



INDEPENDENT AUDIT INSPECTION

Activities Report 2024



1 January 2024 – 31 December 2024

The Securities and Exchange Commission, Thailand



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01

Executive Summary



Executive Summary

Over the past year, the Thai capital market has encountered challenges in various aspects due to external and internal factors, affecting its volatility as well as investors' confidence. Consequently, the Securities and Exchange Commission (SEC) places even greater importance on undertaking various actions to build and further strengthen trust and confidence in the Thai capital market. In this regard, supervising and enhancing the quality of financial reporting of businesses in the capital market has long been a core SEC mission and remains crucial for building and strengthening trust and confidence in the Thai capital market. In 2024, the SEC continued this mission with more rigorous execution through new activities and ongoing projects. This included collaborating with the Thailand Federation of Accounting Professions (TFAC) to organize seminars for capital market auditors to facilitate sharing of knowledge and perspectives on issues and case studies related to accounting and auditing for Initial Public Offering (IPO) and listed companies. Auditors also had opportunities to gain insights from financial reporting fraud cases to improve audit quality in the future. Furthermore, the SEC partnered with the Investment Banking Club and the Stock Exchange of Thailand to host a seminar supporting financial advisors in preparing IPO companies. Additionally, the SEC engaged with small- and medium-sized audit firms in the capital market to discuss guidelines for enhancing audit quality and promoting sustainable growth. To further strengthen oversight, the SEC amended the Notification on Approval of Auditors in the Capital Market, establishing a new requirement that capital market auditors must be affiliated with audit firms that have a minimum of four capital market auditors. This mandate aims to strengthen quality and governance among capital market audit firms.



As for the quality enhancement of capital market audit firms – key players in promoting and supporting affiliated auditors' performance in line with professional standards – the SEC places ongoing priority on the inspection of quality management systems of these audit firms. In 2024, the second consecutive year of implementing Thai Standard on Quality Management 1 and 2 (TSQM 1 and TSQM 2), the SEC remained committed to its policy of inspecting the quality management systems of all audit firms before permitting them to accept engagements in the capital market. The SEC also continued to regularly inspect the quality management systems of audit firms in the capital market using a risk-based approach to ensure that they are able to oversee their affiliated auditors and maintain audit quality in accordance with professional standards. In 2024, the SEC inspected the quality management systems of 11 out of 31 audit firms. The results showed that while most capital market audit firms have addressed findings from the previous inspection cycle, 36% of the current findings are recurring issues that were previously identified. In the current inspection cycle, the SEC identified the most common findings in the areas of monitoring and remediation process, and engagement performance. Root cause analysis revealed that some audit firms struggle to effectively address deficiencies due to several factors; responsibilities assigned to individuals overseeing quality management systems often exceed their capabilities; limited human and financial resources hinder the development of effective work systems; and a lack of clearly defined firm culture and governance that sufficiently prioritize audit quality.



Regarding engagement-level quality inspections in 2024, the SEC remained committed to implementing a quality screening process of auditors prior to granting approval to perform audits in the capital market. The SEC also consistently conducted risk-based audit quality inspections, focusing on audit quality reviews of high-risk listed companies and prioritizing accounting areas that were significant, complex, or required substantial professional judgment. Furthermore, the SEC emphasized reviewing the performance of capital market auditors who handle a high volume of audit engagements for listed and IPO companies, as this may pose risks to audit quality. Overall, the SEC identified significant findings across various audit procedures. For example, the assessment of the risk of material misstatement due to fraud (fraud risk) during the audit planning phase was either incomplete or insufficiently clear, resulting in a lack of specifically designed audit procedures to address the identified risk. Moreover, the SEC found deficiencies related to insufficient gathering of audit evidence during substantive testing procedures, with findings frequently identified in the audits of inventory, revenue, cost of sales accounts, and accounting estimates. Root cause analysis revealed several contributing factors, including excessive workloads assigned to auditors, insufficient quality of audit reviews by engagement partners and Engagement Quality Reviewers (EQR) – particularly for complex matters and those requiring professional judgment – and insufficient professional skepticism throughout audit procedures. In addition, auditors may lack adequate understanding of their clients' increasingly complex business nature. As a result, they may be unable to appropriately assess risks, plan audits, determine appropriate audit procedures, and exercise professional judgment when drawing audit conclusions. The SEC will continue monitoring these issues closely to ensure that capital market audit firms and auditors effectively address these deficiencies going forward.



As for the roadmap for 2025, the SEC plans to continue prioritizing its primary responsibilities in enhancing trust and confidence in the Thai capital market through ongoing collaboration with all sectors. This ensures that the Thai capital market is capable of fulfilling its role as an efficient source of capital while meeting the needs of stakeholders across all sectors. In 2025, the SEC will strengthen its inspection of audit quality among auditors and audit firms in the capital market with more rigorous oversight, with a strong emphasis on firm culture and governance, appropriate IT governance and security policies within audit firms, and the performance of EQR, including fraud risk identification and assessment. Beyond these audit quality enhancement initiatives, the SEC plans to undertake various additional actions to enhance trust and confidence in the Thai capital market. This includes the followings:

- Supporting stakeholders involved in financial report preparation through various projects such as the establishment of IT governance and security guidelines for audit firms, including examples of IT inspection report forms and remediation plans for deficiencies;
- Collaborating with the TFAC in integrating plans that help stakeholders understand the value of audit;
- Organizing training sessions to provide essential knowledge for auditors in the capital market and listed companies;
- Amending laws and regulations regarding the oversight of auditors and audit firms in the capital market to enhance efficiency and effectiveness.

These actions will help drive the Thai capital market to function as a credible source of capital and achieve sustainable growth, while also serving as a catalyst for the long-term growth of the country's economy.



02

Quality Assurance Review Panel



Quality Assurance Review Panel

The responsibilities of the Quality Assurance Review Panel (QARP) include providing opinions and recommendations to the SEC on the audit inspection results both at the firm level and the engagement level. The QARP comprises six non-practitioner members and three practitioner members. To maintain the independence of QARP and their opinions, the SEC requires that the number of the attending non-practitioner members in each session be greater than the number of the attending practitioner members and not have any relationship to or any interest in the cases being adjudicated.



Mr. Prasan Chuaphanich



Positions:

- Independent Director and Chairman of the Audit Committee, Singha Estate Public Company Limited
- Honorary Chairman and Advisor of the Board of Directors, Thai Institute of Directors (Thai IOD)
- Member of the Finance and Property Committee, King Mongkut's University of Technology Thonburi
- Expert Member, Public Sector Audit and Evaluation Committee, Office of the Public Sector Development Commission (OPDC)
- Chairman, Subcommittee on Public Sector Audit and Evaluation for Ministries Group No. 5
- Expert Member, Subcommittee on Public Sector Audit and Evaluation in relation to determining guidelines and methods of auditing and evaluating public sector
- Member of the State Enterprise Director Manifest Committee, State Enterprise Policy Office (SEPO), Ministry of Finance
- Expert Member on Accounting, Dumping and Subsidy Committee, Ministry of Commerce
- Advisory Board of Center for Building Competitive Enterprises (CBCE), Thai Listed Companies Association
- Expert Member, Accounting Professions Regulatory Commission, Professions, Ministry of Commerce
- Expert Member, General Insurance Fund Management Committee, Ministry of Finance
- Chairman of the Accounting Standard Scrutinizing Subcommittee, Thailand Federation of Accounting Professions Under The Royal Patronage of His Majesty The King (TFAC)
- Vice Chairman of the Board, Chairman of the Executive Committee, Member of the SCBX Group Control Committee and Member of the Nomination, Compensation and Corporate Governance Committee, SCBx Public Company Limited
- Director and Member of the Executive Committee, Siam Commercial Bank Public Company Limited
- Chairman of the Board of Directors, AutoX Company Limited
- Chairman of the Board of Directors and Chair of Nomination, Compensation and Corporate Governance Committee, Monix Company Limited
- Independent Director, Chairman of the Audit Committee and Member of the Nomination and Compensation Committee, KEX Express (Thailand) Public Company Limited



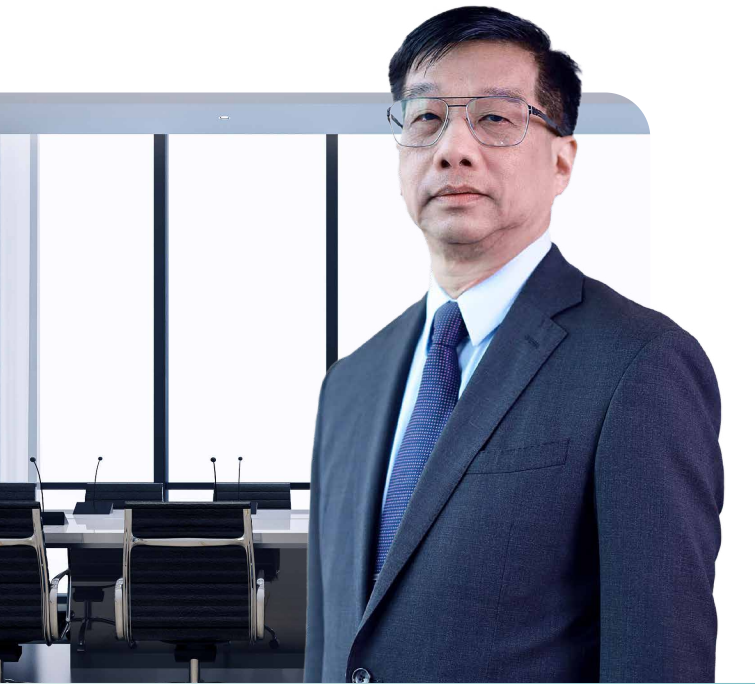
Work experiences:

- Expert Member, Public Organization Development and Promotion Committee
- Director, SCB DataX Company Limited
- Expert Member, State Enterprise Policy Committee (SEPC)
- Expert Member, Board of Directors, Thailand Arbitration Center, Ministry of Justice
- Expert Member, Audit Subcommittee, Investment Subcommittee and Chairman of the Budgetary Subcommittee, Life Insurance Fund
- Advisor to the Prime Minister, The Prime Minister's Office
- State Enterprise Director Nomination Subcommittee, State Enterprise Policy Office (SEPO), Ministry of Finance
- Commissioner, Audit Committee and Chairman of Subcommittee on Governance and Remuneration, SEC
- Independent Director, Member of Audit Committee and Chairman of Sustainable Development Committee, Advanced Info Service Public Company Limited
- Audit Committee of Administrative Management, Mahidol University
- Chairman of the Board of Directors, Thai IOD
- Chairman of the Corporate Governance Report for Thai Listed Companies Steering Committee, Thai IOD
- Chairman, Thailand's Private Sector Collective Action Against Corruption Certification Committee, Thai IOD
- Independent Director, Member of Audit Committee, and Chairman of the Nomination and Remuneration Committee, Thai Solar Energy Public Company Limited
- Commissioner of Advanced Insurance Institute, Office of Insurance Commission (OIC)
- Commission Member (Accounting) and Chairman of the Audit Committee, Office of Insurance Commission (OIC)
- Independent Director and Chairman of the Audit Committee, PTT Global Chemical Public Company Limited
- Chairman of the Audit Committee, Thai IOD
- Member of the Advisory Committee on Corporate Governance and Policy, Thai IOD
- Council member, IFRS Advisory Council, IFRS Foundation, London, United Kingdom
- President of TFAC
- Member, Subcommittee on the Reform of International Economy and other Economic Matters, National Reform Council
- Expert Member of the General Insurance Fund under the Ministry of Finance
- Independent Director, Namheng Concrete (1992) Company Limited
- Executive Committee, Faculty of Commerce and Accountancy, Chulalongkorn University
- Member, Advisory Committee for ASEAN CG Scorecard Project, Thai IOD
- President, Alumni Association of Faculty of Commerce and Accountancy, Chulalongkorn University
- Chairman of the Auditing Profession Committee, TFAC
- Vice President, TFAC
- Executive Chairman, PricewaterhouseCoopers ABAS Limited, Joint Executive Chairman of PricewaterhouseCoopers Southeast Asia Peninsula Region
- Chairman, Accounting Systematization Committee, TFAC



Education:

- Honorary Doctorate Degree in Accounting, Kasem Bundit University
- Bachelor of Accounting (Second Class Honors), Chulalongkorn University
- Diploma in Auditing, Chulalongkorn University
- Ivey School of Business, University of Western Ontario, Canada Executive Management Program
- Harvard Business School, Boston, U.S.A. - Leading Professional Services Firms
- Certified Public Accountant
- ASEAN Chartered Professional Accountant



Mr. Ayuth Krishnamara



Positions:

- Chairman of the Subcommittee, Regulations Consideration Subcommittee on the Operation of Mutual Funds Management Business - Property Funds, Infrastructure Funds, and Real Estate Investment Trusts, SEC
- Member of the Subcommittee, Regulations Consideration Subcommittee on Securities Issuance and Offering - Bond, Derivatives and Complex Products, SEC
- Expert Board Member, the Capital Market Supervisory Board (CMSB), SEC
- Member of The Financial Institution Policy Committee, Bank of Thailand
- Subcommittee of the Accounting Standard Scrutinizing Subcommittee, TFAC
- External Consultant on Risk Management Standard for Financial Institution and its Financial Group, Bank of Thailand
- Advisor, the Philatelic Association of Thailand



Work experiences:

