



Transparency Report 2020

**Innovative approach
to audit quality**



KPMG in Thailand

January 2020

home.kpmg/th



Message from leadership

We are pleased to present our Transparency Report 2020, covering our financial year to 30 September 2019. This report illustrates how KPMG in Thailand upholds our professional responsibilities, outlines our firm's structure, governance and approach to quality control, and articulates the innovative ways we maintain robust quality audit.

KPMG in Thailand leads with the right 'Tone at the top'. Our leadership's commitment to ethics and quality sits at the core of our Audit Quality Framework and sets an example for the rest of the firm. This practice encourages capabilities and the right behaviors. All KPMG in Thailand's partners and employees carry responsibility for upholding quality control and risk management; this responsibility includes the need to understand, and adhere to, firm policies and procedures in carrying out their day-to-day activities.

Taking this crucial responsibility into account, our actions are guided by the firm's strategic plan – Trust & Growth – to be the most trusted and trustworthy professional services firm. This will be achieved through the six pillars: Delivery & Distribution, Coverage, Capabilities, Digital Platform, Motivated People, and Quality & Integrity. These strategic business objectives will enable KPMG in Thailand to constantly evolve and innovate, so as to respond to the capital markets' demands and expectations.

Most importantly, we work proactively to ensure that we consistently deliver quality audits. We systematically and continuously monitor performance. Significant resources are dedicated toward a comprehensive review of our protocols and practices, ensuring the utmost consistency in our audit quality and client experience.

We trust that you will find this report useful in providing insights into the procedures that demonstrate our delivery of quality work, setting us apart as 'The Clear Choice' for our clients.

We gladly welcome feedback, views, and discussion from regulators, audit committees, investors, businesses, stakeholders, and the public as part of our commitment to continual quality improvement.

Charoen Phosamritlert

Chief Executive Officer

KPMG in Thailand, Myanmar and Laos



Country Head of Audit

KPMG in Thailand's FY19 saw several innovative initiatives which increased efficiency and enhanced the way our professionals deliver quality to our clients, driving our strategy – Trust & Growth.

New in 2019:

- Deployment of KPMG Clara Workflow and KPMG Clara Client Collaboration (KCCC)**
 Innovative tools that help audit engagements strengthen their risk-based audit approach and facilitate secure interactions between KPMG engagement teams and our clients.
- Introduction of KPMG Institute**
 Through 'The Learning of the Future,' our professionals can unlearn old skills and learn new skills on demand which are essential to reach their full potential.
- Introduction of Open Performance Development (OpenPD)**
 'Everyone a leader' framework encourages KPMG professionals to deliver impact, seek growth and inspire trust in everything they do in order to distinguish KPMG from our competition.
- Reinforcement of KPMG Enterprise service capabilities**
 A strategic unit that helps entrepreneurs, family businesses, and fast-growing companies to succeed and excel in every step of their business journey.
- Driving the Next Generation Audit – Audit Innovation Team**
 A collaborative 'AI' Team to take our audit staff on a journey to digitize audit – with leading tools, guidelines and workshops, equipping them with digital capabilities for a data-driven era.

At KPMG in Thailand, underpinning how our people operate is quality – which is our highest priority. Our audit quality leadership goals entail employing methodology, monitoring procedures whilst adhering to our code of conduct, culture, and values. This combination of measures will drive quality and consistency in our engagements. In addition, we conducted the Client Satisfaction Interview Program with 39 audit clients in FY19 to ensure our continuous quality improvement.

As a future-ready professional services firm, we are looking forward to the year ahead as we will continue to work shoulder-to-shoulder with our clients to deliver highest quality service.

Sakda Kaothanthong

Head of Audit
KPMG in Thailand



"What is audit quality?"

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define "audit quality" as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls

And all of our related activities are undertaken in an environment of the utmost level of objectivity,

independence, ethics and integrity."

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Who we¹ are

Our business

KPMG in Thailand is affiliated with KPMG International², a Swiss cooperative which is a legal entity formed under Swiss law. Today, with more than 1,900 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: <https://home.kpmg/th>.

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 and demonstrates a commitment to quality and trust. Our focus is invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our global network.

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.

Our governance structure

The Board

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

In addition, there are 3 main bodies that deal with key aspects of governance that report to the Board³. These are:

