors, 2017



Annex 5 Example of Internal Audit Charter

Introduction

Internal audit refers to assurance activities and provision of fair and independent advice to improve the company's operating process. Internal audit helps the company achieve objectives by systematically assessing and enhancing efficiency of corporate governance, risk management, and internal control processes.

Professional standard

Internal auditing must be in accordance with guidelines of the Institute of Internal Auditors, which include the definition of internal auditing, code of ethics, and International Standards for the Professional Practice of Internal Auditing (Standards). This guideline is fundamental principles for internal audit profession and evaluation of internal audit efficiency.

Other references for internal auditing include the Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers. Besides, internal auditing must also comply with the company's internal audit policy and operating manual.

Authorities

Internal auditing involves confidentiality keeping and data protection but is not restricted from accessing notes, assets, relevant persons to perform duties successfully.

All staffs must cooperate with internal auditing while internal auditing must not be restricted from accessing the Board.

Composition

Internal Audit unit head reports its performance to the Board and reports general administration such as daily operations to the Chief Executive Officer.

Independence and objectivity

Internal auditing must steer clear of any internal and external interference in the determination of auditing scope, procedures, frequency, period, and reporting to ensure independence and objectivity.

The internal auditor must not have any duty, responsibility, or authority in the operating process being audited. Therefore, internal auditor cannot take parts in internal control implementation, process improvement, operating system development, preparation of notes, or participating in any activity that could affect internal audit decision. Internal auditor must perform with due professional care in the compilation, evaluation, and communication of information concerning activities or processes being audited.

The internal auditor must create balance in the assessment of all relevant situations and must not be inappropriately influenced by own or other's benefits in decision making.

Chief Audit Executive will confirm internal auditing independence with the Audit Committee at least once a year.

Responsibilities

Internal auditing scope covers auditing and evaluating the adequacy and efficiency of corporate governance, risk management, internal control, and performance quality of assigned tasks to achieve identified targets and objectives of the company. It also covers:

- Evaluation of risks affecting the company's objectives.
- Evaluation of information credibility and accuracy as well as methods used to evaluate, categorize, and report such information.
- Evaluation of systems designed to ensure alignment with policy, plan, procedures, laws and regulations that could significantly affect the company.
- Evaluation of asset protection method and review existence of assets.
- Evaluation of efficiency and effectiveness in human resource utilization.
- Performance evaluation to ensure outcome aligns with the set objectives and targets.
- Monitoring and evaluation of corporate governance efficiency.
- Monitoring and evaluation of risk management efficiency.
- Collaboration with the auditor.
- Provision of recommendations and advices regarding governance, risk management, and internal control.
- Reporting of objectives, authorities, responsibilities, and efficiency of internal audit performance under the internal audit plan on a regular basis.
- Reporting of key risks and detected issues concerning control, fraud risk, corporate governance issues, and any necessary matters or other matters as per requested by the Board.
- Evaluation of performance in accordance with requests by the Board or management that was also approved by the Audit Committee.

Internal audit plan

The Chief Audit Executive will report internal audit plan to the Audit Committee for acknowledgement and approval at least once a year. Internal audit plan comprises of operating schedule, budget, and human resource plan of the following year. The Chief Audit Executive will communicate any impact from personnel limitation and key changes that occurred during the year to the Board.

Internal audit plan is set in accordance with priorities of the audit universe and use risk-based methodology by collecting information from senior management and the Board. The Chief Audit Executive will review and amend internal audit plan as necessary to respond to changes in business condition, risk, process, plan, information technology system, and control process. In case the audit plan has been changed materially from the approved version, it must be reported to the Audit Committee to acknowledge and approve the amended plan.

Internal audit reporting and monitoring

Chief Audit Executive or assigned person is tasked to prepare internal audit report and present to relevant persons and the Audit Committee.

Internal audit report may include opinions of the management, improvement direction that align with internal control issues, and improvement recommendations. The management's opinions can be included in the internal audit report or be presented at later date (e.g. within 30 days). There should be a specific timeframe to fix issues and reason for not following the recommendations.

Internal auditor has a duty to monitor progress in fixing issues within the scheduled period. Key internal control issues will continue to be recorded in the internal audit report until they are completely fixed.