- Expert Board Member, the Corporate Bond Stabilization Fund (BSF) Committee
- Member of the Risk Management Committee and Secretary, Bangkok Bank Public Company Limited
- Executive Vice President in charge of Accounting and Finance Division and Manager of Risk Management Division, Bangkok Bank Public Company Limited
- Director, Bualuang Ventures Limited
- Director, the Asian Bankers Association (ABA), Taipei, Taiwan
- Vice Chairman, BBL Asset Management Co., Ltd
- Chairman, Basel Club, Thai Bankers Association
- Chairman, IFRS Club, Thai Bankers Association
- Chairman, Thai Forex Club (ACI), Thai Bankers Association



Education:

- Master of Business Administration, Pepperdine University, Los Angeles, U.S.A
- Bachelor of Science - Chemical Engineering, Lehigh University, Bethlehem, U.S.A.
- Advance Management Program, Harvard Business School, Boston, MA, U.S.A.
- National Defense Academy (NDA), Class of 2004
- Capital Market Academy Leadership Program (6th Batch)



Mr. Piyapong Sangpattarachai



Positions:

- Capital Markets Product Management Head, KASIKORNBANK Public Company Limited



Work experiences:

- Director of the Thai Bond Market Association (ThaiBMA)
- President - ACI Thailand, ACI Financial Markets Association
- Board of CMDF Digital Infrastructure Company Limited
- Board Member and Public Relations, TFAC
- Executive Director, KPMG Phoomchai Audit Limited
- Manager, CFO Advisory Division, KPMG, Melbourne, Australia
- Accounting and Valuation of Financial Instruments Specialist (IAS 39/IFRS 9/IFRS 13), KPMG Phoomchai Audit Limited
- IFRS speaker for various regional and international companies, financial institutions, government agencies and educational institutions



Education:

- Master of Professional Accounting, The University of Texas at Austin, U.S.A.
- Bachelor of Business Administration, The University of Texas at Austin, U.S.A.
- ASEAN Chartered Professional Accountant
- Certified Public Accountant, Texas, U.S.A
- Certified Public Accountant
- Investment Consultant Complex Product 1
- Treasury Dealer Certification



Mrs. Unakorn Phruithithada



Positions:

- Independent Director and Audit Committee, Sri Trang Gloves (Thailand) Public Company Limited
- Chairperson of the Subcommittee to study and follow the development of International Financial Reporting Standards (IFRS), TFAC
- Independent Director and Chairman of Audit Committee, Industrial and Commercial Bank of China (Thai) Public Company Limited



Work experiences:

- Auditor (Partner), PricewaterhouseCoopers ABAS Limited
- Member of Accounting Standard Setting Committee, TFAC
- Chairperson of the Subcommittee to Conduct Feasibility Study for the Preparation of Accounting Standards for Digital Assets, TFAC
- Independent Director and Chairman of Audit Committee, Principal Capital Public Company Limited



Education:

- Master of Computer Applications and Information Systems with Distinction, New York University, U.S.A.
- Master of Accounting, Thammasat University
- Bachelor of Accounting, Thammasat University
- Certified Public Accountant, New York, U.S.A
- Certified Public Accountant
- ASEAN Chartered Professional Accountant
- Certification from Thai IOD



Mrs. Suwannee Phuripanyo



Work experiences:

- Partner, PricewaterhouseCoopers ABAS Limited, Thailand
- Director, Coopers & Lybrand Associates Company Limited
- Financial Controller, Bristol-Myers Squibb (Thailand) Company Limited
- Manager, Coopers & Lybrand Associates Company Limited
- Internal Audit Manager, Johnson & Johnson (Thailand) Limited
- Audit Supervisor, Coopers (Thailand) Limited



Education:

- Master of Accounting, Thammasat University
- Bachelor of Accounting, Thammasat University
- Higher Graduate Diploma of Auditing, Thammasat University
- Certified Public Accountant



Mrs. Nonglak Pumnoi



Positions:

- Executive Vice President, Accounting and Finance Department, Muang Thai Group Holding Company Limited
- Audit Committee Member, The Office of the Personal Data Protection Committee
- Vice Chairman, Accounting and Tax Subcommittee, The Thai Life Assurance Association



Work experiences:

- Executive Vice President, International Business Department, Muang Thai Life Assurance Public Company Limited
- Subcommittee Member, Monitoring and Studying the Impact of Financial Reporting Standards on Insurance Contracts, TFAC
- Partner, EY Office Company Limited



Education:

- Bachelor's degree of Accounting, Chulalongkorn University
- Certified Public Accountant
- ASEAN Chartered Professional Accountant

03

Activities for Enhancement of Financial Reporting Quality



Activities for Enhancement of Financial Reporting Quality

“The SEC continuously organizes activities and continues various projects to enhance the quality of financial reporting systems, build trust and confidence, and develop the Thai capital market toward stable and sustainable growth.”



Strengthening Relevant Stakeholders



The SEC supports the enhancement of auditors' capabilities in the capital market

In 2024, the SEC organized training sessions and seminars to enhance knowledge of auditors in the capital market on the following topics:

- 2024 IESBA International Code of Ethics for Professional Accountants
- Thai Financial Reporting Standard 17 Insurance Contracts (TFRS 17)
- Audits of Group Financial Statements (Including the Work of Component Auditors) Following Thai Standard on Auditing (Revised) (TSA 600)

- Exercising Professional Skepticism in the Audit

The SEC, in collaboration with Thailand Federation of Accounting Professions (TFAC), organized a seminar titled “Exercising Professional Skepticism in the Audit” for auditors in the capital market. The seminar aimed to enhance auditors' recognition on the importance of professional skepticism in audits, while also providing opportunities for them to gain insights from case studies on various types of financial reporting fraud. These insights are expected to contribute to the improvement of audit procedures' quality in the future. The seminar was held on 24th September 2024 at TFAC Building.



- Issues and Case Studies related to Accounting and Auditing of IPO and Listed Companies

The SEC, in collaboration with TFAC, organized a seminar titled “Issues and Case studies related to Accounting and Auditing of IPO and Listed Companies” for auditors in the capital market. The seminar facilitated the exchange of knowledge and perspectives on issues and case studies related to accounting and auditing with the aim of applying and adapting these insights to the audit of financial statements of Initial Public Offering (IPO) and listed companies to further enhance audit quality. The seminar was held on 12th January 2024 at TFAC Building.

The SEC joins efforts to promote the roles of Financial Advisors (FA) and Chief Financial Officers (CFO)

- TLCA CFO Professional Development Program No. 1/2024: The SEC supported TLCA in co-presenting a lecture on the topic “Guidelines for Enhancing Quality of Financial Reports”
- Seminar on the topic “Enhancing the Quality of IPO: Issues and Challenges”

On 5th November 2024, the SEC, together with the Investment Banking Club and the Stock Exchange of Thailand, organized a seminar titled “Enhancing the Quality of IPO: Issues and Challenges” under the strengthening good governance of securities issuers project. The seminar aimed to support FA in preparing companies for IPO. It also provided a platform for participants to exchange experiences and share insights on fundraising preparation, including due diligence guidelines and IPO quality enhancement.



Strengthening and Developing the Capital Market toward Sustainable Growth

In 2024, the SEC continued major projects in various areas and introduced new initiatives to enhance the quality of auditors and audit firms in the capital market, as described below:



The SEC, in collaboration with mid- and small-sized audit firms, discussed guidelines for enhancing audit quality and fostering sustainable growth

On 12th July 2024, the SEC convened a meeting with representatives from mid- and small-sized audit firms in the capital market at the SEC Building to address issues and exchange views on guidelines for enhancing audit quality and fostering mid- and small-sized audit firms toward sustainable growth.



Promoting Electronic Bank Confirmation on Blockchain Project

The SEC representatives participated in a meeting to develop a bank confirmation system using Blockchain technology to support the auditing process. The system is expected to enhance efficiency, speed, security, and reliability in managing transactions and requesting information from banks, while preventing information forgery. The system developer, BCI (Thailand) Company Limited, launched the service on 30th May 2024.



Amending Rules to Ensure Alignment with the Current Context of the Accounting Professions

The SEC has continuously reviewed and amended rules and regulations to align with the current situation and context of the accounting professions, while also accommodating future changes in support of quality and sustainable growth of the capital market. In 2024, the SEC implemented key regulatory amendments as follows:

- The SEC has revised the Notification on Approval of Auditors in the Capital Market to enhance quality and governance of audit firms in the capital market. The revised notification requires that auditors in the capital market be affiliated with audit firms that have at least four auditors in the capital market, to take effect from 1st July 2024 onwards. For capital market auditors who are currently affiliated with audit firms in the capital market, the requirement will take effect from 1st March 2026 onwards.
- The SEC conducted a public hearing on draft amendments to the Securities and Exchange Act, B.E. 2535 (1992) regarding the supervision of auditors and audit firms in the capital market.
- The SEC is reviewing feedback from a public hearing on the concept of requiring audit firms in the capital market to appoint IT experts to evaluate their IT systems. The SEC plans to issue a circular early in 2025, outlining guidelines for supervising and evaluating the information technology of audit firms in the capital market, along with the results of the hearing.

The SEC inspires new generations on a journey toward the accounting professions

The SEC is committed to supporting educational development and has established collaborations with various institutions to enhance Thai students' capabilities. Through seminars featuring expert guidance in specialized fields, the SEC provides students with opportunities to develop professional skills, build confidence, and prepare for future career pathways.





Achieving Quality Growth with International Recognition

The SEC is a member of the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG), which consist of independent agencies responsible for regulating and supervising auditors from several countries. Membership in these forums has fostered international cooperation, creating opportunities for members to exchange knowledge and experiences to develop an oversight system for supervising and regulating auditors and audit firms, while aligning Thai financial reports with internationally recognized standards. Furthermore, the SEC has joined the International Organization of Securities Commissions Committee 1 Accounting, Audit and Disclosure (IOSCO) to discuss and exchange perspectives on changes to financial reporting standards, auditing standards, and code of ethics for the accounting professions, while also providing feedback on draft professional standards to international bodies responsible for their development.



Advancing Staff Knowledge

The SEC places strong emphasis on the continuous development of the staff's capabilities, equipping them to effectively apply and adapt their knowledge in supervising and improving the quality of financial reporting by companies in the capital market, as well as ensuring the effective and efficient performance of auditors. Internal training sessions are regularly conducted on key topics such as the code of ethics for the accounting profession, financial reporting standards, auditing standards, and other relevant issues in the field. In 2024, the training topics included:

- 2024 IESBA International Code of Ethics for Professional Accountants
- Audits of Group Financial Statements (Including the Work of Component Auditors) Following Thai Standard on Auditing (Revised) (TSA 600)
- Thai Financial Reporting Standard 17 Insurance Contracts (TFRS 17)
- Sustainability Reporting and Climate Risks
- Exercising Professional Skepticism in the Audit
- Issues and Case Studies related to Accounting and Auditing of IPO and Listed Companies



04

Auditing Landscape in Thailand in 2024



Auditing Landscape in Thailand in 2024



1. Introduction

The total market capitalization of listed companies



17.21 trillion baht

(decreased by 0.64% or 0.11 trillion baht from 2023)



account for **93%** of Thailand's GDP¹

The total number of juristic persons registered with the Department of Business Development and still in operation



928,292 juristic persons

(increased by 4% or 37,975 juristic persons from 2023)



117:1
Juristic persons per CPA

The total number of listed companies



860 companies

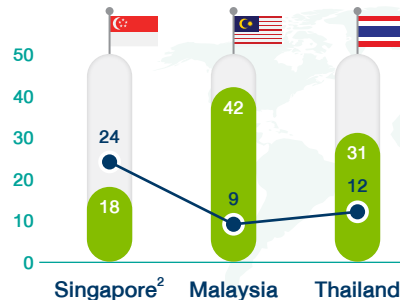
(increased by 3% or 21 companies from 2023)
640 SET listed companies
220 MAI listed companies



2.38:1
Listed companies per capital market auditor

Auditors registered with TFAC and having active membership

11,717 members



Number of audit firms in the capital market

The ratio of capital market auditors to audit firms in the capital market

Active CPAs

7,959 auditors



account for **68%** of auditors registered with TFAC and having active membership

Auditors in the capital market

361 auditors

(net increased by 1% or 4 auditors from 2023)



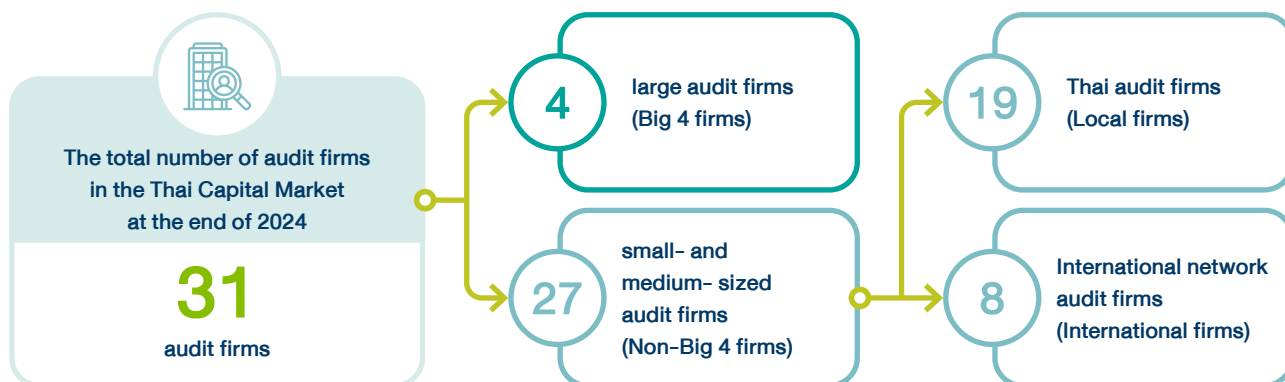
account for **5%** of active CPAs

¹ National Accounting Division, Office of the National Economic and Social Development Council, Gross Domestic Product Article, Quarter 4/2024, issued dated 17th February 2025, retrieved on 7th March 2025 from https://www.nesdc.go.th/ewt_dl_link.php?nid=5176&filename=qgdp_page