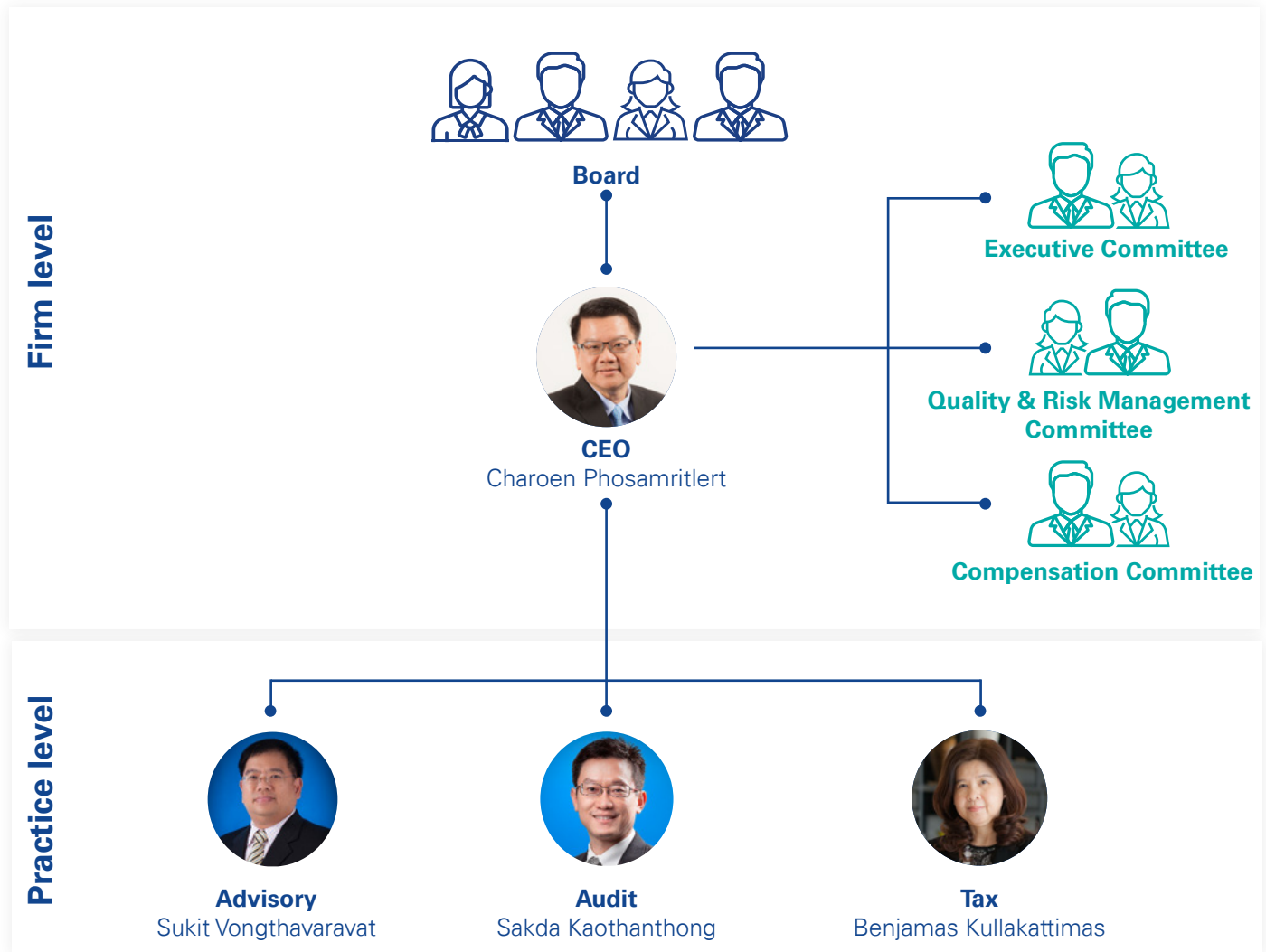
- The Executive Committee
- The Quality & Risk Management Committee
- The Compensation Committee

¹ Throughout this document, “KPMG” refers to the network of independent member firms operating under the KPMG name and affiliated with KPMG International Cooperative (“KPMG International”) or to one or more of these firms or to KPMG International. KPMG International, a Swiss entity, provides no client services. Throughout the document, “we,” “our,” and “us” refer to KPMG in Thailand. KPMG in Thailand is a member firm of the KPMG network of independent firms affiliated with KPMG International. 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.

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



System of quality control

Audit Quality Framework

Overview

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these must be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements .

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) which applies to all KPMG partners and employees. KPMG in Thailand is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG in Thailand is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by Thai Securities and Exchange Commission (for listed entities) and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG in Thailand partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG partners and employees wherever they are based.

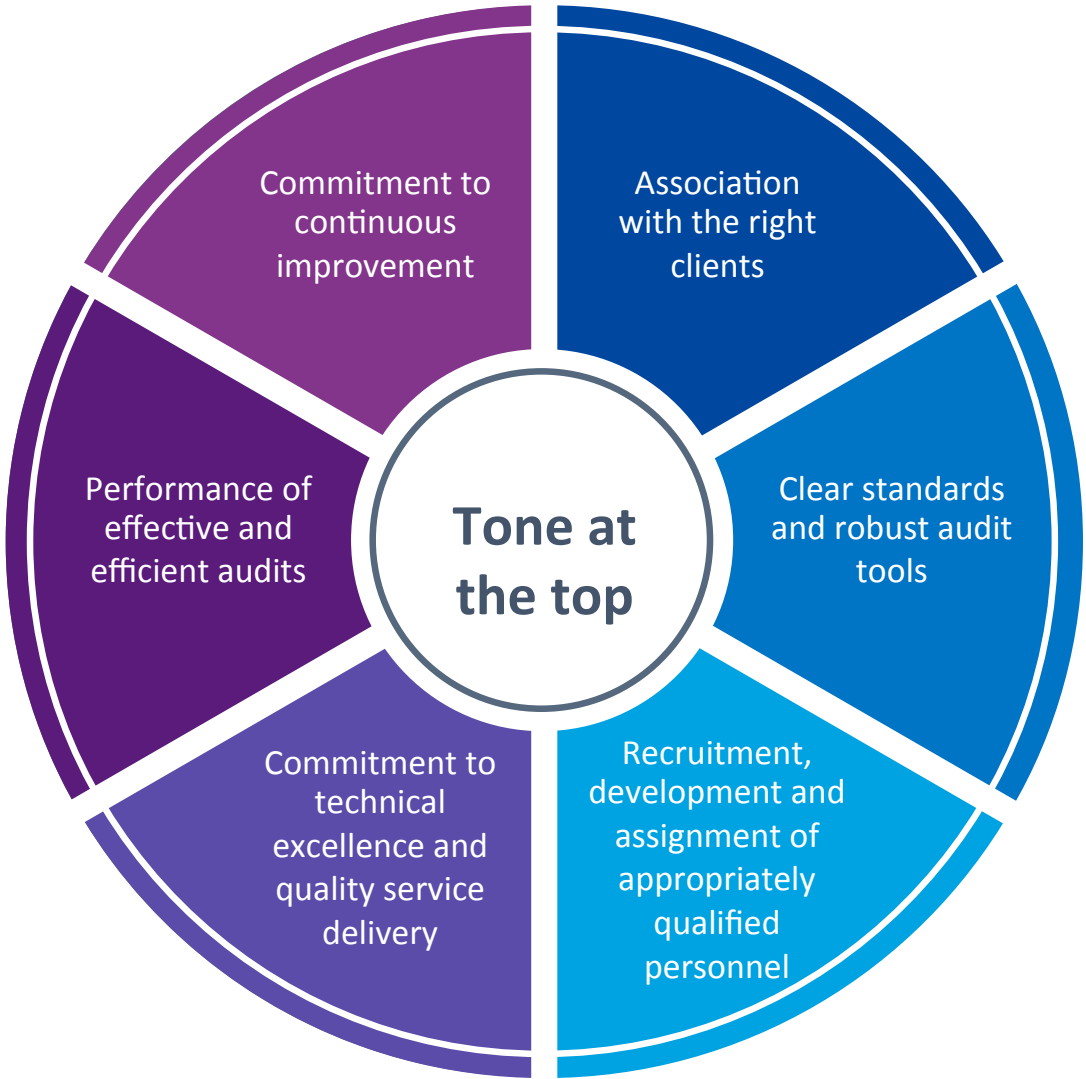
While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

