



# Message from the leadership

## CEO & Chairman

Thailand, Myanmar & Laos

### **Winid Silamongkol**

Welcome to our second Transparency Report in which we outline the approach that KPMG in Thailand takes to governance and quality. This report enables us to share with our numerous stakeholders the paramount importance we place on audit quality.

As auditors, we play a significant role to inspire confidence and build trust in capital markets. We take this responsibility very seriously and we recognize how it supports our ability to build wider public trust and positively contribute to society.

Digital disruption is reshaping business models and exposing new risks. We are focused on keeping pace with the rapid changes in the marketplace to make sure we remain relevant and trusted by our stakeholders today and tomorrow.

Underpinning how our people act at KPMG is a common set of Values that are continually embedded. These Values help to guide our actions when dealing with clients and each other and enable us to reinforce a culture where people act with integrity.





## Country Head of Audit

### **Charoen Phosamritert**

One thing that remains constant in these fast-moving times is our relentless focus on quality. This focus is shared by everyone across our firm and reinforced by clear and supportive leadership tone from the top.

Audit quality is a business imperative and heightened in the correct environment. We continually strive to build a workplace that enables our people to consistently and constantly grow and develop as professionals while at the same time being objective and impartial in how they carry out their work.

The auditing standards and legal requirements our people have to comply with are ever increasing and evolving. We have in place a supportive learning and development framework that helps to keep our people current and enables them to provide rich insights in an ethical way.

To sustain and improve the levels of quality, we have put monitoring programs in place which allow us to effectively identify any quality issues, pinpoint the root cause and then take necessary remedial action.

We remain steadfast to our unwavering commitment to work with audit committees, regulators, businesses and investors to contribute positively towards the audit quality agenda.

# Content

## Who we are

Our business	2
Our strategy	2
Our governance structure	3

## What is audit quality?

Culture and tone at the top	6
Association with the right clients	10
Clear standards and robust audit tools	12
Recruitment, development and assignment appropriately qualified personnel	14
Commitment to technical excellence and quality service delivery	18
Performance of effective and efficient audits	22
Commitment to continuous improvement	26

## Appendix

A.1 Network arrangements	29
A.2 Our governance structure	30
A.3 Our clients in SET50	31
A.4 KPMG Core Values	32



# Who we<sup>1</sup> are

## Our business

KPMG in Thailand is affiliated with KPMG International<sup>2</sup>, a Swiss cooperative which is a legal entity formed under Swiss law. Today, with more than 1,600 Thai and expatriate professionals, we are one of the largest professional services firms in Thailand with a balanced mix of international and local clients.

We deliver Audit, Tax and Advisory services. Our audit services in Thailand are delivered through KPMG Phoomchai Audit Ltd. Full details of the services offered by us can be found on our website <http://www.kpmg.com/th/en/pages/default.aspx>.

One of our key priorities is to have a respectful and trusted relationship with audit and other regulators as we have a common interest in building public trust by promoting audit quality and, in consequence, the health of the capital markets.

## Our strategy

Our strategy is set by our Executive Committee. It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Thailand. We will lead the profession in Quality and Innovation, which will drive sustainable growth and address the regulatory and business imperative.

The Executive Committee has determined that a commitment to quality is crucial. Audit quality ranks first at KPMG and is driven from the top by our leadership and is a critical part of our culture and values. In doing so, our people are extraordinary, the public trusts us and clients see a difference in us. This is how we are the Clear Choice in Audit.

## Our governance structure

### The Board and Executive Committee

The constitution of the Board is as determined by the equityholders. The Board meets from time to time to undertake certain statutory duties for KPMG Phoomchai Audit Ltd., including approving the annual financial statements and the transparency report.

In addition, there are 3 main bodies that deal with key aspects of governance that report to the Board<sup>3</sup>. These are:

- The Executive Committee
- The Quality & Risk Management Committee
- The Compensation Committee