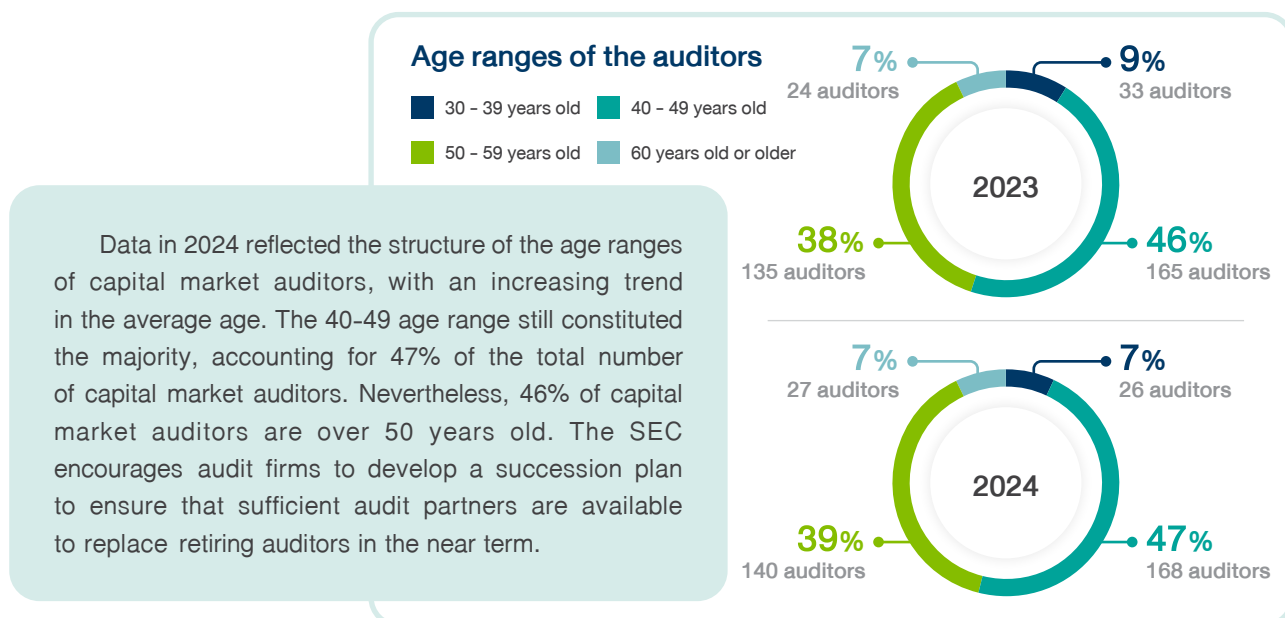
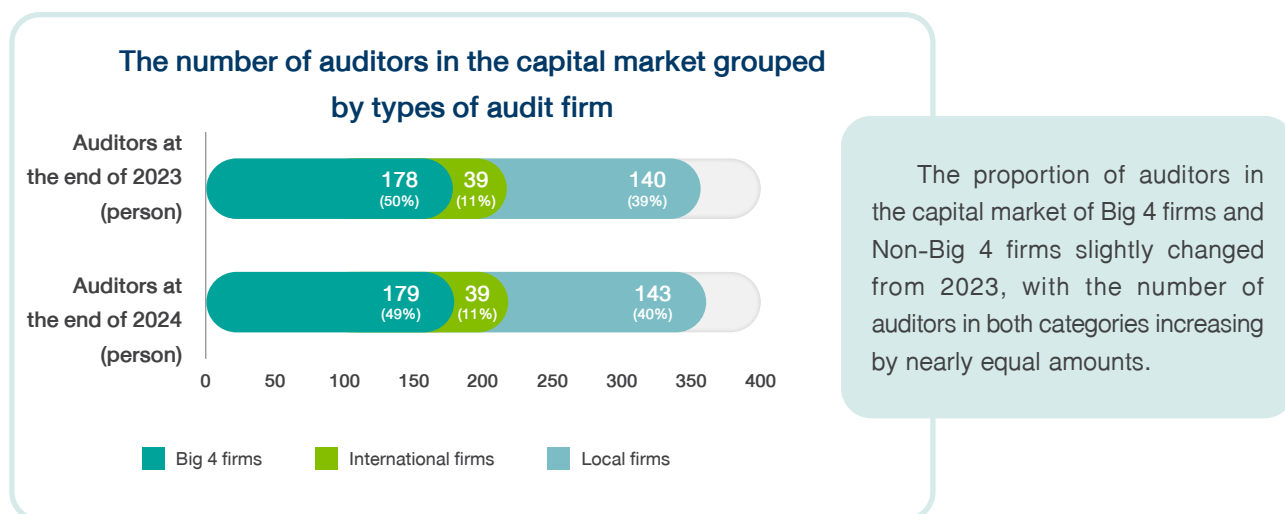
² This report is based on the number of auditors and audit firms in Singapore's capital market as of 31st March 2024, with reference to Accounting and Corporate Regulatory Authority (ACRA). (2024). Audit regulatory report 2024, retrieved on 7th March 2025, from <https://www.acra.gov.sg/audit-regulatory-report-2024.pdf>

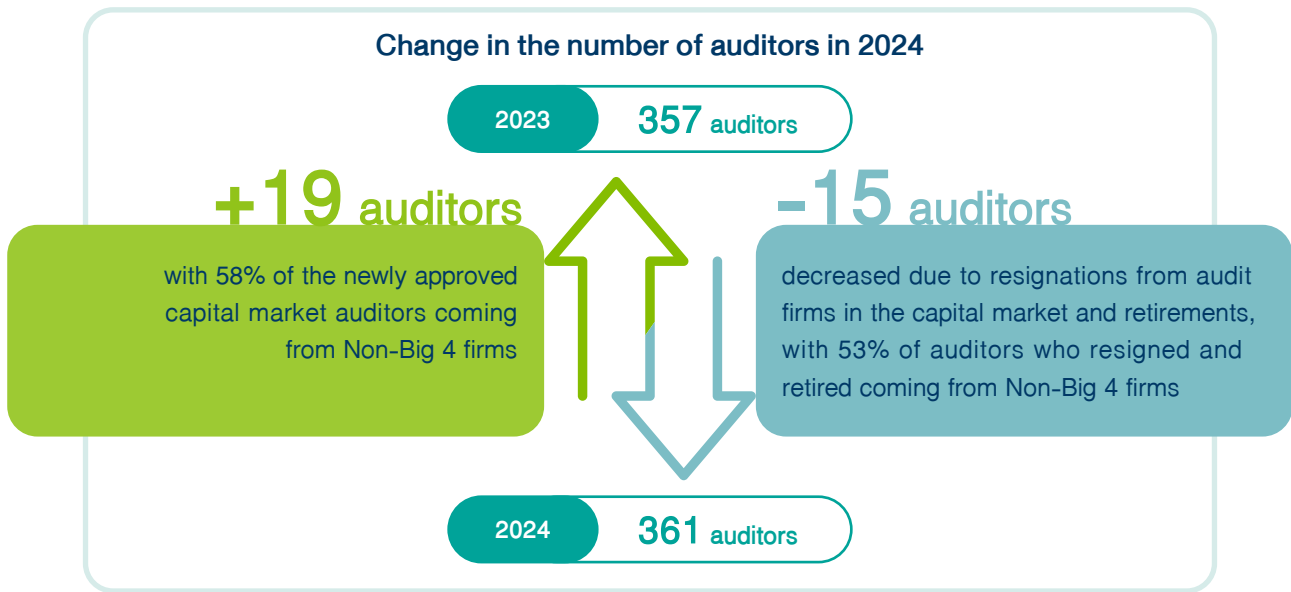


2. Overview of Auditors in the Capital Market and Statistical Data considered as Audit Quality Indicators (AQIs)



2.1 The number of auditors in the capital market at the end of 2024

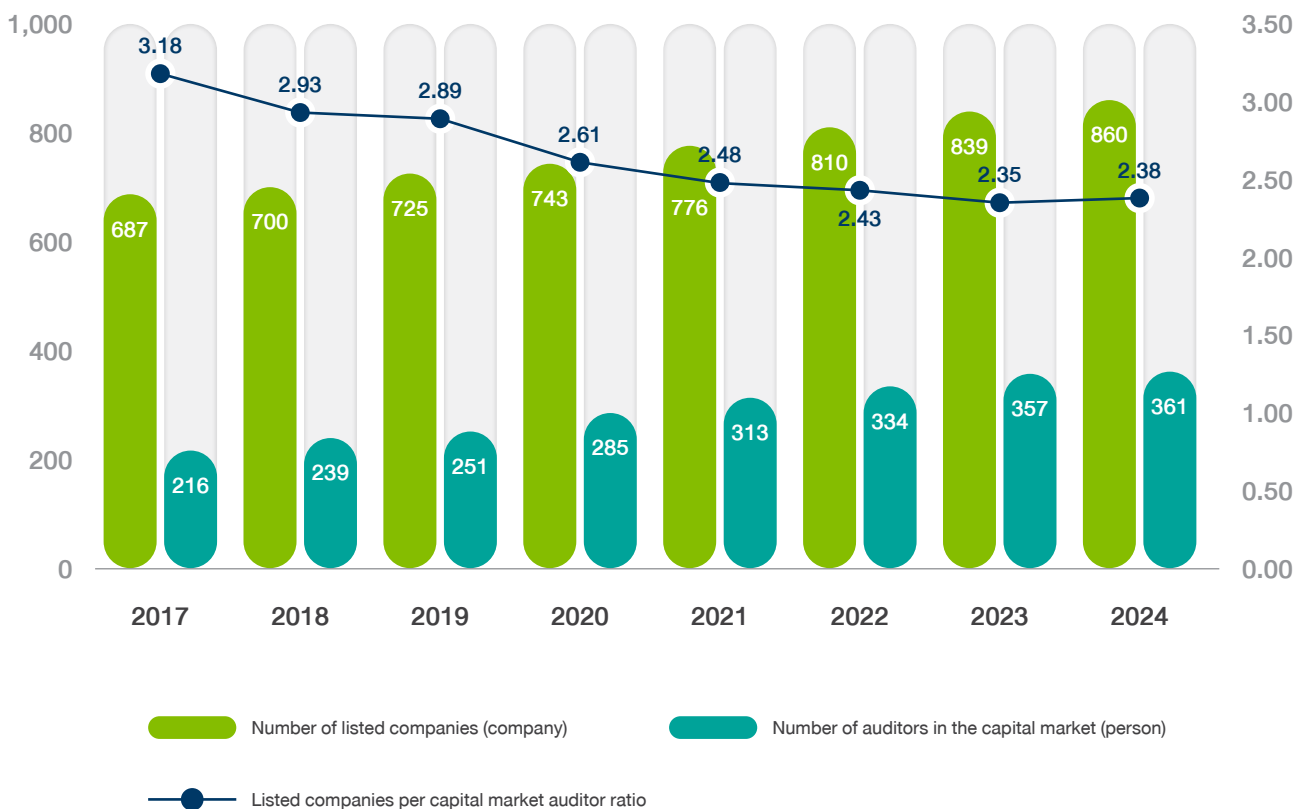




2.2 Listed companies per capital market auditor ratio

In 2024, the ratio of listed companies per capital market auditor was 2.38, which slightly increased from the 2023 ratio of 2.35. However, the number of listed companies continues to rise, reflecting ongoing economic expansion and the growth of the Thai Capital Market. Therefore, undertaking actions to ensure an adequate number of capital market auditors with sufficient quality remains a matter that the SEC consistently prioritizes.

Listed companies per capital market auditor ratio from 2017-2024





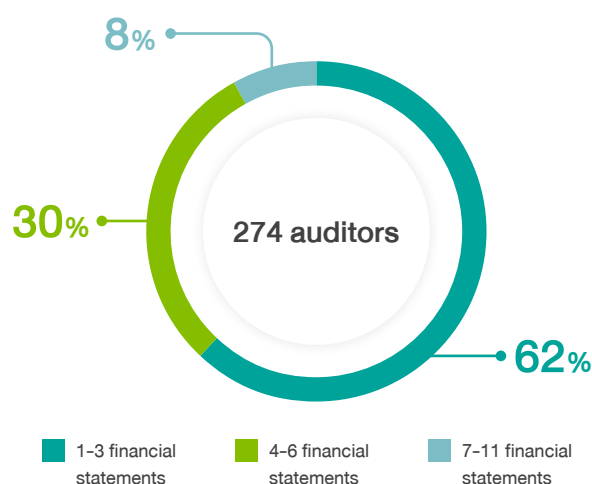
Number of listed companies and Initial Public Offering (IPO) companies in each category of audit firm

The SEC has consistently prioritized monitoring of capital market auditors to ensure that they accept an appropriate number of audit engagements, as accepting excessive audit workload could adversely affect audit quality.