Chief Audit Executive is tasked to report audit objectives, authorities, responsibilities, and audit performance in comparison with the audit plan to the Audit Committee on a regular basis. The report must also cover key risk and control issues, fraud risks, corporate governance issues, and other issues as necessary or as per requested by the Audit Committee.

Quality assurance and performance development programs

Internal auditing must be developed and maintain quality by putting in place assurance program and the evaluation of internal auditor in accordance with the meaning of internal auditing, definition of internal auditing, international standards of professional internal auditing, and Code of Ethics of internal auditor. In addition, the assurance and internal auditing development programs also evaluate the efficiency and effectiveness of internal auditing.

Chief Audit Executive is tasked to report the outcome of assurance and development programs, including internal and external evaluation results, to the senior management and Audit Committee at least once every five years.

Annex 6 Example of issues for self-evaluation of Audit Committee

This self-evaluation form of Audit Committee is used to review and enhance performance of the Audit Committee. In addition, the Audit Committee may also benefit from collecting evaluation results from the management, head of internal audit unit, general advisor, and auditor.

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
Financial report and notes to financial statements	
1. Have sufficient understanding about the company's business and industry.	
2. Able to indicate risks that the financial report may have incorrect financial information or materially false information, both intentionally or unintentionally.	
3. Comprehend with methods used by the management and auditor to assess materiality, both in terms of quality and quantity, for the objectives in financial reporting.	
4. Assess the rationale and appropriateness of key accounting policy implemented by the company as well as consider together with the management and auditor.	
5. Review reasons for the change in accounting principle by the management's discretion and comprehend with potential response from stakeholders.	
6. Screen issues concerning forecasts by the management that could have material impact on the financial report and comprehend with the rationale of assumptions and numbers booked.	
7. Ask the management about any material change in the financial report and have confidence that the clarification is accurate and match the company's operations.	
8. Assess the appropriateness and accuracy of accounting transactions and the booking of irregular transactions with complexity or volume escalation near book-closing date.	
9. Comprehend with the management's process to indicate material connected transaction occurred near the book-closing date and disclose in the notes to financial statements.	

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
10. Read annual financial statements and assess the completeness and accuracy of information by asking the management and auditor.	
11. Comprehend with press release and other financial information such as initial performance estimates, projections, and information for credit rating agencies disclosed regularly by the company as well as elaboration on special items or other disclosure that does not comply with general accounting principles.	
12. Read clarification report and relevant information before disclosing to the public to ensure the information is accurate, match the financial report, complete, and transparent to distribute. (such as liquidity and financial requirement)	
13. Ask the auditor about auditing result and consider how the management deal with financial information that contradict with the fact. (both information that has been fixed and has yet to be fixed).	
14. Have frequent appointment with advisors to ask about legal cases, requests, emergency incidents, or other key issues and potential impact on the financial statements.	
15. Understand the management's method in tracking key information as well as the work of disclosure committee.	
16. Review correspondences between the company and regulatory body about record-keeping of the financial statements and notes to financial statements.	
17. Consider impact of the event after the date in financial statements indicated in the notes to financial statements.	
Risk management and internal control	
18. Comprehend with effectiveness of the company's risk management process	
19. Clearly understand the company's key risks.	
20. Comprehend with the effectiveness of internal control by asking the management, internal auditor, and auditor as well as understand material weakness of control and plans to fix those weaknesses.	

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
21. Comprehend with factors that could enhance fraud risk involving financial report and method used by the management to indicate such risk.	
22. Comprehend with bribery and fraud risks and method used by the management to indicate such risks.	
Culture and governance	
23. Able to assess practices, ethics, and culture that senior management led by example.	
24. Have confidence that the management conducted ethical training for staffs and have proper channels to deal with violators.	
25. Have confidence in the company's whistleblowing process.	
Management control and internal audit	
26. Able to maintain efficient relationship with the management through direct and continuous communication as well as meetings with the Board.	
27. Balance well between providing recommendation and monitoring.	
28. Evaluate capability and performance of senior management in the finance department by compiling recommendations from internal auditor and auditor.	
29. Monitor succession planning of Chief Financial Officer and senior staffs in the finance department.	
30. Make appointment for private meeting with the management regularly.	
31. Build trust in internal auditor openly with continuous communication during meetings as well as provide opportunities to raise sensitive issues for consideration.	
32. Have confidence that internal auditor's performance meet demand of the Audit Committee to ensure and create value to the management.	
33. Approve internal auditor charter and review annual audit plan as well as other material changes to ensure the audit plan properly covers relevant risks and in synch with the auditor's works.	

