

## AUDIT COMMITTEE REPORT



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

### Dear Shareholders

Appointed by the Board of Directors (the Board), the Audit Committee consists of three independent directors, chaired by Ms. Chularat Suteethorn, with two members; namely, Ms. Suvimol Chrityakierne, and General Thanakarn Kerdnaimongkol. All members command pertinent expertise and experience in economics, finance and accounting, political science, social science, and security. During 2017, the committee's composition has changed with the resignation of Mr. Siri Jirapongphan, effective from November 17, 2017 onward. The committee's composition and qualifications are suitable for reviewing financial statements' credibility against the requirements of the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

The Audit Committee operates independently as assigned by the Board and indicated in its charter while conforming to the requirements and Best Practice Guidelines for

Audit Committee by SEC and SET. This year it held nine meetings, as well as consulted with the executives, the internal auditor, and the external auditor. This year highlights of performance are as follows:

#### 1. Financial Statements:

The committee reviewed material data of financial statements for Thairoil and Subsidiaries, both quarterly and annually, as well as the disclosure of the notes to the financial statements, so as to be in line with Thai Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS). The external auditor reported the unqualified opinion and that no material observation found. The control system was assessed and found suitable without data concealment, and able to work independently, at the same time, examine the standard of financial reports to be enforced in the future, together with provisions of the law potentially affecting financial reports, to develop their knowledge and skills in perusing the accuracy and credibility of the reports. In addition, the committee had meetings with the external auditor in the absence of the executives to freely discuss matters related to the operation of the external auditor, the internal control system related to the audit of financial statements, obstacles during the audit, and the cooperation with Corporate Internal Systems Audit Department.

#### 2. Connected Transactions:

In reviewing related transactions or those posing potential conflicts of interest with Thairoil and Subsidiaries under SET's and SEC's announcements, the committee concluded that Thairoil had observed regular business practices,

exercised fairness and sensibility, and produced no siphoning of benefits, all in the best interests of the Company and its shareholders. The committee had also reviewed such information disclosure to ensure its accuracy and completeness.

### **3. Risk Management and Internal Control:**

The committee reviewed the efficiency and effectiveness of risk management and internal control processes through an audit protocol approved under the annual internal audit plan, reports filed by relevant units, the external auditor, and various consultants, as well as the application for a continuous monitoring system using SAP GRC, which functions like SMS in giving alerts for correction before irregularities actually happen. The committee focuses on the preventive control rather than corrective control. Also, this year the committee stressed the importance of the Three Lines of Defense; namely, Control Self-Assessment, risk tolerance control, and continuous monitoring applying SAP GRC with procurement process (Procure to Pay). The committee, moreover, encouraged the utilization of the continuous monitoring system for the Order to Cash and the Payroll processes. It also commented on the outcomes of the internal control system assessment under the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), specified by SEC. Finally, the committee recognized the importance of cyber threat risks by requiring the report of relevant audit outcomes to the Risk Management Committee to enhance the efficient collaboration.

### **4. Internal Systems Audit Supervision:**

The Audit Committee supervised internal audit practices by reviewing and approving the annual audit plan

focused on a risk-based approach; assessing the annual performance of the Vice President - Corporate Internal Systems Audit; monitoring the adequacy of manpower and competency of internal auditors; improving audit performance by introducing the Audit Management System and Analytics Tool, designed to analyze numerous data and compile databases into the system instead of paper use; encouraging internal auditors to take qualifying examinations and keep pace with changes of the international standards on the audit profession and on IT audit; and finally, advocating the Company to undertake the quality assurance review of internal audit conducted by a third-party assessor.

### **5. Compliance with the Law:**

The committee supervised Thairoil and Subsidiaries to operate strictly complying with legislations related to securities and exchange, SEC and SET regulations, and other laws related to Thairoil's businesses. This year the committee reviewed the processes for corporate governance, changes on key legislative, and compliance with the protocols by the Compliance Unit, which represents the 2<sup>nd</sup> Line of Defense, so as to strengthen Thairoil's operation.

### **6. Appointment of the External Auditor for 2018:**

In selecting the external auditor, the Audit Committee scrutinized their performance outcomes, ability, independence, audit fees, and that the selection process must comply with the SEC's announcement. In conclusion, the committee nominated auditors from KPMG Phoomchai Audit Ltd. as Thairoil and Subsidiaries' external auditor for 2018, and is to advise the Board to seek approval of the auditor appointment and audit fee from the 2018 Annual General Meeting of Shareholders.

In summary, this year the Audit Committee undertook its duties and responsibilities with diverse expertise to cope with Thairoil's businesses with prudence and independence, in line with the requirements of the committee's charter. The committee found that, this year, Thairoil and Subsidiaries valued efficient and effective business conduct, and prepared material and credible financial statements aligning with financial reporting standards with adequate disclosure of connected transactions with potential conflicts of interest; that it commanded a sound corporate governance process, an adequate and suitable risk management and internal control systems; and that it fully complied with all relevant laws and regulations governing its businesses.

During the 2017 operation, the Audit Committee received excellent cooperation from the Board of Directors, the executives, the external auditor, and all relevant units.

February 12, 2018

On behalf of the Audit Committee



(Ms. Chularat Suteethorn)

Chairman of the Audit Committee

Thai Oil Public Company Limited