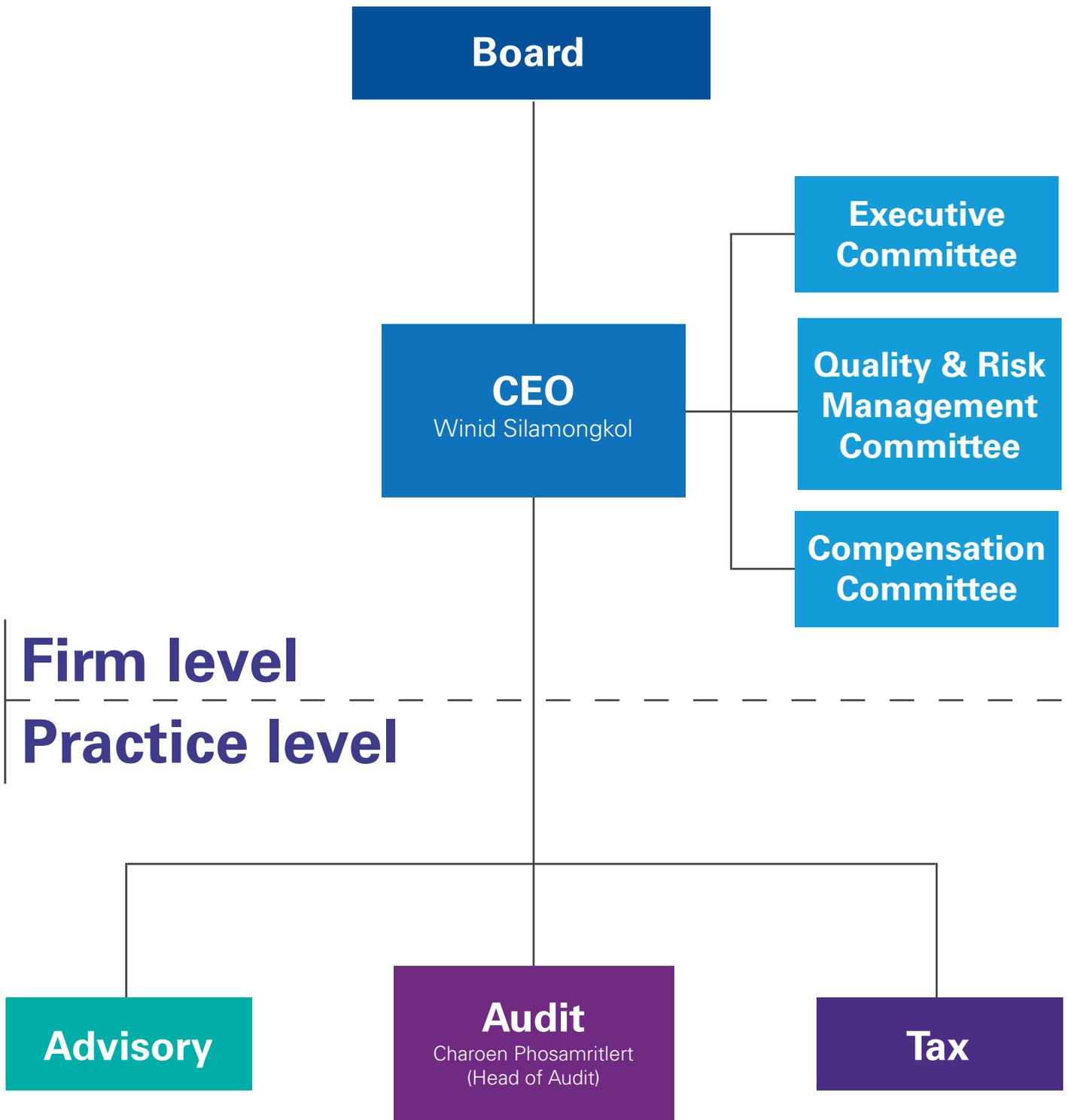
The Executive Committee is responsible for the long term growth and sustainability of the Firm. It provides leadership to the organisation, sets the Firm's strategy, oversees its implementation and monitors performance against our business plan.

1. Throughout this document, "KPMG" ("we", "our", "us" and "Firm") refers to KPMG in Thailand unless stated otherwise.

2. Further details about KPMG International and its business are set out in Appendix A.1.

3. Further details of those charged with governance and their role and responsibilities and composition of each of these key bodies are set out in Appendix A.2.

# Our governance structure



# What is audit quality?

Audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought, and integrity behind the audit report. A quality audit means the delivery of an appropriate and independent opinion in compliance with the auditing standards, laws and regulatory and professional requirements.



## Who is responsible for audit quality?

It is essential that everyone involved in performing audits recognizes that audit quality is their responsibility. However, leadership plays a critical role. KPMG’s tone at the top drives the relentless pursuit of audit quality for every engagement in the firm.

To help ensure everyone has a common understanding of what drives audit quality within KPMG, we use an Audit Quality Framework, comprising seven drivers, to communicate and illustrate our approach to audits.



# KPMG approach to audit quality

# Culture and tone at the top

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across our entire firm.

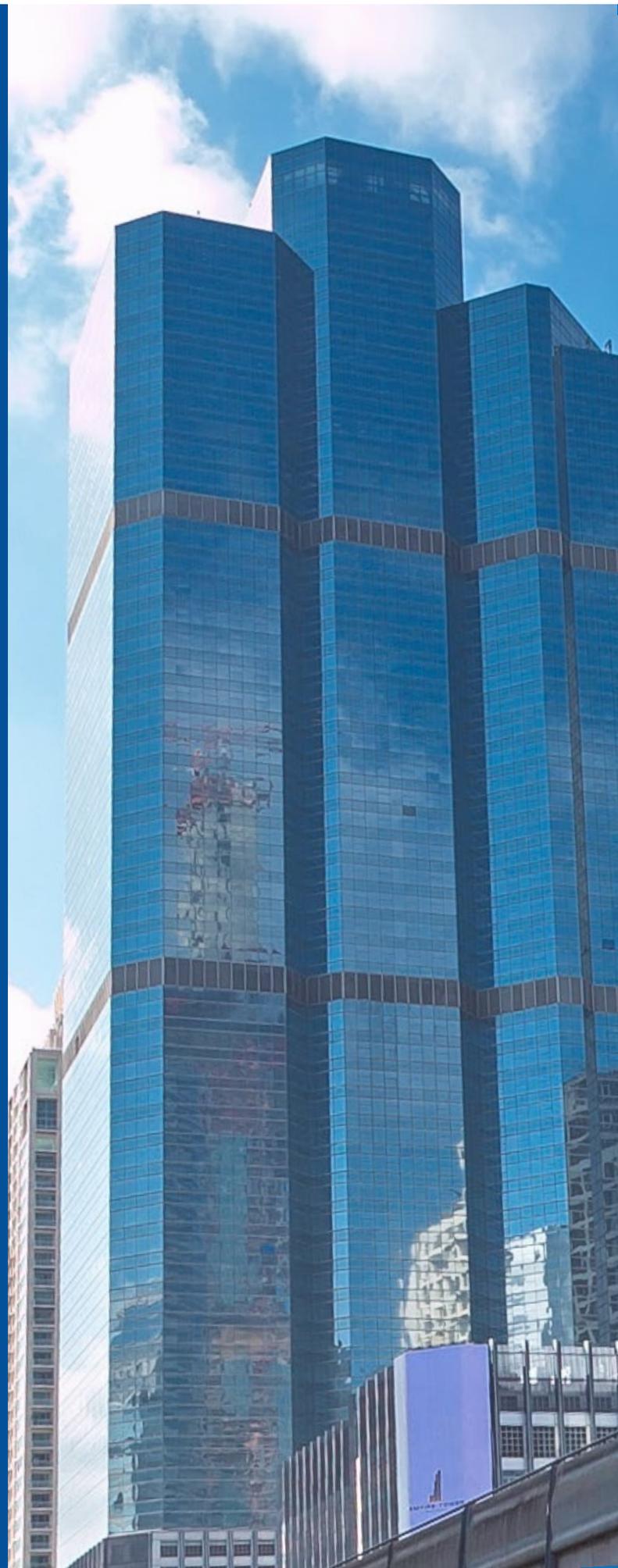
Tone at the top means that our leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large.



