

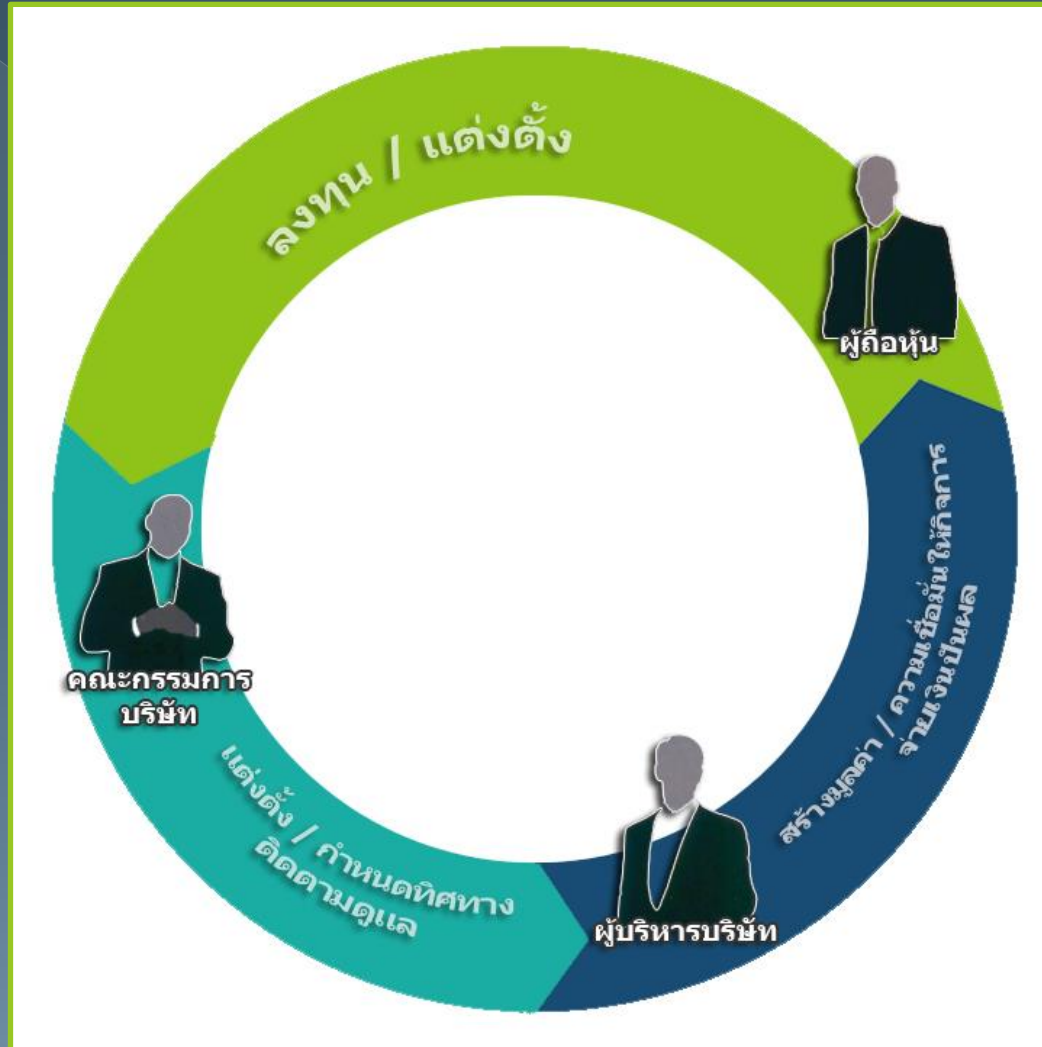
# Corporate Governance & Audit Committee



# Corporate Governance

- ◎ **Definition:** the mechanisms, processes and relations by which corporations are controlled and directed
- ◎ **Related Parties:** Stakeholders which are
  - > Shareholders
    - invest, appoint B of D, CPA
  - > Board of Directors
    - set directions, appoint and monitor executives (including audit committee, internal auditor)
  - > Management (CEO and other levels of executives)
    - Planning, Organizing, Staffing, Directing, Controlling
  - > Other stakeholders such as creditors, employees, etc.