However, each audit firm's capacity to accept audit workload may differ based on various factors, such as the availability of human and technological resources, as well as expertise in specific businesses. In addition, the firm's size and the complexity of its client engagements must also be taken into consideration.

The number of auditors who affixed their signatures in giving opinions on listed companies' and IPO companies' financial statements

Audit engagements of listed companies and IPO companies tend to have more risks and complexity than audit engagements of companies outside the capital market. This also includes an expedited due date for the submission of financial statements, as well as a high number of financial statement users. Thus, the SEC has placed importance and focused on inspecting the audit quality of auditors who accept a particularly high number of audit engagements of listed companies and IPO companies. Additionally, the SEC emphasized the inspection of audit firms concerning the appropriate number of audit engagements accepted and the allocation of portfolio to each partner.



The ratio of listed companies and IPO companies per capital market auditor who affixed their signatures in giving opinions on listed companies' and IPO companies' financial statements in 2024

3.27



Capital market auditors who affixed their signatures in giving opinions on listed companies' and IPO companies' financial statements in 2024, account for **76%** of the total number of capital market auditors

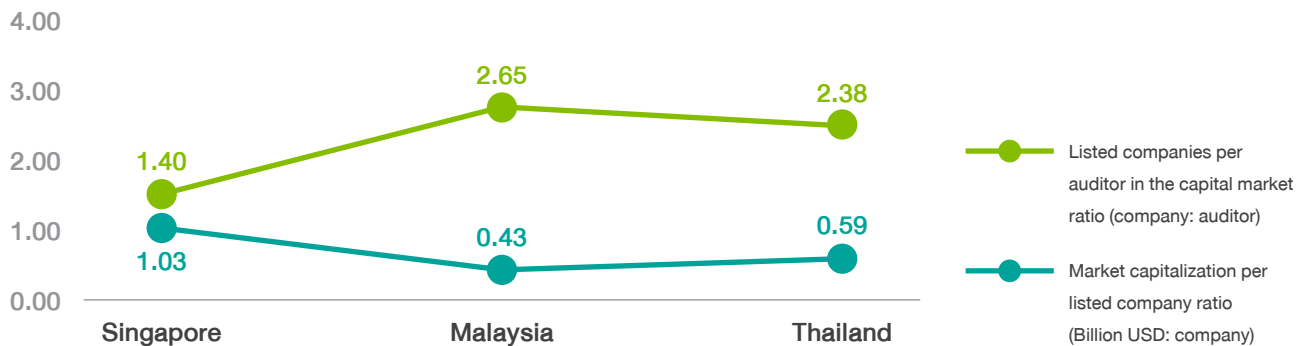


The **87** capital market auditors who did not affix their signatures to the financial statements in 2024 were primarily those who had recently received approval from the SEC, were assigned as Engagement Quality Reviewers (EQR), or served as consultants on professional standards for audit teams



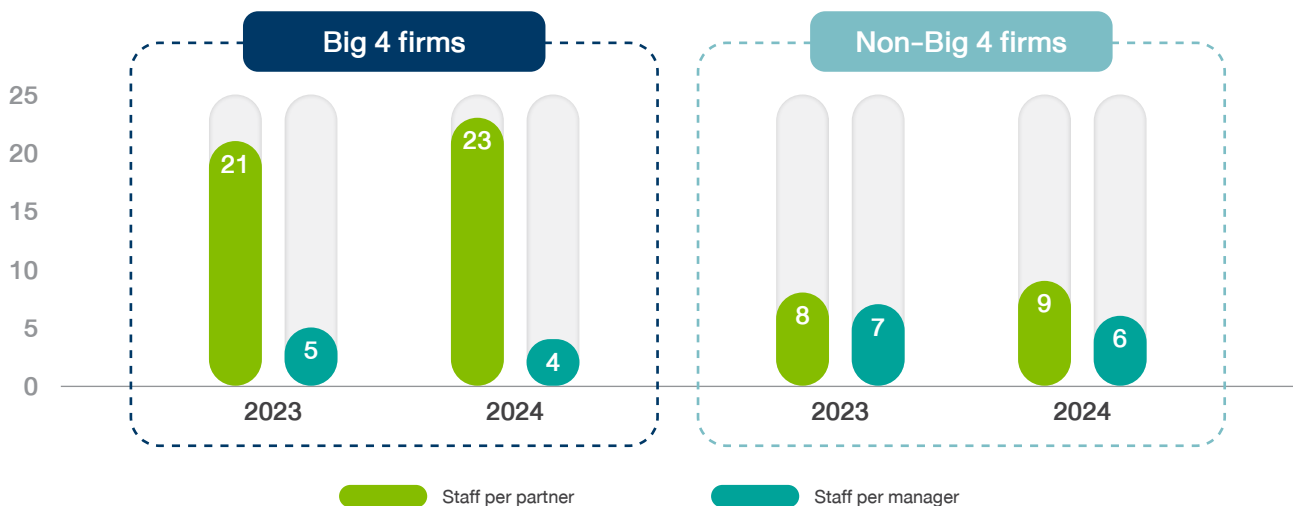
2.3 Auditing landscape in Thailand, Singapore, and Malaysia as of 2024

The ratio of listed companies per auditor in the capital market
and the ratio of market capitalization per listed company as of 2024



The market capitalization per listed company ratio is one of the factors that reflect the size, complexity, and risks of companies in the capital market. A higher market capitalization often implies that auditors may need to dedicate more time and resources to ensure that the audit is conducted with sufficient quality and in accordance with professional standards. Therefore, auditors must accept an appropriate number of audit engagements to consistently maintain audit quality. In 2024, it was found that the market capitalization per Thai listed company ratio was USD 0.59 billion, while the ratio of listed companies per capital market auditor was 2.38, comparable to those observed in neighboring countries. Furthermore, when considering the appropriateness of auditors' workload, it is important to take into account not only the volume of engagements, but also other contextual factors, such as the nature of the business, the complexity of accounting transactions, and the level of readiness of the listed companies.

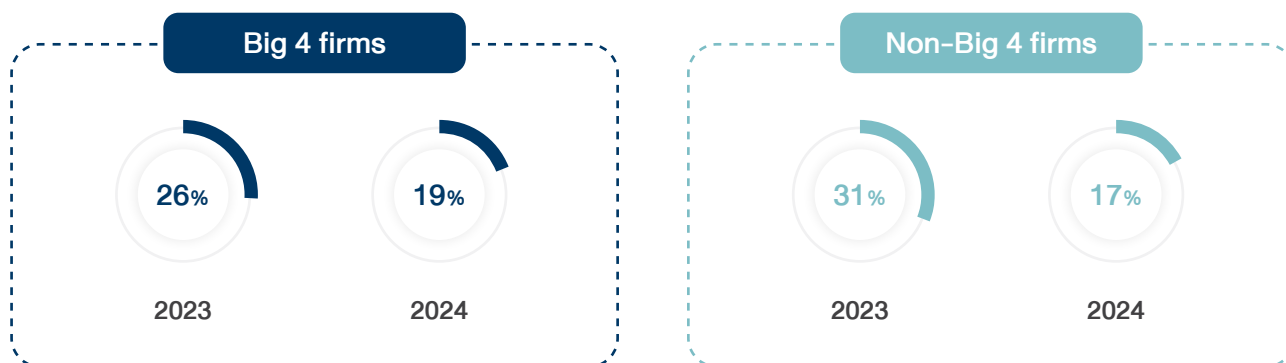
2.4 Supervision of audit staff



In 2024, the ratios of staff per partner and staff per manager remained approximately the same as in 2023. The ratio of staff per manager decreased in both Big 4 firms and Non-Big 4 firms, demonstrating that managers were able to closely control audit quality. However, the staff per partner ratio slightly increased, though it remained at a level conducive to the development and control of audit quality. Nevertheless, audit firms should prioritize the supervision and development of human resources to consistently maintain audit quality. If audit firms have adequate staff to perform audits, and if the ratios of staff per partner and staff per manager are not excessively high, it will reflect that both partners and managers have sufficient time to appropriately supervise and review the audit performance of senior and junior staff.

2.5 Turnover rate

Turnover rate by audit firm type



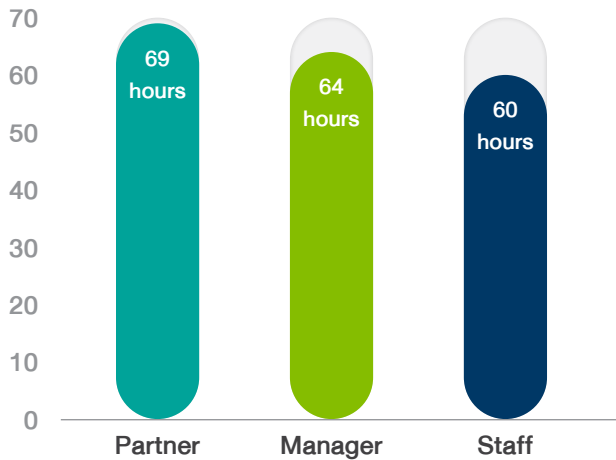
In 2024, the average turnover rate decreased considerably, demonstrating the recognition and priority given to retaining staff with the knowledge and capabilities required by audit firms. Over the past year, the majority of audit firms continued to prioritize implementing various measures to retain potential staff for the long term. Such measures include applying technologies in audit work to decrease unnecessary workloads that do not require the exercise of professional judgment, conducting employee satisfaction surveys so that audit firms can provide direct responses to employees' needs, establishing remuneration that is attractive and reflects the quality and quantity of assigned work, and improving the shift toward a hybrid working environment. However, senior and junior staff still have the highest turnover rate for all audit firm types.

2.6 Experience of staff



In 2024, the average years of audit experience among the staff of audit firms in the capital market remained consistent with those observed in 2023. The average years of experience for each staff level is one of the important factors demonstrating audit teams' proficiency (skills and capabilities), as well as their experience in exercising professional skepticism and their ability to gather audit evidence to appropriately draw audit conclusions. However, assessment of audit quality should be conducted together with root cause analysis at the engagement level, as there are various factors affecting audit quality. In fact, the audit will be of quality when audit firms assign work that is appropriate to the audit teams' levels of knowledge, capability, and experience, as well as allocate sufficient time in accordance with the quantity and complexity of the work. This also includes review and oversight of audit performance by an individual with a level of audit experience that is sufficiently higher than that of the audit team.

2.7 Organizing training sessions for staff in each level



In 2024, audit firms in the capital market consistently prioritized developing proficiency (skills and capabilities) at each staff level. This is evidenced by the training hours per staff level, which exceed the minimum of continuing professional development hours mandated by Thailand Federation of Accounting Professions (40 hours).

Organizing training sessions for staff at each level will help increase their capabilities in audit performance, enhance their knowledge and understanding of professional standards, and further develop their audit performance skills to be more efficient and effective, particularly in recent periods when accounting standards

have been continuously amended. Ensuring that staff can perform audits with quality and appropriately comply with the requirements of standards is a priority for audit firms in the capital market. In addition to organizing training sessions on the amended professional standards for staff, audit firms also organized training sessions regarding the application of technologies and data analytics in audits, to increase the effectiveness of audit performance and to accommodate the business environment that increasingly uses the application of technologies.

2.8 Rate of involvement in audit work, grouped by staff level and type of audit firm in 2024³

| | Engagement partner ⁴ | | EQR | | Manager | |
|-----------------|---------------------------------|-----|------|-----|-----------------|-----|
| | Min | Max | Min | Max | Min | Max |
| Big 4 firms | 1% | 10% | 0.1% | 3% | 3% | 22% |
| Non-Big 4 firms | 1% | 26% | 0.1% | 8% | 0% ⁵ | 53% |

Audit performance hours of engagement partners, EQR, and managers are important determinants that reflect the level of involvement in audits needed to ensure quality audits and consistency with professional standards. Staff at the experienced level play a crucial role in advising and overseeing audit teams from audit planning, consideration of complex issues and those requiring the exercise of professional judgment to the review of audit teams' work, ensuring that the audit evidence gathered is sufficient and appropriate for drawing audit conclusions and issuing audit reports. If staff at the experienced level, who have a high level of professional skepticism, are sufficiently involved in audit performance, they will be able to detect anomalies while the audit is being conducted and provide timely and useful advice to audit teams.

³ The rate of involvement in audit work is calculated from the audit performance hours of staff at each level, compared with the total audit performance hours.