**Good governance**



**Audit quality in focus**



## Our culture, values and Code of Conduct

KPMG's tone at the top provides a clear focus on quality through:

- **culture, values, and code of conduct** – clearly stated and demonstrated in the way we work
- **focused and well-articulated strategy** – incorporating quality at all levels
- **standard** set by our leadership
- **governance structure and clear lines of responsibility for quality** – skilled and experienced people in the right positions to influence the quality agenda.

# "Commitment to quality, ethics and integrity"

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing sound advice to our clients and rigorously maintaining our independence and objectivity. Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core value – we act with integrity. Our core values are further described in Appendix A.4.

## Leadership responsibilities for quality and risk management

While we stress that all professionals are responsible for quality and risk management, the following individuals and committee have leadership responsibilities.

### 1) CEO and Country Head of Audit

Our CEO, Winid Silamongkol, oversees strategy implementation, protects and enhances the KPMG brand and oversees management of the firm. KPMG International has outlined fundamental system of quality control to all member firms so as to comply with ISQC 1. In accordance with the principles in TSQC 1 (equivalent to ISQC 1), at KPMG in Thailand, our Country Head of Audit, Charoen Phosamritlert, has assumed ultimate responsibility for our system of quality control. He is accountable for the quality of service delivered in the Audit Practice. Charoen determines the operation of the risk management, quality assurance and monitoring procedures within the framework set by the Country Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

Our CEO and the Country Head of Audit also actively participate in interactions with the ASEAN Audit Regulators Group (AARG) to facilitate the consideration of audit quality matters across the region.

### 2) Country Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG in Thailand has been delegated to the Country Risk Management Partner, Bob Ellis, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance across all business practices – Audit, Tax and Advisory. The Country Risk Management Partner is supported by a team of partners and professionals in each of the practice. He has a seat on the Executive Committee and has a direct reporting line to the CEO and the Board of Directors.

### 3) Functional Risk Management Partner

Within the Audit Practice, the Country Head of Audit, Charoen Phosamritlert, with a dedicated Audit Risk Management Partner, Sureerat Thongarunsang, are responsible for setting the framework for performance of high quality audits, including expected behaviours. They are committed to building a culture based on quality, integrity and ethics, demonstrated through their actions, written communications, presentations to teams and one-on-one discussions. The focus and consistency of their message is important to reinforce our commitment to audit quality.

### 4) Department of Professional Practice (DPP)

The role of DPP is crucial in terms of the support that it provides to the Audit Practice. The Department of Professional Practice (DPP), made up of senior professionals with extensive experience in audit and financial reporting and led by Somboon Supasiripinyo, is the national centre of technical excellence responsible for: conducting technical research, interacting with local and global professional standard-setters and regulators, and providing technical financial reporting and auditing guidance and support to our people in the field. The DPP works closely with Learning & Development on technical training matters.

### Number of DPP professionals



### 5) Audit Quality Partner

The Audit Quality Partner is responsible for assisting the Country Head of Audit and Audit Risk Management Partner to roll-out the compliance measures for the Audit Practice. At KPMG in Thailand, Orawan Chunnakitpaisan, takes this important role and works directly and closely with audit quality representatives identified by each business unit, communicates key audit quality messages and provides input into the development of national audit quality initiatives.

### 6) Audit Quality Committee

The Audit Quality Committee ensures risk and quality matters receive the appropriate degree of attention from the audit leadership. The Country Head of Audit, Audit Risk Management Partner and Audit Quality Partner are members of the Committee. Specifically, its responsibilities include:

- Review of proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality.
- Recommending the strategic prioritization, resourcing and timetabling of audit initiatives as they impact audit quality in the firm.
- Confirming the robustness of our monitoring activities as consistent with our audit quality priorities.
- Considering the detailed findings and related actions from external regulatory reviews, the internal Quality Performance Review program and other quality control programs.

### 7) Audit Methodology and Deployment Partner

Our Audit Methodology and Deployment Partner, Alexandra Depoire, disseminates to audit teams guidance and information relating to our interpretations of auditing standards and national initiatives to enhance quality, identify improvement opportunities and lead our methodology coaches.

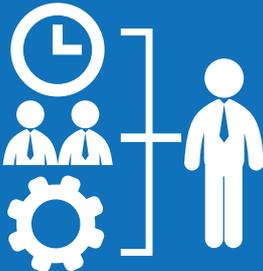


# Association with the right clients

One of the keys to managing audit quality is to understand the nature of our clients and the issues they face and build a robust audit response to the identified risks.