# Corporate Governance



# Corporate Governance

## ◎ General Concepts:

- Intend to monitor the actions of management and directors
- Ensure success of the company while maintain the right balance with the stakeholders' interests
- Concern with mitigation of the **conflicts of interests** or **principal-agent issues** among stakeholders through processes, customs, policies and laws
- Concern with mitigation of **information asymmetry** among stakeholders that leads to problems of **“moral hazard”** and **“adverse selection”**

# Corporate Governance

## ◎ Principles (OECD):

### > Rights and equitable treatment of shareholders

(สิทธิของผู้ถือหุ้นและการปฏิบัติต่อผู้ถือหุ้นอย่างเท่าเทียม)

- Organizations should respect the rights of shareholders and help shareholders to exercise those rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

### > Interests of other stakeholders

(การคำนึงถึงความสำคัญของผู้มีส่วนได้เสียอื่น)

- Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

# Corporate Governance

## ◎ Principles (OECD):

### > Role and responsibilities of the board

(บทบาทและความรับผิดชอบของคณะกรรมการ)

- The board needs sufficient relevant skills and understanding to review and challenge management performance.
- It also needs adequate size and appropriate levels of independence and commitment.

### > Integrity and ethical behavior (ความซื่อสัตย์และจริยธรรม)

- Integrity should be a fundamental requirement in choosing corporate officers and board members.
- Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

# Responsibilities of the board (OECD)

- Be informed and act ethically and in good faith, with due diligence and care, in the best interest of the company and the shareholders
- Review and guide corporate strategy, objective setting, major plans of action, risk policy, capital plans, and annual budgets
- Oversee major acquisitions and divestitures
- Select, compensate, monitor and replace key executives and oversee succession planning
- Align key executive and board remuneration (pay) with the longer-term interests of the company and its shareholders

# Responsibilities of the board (OECD)

- ① Ensure a formal and transparent board member nomination and election process
- ① Ensure the integrity of the corporations accounting and financial reporting systems, including their independent audit
- ① Ensure appropriate systems of internal control are established
- ① Oversee the process of disclosure and communications

# Corporate Governance

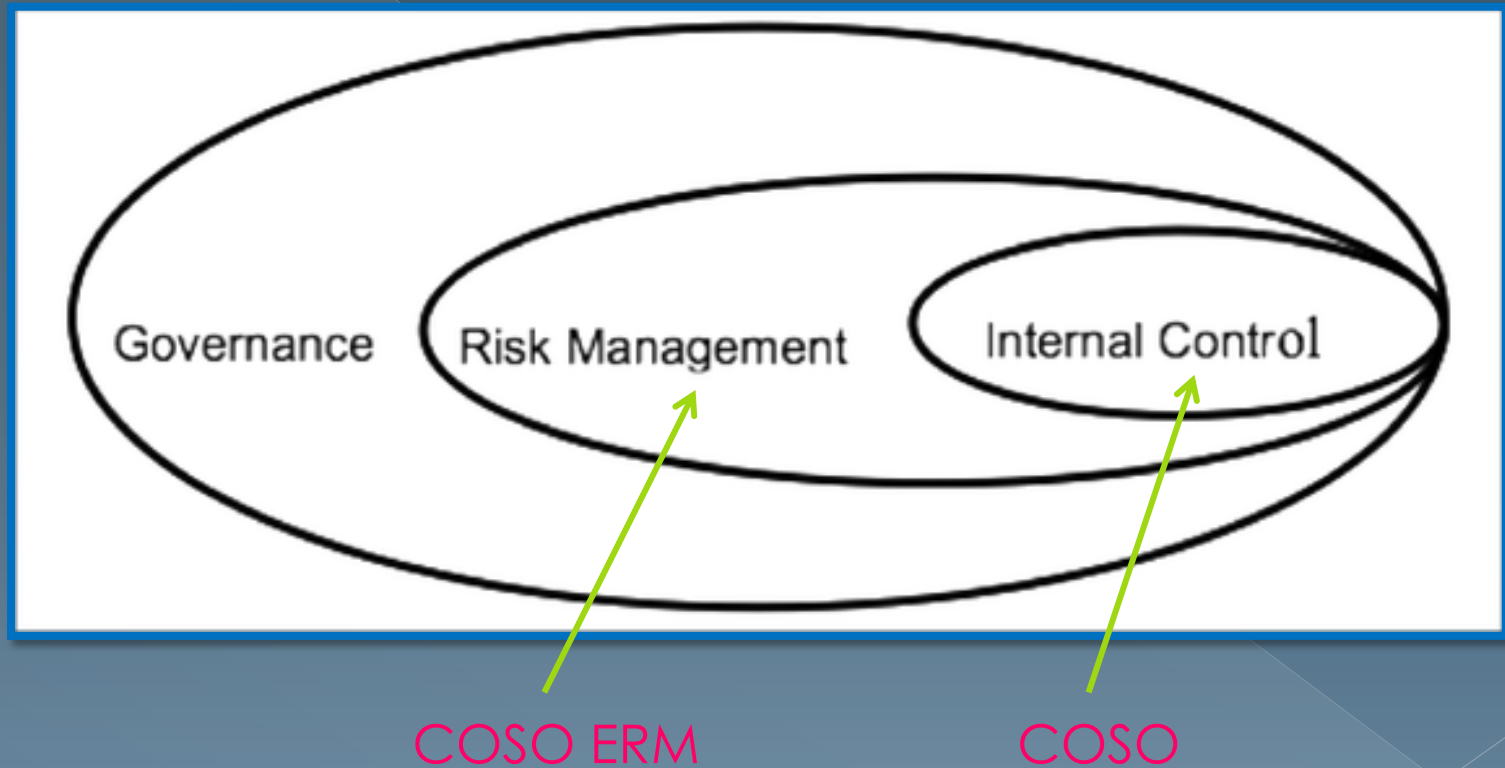
## ◎ Principles (OECD):