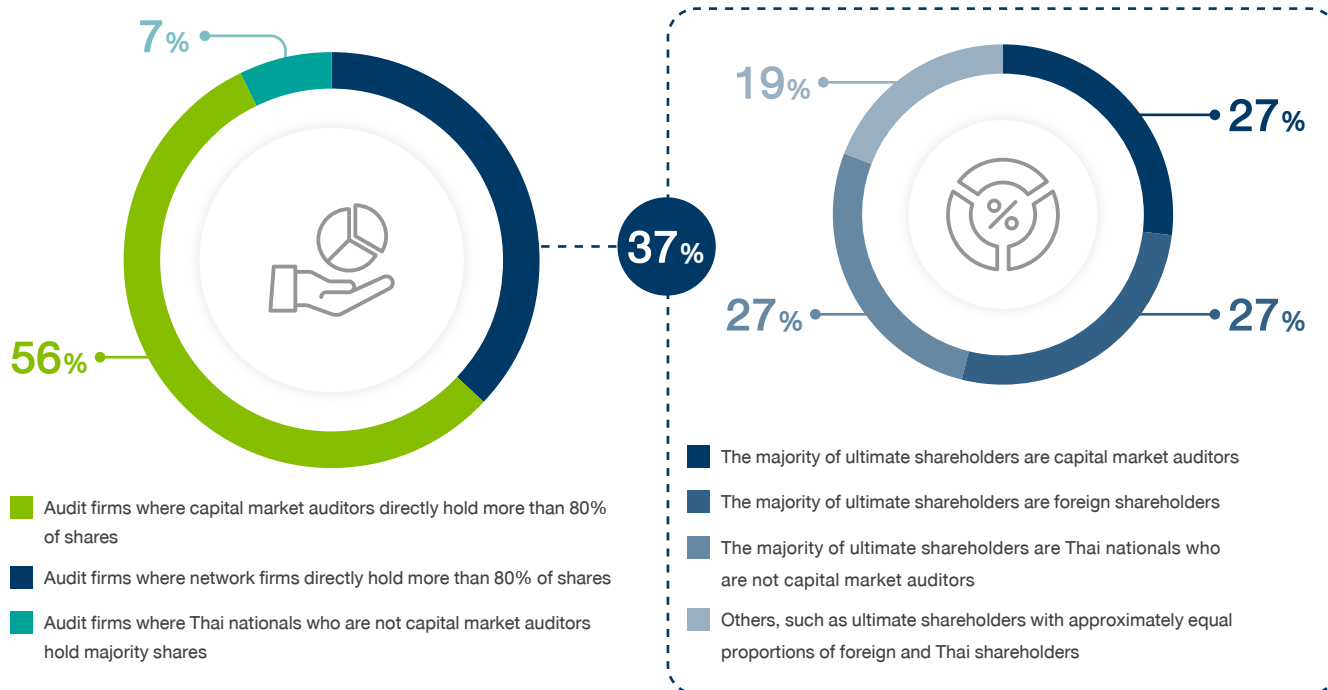
⁴ The term engagement partner is used in accordance with the definition provided in the International Code of Ethics for Professional Accountants.

⁵ Since the manager responsible for the audit engagement resigned without a replacement, the manager's hours dedicated to the engagement were 0%. However, the hours contributed by the engagement partner and EQR involved in the audit were significant. The SEC viewed that assigning the engagement partner to the manager's role, even with increased time spent on the engagement, could not replace having a dedicated manager. This would be considered reviewing their own work, leading to a lack of checks and balances and an increased risk of failing to detect material misstatements. Nevertheless, the SEC informed the audit firm of this finding in order for the firm to develop and improve its quality management system.



3. Shareholding Structure of Audit Firms in Thailand

Shareholding Ratios of Audit Firms



Over the past year, the International Forum of Independent Audit Regulators (IFIAR), of which Thailand is a member, reported a growing trend of private equity investment in audit firms across its member countries. The report found that such investments by parties outside the auditing profession not only provide audit firms with greater access to capital, enabling them to develop technologies and improve quality management systems, but also enhance competitiveness of capital market auditors.

However, such trend may raise concerns about impacts on public interest, particularly regarding audit quality, independence and compliance with the International Code of Ethics for Professional Accountants, which are essential factors that audit firms and certified public accountants must follow as guiding principles in work practices. When audit firms receive capital from private equity investors who may lack understanding of auditing principles and frameworks, as well as professional ethics, this could lead to conflicts of interest and result in audit firms prioritizing profits over maintaining audit quality, thereby affecting the credibility of the audit procedures.

Nevertheless, according to a study of the shareholding structure of 30 audit firms⁶ established as limited companies in Thailand, it was found that most audit firms are still majority-owned by capital market auditors, without a clear indication of increasing private equity investment. However, the SEC will continue to monitor private equity investment trends in Thai audit firms and maintain ongoing communication with the audit firms to emphasize the importance of upholding audit quality and standards, as well as adherence to the ethical conduct of audit professionals.

⁶ There are 31 audit firms in the capital market - 30 established as limited companies and one as a group of individuals. The shareholding ratios shown in the diagram above exclude the firm established as a group of individuals.

Essential Statistics

Record of audit firms' quality control inspection result and record of approval of capital market auditors

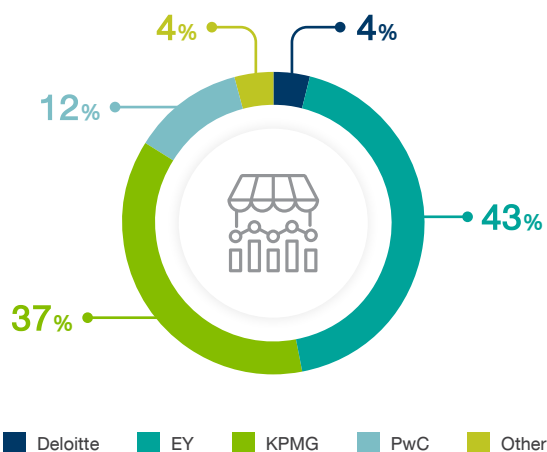
unit: firm/person

| Year | Number of audit firms that have undergone inspections of their quality control/ management systems | Number of applicants (excluding withdrawal of application) | Number of approved auditors | | Number of rejections | Number of withdrawals |
|------|--|--|-----------------------------|-------|----------------------|-----------------------|
| | | | New | Renew | | |
| 2020 | 12 | 62 | 40 | 22 | - | - |
| 2021 | 15 | 79 | 31 | 48 | - | 1 |
| 2022 | 9 | 101 | 25 | 76 | - | 2 |
| 2023 | 4 | 70 | 34 | 36 | - | 2 |
| 2024 | 11 | 68 | 19 | 48 | 1 | 1 |

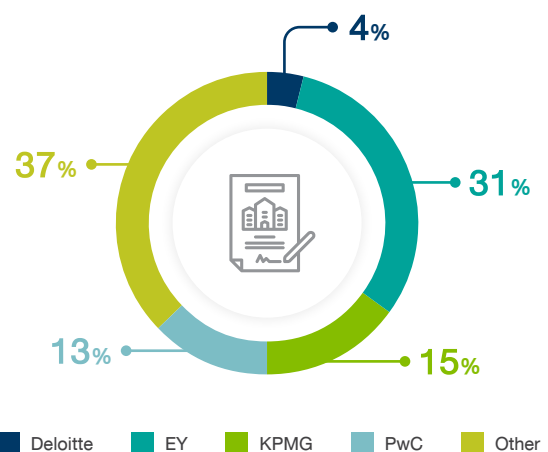
Record of sanctions imposed on auditors

| Wrongdoings | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------|---|--------------|------|---|
| Failure to fulfill his or her duty as required by professional standards | - | 1 warning and disclosure on the SEC website | 1 suspension | - | 2 warnings and disclosures on the SEC website |

Proportion of listed companies audit clients of each audit firm measured by market capitalization as of 31st December 2024



Proportion of listed companies audit clients of each audit firm measured by number of listed companies as of 31st December 2024



05

Audit Inspection Result

| | |
|---------------------|----|
| A. Firm Level | 28 |
| B. Engagement Level | 42 |



Audit Inspection Result



A. Firm Level

“Having an efficient quality management system at the firm level will enhance and support performance of audits in meeting professional standards, thereby increasing the creditability of financial information. This is a key factor in building trust and confidence in the capital market.”



Risk-Based Approach



The SEC conducts inspections on quality management systems of all audit firms before permitting them to accept engagements in the capital market and reviews their quality management systems on a continuous and consistent basis, using a risk-based approach. To determine the frequency and scope of inspection, the following factors are considered:

- **Market capitalization:** Impact on the capital market;
- **Past inspection result:** Findings from the previous inspection cycle of audit firms' quality;

This is to ensure that audit firms maintain the quality of the affiliated auditors' performance in accordance with professional standards.

Inspection of quality management systems in 2024 at a total of 11 audit firms

In 2024, the SEC conducted inspection of quality management systems at a total of 11 audit firms.



The market capitalization of listed companies audited by the 11 audit firms, whose quality management systems were inspected by the SEC, accounts for 99% of the total market capitalization as of 31st December 2024.



Theme inspection



RA (The Firm's Risk Assessment Process):

- Establishing quality objectives, identifying and assessing quality risks, as well as designing and implementing responses to address the quality risks to ensure appropriateness for the size, complexity, and risks of audit firms.



AC (Acceptance and Continuance of Client Relationships and Specific Engagements):

- Risk assessment in the client acceptance process for audits, with a particular focus on the readiness of the audit firm's personnel.
- Response and dispatch of the professional clearance letter.



LD (Governance and Leadership):

- The governance structure of audit firms.
- Preparation to increase number of auditors in the capital market to meet the minimum requirement (4 persons) as stipulated by the SEC.
- Appropriateness of portfolio allocation to partners.



EP (Engagement Performance):

- Qualifications and responsibilities of engagement quality reviewers.
- Involvement of staff at the partner and manager levels in audits.



ER (Relevant Ethical Requirements):

- Policies and guidelines on disclosing information related to audit fee and non-audit service fee in cases where audit firms provide service to the clients that are public interest entities (PIEs).
- Policies and guidelines when the ratio of professional fees from any client is high when compared to the total professional fees of the audit firm (fee dependency).
- Compliance with professional ethics regarding partner rotation.



R (Resources):

- Adequacy and allocation of human resources
- Information technology (IT) Governance and Security.



MO (Monitoring and Remediation Process):

- Root cause analysis of deficiencies and the establishment of remediation plans based on firm-level monitoring and findings from the SEC.
- Assessment of the efficiency and effectiveness of quality management systems.

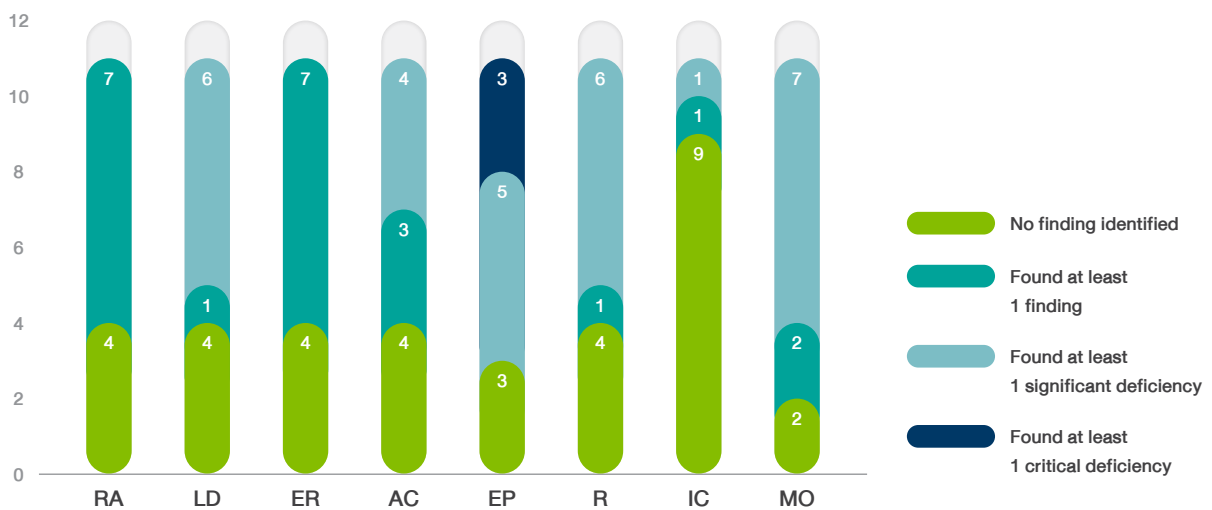
1. Overall inspection result of quality management systems

Thai Standard on Quality Management 1 (TSQM 1) overall inspection result of the 11 audit firms



2. Overall inspection result of the quality management systems of each TSQM 1 component

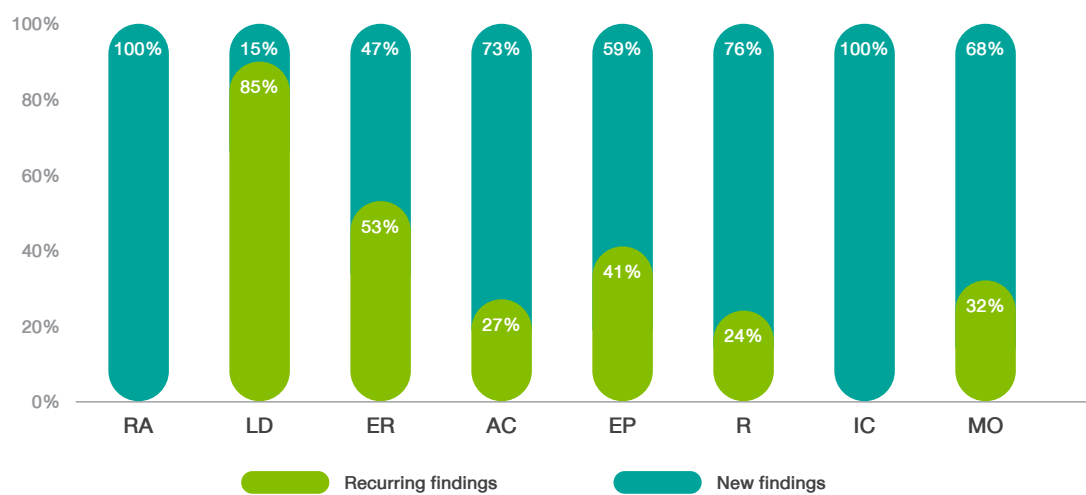
Number of audit firms with findings or deficiencies found in each TSQM 1 component



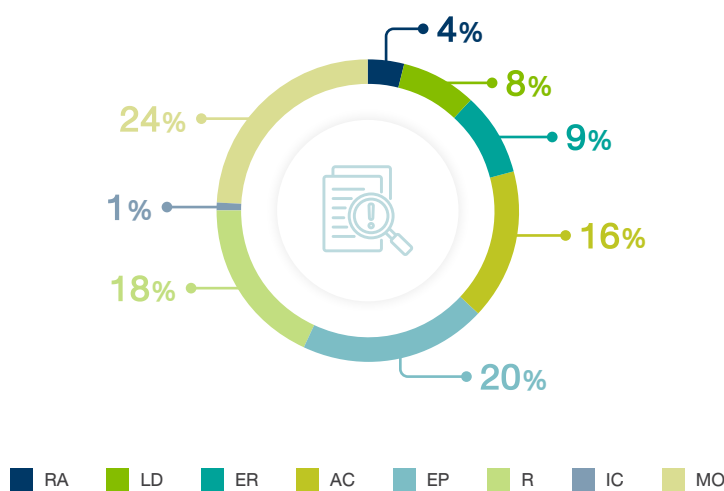
From overall inspection result of the quality management systems in each TSQM 1 component for 2024, the majority of audit firms have addressed some of the findings identified by the SEC during the previous inspection cycle. Nevertheless, 36% of the findings in the current inspection cycle are recurring from those previously identified. The components with the most findings identified include monitoring and remediation process; and engagement performance.