**Assess client**



**Independence and capability**



**Portfolio management**



## Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vital to our ability to provide high-quality professional services and to protect KPMG's reputation and support its brand.

Accordingly, KPMG International has established policies and procedures which all member firms<sup>4</sup> have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

## Prospective client and engagement evaluation process

A key focus of our prospective client assessment is the integrity of the management and those charged with governance. With every prospective client, the partner responsible conducts an evaluation of the client's principles, business, and other service-related matters. This evaluation includes completion of a customized questionnaire to assess the client's risk profile and obtaining background information on the prospective client, its key management, and significant beneficial owners.

When the engagement is to provide audit services, additional risk assessment steps are undertaken. These include focusing on whether we are capable of delivering a quality audit, performing a review of any non-audit services provided to the client and any other relationships that may compromise audit independence.

If a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other quality and risk issues that cannot be appropriately mitigated, we will decline a prospective client or engagement.

## Continuance process

An annual re-evaluation of all audit clients and audit engagements is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long running engagements are also subject to re-evaluation.

Where we are unable to deliver to our expected level of quality, or if we consider that it would not be appropriate to continue to be associated with the client, we will decline to continue to act for any client. We also use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement.

## Client portfolio management

Our leadership appoints engagement partners who have the appropriate competence, capabilities, and time to perform the role for each engagement.

## Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process, that all of our professionals are required to complete.

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place, which govern the handling of personal information, and associated training is required for all KPMG personnel.

4. Further details about KPMG network or member firms are set out in Appendix A.1.

# Clear standards and robust audit tools

Professional practice, risk management, and quality control are the responsibilities of every KPMG professional. Our professionals are expected to adhere to KPMG policies and procedures (including independence policies), and are provided with a range of tools to support them in meeting these expectations. The policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.



**Code of  
Conduct**



**Technology**



**KPMG Audit  
Manual**



## Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. KPMG International's global audit methodology, developed by the Global Services Centre, is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, and which KPMG International believes enhance the quality of our audits. We have added local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

Our audit methodology is supported by eAudit, KPMG International's electronic audit tool, which provides the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits.

# Independence, integrity, ethics and objectivity

## Overview

Independence of an auditor from its client is critical and is a cornerstone of international professional standards and regulatory requirements. Audit reform legislation in a number of jurisdictions means businesses and their auditors face a variety of differing and increasingly complex independence regulations.

To facilitate compliance, KPMG International has detailed independence policies and procedures that incorporate the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. These are set out in KPMG's Global Q&RM Manual. Automated tools facilitate compliance with these requirements. These tools include KPMG's web-based application Sentinel™ which must be used for every prospective engagement to identify potential independence (and conflict of interest) issues. Where there are additional applicable independence standards locally, KPMG in Thailand adds specific procedures to network-wide processes.

These policies and processes cover areas such as personal independence, firm financial independence, business relationships, compliance with laws, regulations, and anti-bribery and corruption, partner rotation, and approval of audit and non-audit services.

Our people annually undergo training and confirm their compliance with these policies and procedures.

## Firm financial independence

We maintain a record of our investments in the web-based independence tracking system. This is monitored through our compliance process.

## Business relationships/suppliers

We have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and any additional applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

## Compliance with laws, regulations, and antibribery and corruption

Compliance with laws, regulation and standards is a key aspect for all KPMG personnel. In particular, KPMG has zero tolerance of bribery and corruption.

We do not condone involvement in any type of bribery. We do not tolerate bribery by third parties, including by clients, suppliers or public officials. We have appropriate internal controls in place to mitigate the risk of involvement in bribery by our personnel.

## Audit partner rotation

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, and independence rules. We monitor the rotation of key audit engagement leaders and have transition plans to enable us to allocate partners with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

## Non-audit services

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

## Breaches of independence policy

In the event of failure to comply with the firm's independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations.

# Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality in ensuring that KPMG professionals have the skills and experience to deliver in our vision. This requires recruitment, promotion and retention of professionals and a robust capacity and resource management process. KPMG's global behaviors, which are linked to our Values, are designed to help articulate what is required for success - both individually and collectively. One of KPMG's global behaviors is "Delivering Quality"