At KPMG in Thailand, 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 auditor's report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with the relevant auditing standards, laws and regulatory and professional requirements.

To help all audit professionals concentrate on the fundamental skill and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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KPMG’s Audit Quality Framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professional how they contribute to its delivery.



All of the other drivers create a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

KPMG approach to audit quality

Tone at the top



Good governance



Code of Conduct



Audit quality in focus

Association with the right clients



Assess client



Independence and capability



Portfolio management

Standards and tools



Technology



KPMG Audit Manual



Data & Analytics

Our people



Audit partners and partner equivalents



Years of experience



1,204

Audit staff



Performance



Exercise professional skepticism and judgment



Coaching

Technical excellence



Average training hours per person



Consultation and support – EQCR, DPP, Methodology, Risk



Sectors

Technology, Media, Telecommunications

Consumer & Retail

Financial Services

Infrastructure, Government, Healthcare and Hotel

Industrial Markets

Continuous improvement



Audit clients interviewed



Engagements reviewed as part of QPR program



'Very Good' rated for TSQC1

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 all KPMG firms.

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 to earn public trust.



**Good
governance**



**Code
of Conduct**



**Audit quality
in focus**



	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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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.

Our KPMG Values and Code of Conduct are further described in Appendix A.3.

Investing in continuous improvement

KPMG globally continues to invest significantly in audit quality across the Global Organization. We are building on our sound audit quality foundations, both in terms of how we manage our firms and our audit engagements.

This means significant ongoing investment in our system of quality management, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams.

Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.

Leadership responsibilities for quality and risk management

KPMG in Thailand demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions - written and video communications, presentations to teams and one-to-one discussions.

The following individuals and committee have leadership responsibilities.

1) CEO and Country Head of Audit

Our CEO, Charoen Phosamritlert, 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 CEO, 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. Sakda 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 Quality & Risk Management and Ethics and Independence Partner

Operational responsibility for the system of quality control, risk management, compliance, and direction and execution of ethics and independence policies and procedures in KPMG in Thailand has been delegated to the Country Quality & 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, Sakda Kaothanthong, with a dedicated Audit Risk Management Partner, Sureerat Thongarunsang, are responsible for setting the framework for performance of high quality audits, including expected behaviors. 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 Wilai Buranakittisophon, is the national center 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 KPMG Institute on technical training matters.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools) these will be raised with the KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG) and the International Standards Group (ISG). For more information about the KGSG and the ISG refer to section "Commitment to technical excellence and quality service delivery"

Number of DPP professionals



30 Sep 2018	30 Sep 2019
16	16

5) Audit Quality and Deployment 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 Chunhakitpaisan, takes this important role and works directly and closely with each audit group head, communicates key audit quality messages and provides input into the development of national audit quality initiatives and deployment of audit tools.

6) Quality & Risk Management Committee

The Quality & Risk Management 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 Partner

Our Audit Methodology Partner, Sumate Jangsamsee, disseminates to audit teams guidance and information relating to our interpretations of auditing standards and national initiatives to enhance quality and identify improvement opportunities.

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 multi-national 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 (as set out in the Appendices to this document).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to Global Quality & Risk Management (GQ&RM) leadership. The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- assist in monitoring the effectiveness of member firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.

Association with the right clients



Assess client



Independence and capability



Portfolio management

“It is of an utmost importance to maintain auditor’s independence in order to uphold our professional standards. At KPMG in Thailand, every action taken by all of our professionals in every engagement is guided by integrity and our commitment to KPMG Code of Conduct and values. We have clear policies and procedures for handling any potential conflicts and issues – to ensure our optimal level of ethical transparency.”

Bob Ellis

Country Quality & Risk Management and Ethics and Independence Partner



Acceptance and continuance of clients and engagements

Rigorous global client acceptance and continuance policies are vital to being able to provide high-quality professional services.

KPMG's client and engagement acceptance and continuance systems and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship, or performing a specific engagement.

KPMG firms must evaluate whether to accept or continue a client relationship, or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Client and engagement acceptance process

Client evaluation

KPMG in Thailand undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG in Thailand partners and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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Continuance process

KPMG in Thailand undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

Withdrawal process

Where KPMG in Thailand obtains information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

Client portfolio management

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

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

We have clear policies on information protection 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.

Clear standards and robust audit tools



Technology

KPMG
Audit ManualData
& Analytics

All KPMG 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 KPMG in Thailand policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

“KPMG Clara, with D&A integrated capabilities will enhance our audit quality by driving better and deeper audit insights, and improve consistency in executions of audits. KPMG Clara will also incorporate monitoring capabilities at engagement and portfolio level to measure audit progress and foster timely issue resolution. For Thailand, the limited deployment of KPMG Clara Workflow began in 2019 with a full deployment expected in 2021.”