As for the critical deficiency identified in the component of engagement performance, it pertains to the adequacy and appropriateness of engagement performance concerning the difficulty and complexity of matters such as impairment of assets, business combinations, digital assets, and fraud risk assessment. Consequently, the SEC required the audit firms to conduct a root cause analysis of the deficiency and establish a remediation plan to be submitted to the SEC, including periodic reporting on the results of the remediation plan until the deficiency is fully resolved.

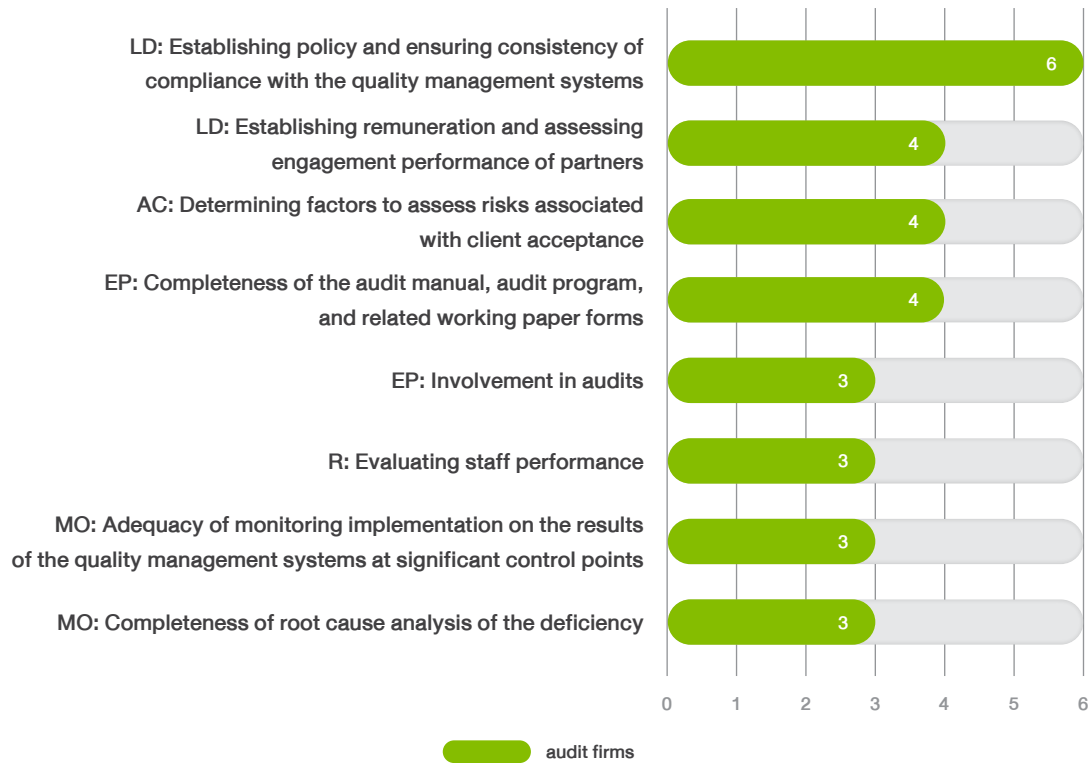
Types of findings identified in each TSQM 1 component



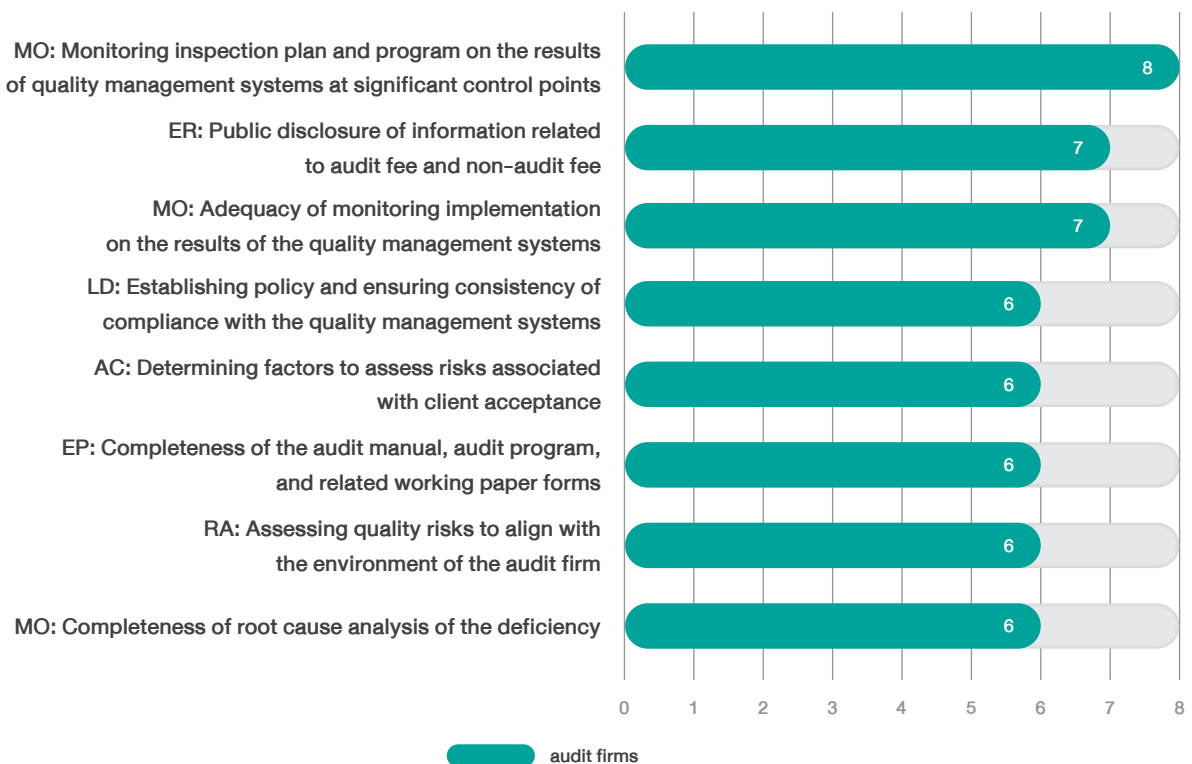
Percentage of findings in each TSQM 1 component



Top 8 Recurring findings



Top 8 Common findings



Findings from the inspection of quality management systems of audit firms

Risk Assessment

“Implementing a risk assessment process to establish quality objectives, and assess quality risks, as well as design and implement responses to address the quality risks will enable audit firms to establish procedures for efficiently managing their audit quality.”



Findings

Audit firms did not establish criteria or preliminary guidelines to assist individuals responsible for each TSQM 1 component in applying professional judgment to assess the likelihood and magnitude of impact in order to assess associated risks of each TSQM 1 component in a consistent manner. This results in an inconsistent outcomes of risk assessment across components.

Furthermore, the SEC also identified findings on the assessment of residual risk—that is, the risk that remains after responses have been designed and implemented to mitigate risk level. However, the audit firms had not yet assessed residual risk, leaving them unaware of which residual risks still remain and whether additional response methods should be implemented to bring the risk levels within acceptable range.



Recommendations



Audit firms should establish clear criteria or guidelines for determining and assessing risks to ensure that their staff are provided with approaches or methods to assess risks in a consistent manner. This includes requiring an assessment and review of residual risks to consider additional necessary response methods in cases where residual risks are found to exceed acceptable levels, enabling audit firms to appropriately manage such risks.

Governance and Leadership

“Heads of audit firms play a crucial role in shaping direction and establishing firm culture that prioritize audit quality by allocating adequate resources to ensure quality engagement performance and governing the firms such that they consistently maintain a robust quality management systems.”



Findings

Heads of audit firms have not yet established firm culture that prioritizes audit quality over business aspects by accepting audit engagements in quantities and complexities that exceed the capacity of partners affiliated with the firms to ensure quality engagement performance. This includes portfolio allocations to partners without considering time limitations for submitting listed companies' financial statements, as well as the other workloads assigned to each partner as responsible individuals, such as management responsibilities for the quality management systems under TSQM 1 and tasks related to technical consultation. These factors have prevented partners from dedicating sufficient time to perform their assigned work with quality, consequently affecting audit quality.

Heads of audit firms have not yet taken appropriate and sufficient actions in various aspects to effectively address the findings that were identified, resulting in the SEC continuing to detect recurring issues.



Recommendations



Heads of audit firms should establish firm culture that prioritizes audit quality over business aspects. They should not only specify quality aspects in written policies, but should also implement them. One example demonstrating that the heads of audit firms prioritize audit quality is their consideration in accepting audit engagements and allocating them to partners in quantities and levels of complexity that enable partners to ensure quality engagement performance in accordance with professional standards.

Heads of audit firms should foster a culture and governance framework within the firms to prioritize audit quality. This can be achieved by conducting a root cause analysis, establishing a clear remediation plan, and specifying a remediation timeframe aligned with the findings' impact levels. These measures will help ensure that the findings are addressed in a timely manner and reduce the likelihood of recurrence.

Relevant Ethical Requirements

“Audit firms must establish policies and practices to ensure that the firms and their staff are capable of fully complying with auditors’ ethical requirements, especially regarding independence and client confidentiality, to build credibility for both the audit firms and the audit profession.”



Findings

The International Ethics Standards Board for Accountants (IESBA) has amended the Handbook for the International Code of Ethics for Professional Accountants (2023 Edition), requiring audit firms to disclose information related to audit fees and non-audit service fees provided by the audit firms and network firms to clients that are public interest entities in cases where such clients have not disclosed such information to the stakeholders. This will enable stakeholders to use such information as part of their consideration regarding the independence of audit firms. Nevertheless, for Thailand, there is Form 56-1 One Report, which requires listed companies to prepare and submit the report to the SEC, specifying the disclosure of audit fee and non-audit service fee information. However, the form does not require the disclosure of other fee-related information as mandated by the Code of Ethics, such as the amount of outstanding fees, and facts indicating that the remuneration fees received by the audit firm from a client has a value close to or exceeding 15% of the audit firm’s total remuneration for two consecutive years.

From the inspection of quality management systems of audit firms in the current inspection cycle, the SEC found that some audit firms have not yet established policies and practices regarding the disclosure of information on audit fees and non-audit service fees, nor have they disclosed such information in compliance with ethical requirements.

Recommendations



Audit firms should assign responsible individuals to consistently monitor changes in the ethical requirements of the accounting profession and amend the firms’ quality management handbook in relevant areas to ensure alignment with the revised ethical requirements of the accounting profession. Additionally, audit firms should communicate with those charged with governance of audit clients to demonstrate the benefits of disclosing information about the fees the firm receives, ensuring stakeholders stay informed.

Acceptance and Continuance of Client Relationships

“Acceptance and continuance of client relationships is a crucial process that helps mitigate risks and foster audit quality. Audit firms must assess the risks and complexities of audits in parallel with considering the knowledge, capabilities, and sufficiency of resources within the audit firms to ensure that the auditors and audit teams are capable of performing quality audit performance as specified by professional standards.”



Findings

In assessing risks for client acceptance, the SEC found that the assessment of risk levels related to management's integrity and behavior was inappropriate, as the audit firms did not specify such attributes as quality factors that could pose significant risks in the client acceptance process.

Audit firms did not have a process in place for reviewing the validity of affiliated auditors who signed the audits of financial statements to verify whether they were appointed according to the resolution of the shareholders' meeting.



Recommendations



Audit firms should specify that the assessment for acceptance and continuance of client relationships associated with management's integrity and behavior are quality factors with significant risks. These factors have a direct impact on the accuracy and credibility of financial statements. Conducting an appropriate risk assessment enables audit firms to appropriately design and implement responses to address risks and reduce them to an acceptable level.

Audit firms should establish a process to manage auditors' engagement allocation, ensuring alignment between the auditors performing duties with those reported to the shareholders' meeting for approval. This should also include a process for reviewing the validity of affiliated auditors' names who signed the audits of financial statements, confirming that they were appointed by the resolution of the shareholders' meeting. This ensures that the auditors certifying the financial statements were duly appointed and complied with relevant laws.