**58** Audit partners and partner equivalents  
**1,026** Audit staff



Secondees  
 More than **50** professionals  
 in **10** countries

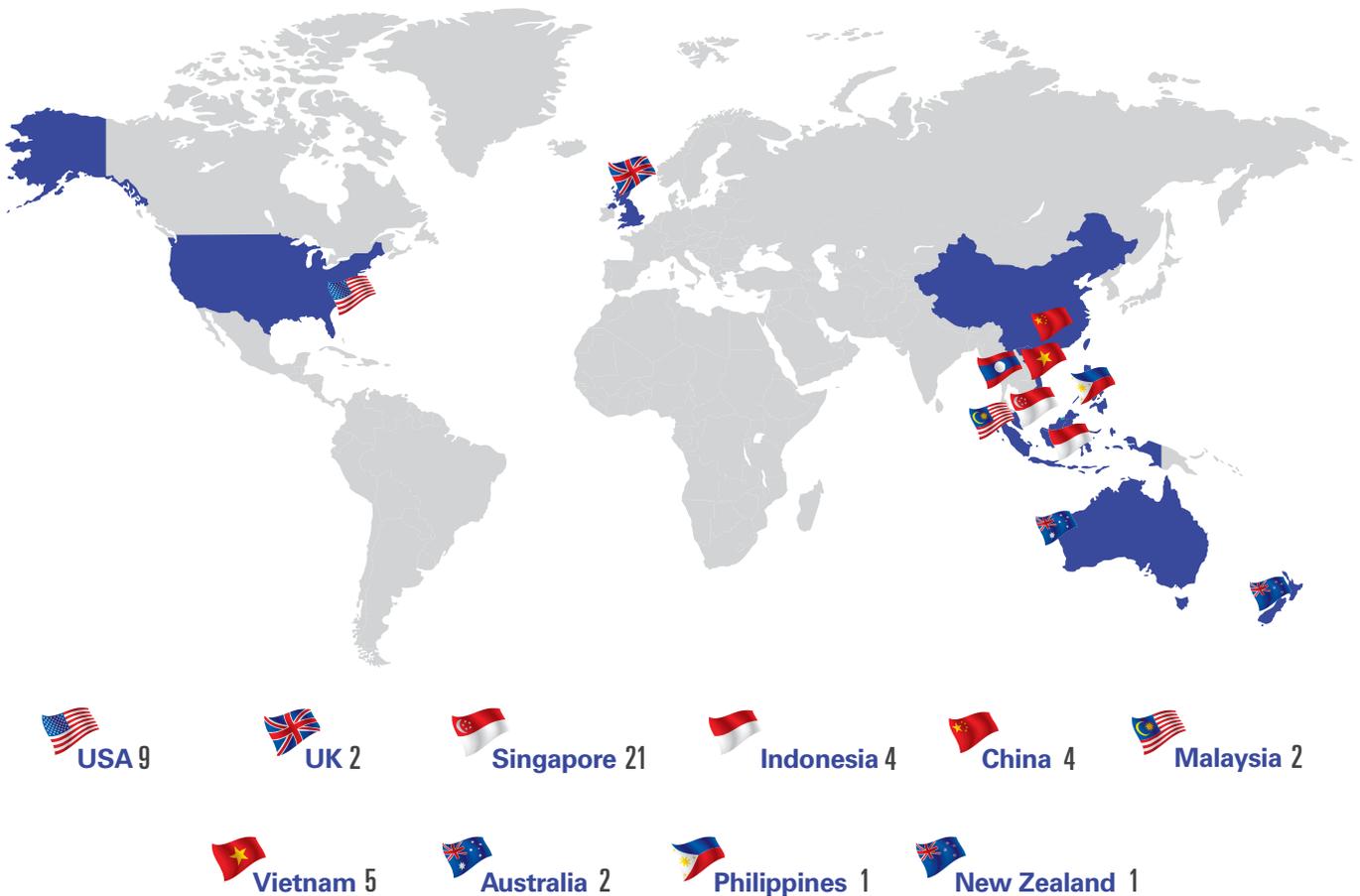


### Recruitment

All candidates for professional positions submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, accounting and English proficiency testing, and qualification. Upon joining KPMG in Thailand, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as an employee with the firm.

### Personal development

In relation to audit, we provide opportunities for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills. We further develop our personnel for high performance using a continuous learning environment through coaching and mentoring on the job, stretch assignments, and global mobility opportunities. We encourage our staff to take short and long-term rotational assignments in other countries especially in ASEAN to develop skills and personal qualities to their full potential. Over 50 audit professionals have joined the mobility program in the past 10 years in the following cities:



### Evaluation, compensation and promotion

All professionals, including partners, undergo annual goal-setting and performance reviews which are documented in our system, MyPD. Each professional is evaluated, by performance managers and partners, on his or her attainment of agreed-upon goals, demonstration of the KPMG International’s global behaviors (one of which is ‘Delivers Quality’), technical capabilities and market knowledge. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process.

We have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process, which for partners includes the achievement of key audit quality and compliance metrics.

### Assignment of personnel

We have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. The Country Head of Audit is responsible for the partner assignment process. Key considerations include partner experience, accreditation, and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided. Larger engagements often have more than one audit partner assigned to support the signing partner. We take great care to assign the right people to the right clients.

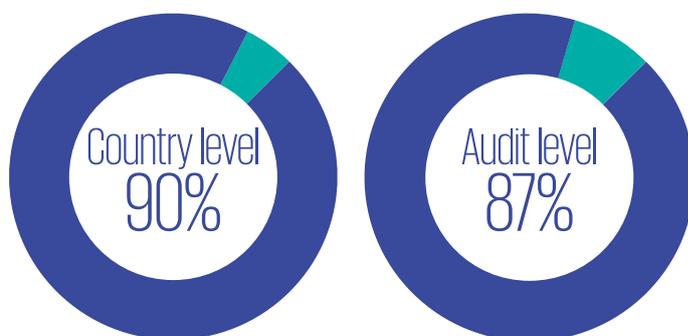
### Partner remuneration

Partner remuneration is determined annually by our Compensation Committee. There are two elements to partner remuneration: a base component reflective of role and seniority, and a performance-related bonus, rewarding high performance against previously agreed goals, including audit quality. Compensation is based on factors including results of internal and external inspections, risk management and independence monitoring, leadership, quality client impact, delivering on our strategy, coaching and developing staff, and living the values of the firm.