### > Disclosure and transparency

(การเปิดเผยข้อมูลและความโปร่งใส)

- Organizations should clarify and make publicly known the roles and responsibilities of board and management.
- Organizations should implement procedures to independently verify and safeguard the integrity of the company's financial reporting.
  - Audit Committee, Internal Auditor, External Auditor
- Disclosure of material matters concerning the organization should be timely and balanced to ensure that all stakeholders have access to clear, factual information.

# Relationship among Corporate Governance, Risk Management & Internal Control



# Corporate Governance

- ◎ Benefits of good corporate governance:
  - > To company
    - Improve access to capital and financial markets
    - Help to survive in an increasingly competitive environment
    - Reduce the chance for conflicts of interest
    - Have a better system of internal control
    - Reduce the cost of loans

# Corporate Governance

- ◎ Benefits of good corporate governance:
  - > To Shareholders
    - Facilitate effective monitoring
    - Have greater security on their investment
    - Get sufficiently informed on decisions concerning fundamental issues

# Audit Committee's role in Governance

- **General Roles:** provide oversight of Financial reporting, Risk management, Internal control, Compliance, Ethics, Internal auditors and External auditors
- **Detailed Responsibilities** include:
  - Ensuring that financial statements are understandable, transparent, and reliable.
  - Ensuring the **risk management** process is comprehensive and ongoing, rather than partial and periodic.
  - Helping achieve an organization wide commitment to strong and effective **internal controls**, emanating from the tone at the top.
  - Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest, and the investigation of misconduct and fraud.

# Audit Committee's role in Governance

- ◎ Detailed Responsibilities include: (cont.)
  - > Reviewing current and pending corporate-governance-related litigation or regulatory proceedings to which the organization is a party.
  - > Ensuring the internal auditors' access to the audit committee, encouraging communication beyond scheduled committee meetings.
  - > Reviewing internal audit plans, reports, and significant findings.
  - > Establishing a direct reporting relationship with the external auditors.

# Key Issues of Concern

- ⦿ Financial Accuracy
- ⦿ Risk Management
- ⦿ Control Assessment
- ⦿ External Auditor Oversight
- ⦿ Effective Use of Internal Auditing



# Audit Committee Charter

## ● Contents:

- > Purpose
- > Authority
- > Composition
- > Meetings
- > Responsibilities:
  - Financial Statements
  - Internal Control
  - Internal Audit
  - External Audit
  - Compliance
  - Reporting Responsibilities
  - Other Responsibilities

# Audit Committee Charter

## Audit Committee Charter

### PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

### AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

Dealing with CPA

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

# Audit Committee Charter (cont.)

## COMPOSITION

The audit committee will consist of at least three and no more than six members of the board of directors. The board or its nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

## MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

# Audit Committee Charter (cont.)

## **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### **Financial Statements**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

# Audit Committee Charter (cont.)

## Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

## Internal Audit

- Review with management and the chief audit executive the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- At least once per year, review the performance of the CAE<sup>4</sup> and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

# Audit Committee Charter (cont.)

## External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

## Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

# Audit Committee Charter (cont.)

## Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

## Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

# Just for Fun



# Just for Fun