Orawan Chunhakitpaisan

Audit Quality and Deployment Partner



	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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Our approach to audit

KPMG has been investing significantly in evolving the network's Global Organization's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualization.

Data & Analytics (D&A) is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment
- ongoing mentoring, supervision and review of the engagement team managing and documenting the audit.

Consistent audit methodology and tools

The KPMG audit methodology, developed by the KPMG Global Solutions Group (KGSG), is based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk identification, assessment and response, accounting estimates, group audits and audit sampling.

KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks.

The KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file. eAudit is KPMG's audit documentation workflow that allows professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

eAudit can be "scaled" to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG's audit guidance, professional standards and documentation templates.

Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara workflow.

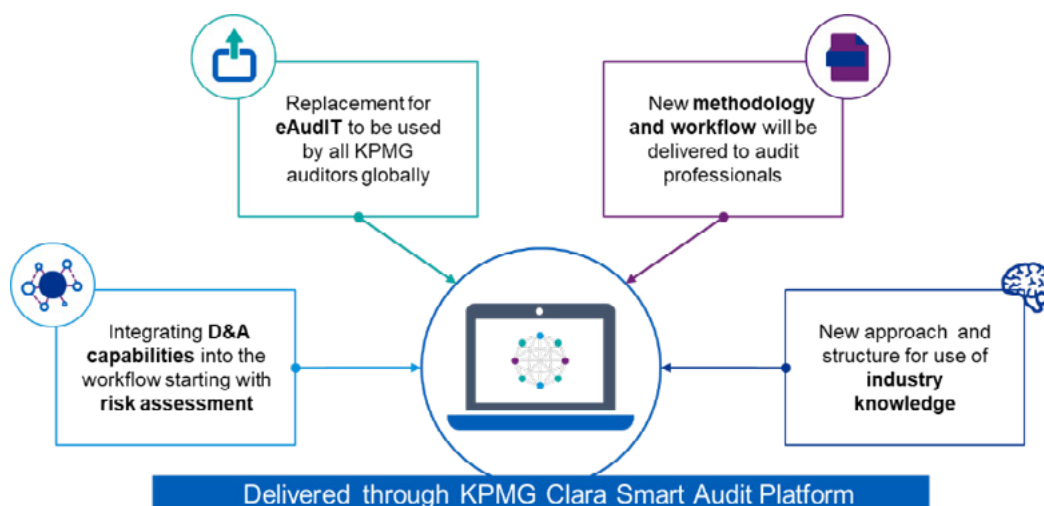
KPMG Clara, KPMG Clara Workflow and Data & Analytics (D&A)

KPMG International is making significant investments to improve audit quality, drive consistency in execution of audits and strengthen both the member firm and global monitoring of engagements.

KPMG Clara

The global launch of KPMG Clara created a smart audit platform that brings together KPMG's Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and audit workflow.

"KPMG Clara — new smart audit platform"



KPMG Clara Workflow

Building on the launch of KPMG Clara in 2017, KPMG International is creating a new workflow tool that will be used by KPMG member firm audit teams to execute and document KPMG audits. The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence aligned to the standards with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced D&A capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara Workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara Workflow was piloted in 2018, with initial deployment globally in 2019 and full deployment beginning in 2021. The predecessor audit workflow tool, eAuditIT, is expected to be decommissioned in the 2021 fiscal year.

Audit Data & Analytics (D&A)

KPMG's audit, powered by D&A is designed to:

- **enhance audit quality**; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- **be secure**; by restricting access to data both in transit and within KPMG's IT environments; and
- **be transparent**; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

D&A tools and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

Independence, integrity, ethics and objectivity

Overview

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

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 Quality & Risk Management manual, which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements. 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 financial independence, employment relationships, firm financial independence, business relationships/suppliers, non-audit services, independence breaches, compliance with laws, regulations, and anti-bribery and corruption, and audit partner rotation. Our people annually undergo training and confirm their compliance with these policies and procedures.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help the firms and their personnel to comply with these requirements.

KPMG in Thailand has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG in Thailand. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with member firms. Member firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs.

Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG member firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners, irrespective of their member firm and function, are generally prohibited from owning securities of any audit client of any member firm.

KPMG member firms use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All Partners and all manager grade and above client-facing employees are also required to maintain a record of all of their investments in publically traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

Any KPMG in Thailand professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG in Thailand are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG in Thailand, including payments which are not fixed and predetermined and/or would be material to KPMG in Thailand and ceased participating in KPMG in Thailand business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG in Thailand professionals by audit clients.

Firm financial independence

KPMG member firms must also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and where required significant owners.

In common with other KPMG member firms, we uses KICS to record its own, direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed or funds. This includes investment held in pension and employee benefit plans.

Additionally, KPMG in Thailand is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG in Thailand confirms compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

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

Independence clearance process

KPMG in Thailand follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

Independence training and confirmations

All KPMG in Thailand partners and client professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG in Thailand and on an annual basis thereafter.

New partners and employees who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG in Thailand or (b) before providing any services to, or becoming a member of the chain of command for, any audit client (by definition, "audit client" includes its related entities or affiliates).

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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We also provide all partners and employees with biennial training on:

- the Global Code of Conduct and ethical behavior, including KPMG’s anti-bribery policies, compliance with laws, regulations, and professional standards; and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, KPMG and KPMG’s policies.
- New partners and employees are required to complete this training within three months of joining KPMG in Thailand.

All KPMG partners and employees are required to sign, upon joining KPMG in Thailand and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG in Thailand are required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG in Thailand. KPMG in Thailand’s EIP is involved in the review of potential independence issues.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their related entities or affiliates in Sentinel™, and they are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

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.

Fee dependency

KPMG International’s policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. These policies require KPMG member firms to consult with their Area Q&RM Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years:, these policies further require that:

- This would be disclosed to those charged with governance at the audit client; and
- A senior partner from another KPMG member firm would be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG in Thailand over the last two years.