### Employee engagement

Bi-annually, KPMG International globally invites all partners and staff to participate in the Global People Survey (GPS) which measures our people’s attitudes and provides an overall Employee Engagement Index (EEI). In alternate years, a short-form Pulse survey is conducted. The results, by country and function, provide leadership with information about drivers of business performance, employee engagement and motivation and enable us to see how we are progressing against strategic priorities as well as providing warning indicators if there are areas of concern. The latest GPS was conducted in 2016 with response rates for KPMG in Thailand shown below:

**GPS 2016  
response received from  
KPMG in Thailand**



Profiles of KPMG audit personnel	30 Sep 2015	30 Sep 2016
No. of audit partners and partner equivalents	57	58
No. of client service audit staff (excluding partners and partner equivalents)	1,074	1,026
Staff/partner ratio	19	18

Average years of experience	30 Sep 2015	30 Sep 2016
Partner	27.0	27.0
Director and Associate Principal	15.5	17.0
Senior manager and manager	11.0	10.5
Senior team member	5.5	5.0
Team member	1.0	1.0

### Most improved areas



The people I work for demonstrate honest and ethical behavior



The people I work for give me regular feedback that helps me to improve my job performance



I feel that I am part of a team

## Industry expertise

Our audit clients are assigned to lines of business e.g. financial services, energy, food and beverages, telecommunications, etc, where they are served by industry specialists. This allows our people to work with a specialized portfolio, maximizing their understanding of the relevant business, operational and system-based risks their clients face and respond appropriately to address any industry specific financial reporting issue.



Energy



Food & beverage



Consumer markets



Industrial markets



Retail



Financial services



Real estate

# Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need. We use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. We ensure that our people apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.



**94**  
Average training hours per person



## Professional training

Our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements. Our Learning & Development (L&D) team works with DPP, subject matter experts and leaders from Global Services Center as appropriate in order to deliver local training to ensure both global consistency and local applicability and relevance to performance on the job. Partners and staff must attend mandatory technical training and successfully complete a post course assessment. The assessment tests their understanding of the topics covered and has a minimum pass rate and completion deadline.

Types of training	No. of hours	
	FY2015	FY2016
Technical (e.g. accounting and auditing, quarterly updates, IFRS, US GAAP, etc)	54,848	48,397
Risk management (e.g. independence, etc)	7,597	9,006
Industry (e.g. energy, financial services, food and beverages, etc)	5,133	9,415
CPA training	19,240	23,404
Soft skills (e.g. milestone workshops, project management, business development skills, etc)	15,742	8,486
English program	3,092	2,423

Average training hours per person



FY 2015 97 hours  
FY 2016 94 hours

## Mentoring and on the job training

Learning is not confined to the classroom — rich learning experiences are available at the moment of need through coaching and just in time learning, and at the click of a mouse and aligned with job specific role profiles and learning paths. Coaching guides are available on judgmental audit topics — these are used by audit teams and are embedded within audit learning solutions. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

## Continuing professional education (CPE)

We require all our client service partners and staff with Thai CPA license to maintain the Federation of Accounting Professions (FAP)'s standard of CPE. They must obtain a minimum of 18 CPE hours annually and at least half of CPE hours covers accounting or auditing. In addition, our policy requires all partners and staff to

achieve minimum of 20 CPE hours per year and minimum of 120 CPE hours over 3 years. To assist our people in maintaining their CPE records, we record attendance using our internal training tracking system.

## Accreditation and licensing

All KPMG professionals are required to comply with applicable professional license rules in the jurisdiction where they practice. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

In addition, we have specific accreditation requirements for partners and managers working on IFRS engagements, US Generally Accepted Accounting Principles engagements, and US Generally Accepted Auditing Standards engagements. These require that the partner, manager, and Engagement Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Number of:	30 Sep 2015	30 Sep 2016
Thai CPAs	187	189
SEC licensed partners and partner equivalents	31	38

## Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists or specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g., Information Technology, Tax, Actuary, Forensic, Treasury, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

Number of:	30 Sep 2015	30 Sep 2016
IT audit support	41	41
CISA* certified	11	9

\* The CISA (Certified Information Systems Auditor) certification is world-renowned as the standard of achievement for those who audit, control, monitor and assess an organization's information technology and business systems.

## Consultation

We promote a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters. We have established protocols for consultation with DPP and risk management resources to assist engagement teams in addressing difficult or contentious matters. KPMG International's International Standards Group is also available for consultation where required.

## Industry knowledge

A key part of engagement quality is having a detailed understanding of the client's business and industry. For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAudIT. We also provide an annual industry training to staff working in specific industry.





# Performance of effective and efficient audits

How an audit is conducted is as important as the final result. Effective and efficient audits are dependent on the demonstration of certain behaviours. We focus on these behaviours during the performance of the audit, education sessions, coaching and our review processes.



**Exercise professional skepticism and judgment**



**Coaching**



**Consultation and support** – EOQR, DPP, Methodology, Risk



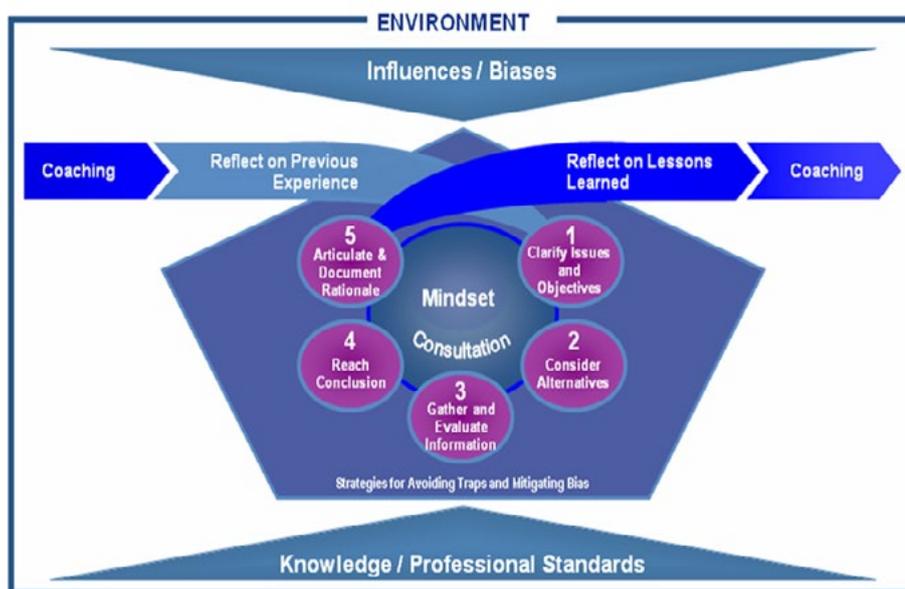
## KPMG Audit Process

### Timely partner and manager involvement

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position, and the environment in which it operates. The engagement partner is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement and final audit opinion and reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusions reached.