Engagement Performance

“Establishing clear and comprehensive policies and practices for audit procedures including an audit manual, audit program, and associated forms – along with appropriate engagement allocation, planning and supervising engagement performance by highly experienced auditors who closely monitor every critical stage, and supplementing these measures with experts consultation to address difficult and complex issues, will help audit firms to continuously and consistently foster audit quality.”



Findings

Audit firms did not clearly establish policies regarding the qualifications of knowledge and expertise of engagement quality reviewers (EQR), such as educational qualifications, a Certified Public Accountant (CPA) license, and years of experience relevant to the type of business assigned to perform the duties of an EQR. This may raise questions about whether the qualifications of the EQR are sufficient and appropriate for efficiently performing the duties of reviewing audit performance.

Issues regarding the sufficiency and completeness of evidence gathering for audits were found, as some audit performances did not comply with the audit manual, audit program, and related working paper forms used for documenting engagement performance as specified by the audit firms, particularly in important matters such as impairment of assets, business combinations, and risk assessment due to fraud.



Recommendations



Audit firms should clearly establish policies regarding the qualifications of EQR to ensure that they assign duties to individuals with qualifications appropriate for performing such duties, thereby ensuring that the review of audit performance is efficient.

Audit firms should implement measures to ensure that the audit manual, audit program, and related working paper forms used for documenting engagement performance contain sufficiently clear details that enable the audit teams to apply them correctly, completely, and in accordance with the objectives. The firms should also communicate and provide training for staff to gain an understanding of the use of the audit manual, audit program, and related working paper forms, ensuring a mutual understanding.

Resources

“Efficient resource management-by recruiting suitable personnel, providing consistent training for staff to develop knowledge and expertise in engagement performance, and conducting staff evaluation and offering compensation that motivates staff to deliver quality engagement performance-along with retaining high-potential staff within the firms in the long term, are critical factors that contribute to quality audit performance. Furthermore, managing technological and intellectual resources through appropriate implementation and maintenance will consistently support the operation of quality management systems.”



Findings

Due to the insufficient number of staff at the manager level in audit firms, partners responsible for final-stage reviews are required to perform the managerial role concurrently for the audit performance of some companies in the capital market. This has resulted in a lack of check and balance and has exposed the firms to risks of inefficient and ineffective engagement performance.

Risk assessments of information technology (IT) systems in audit firms are not clear enough to determine the quality risks to which the firms are exposed, nor do they adequately encompass the risks of audit firms, such as those related to bring your own device (BYOD), the use of mobile devices, and the specification of rights to access information and confidentiality levels.



Recommendations



Audit firms should recruit an adequate number of staff at the manager level to ensure quality audit performance prior to partners' final-stage review. The audit performance of all companies in the capital markets and IPO companies should include managers in the audit teams.

Audit firms should conduct comprehensive and appropriate risk assessments that align with the firms' environment to enable the assessment of the likelihood and magnitude of impact. This also includes designing methods or policies that adequately and appropriately respond to those risks.

Monitoring and Remediation Process

“Establishing a monitoring and remediation process that is efficient and adequately detailed will help support responsible individuals in monitoring outcomes to detect significant deficiencies comprehensively and in a timely manner. The firms can also conduct a root cause analysis of the deficiencies and appropriately define a remediation plan.”



Findings

Audit firms have not yet established sufficiently clear guidelines or criteria for measuring the severity level of findings identified through monitoring process for each component and overall.

From the inspection of audit firms' quality management systems across TSQM 1 components, the SEC found that responsible individuals overseeing the monitoring process were unable to identify significant findings, particularly at the engagement level.



Recommendations



Audit firms should establish clear guidelines or criteria for measuring the severity level of findings identified through monitoring process. This enables responsible individuals to exercise professional judgment in assessing the severity of findings in a consistent manner, in order to consider remediation for such findings in alignment with the associated risks and impacts.

Audit firms should establish measures to ensure that duties for monitoring process are assigned to responsible individuals with the necessary qualifications, authority, and sufficient time to perform such duties efficiently, and in accordance with the objectives, in order for the firms to identify findings comprehensively.

Root Cause Analysis of Findings at the Firm Level

Conducting root cause analysis of findings is a crucial process that helps audit firms establish remediation plans appropriately and effectively, while also reducing the likelihood of recurring deficiencies in the future.

From the inspection of audit firms' quality management systems in the current inspection cycle, the SEC has found that both internal and external factors are one of the significant causes behind some audit firms' inability to remediate deficiencies effectively, as outlined below:

1. Individuals responsible for overseeing audit firms' quality management systems are assigned duties and responsibilities exceeding their capacity to manage effectively.

Several audit firms assign the responsibility of overseeing their quality management systems to staff whose primary duty is to provide auditing services for clients. Some of these staff are also responsible for overseeing various components of the firms' quality management systems, while being obligated to provide auditing services to clients at a quantity no different from the other staff who work solely on providing auditing services to clients. Due to the assigned workload exceeding the available time and resources of the firms, the SEC has found that, in multiple cases, the staff of the firms prioritize auditing services and neglect or give secondary importance to the oversight of quality management systems. This results in the audit firms continuing to experience deficiencies in both quality management systems and audit performance.



2. Lack of human resources and capital for developing work systems of audit firms.

The inability of some audit firms to improve their quality management systems is partly attributed to a lack of human resources and capital for developing internal work systems. This is because stakeholders involved do not recognize the value of audit work as they should, viewing it as a cost that could be saved. This results in price competition, leading to insufficient audit fees, which consequently hinders investments in new innovations for audit performance or the development of quality management systems. Furthermore, these fees are inadequate to offer competitive compensation rates that would attract capable and experienced auditors to join the audit firms in the long term.



3. Heads of audit firms have not yet established a firm culture and governance framework that sufficiently prioritize quality.

Heads of audit firms play a critical role in fostering a firm culture and governance framework that gives foremost priority to quality. This is achieved through the firms' visions and missions, which guide the pursuit of quality goals. Therefore, thorough and consistent communication on quality expectations to staff at all levels within the firms is essential. Equally important is for the heads of audit firms to lead by example, as this plays a critical role in helping staff recognize the importance of quality. In the current inspection cycle, the SEC has found that heads of some audit firms have not established a sufficiently clear culture and governance framework that prioritizes quality. Additionally, some leaders either fail to act as an example or act in ways that contradict the firms' visions and missions as communicated to staff. This is one of the key reasons why certain audit firms continue to experience deficiencies and are unable to remediate the findings previously identified.



Audit Inspection Result



B. Engagement Level

Overview of audit inspection in the 6th inspection cycle (2024 – 2026)



Auditors who apply for approval to be auditors in the capital market for the first time must be subjected to assessment of qualifications and audit work quality.



The SEC regularly monitors the performance quality of auditors in the capital market, in line with international standards on audit oversight.

Number of capital market auditors as of 31st December 2024

361 auditors

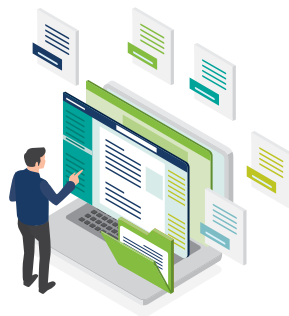
from 31 audit firms

Net increase of 4 auditors (+1%) from the 5th inspection cycle (2023)*



Number of audit engagements selected by the SEC for audit quality review of capital market auditors for 2024

69 engagements



Number of auditors granted approval in 2024

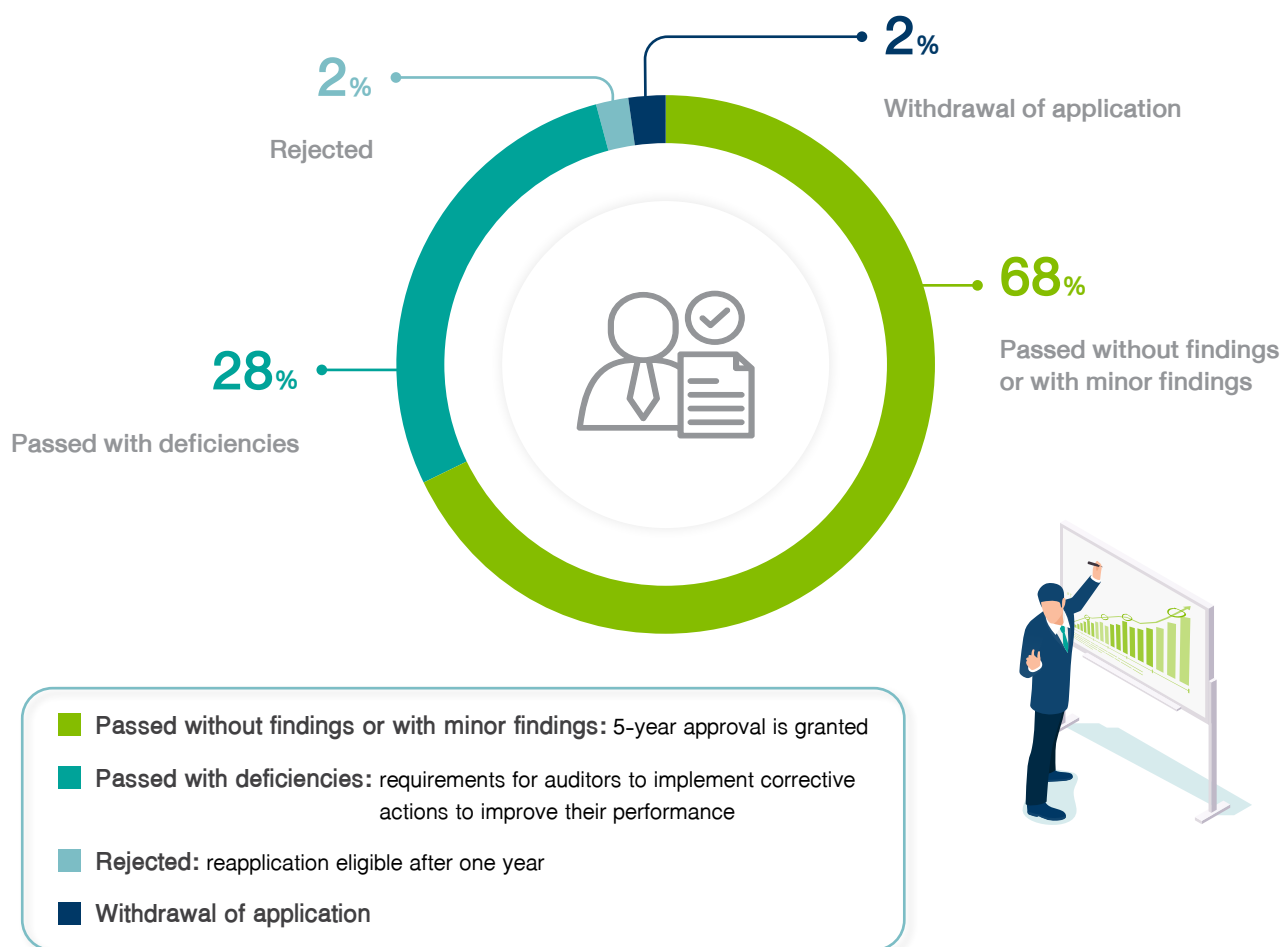
67 auditors

19 new applications
48 renewals



*The audit firm inspection cycle normally takes three years to cover all firms. However, during the 5th inspection cycle (year 2023), which was the first year the Thai Standard on Quality Management 1 (TSQM 1) came into effect, the SEC confined the scope of this inspection cycle to the assessment of the quality management systems of all audit firms by conducting inspections of four large audit firms (Big 4 firms) and assessing the readiness of the remaining audit firms through self-assessment questionnaire.

Approval results of individual auditors in 2024



Approval results of individual auditors over the past three years

| Year | Passed without findings or with minor findings | Passed with deficiencies | Rejected | Withdrawal of application |
|------|--|--------------------------|----------|---------------------------|
| 2024 | 68% | 28% | 2% | 2% |
| 2023 | 59% | 32% | - | 9% |
| 2022 | 81% | 17% | - | 2% |

In 2024, the SEC focused on audit quality review of high-risk listed companies by concentrating on the review of accounting areas that were significant, complex, or required substantial judgment, such as the inspection of compliance with Thai Financial Reporting Standard 9 (TFRS 9) for Financial Instruments and the inspection of transactions related to digital assets. Furthermore, the SEC emphasized reviewing the performance of auditors responsible for a high number of listed and Initial Public Offering (IPO) companies audit engagements, which might pose risks to audit quality. In this regard, the SEC identified key findings that auditors should consider and exercise due care when performing each audit process, as shown in the following examples:

Key findings identified in each audit process from the 2024 audit quality inspection



Planning

22%

- Assessment of risks of material misstatement due to fraud
- Assessment of risks of material misstatement (other than due to fraud)
- Determination of materiality in an audit
- Others, such as planning a group audit, and planning the audit of related party transactions



Test of control

15%

- Understanding the entity's internal control
- Sampling in test of controls
- Others, such as understanding and testing IT general controls and designing appropriate responses when control deficiencies are identified

Substantive test

50%

- Sampling in substantive test of details
- Audit of significant accounts, such as revenue and inventory
- Audit of accounting estimates, such as impairment of assets and expected credit loss of trade receivables
- Others, such as audit of journal entries, using the work of experts, performing substantive analytical procedures, and confirmation requests



Conclusion & Opinion

13%

- Assembly of audit documentation in the final audit file
- Review of engagement team's work
- Assessment of impact of uncorrected misstatements
- Others, such as evaluating the entity's ability to continue as a going concern, reviewing subsequent events after the financial statement date, and giving an opinion in the audit reports



Remark: The proportion (%) of findings in each audit process is calculated based on the number of engagements in which the findings were noted in 2024.