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
34. Have confidence that internal auditor has sufficient man power and budget to perform duties.	
35. Review key issues detected by internal auditor and report summary as well as fixing progress to the Board.	
36. Have key roles in the nomination, performance evaluation, and compensation determination of the Chief Audit Executive.	
37. Meet with Chief Audit Executive in person regularly.	
Relationship with the auditor	
38. Create trustworthy and professional relationship with the auditor by using open communication.	
39. Recruit, supervise, and evaluate performance of the auditor by taking information from the management and internal auditor.	
40. Grant approval to auditor to perform other services not relating to accounting audit for the company.	
41. Comprehend with the auditor's scope of work, comprehensive risks, and key changes in audit plan.	
42. Understand accounting standard chosen by the company and compare with practices of other companies.	
43. Study the management's certification submitted to the auditor and ask if there is any certification that does not comply with accounting standards.	
44. Comprehend with conflict between auditor and the management and consider if external recommendation is needed to resolve the conflict.	
45. Discuss with the auditor in person regularly.	
Things to do when mistake occurred	
46. Comprehend with material mistake in financial report of the previous year and seek conclusion together with the management in case retrospective revision is needed.	
47. Have confidence that the management took prudent steps to indicate and fix the mistake.	

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
48. Understand the roles, duties, and key issues to oversee in the investigation. (for issues with potential fraud or law violation)	
49. Monitor investigation progress and have confidence that the management does learn from past mistakes and improve.	
50. Have confidence that crisis management plan has been prepared and will be swiftly implemented should crisis emerge.	
Audit Committee composition	
51. Audit Committee members are recruited by the Nomination Committee by considering knowledge, competency, concept, and idea.	
52. Prepare succession planning for the Chairman and members of Audit Committee.	
53. Audit Committee Chairman must have good leadership as well as able to create efficient conversation and work relationship.	
54. Audit Committee members must have key qualifications such as honesty, courage, professional skepticism, independent decision making, industry knowledge, and sufficient time to perform duties.	
55. Audit Committee members must be independence and at least one member must have knowledge and expertise in finance.	
Audit Committee meeting	
56. Set appropriate schedule to perform duties.	
57. Arrange enough number of meetings with appropriate timing to ensure regular allocation of responsibilities.	
58. Appropriately set agenda and plan meeting time accordingly.	
59. Receive meeting documents in advance to prepare for the meeting.	
60. Meeting participants should only be persons with direct responsibility or specified in the agenda while number of observers should be limited.	

Qualifications of efficient Audit Committee	Comments and operation monitoring (including personnel operation plan)
61. Regularly hold private meetings with Chief Financial Officer, Chief Audit Executive, internal Auditor, auditor, advisor, regulator, risk management executive in straight forward manner.	
62. Meeting minutes contain accurate details and appropriate volume of information that are being reviewed and approved in timely manner.	
63. Report activities, key issues, recommendations, and administration plan to the Board on a regular basis.	
Enhancing effectiveness of Audit Committee	
64. Have clear board-approved charter that is regularly reviewed and improved.	
65. Able to confirm compliance for all responsibilities under the Charter every year.	
66. Evaluate overall performance of the Audit Committee annually and use the evaluation result to consider improving and fixing issues instantly.	
67. Evaluate individual performance of each Audit Committee member annually and use the evaluation result to consider improving and fixing issues instantly as well as additional training.	
68. Accommodate appropriate administration, on going concern basis, and has authority to request additional resource when necessary.	
69. Audit Committee members attended orientation to help members understand their duties and able to achieve objectives quickly.	
70. Each Audit Committee member has been continuously trained about business, accounting development, and other key issues related to new duties and responsibilities or business changes.	

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