### Critical assessment of audit evidence with emphasis on professional skepticism

Engagement teams consider all audit evidence obtained during the course of the audit. The nature and extent of the audit evidence we gather is responsive to the assessed risks. For the purpose of obtaining sufficient appropriate audit evidence, each team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagement.



Professional skepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. KPMG professional judgment process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset - the need to apply

### Ongoing mentoring and supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential. A key part of effective supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

### Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members. The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, will understand the nature, timing, and extent of audit procedures, the results of the procedures performed, and the audit evidence obtained, significant findings and issues and actions taken to address them, the basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

### Appropriate involvement of the EQC reviewer

An Engagement Quality Control (EQC) reviewer is required to be appointed, by local Risk Management Partner in consultation with Head of Audit Practice for the audits of all listed entities and non-listed entities with a high public profile or high risk. EQC reviewers, who are independent of the team, must have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the engagement team.

### Reporting

Thai Standards on Auditing and applicable rules and regulations of the Thai Securities and Exchange Commission (for listed entities) largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material respects. In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support to audit partner through consultations with DPPs, especially where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

# “Enhanced auditor’s reporting”

On 15 January 2015, the International Auditing and Assurance Standards Board (IAASB) released its new requirements on auditor reporting, effective for periods ending on or after 15 December 2016. This requirement is effective in Thailand for audits of periods ending on or after 31 December 2016. We have prepared ourselves to ensure that both our client management and those charged with governance are ready for this. The new requirements have been introduced to improve transparency and clarity regarding the auditors’ responsibilities in an audit, and the information that auditors provide to users about the audit that was performed. A significant new requirement relates to the disclosure of key audit matters (matters that, in the auditors’ professional judgment, were of most significance in the audit of the financial statements) in the auditors’ reports of financial statements of listed entities.

## **Insightful, open, and honest two-way communication with those charged with governance**

Two-way communication with our clients and those charged with governance, oftenly the audit committee, is key to audit quality. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee.

We share insights on appropriateness of significant accounting practices, including accounting policies, accounting estimates, financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems, controls when such deficiencies come to our attention during the course of the audit and any uncorrected misstatements. We share our industry experience to encourage discussion with those charged with governance.



In recognition of the demanding and important role that audit committee play in the capital markets and of the challenges that they face in meeting their responsibilities, our audit committee forum aims to help audit committee members enhance their awareness, commitment and ability to implement effective audit committee processes.

Our forum is held on a quarterly basis and encourages participants to share ideas on matters of interest to audit committees as well as the opportunity to network with their peers.

## **Group audits**

Consistent approaches, methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities including, where appropriate, the results of relevant inspection. Our audit methodology incorporates the heightened attention currently given to key risk areas for group audits, e.g. emerging markets and business environment that may be subject to heightened fraud risks.



# Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback, and understand our opportunities for continuous improvement.

22

**Audit clients interviewed**

39

**Engagements reviewed as part of QPR program**



**'Very Good' rated for TSQC1**



# Monitoring

## Internal monitoring

### 1) Audit Quality Performance Reviews (QPRs)

The QPR Program assesses engagement level performance and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a senior experienced lead reviewer independent from the member firm, and are monitored regionally and globally.

QPR programs	FY2015	FY2016
No. of engagements reviewed	37	39
Percentage of audit partners reviewed	65%	62%
Percentage of reviewers who were from outside KPMG in Thailand	17%	14%

### 2) Risk Compliance Program (RCP)

The RCP is a member firm’s annual self-assessment program. The objectives of the RCP are to monitor, assess, and document member firm-wide compliance with the system of quality control established through KPMG International’s quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

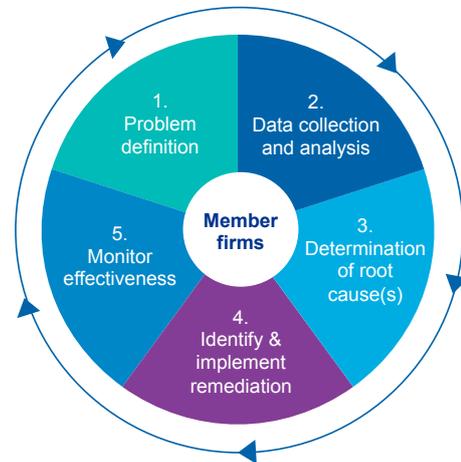
### 3) Global Compliance Review (GCR) program

The GCR program, carried out once in a three-year cycle, is performed by reviewers independent from the member firm, who report to Global Quality & Risk Management and is led by the Global Compliance Group. These reviews focus on significant governance, ethics and culture, risk management, information protection, and finance processes. In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

### Root Cause Analysis (RCA)

We perform a root cause analysis for pervasive issues to identify and address audit quality issue in order to prevent them from recurring and help identify good practices as part of continuous improvement.

