

# AUDIT COMMITTEE REPORT



**Ms. Chularat Suteethorn**  
Chairman of the Audit Committee

## To the Shareholders

Appointed by the Board of Directors (the Board), the present Audit Committee consisted of four Independent Directors, chaired by Ms. Chularat Suteethorn, with three members; namely, Mr. Siri Jirapongphan, Ms. Suvimol Chrityakierne, and General Thanakarn Kerdnaimongkol. This year the Committee's composition changed with the resignation of Mr. Chulasingh Vasantasingh, effective as from January 31. Ms. Chrityakierne and General Kerdnaimongkol were appointed to fill the vacancies in the Board Meeting no. 1/ 2016 dated January 22, and in the Board Meeting no. 4/ 2016 dated April 27 respectively.

All four members commanded pertinent expertise and experience in economics, finance and accounting, engineering, petroleum-petrochemical-energy business, political science, social science, and security. They are, therefore, qualified to review the credibility of financial

statements against the requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The Committee independently performed its duties as assigned by the Board and prescribed in the Audit Committee Charter, conforming to the requirements and good practices for audit committees according to the SEC and SET. In 2016, the Committee held 10 meetings, including consultations with the executive, the internal auditor, and the external auditor on relevant agenda. At one meeting, the Committee met separately with the external auditor in the absence of the executive. The Committee performance in 2016 is summarized as followed:

### 1. Financial Statements

The Committee reviewed key items and issues of quarterly and annual financial statements for Thairoil and Subsidiaries, including the new-format report of the external auditor for 2016, which featured key topics that differed from the previous format; namely, Key Audit Matters (KAMs) and other information. The Committee was provided with the relevant clarification by the external auditor and high-level executives, leading to the conclusion that Thairoil's preparation of financial statements and disclosure in the notes to the financial statements, aligned with Thai Financial Reporting Standards (TFRS), which in turn conformed to International Financial Reporting Standards (IFRS). The external auditor reported an unqualified opinion: no material observation was filed; the internal control system was assessed and found suitable; no data was

concealed; and the auditor could work independently. In addition, the Committee together with the external auditor in the absence of executives discussed matters related to the external auditor working, inclusive of the internal control system as the audit of financial statements, major obstacles during the audit, and the cooperation with Corporate Internal Systems Audit.

## 2. Connected Transactions

In reviewing connected transactions or those posing potential conflicts of interest with Thairoil and Subsidiaries under the SEC's and SET's announcements, the Committee concluded that Thairoil and Subsidiaries, with the best interest of the Company and its shareholders, observed regular business practices, exercised fairness and sensibility, and produced no benefit siphoning. The Committee also reviewed to ensure the accuracy and completeness of such information for disclosure.

## 3. Risk Management

To ensure its suitability and continued efficiency improvement, the Committee reviewed Thairoil and Subsidiaries risk management system, regarding it as an element of the good Corporate Governance. It was found that Thairoil and Subsidiaries had assessed, analyzed, and revised risks together with their likelihood and impact, and constantly improved the systems to ensure its efficiency. Key Risk Indicators (KRIs) were also defined to efficiently and promptly address both internal and external changes. To this end, follow-ups were routinely mounted. Risk management practices were effectively executed under the stated policy and plans, and in line with Thairoil and Subsidiaries' short-term and long-term goals and strategic plans.

## 4. Internal Controls

The Committee reviewed Thairoil and Subsidiaries' internal control system this year to reasonably assure that Thairoil and Subsidiaries have performed efficiently and effectively, and achieved the defined objectives and goals. To this end, Thairoil and Subsidiaries assessed the internal control by assigning the executive to evaluate the sufficiency of the internal control system under the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Committee found that Thairoil and Subsidiaries' internal control systems are sufficient and suitable for their businesses, leading to efficient and effective performance. This system assessment was endorsed by the Committee and the Board.

## 5. Internal Systems Audit Supervision

Having Corporate Internal Systems Audit report directly to the Committee, it ensured the independence of the Corporate Internal Systems Audit. The Committee also reviewed and approved the annual internal audit plans, supervised the audit work against plans, supported the improvement of the audit quality, advised the Corporate Internal Systems Audit, as well as assessed the annual performance of the Vice President-Corporate Internal Systems Audit. In addition, this year the Committee specially valued the current business operation utilizing IT for recording business information; and therefore, approved the Continuous Control Monitoring System (CCMS), phase 1, from the procurement and purchase to the payment processes, using SAP system. Moreover, Governance Risk and Compliance (GRC): Process Control Module was approved to serve as means for executives and related work units to proactively

prevent anomalous items, as well as the consistent auditing tool for Corporate Internal Systems Audit. This system has been activated since October 31.

#### 6. Law Compliance

The Committee reviewed and supervised to ensure that Thairoil and Subsidiaries' businesses are fully complied with securities and exchange laws, the SEC and SET regulations, laws relevant to the revenue code and IT, and other laws related to their businesses.

#### 7. Appointment of the External Auditor for 2017

In selecting the external auditor, this Committee nominated KPMG Phoomchai Audit Ltd. as Thairoil's external auditor, since its past year's performance had been satisfactory and the auditor team had shown independence, skills, competence, and experience in energy-business audits, together with acceptable fees. The Committee therefore advised the Board to seek approval from the Annual General Meeting of Shareholders on appointing Mr. Vairoj Jindamaneepitak, Certified Public Accountant (CPA) registration no. 3565, Mr. Charoen Phosamritlert, CPA registration no. 4068, Mr. Waiyawat Korsamanchaikit, CPA registration no. 6333, or Mr. Natthaphong Tantichattanon, CPA registration no. 8829, as the external auditor as well as approval of the audit fee for the year 2017. The nominated auditors have secured SEC's concurrence.

In summary, the Audit Committee undertook its duties as prescribed in the Audit Committee Charter with diverse expertise, prudence, and independence to support and respond to Thairoil and Subsidiaries' businesses. It concluded that this year Thairoil and Subsidiaries valued efficient and effective business conduct,

prepared sufficient and credible financial statements aligning with financial reporting standards, sufficiently disclose the connected transactions with potential conflicts of interest, commanded the good Corporate Governance as well as sufficient and suitable risk management and internal control system, including fully conforming to relevant laws, legislations, and regulations governing its businesses.

The Audit Committee and Corporate Internal Systems Audit are constantly prepared to cope with changes under emerging regulations whose announcement is imminent.

February 10, 2017

On behalf of the Audit Committee



(Ms. Chularat Suteethorn)

Chairman of the Audit Committee