

# Report of the Audit Committee



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**Emeritus Prof. Dr. Kittipong Kittayarak**  
Chairman of the Audit Committee

## Dear Shareholders

PTT Plc's current Audit Committee consists of three knowledgeable independent directors, chaired by Emeritus Prof. Dr. Kittipong Kittayarak, with Ms. Nuntawan Sakuntanaga and Mr. Vichai Assarasakorn serving as members. Serving as secretary to this committee is Mr. Chalot Boonlai, Executive Vice President, Office of Corporate Audit.

In 2018 the committee executed its Board-assigned duties and those defined by its own charter, which agreed with SEC's best practices. It reviewed and pushed for PTT's compliance with corporate governance and applicable regulations in addition to having adequate risk management and internal control systems. It ensured PTT's emphasis on being a transparent organization with an efficient and effective internal audit system while upgrading the quality of internal audit by aligning corporate goals with that of internal audit agents to form a trustworthy partnership to supplement long-term value creation for PTT with due regard for satisfying stakeholders' comprehensive needs. Below are the highlights:

- Forming a structured unit to integrate Governance, Risk Management and Compliance (GRC) with top executive taking clear charge.
- Giving support to the management to improve the operations to make PTT an organization of pride with emphasis on transparency moving toward sustainability by forging business integrity with responsibility for national energy security and taking part in driving the nation's economy in its capacity as one of Thailand's leading state enterprises.
- Promoting procurement anti-corruption by incorporating large-scale investments of PTT and companies in PTT Group into the Integrity Pact (IP) project under public policy and Public Procurement and Supply Management Act, B.E. 2560 (2017). Furthermore, the committee pushed toward PTT's improved whistleblowing process to ensure efficiency, effectiveness, and fairness to all.

- Forging careful analysis and review of the investment process and development of a systematic Post-Investment Review (PIR), particularly for large-scale investments under PTT and PTT Group.

- Promoting application of technology in the audit process and expanding the use of the Continuous Control Monitoring and Auditing System (CCMS), which helps detect and follow up irregularities in the sales of and the payment for natural gas for vehicles in addition to the procurement system for higher efficiency and effectiveness of the audit system and its oversight.

- Devising an audit policy that includes continuous personnel development with a focus on higher audit efficiency of the business process while valuing risks that may have significant impacts on the organization, adoption of modern IT systems to support internal auditing, and cooperation with units in charge of auditing (2<sup>nd</sup> Line of Defense).

- Giving support to the STAR Award Project, which stresses efficient, effective, transparent, and examinable operations of the 1<sup>st</sup> Line of Defense (Operating Units) and 2<sup>nd</sup> Line of Defense (Oversight Units) to foster a proper attitude toward internal audit

In 2018, the committee held 17 meetings, where consultations were held with the management, the internal auditor, and the external auditor as follow:

#### Audit Committee

#### Number of Meetings Attended

Prof. Dr. Kittipong Kittayarak	17
Ms. Nuntawan Sakuntanaga	15
Mr. Vichai Assarasakorn	17

#### Summary of Performance

##### 1. Review of financial statements:

With the management, the Office of Corporate Internal Audit and the External Auditor, the committee reviewed PTT's quarterly, annual financial statements, consolidated financial statements this year as well as connected transactions, related party transactions, or those with potential conflicts of interest. The committee asked the external auditor about the accuracy and completeness of financial statements, the adjustment of key account entries and projections affecting the statements, the adequacy and suitability of account recording, audit scope, information disclosure that was accurate, complete, adequate as well as its own freedom. All these elements ensured that the preparation of financial statements followed legal requirements and accounting standards under generally accepted accounting principles that are credible and timely, also that adequate information was disclosed in such statements for the benefit of users. The committee met exclusively with the external auditor team on one occasion in the absence of the management to consult them about audit plans, freedom of execution, their professional views with a focus on accurate, complete, and adequate presentation of data.

## 2. Review of risk management:

Each quarter, in conjunction with the management, the committee reviewed the efficiency and effectiveness of the risk management process as well as the risk management policy, plans, and management approach that affect PTT Group's operations and other event risks. It provided recommendations for improvement and supported the management's development of a systematic work plan to be ready to address unforeseen events.

## 3. Review of internal control effectiveness:

Every quarter, the committee reviewed PTT's internal control system with the Office of Corporate Audit by looking into its operation; resource consumption; stewardship of properties; prevention or reduction of errors or damage, losses, waste, or corrupt practices; credibility of financial reports; compliance with laws and regulations; and Cabinet resolutions. No significant problems or material shortcomings were detected. This year's assessment outcomes of internal control under the Ministry of Finance's Internal Audit Standards for Government Agencies, B.E. 2561 (2018) found that PTT's internal control was adequate and effective for its businesses. Full cooperation (100%) was received from the management in filling out the internal control assessment form.

## 4. Review of good governance:

The committee reviewed compliance with applicable laws and regulations, PTT business protocols, and related party and connected transactions among PTT Group to ensure sensible conformance to normal business conditions. The committee also reviewed the complaint-handling and whistleblowing process and provided recommendations on process improvement to raise efficiency and effectiveness in line with PTT's corporate governance code and business philosophy. These included careful consideration of complaints for fairness to all parties, equipped with suitable protection of complainants and whistleblowers.

## 5. Review of internal audit:

The committee reviewed the Office of Corporate Audit's strategic plans, annual and long-term internal audit plans, also conformance to plans and audit findings. To this end, it advised and monitored corrective actions for significant aspects of good governance and adequate internal control. It considered amending the charter for internal audit and reviewed the annual budget of the office, its personnel development, recruitment, rotation, and training plans. Reviewed were the office's adequacy and suitability of resources, KPIs, and the annual merit consideration for the executive vice president. The committee also monitored the assessment of overall internal audit performance.

#### **6. Quality assurance of the Audit Committee:**

The committee not only reviewed and amended its own charter, but also assessed its own performance as a group and individuals (Performance Self-Assessment and Cross-Assessment) in line with the best practices of the State Enterprise Policy Office to ensure efficient and fruitful performance. Assessment findings were regarded as excellent. Finally, the committee reported its performance outcomes to the Board every quarter, with remarks and views provided for process improvement of risk management supervision and compliance with PTT's regulations.

#### **7. Proposal of the external auditor for 2019:**

The committee endorsed the Office of the Auditor General of Thailand (OAG) as PTT's external auditor, 2019 for the Board's concurrence and the shareholders' final approval at the 2018 AGM, together with its audit fees. Incidentally, in the absence of PTT's management, the committee reviewed with the external auditor its work scope, approach, and plans.

In summary, the Audit Committee performed its charter duties and responsibilities with competence, care, prudence, and adequate freedom while providing views and recommendations for the equitable benefit of all stakeholders. Its opinion is that PTT's financial statements were accurate, credible, and in line with generally accepted accounting standards. In addition, PTT commanded compliance with applicable laws and business obligations, together with good governance, conformance to rules, adequate risk management and a suitable, effective internal audit system.