The Global RCA 5-step principles are as follows:



Our Country Head of Audit is responsible for the development and implementation of action plans as a result of RCA including identification of solution owners. The Audit Risk Management Partner monitors their implementation.

## External monitoring

### Compliance with TSQC1

The Securities and Exchange Commission of Thailand (SEC) inspects and reviews KPMG’s quality control system in compliance with Thai Standards on Quality Control 1 (TSQC1) on a regular basis. The latest TSQC1 report issued in January 2016 concluded that our overall quality control system was ‘Very Good’.

### Client feedback

We operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this program is formally considered centrally and by the individual client service teams. We have in place a post interview process to review and follow up any actions arising from client feedback to ensure that it is dealt with on a timely basis.

## Number of audit clients interviewed



# Appendix

# A.1 Network arrangements

## Legal Structure

KPMG network refers to the global network of independent professional services member firms which are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax, and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

## Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide

services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.

## Member firms commit to a common set of KPMG values

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities. Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

## Professional Indemnity Insurance

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

# A.2 Our governance structure

## Board members KPMG in Thailand

The Board comprises the CEO, who is acting as a Chairman of the Board, and other members covering 4 legal entities in Thailand. In addition, there are 3 main bodies that deal with key aspects of governance that reports to the Board. These are:

- The Executive Committee
- The Quality & Risk Management Committee
- The Compensation Committee

Details about the role and responsibilities and composition of each of these key bodies are set out below.

### The Executive Committee

The Executive Committee is responsible for recommending policy to the Board and developing the business plan within the overall strategy set by the Board, together with its subsequent implementation. It deals with operational matters (including the operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration).

### The Quality & Risk Management Committee

The principal role of the Quality & Risk Management Committee is to provide oversight of quality and risk management matters. It oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our monitoring programs and the adequacy of proposed remedial actions.

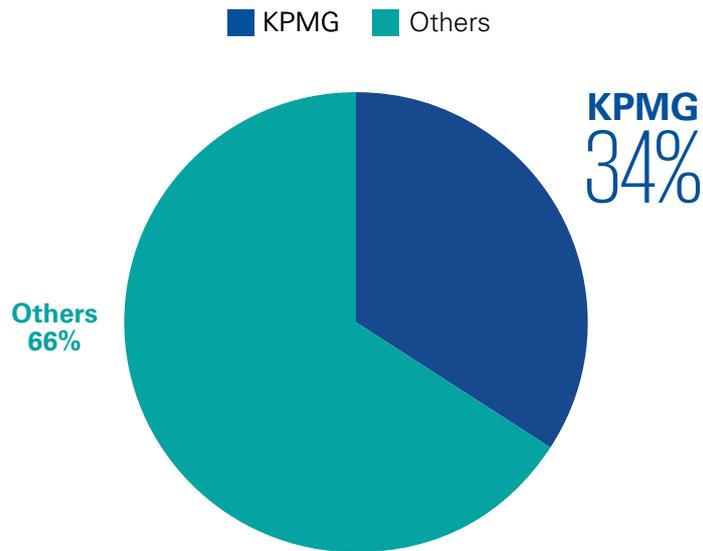
### The Compensation Committee

The Compensation Committee is responsible for determining the remuneration of partners and making recommendations on policies for partners' remuneration. It is also responsible for approving the process in determining partner remuneration used by the Executive Committee.

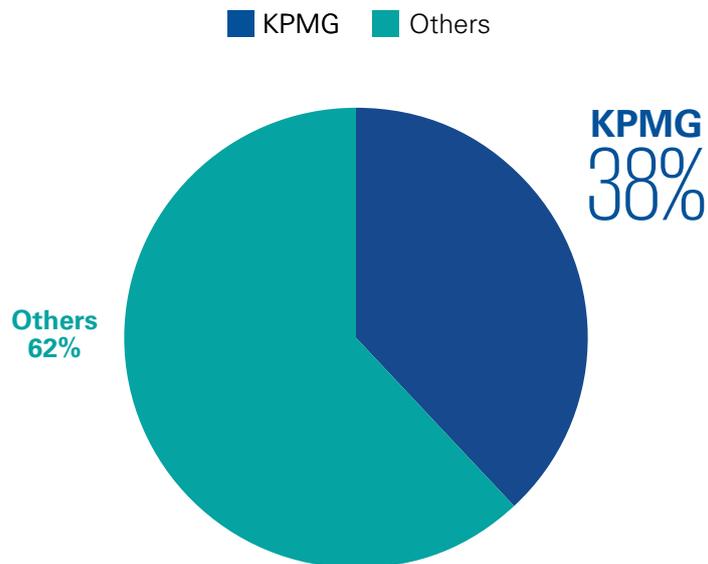
In addition, the Compensation Committee receives and considers a report from the Risk Management Partner on (i) the approach to ensuring that quality issues are appropriately considered in partners' remuneration and (ii) whether or not there are any quality concerns about specific partners.

# A.3 Our clients in SET50

By No. of Company from SET 50



By Market Capitalization from SET 50 (as of 30 December 2016)



# A.4 KPMG Core Values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:

<b>Lead by example</b>	At all levels we act in a way that exemplifies what we expect of each other and our member firms' clients.
<b>Respect the individual</b>	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
<b>Work together</b>	We bring out the best in each other and create strong and successful working relationships.
<b>Communicate open and honestly</b>	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
<b>Seek the facts and provide insight</b>	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisors.
<b>Improve communities</b>	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.
<b>Act with integrity</b>	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