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG in Thailand partners or employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner (RMP) is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or perceived to be made with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual’s or the member firm’s integrity, independence, objectivity or judgment.

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a member firm and/or its partners or employees in their ability to be objective or otherwise act without bias.

All KPMG member firms must use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG in Thailand has risk management resource/s who are/is responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

Independence breaches

All KPMG in Thailand personnel are required to report an independence breach as soon as they become aware of it to the EIP. 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. All breaches of independence rules must be reported to those charged with governance as soon as possible except where

alternative timing for less significant breaches has been agreed to with those charged with governance.

Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders, are reflected in their individual quality and risk metrics. KPMG in Thailand has a documented and communicated disciplinary policy in relation to breaches of independence policy, incorporating incremental sanctions reflecting the seriousness of any violations.

Compliance with laws, regulations, and anti-bribery and corruption

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

We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies can be found on the [anti-bribery and corruption site](#).

Audit partner rotation

KPMG International partner rotation policies are consistent with or exceed the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, and independence rules.

These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client

We monitor the rotation of key audit engagement leaders and develops transition plans to enable us to allocate partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Recruitment, development and assignment of appropriately qualified people

One of the key drivers of quality is ensuring that KPMG professionals have the skills and experience, passion and purpose, to deliver the highest quality in audit. This requires the right recruitment, development, reward promotion, retention and assignment of professionals.



"KPMG Thailand motivates our people to develop themselves through a growth mindset and an agile and collaborative workplace. To become high performers, our people step out from their comfort zone by setting stretch goals. As such we strongly believe that our people are ready for cutting through the new normal."

Abhisit Pinmaneekul
Chief People Officer

Recruitment

KPMG in Thailand is committed to building an extraordinary people experience of all KPMG partners and employees and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, helping build relationships with a younger, diverse talent pool at an early age.

All candidates for audit positions are selected and employed by using a variety of selection tools, which include pre-screening, English proficiency test, structured interview questions of competencies and auditing knowledge.

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 or conflicts of interest are addressed before the individual can commence as an employee with the firm.

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Risk Management Partner or a delegate. KPMG in Thailand does not accept any confidential information belonging to the candidate's former firm/ employer.

Personal Development

KPMG in Thailand has launched a new approach to performance development built around the Everyone a Leader performance principles, Open Performance Development, which includes:

- Global role profiles;
- a goal library; and
- Standardized review forms.

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success – both individually and collectively. We know that by being clear and consistent about the behaviors we are looking for and rewarding those who role model these behaviors, will enhance our ability to achieve quality and we articulated this through our performance principles of seeking growth, inspiring trust and delivering impact.

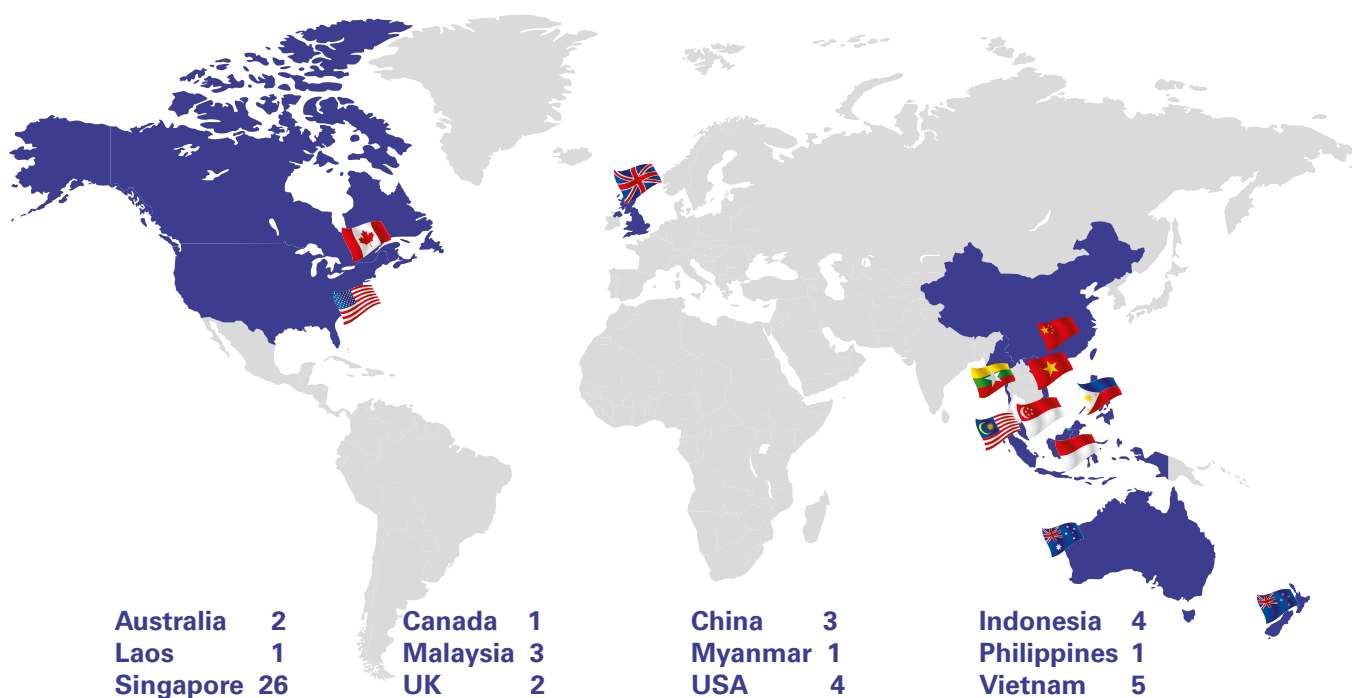
At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allow us to embed audit quality to the assessment of performance and the decisions around reward as well as drive consistency across the Global Organization.

KPMG in Thailand monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

Mobility program

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 countries:



Reward and promotion

We have compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through the meeting where relative performance across a peer group is discussed and used to inform reward decisions.

Reward decisions are based on consideration of both individual and organizational performance.

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly.

Assignment of professionals

We have procedures in place to assign both 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.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of KPMG in Thailand's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.

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 a number of factors including results of internal and external inspections, risk management and independence monitoring, leadership, excellence in client service, delivering on our strategy, coaching and developing staff, and living the values of the firm.

Profiles of KPMG audit personnel	30 Sep 2018	30 Sep 2019	Average years of experience	30 Sep 2018	30 Sep 2019
No. of audit partners and partner equivalents	55	62	Partner	26	26
			Director	16	16
No. of client service audit staff (excluding partners and partner equivalents)	1,192	1,204	Senior manager and manager	11	10
			Senior team member	5	5
Staff/partner ratio	22	19	Team member	1	1

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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Insights from our people – Global People Survey (GPS)

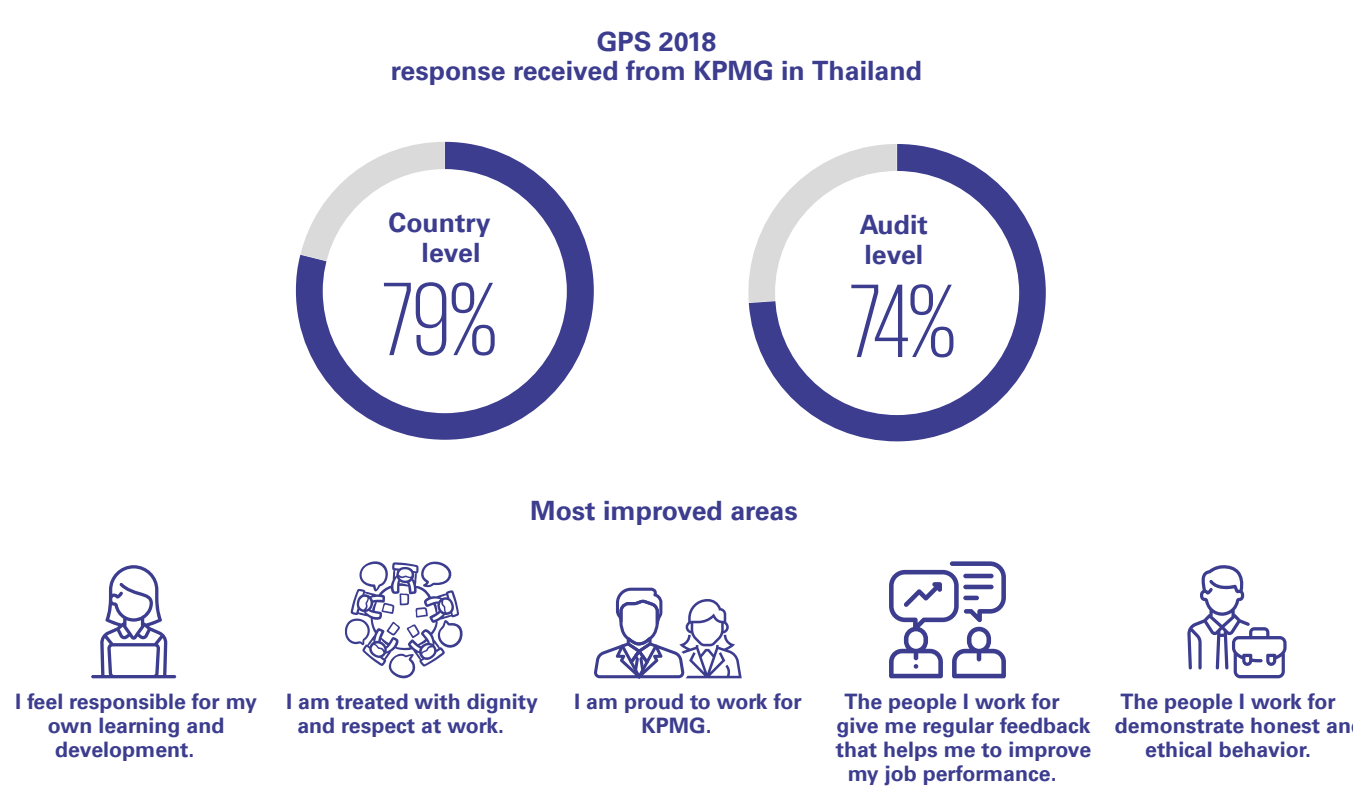
Bi-annually, KPMG International globally invites all its people to participate in an independent Global People Survey to share their perception about their experience working for KPMG.

The GPS provides an overall measure of our people’s engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities.

The survey also specifically provides KPMG in Thailand leadership and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG in Thailand participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. This includes monitoring GPS results including those related to quality and risk behaviors, audit quality and tone at the top, and employee engagement through the EI.

The latest GPS was conducted in 2018:



Sectors

Our audit clients are assigned to financial services, industrial markets, consumer and retail, technology, media and telecommunications and infrastructure, government, healthcare and hotel where they are served by industry specialist. 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.



Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need to perform their roles. 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.



Average training hours per person



Consultation and support – EQCR, DPP, Methodology, Risk



Sectors

Technology, Media, Telecommunications

Infrastructure, Government, Healthcare and Hotel

Consumer & Retail

Industrial Markets

Financial Services

“At DPP, we provide knowledge on emerging issues and make long-term industry experience available to the teams during all the phases of the audit. Continuous learning tailored to business models in the key industries we serve, together with the opportunity to consult with experienced and dedicated specialists are important building blocks for audit quality.”

Wilai Buranakittisopon

Head of Department of Professional Practice



Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global and regional as well as by KPMG Institute at a local level. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

Types of training	No. of hours	
	FY2018	FY2019
Technical (e.g. accounting and auditing, quarterly updates, IFRS, US GAAP, etc)	85,621	76,325
Risk management (e.g. independence, etc)	9,476	7,152
Industry (e.g. energy, financial services, food and beverages, etc)	7,565	11,443
CPA training	2,440	804
Soft skills (e.g. milestone workshops, project management, business development skills, etc)	6,157	10,430
English program	3,692	5,001

Average training hours per person



FY 2018
92 hours

FY 2019
88 hours

“Technology-based learning such as virtual classroom and e-learning”

Continuing Professional Education (CPE)

We require all our client service partners and staff with Thai CPA license to comply with Thailand Federation of Accounting Professions (TFAC)’s CPD requirement. They must obtain a minimum of 40 CPD hours annually (including 20 hours of formal CPD training hours, and other 20 hours of informal training hours), and at least half of formal CPD hours must cover accounting or auditing.

In addition, our policy requires all partners and staff to achieve a minimum of 20 CPE hours per year and a 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, KPMG has 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 2018	30 Sep 2019
Thai CPAs	228	229
SEC licensed partners and partner equivalents	43	44

Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms.

Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfill their role. Training on audit concepts is provided to these specialists. The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, 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 2018	30 Sep 2019
IT audit support	72	77
CISA* certified	16	13

* 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

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG in Thailand promotes a culture in which consultation is recognized as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the KPMG Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Technical consultation and global resources

Technical auditing and accounting support is available to all member firms and their professionals through the KPMG Global Solutions Group (KGSG) formally referred to as the Global Service Centre (GSC) and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

KPMG Global Solutions Group (KGSG)

The KGSG's mission is to drive success for KPMG's global network of Audit practices through collaboration, innovation and technology. The KGSG develops, maintains and deploys KPMG's audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global locations, one in each region, the KGSG Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

International Standards Group (ISG)

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

Member firm professional practice resource

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as Department of Professional Practice or DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The ISG is also available for consultation when 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 through the KPMG audit workflow. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available that provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow. We also provide an annual industry training to staff working in a specific industry.

Performance of effective and efficient audits

How an audit is conducted is as important as the final result. KPMG in Thailand partners and employees are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.



Exercise professional skepticism and judgment



Coaching

“Audit efficiency is prioritized to ensure that our committed value is delivered to our client in a timely manner. We leverage our industry expertise and our understanding of client’s business in performing risk based approach audits. This means we deliver an exceptional audit service to our clients in a complicated and fast moving environment.”

Sumate Jangsamsee

Audit Methodology Partner



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 promote a continuous learning environment and a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

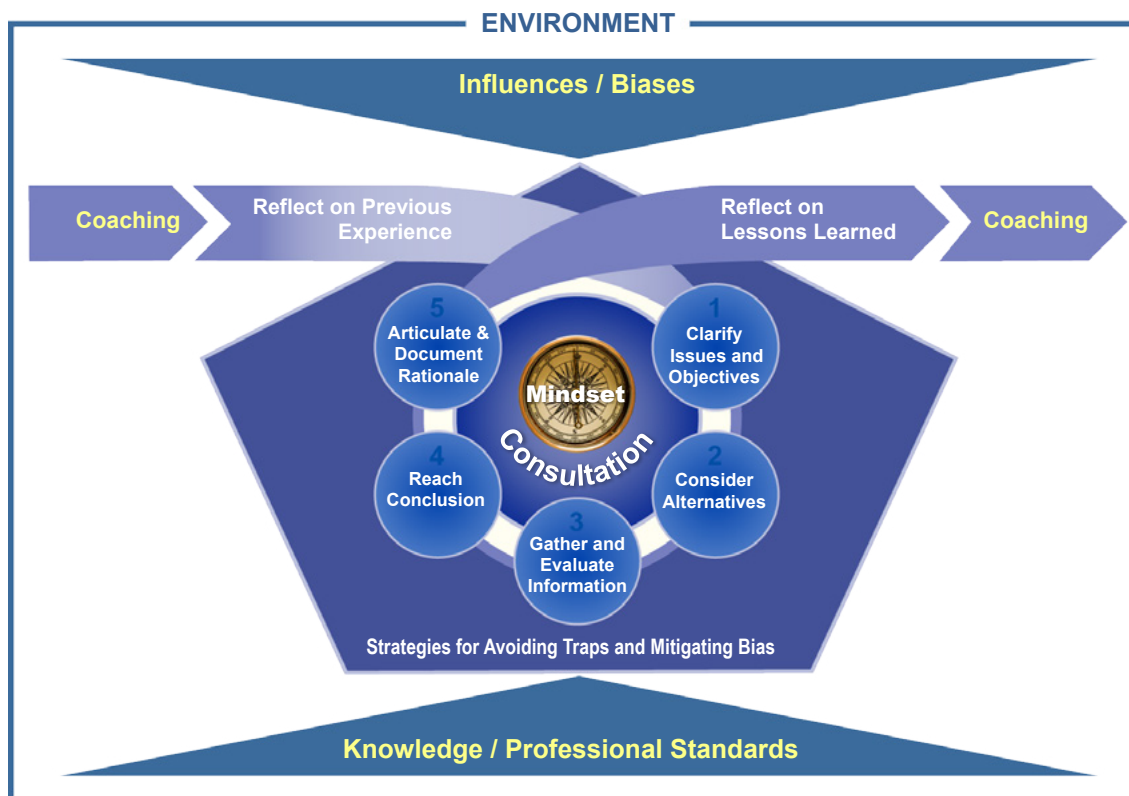
Appropriate involvement of the EQC reviewer

An Engagement Quality Control (EQC) reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The EQC is an important part of KPMG's framework for quality. 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.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

KPMG in Thailand is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control.



"Professional skepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. KPMG reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset - the need to apply professional skepticism."

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, as well as key audit matter to be communicated.

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

Two-way communication with our clients and those charged with governance, often identified as the audit committee, is key to audit quality. At KPMG in Thailand, we stress the importance of keeping those charged with governance informed of the issues arising throughout the audit and the need to listen to and understand their view. 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.



Audit Committee forum held quarterly for sharing matters of interest

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.

Confidentiality, information protection, 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 a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

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

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. Integrated quality monitoring and compliance programs enable us to identify quality deficiencies, to perform root cause analysis and develop, implement, and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.



Audit clients interviewed



Engagements reviewed as part of QPR program



'Very Good' rated for TSQC1

"Quality is part of our DNA. We know that continuously improving audit quality is fundamental to restoring the public's trust in the profession and meeting our responsibilities to investors, regulators, clients and the communities we live in."

Sureerat Thongarunsang

Audit Risk Management Partner



"Monitoring is one of the keys to continuous improvement"

The quality monitoring and compliance programs are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Thailand compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

Internal monitoring

KPMG in Thailand monitoring programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures; and
- KPMG in Thailand compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit functions; and
- A cross functional Global Compliance review (GCR) program which is conducted at least every three years.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

1. Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

KPMG in Thailand conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG in Thailand level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

QPR programs	FY2018	FY2019
No. of engagements reviewed	29	16
Percentage of audit partners reviewed	55%	23%
Percentage of reviewers who were from outside KPMG in Thailand	16%	100%

	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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2) Risk Compliance Program (RCP)

The RCP is a KPMG 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. Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

3) Global Compliance Review (GCR) program

Each member firm is subject to a GCR conducted by KPMG International’s GCR team, independent of the member firm, at least once in a 3 year cycle. The GCR team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. The GCR provides an independent assessment of:

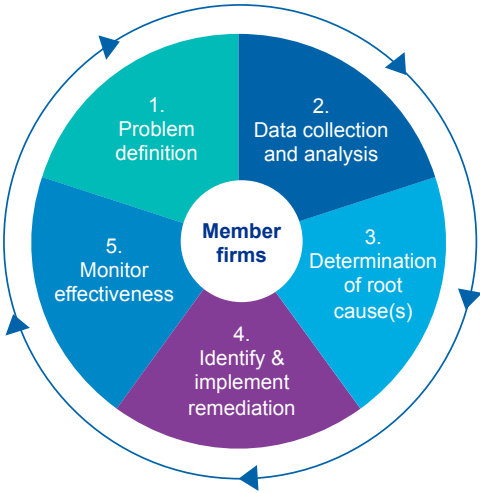
- a member firm’s commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a member firm’s compliance with key KPMGI policies and procedures;
- and the robustness with which the member firm performs its own compliance program (RCP).

We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored to help ensure timely remedial actions.

Root Cause Analysis (RCA)

We perform a root cause analysis to identify and address audit quality issues 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:



It is the responsibility of all KPMG member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

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.

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External monitoring

Compliance with TSQC1

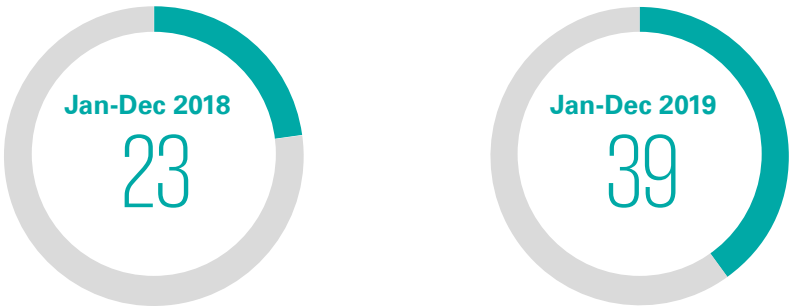
The Securities and Exchange Commission of Thailand (SEC) inspects and reviews KPMG’s quality control system in compliance with Thai Standards on Quality Control 1 (TSQC1) on a regular basis. The latest TSQC1 report issued in February 2018 concluded that our overall quality control system was ‘Very Good’.

Client feedback and monitoring of complaints

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavor to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients’ needs.

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

Number of audit clients interviewed



Appendices



A.1 Network arrangements

Legal structure and ownership

KPMG in Thailand is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in the ‘Governance and leadership’ section of the [KPMG International Transparency Report](#).

KPMG in Thailand is part of a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG in Thailand is a company limited liability.

Name, ownership and relationships

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.

Responsibilities and obligations of member firms

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, procedures 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 the KPMG values.

KPMG International’s activities are funded by a levy paid to it by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm’s status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Professional indemnity insurance

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 four legal entities in Thailand. In addition, there are three 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 The KPMG Values and Code of Conduct

KPMG 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:

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

KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personnel and professional conduct emphasizing that, above all, KPMG people act with integrity. The KPMG values are communicated clearly to all people and are embedded into member firms' people processes – induction, performance development and reward.

Building on the KPMG values is the KPMG Global Code of Conduct. Member firms, including KPMG in Thailand, are required to adopt, as a minimum standard, the Global Code of Conduct.

All KPMG in Thailand partners and employees are required to:

- comply with both the Global Code of Conduct and confirm their compliance with the Code of Conduct, and
- complete regular training covering the Code.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values. Moreover, everyone at KPMG is responsible for reporting, and is required to report, any activity that could potentially be illegal or in violation of the KPMG values, KPMG policies, applicable laws, regulations or professional standards.

We have procedures and established channels of communication so that our people can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith.

In addition, the KPMG International hotline is a mechanism for all KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG in Thailand, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey (refer to section "Recruitment, development and assignment of appropriately qualified people").

A.4 Our audit clients in SET50



	Tone at the top	Association with the right clients	Clear standards and robust audit tools	Recruitment, development and assignment of appropriately qualified people	Commitment to technical excellence and quality service delivery	Performance of effective and efficient audits	Commitment to continuous improvement	Appendices
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