Details of key findings identified from the 2024 audit quality inspection in each audit process

Planning



Findings

1. Assessment of risks of material misstatement due to fraud

- Identification and assessment of fraud risk were incomplete, such as:
 - Failure to assess fraud risk from management override of controls, such as recording significant transactions outside the entity's normal course of business or management bias in preparing accounting estimates.
 - Failure to assess fraud risk in the revenue account(s) or in other high-risk accounts without providing reasonable justification.
- Identification of 'What Can Go Wrong' was not sufficiently clear, as there was no identification of accounts or transactions susceptible to fraud, how, where and when fraud might be perpetrated, and how fraud might be concealed. This resulted in audit responses to fraud risk that were generic and not specifically designed to detect fraudulent transactions-especially those related to revenue recognition-as the auditor only stated that the entity might record fictitious revenue, without specifying which accounts or transactions, or how, where, when fraud might be perpetrated, and how such fraud might be concealed. Consequently, specific audit procedures were not designed to address the risk.



Recommendations



To design audit procedures that appropriately address fraud risk, auditors must assess the information received during the risk assessment process to identify risk factors that may create incentives or pressures for management to commit fraud, or that may provide opportunities for fraud to occur.

Although internal controls might be designed and operating effectively, management is in a unique position to perpetrate fraud by overriding the controls. Such risk could be present in all entities and fraud is typically committed through the recording of misstated transactions in journal entries, the use of biased assumptions in accounting estimates, and the recording of unusual transactions to misstate financial statements or conceal misappropriations of assets. Therefore, the auditor must assess fraud risk with skepticism and due care, including design and perform audit procedures to appropriately test transactions as specified by Thai Standard on Auditing 240 (TSA 240) regarding the auditor's responsibilities relating to fraud in an audit of financial statements.

The auditor must clearly define what can go wrong by specifying which accounting transactions-for example, which type of revenue and which management assertions-are exposed to fraud risk, as well as how, where and when fraud might be perpetrated, and how such fraud might be concealed, to enable the auditor to design specific responses to fraud risk.



Findings

2. **Assessment of risks of material misstatement (other than due to fraud)**

- **Assessment of inherent risk** without assessing the source of likelihood and the magnitude
- **Incomplete assessment of the risks of material misstatement at the assertion level**, such as failing to assess the risks regarding the existence of inventories or the adequacy of disclosures of property, plant and equipment, where such assertions were significant.
- **Inappropriate risk assessment**, such as failing to assess inherent risks as high risk despite the account being considered as a significant risk, not obtaining an understanding of the entity's controls related to significant risks, and assessing control risks as low without performing test of controls.



Recommendations

The auditor must obtain an understanding of the classes of transaction, account balances, and disclosures relating to the accounts under audit in order to assess risks and identify the related assertions. When assessing inherent risk, the auditor must comprehensively and appropriately assess the likelihood and magnitude of material misstatement associated with the assertions for each account.

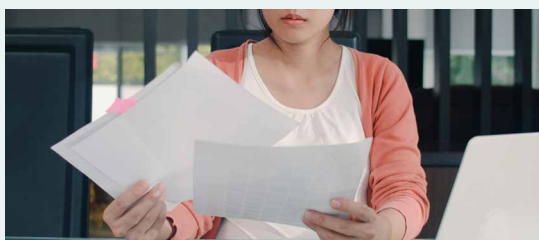
In addition, the auditor must evaluate whether the assessed risks of material misstatement are significant in order to develop plans for obtaining an understanding of the entity and its environment, performing tests of control, and substantive tests of significant risk transactions appropriately.



Findings

3. Determination of materiality in an audit

- **Selecting a benchmark inappropriately or failing to provide sufficient supporting rationale for the selected benchmark**, such as selecting total assets or total revenue as a benchmark for a profit-oriented entity that has not experienced volatility in profit, or profit before tax too low to be used as a benchmark, without adequately documenting the rationale behind the reason why the auditor believed users of financial statements would focus on total assets or total revenue rather than profit.



Recommendations

Determining an appropriate materiality level enables the auditor to plan and perform the audit in order to assess the risks of material misstatement and determine the nature, timing, and extent of audit procedures appropriately.

The auditor must consider all factors that could affect the determination of the benchmark so that an appropriate benchmark is selected for calculating the materiality level. Examples of such factors include the financial statement components that are of greatest interest to users of the financial statements and the volatility of the chosen benchmark.

Example: Selecting a benchmark for determining materiality in an audit

Company A is a public company listed on a stock exchange. It operates a retail business with consistent revenue and profit before tax. However, the company's profit before tax in any year has been relatively low compared with its revenue due to the nature of a low-margin business. In determining materiality for the current year audit, the auditor selected total revenue as the benchmark, providing the rationale that profit before tax was relatively low compared with total revenue.

Findings

The auditor failed to appropriately consider all relevant factors when determining total revenue as the benchmark—for example, whether users of the financial statements of this company would focus on revenue rather than profit. As Company A is a publicly listed entity with a history of stable operating profits, financial statement users are more likely to pay greater attention to the company's profit rather than total revenue. Therefore, the SEC observed that selecting revenue as the benchmark would not be suitable in this case. Furthermore, the auditor should consider whether the determined materiality would enable the auditor to detect misstatements that would influence the economic decisions of the financial statement users. For example, if materiality was set too high, the auditor might not detect adjusting entries that had significant impact on the company's profit, even to the extent of turning an operating profit into a loss.



Test of control



Findings

1. Understanding the entity's internal control

- **Insufficient understanding and testing of key controls**, such as:
 - Failing to obtain an understanding of the controls in the entity's new revenue stream.
 - Assessing control risk as low without obtaining an understanding of and performing test of controls.
 - Failing to perform test of key controls that the auditor planned to rely on, such as control over the process for requisitioning construction materials for construction projects.



2. Sampling in test of controls

- **Failure to stratify the population:**
 - The population with different characteristics was not sub-divided into sub-populations for test of controls. For example, a company had revenues from sales of goods and services, where sales process and terms and conditions for each type of sales differ. Consequently the number of samples tested was not adequate.

Recommendations



The auditor must obtain a sufficient understanding of the entity's business operations in all material aspects to be able to appropriately identify risks and controls relating to material accounting transactions. In this respect, having sufficient understanding of the entity's internal controls will be beneficial to the identification and assessment of the risks of material misstatement at the financial statements and assertion levels. Such understanding will also help the auditor to appropriately design audit procedures.

In obtaining an understanding of controls related to an audit, the auditor must assess the design of controls and consider which controls are key controls and whether they are appropriately designed and whether the entity has implemented such controls, using procedures beyond inquiry, such as observing the implementation of controls and performing walkthrough procedures of the relevant process. Furthermore, if the auditor plans to rely on the effectiveness of these controls and assesses control risk as low, the auditor must perform test of controls.

The auditor must obtain a sufficient understanding of the control environment relevant to the population from which samples will be selected for test of controls. If it is determined that the control environment varies across the population, the auditor should consider stratifying the population and select samples for separate test of controls for each sub-population based on the control environment and key controls of each sub-population. This approach enables the auditor to draw appropriate conclusions regarding the effectiveness of controls for each sub-population.



Findings

- **Inappropriate sample selection.** The method applied did not result in all items in the population having equal chance of being selected and the sample did not cover the time period that the auditor planned to rely on control. Examples include:
 - Selecting samples exclusively from one branch: For example, in a sample size of 10 sampling units, the auditor selected all 10 units from one branch, when in fact the company operates 50 branches, without any supporting rationale.
 - Selecting samples only from a specific time period: For example, selecting samples exclusively from transactions occurring from January to September and not testing transactions from October to December to cover the entire year, or not performing other procedures to obtain sufficient evidence that controls remain effective during the last three months.
- **Data that were used as the population for audit sampling were not tested for accuracy and reliability.**



Recommendations



Furthermore, the auditor must select samples using appropriate methods to ensure that every sampling unit in the population has an equal chance of being selected and that the sampling covers the period during which the auditor intends to rely on controls in order to ensure reasonable conclusion from performing test of controls relative to the population.

When the auditor uses information produced by the entity, the auditor must obtain audit evidence regarding the accuracy and completeness of that information. For example, when performing test of controls related to purchase order approvals, the auditor must verify that the sampling frame containing purchase orders is complete before selecting the samples.

Substantive test



Findings

1. Sampling in substantive test of details

- **The sample size for test of details was insufficient to reduce audit risk to an acceptably low level.** For example, using a confidence factor that was too low, as it did not correspond with the level of the assessed risks of material misstatement (RMM).
- **The determination of the population for cut-off testing was inappropriate.** The population did not cover the period during which the entity was exposed to cut-off risk. For example, the test of controls revealed that the lead time between the transaction date and the recording date could be as high as 15 days; however, the auditor tested cut-off transactions using a 7-day cut-off period without providing a rationale for this timeframe.



2. Audit of inventory

- **The observation procedures for inventory count were inappropriate:**
 - The observation procedures for the inventory count were not planned appropriately. For example, the observation was conducted at only one warehouse, even though the company has multiple warehouses, and the inventory at the remaining warehouses was material to the financial statements.

Recommendations



Determination of an appropriate sample size, and using an appropriate sample selection method, will enable the auditor to draw a reasonable conclusion regarding the total population. Therefore, in audit sampling, the auditor must consider the audit objective in setting sample size for test of details of transactions and account balances. The auditor must set an appropriate level of confidence factor corresponding with the level of assessed risks, as well as evaluate all relevant factors influencing the sample size as required by Thai Standard on Auditing 530 (TSA 530) on Audit Sampling in order to determine an appropriate audit sample size. The following are example of factors that could cause sample size to increase:

- A higher RMM, which might result from high inherent risk or from the inability to assess control risk as low due to deficiencies in internal controls.
- Identified material misstatements, which require an increase in the sample size for testing to enable a reasonable estimate of the monetary amount of the misstatements.

Inventory is a material account for many companies, particularly those engaged in the business of manufacturing and selling goods. Therefore, to obtain sufficient and appropriate audit evidence regarding the existence and condition of inventory, the auditor must appropriately plan to observe an inventory count. If an entity operates multiple warehouses, the auditor must determine which warehouse locations to observe by evaluating the materiality and risk associated with inventory held at each location.



Findings

- Test count of inventory was performed using only the list-to-floor method without employing the floor-to-list method or providing any rationale for not using this method which resulted in insufficient assurance regarding the completeness of inventory.
- The cause of the discrepancy between the entity's inventory count results and the inventory report as of the count date was not investigated.
- In cases where inventory was not counted as of the financial statement date, there was a lack of audit evidence regarding the effectiveness of control over the movements of inventory between the financial statement date and the observation date of the inventory count and the accuracy and reliability of the inventory accounting records between the financial statement date and the count date.
- **Audit of net realizable value (NRV) of inventory**
 - Failure to obtain an understanding and assess the appropriateness of the NRV estimation. For example: In estimating the NRV of inventory, the auditor used an outdated price list in the calculation of NRV without considering whether using such price list was still appropriate.
 - In determining the NRV, the auditor did not consider the estimated costs of completion and the costs necessary to make the sale.



Recommendations



If inventories are not physically counted at the date of the financial statements, the auditor must obtain audit evidence regarding movements in inventory quantities between the count date and the period end to determine whether these movements have been recorded accurately by testing the effectiveness of controls and verifying the accuracy and reliability of the inventory accounting records during the intervening period.

In cases where the auditor is unable to obtain sufficient appropriate audit evidence regarding inventory quantities and conditions, the auditor must consider issuing a modified opinion.

Furthermore, to ensure that inventory is presented accurately in the financial statements, the auditor must obtain an understanding of the system used to determine obsolete inventory and the policy for establishing a provision for obsolete inventory, as well as assess the reasonableness of that policy.

In auditing the allowance for the write-down of inventories to NRV, the auditor must consider relevant information relating to the selling price and the relevant costs incurred subsequent to the year-end date, for example, by examining sales transactions subsequent to the year-end date to determine the selling prices and costs incurred, and by inquiring into the sale plans prepared by the marketing or sales department. The auditor must also obtain an understanding of other discount policies (which might not be included in the price list) that decrease the selling price, such as a volume discount.

Example: Inventory reconciliation as of the inventory rollback date

Company B is engaged in the retail business, operating multiple branches and managing a large number of product codes, with inventory being a material account. The auditor accepted the engagement to audit the financial statements for the year 20X3, which was the first year of engagement, with the objective of expressing an opinion on the financial statements for the year 20X3 and for two prior years 20X2 and 20X1. However, the auditor was only able to test the effectiveness of internal controls related to inventory only for the year 20X3.

In obtaining assurance over the existence and accuracy of inventory balances for each year, the auditor used observation procedures for the inventory count at the year-end 20X3, and performed inventory rollback reconciliations by examining the documents supporting goods received and distributed from 20X3 back to the year-end of 20X2 and 20X1. The auditor concluded that the inventory at each reporting date existed and was presented appropriately.



Findings

The auditor did not assess whether the rollback reconciliation procedures used to verify inventory at the year-end 20X2 and 20X1 would enable the auditor to obtain sufficient and appropriate audit evidence regarding the existence and condition of inventory as at each year-end, or whether such procedures could be a substitute for observation of an inventory count, considering the fact that the auditor was unable to obtain assurance on the effectiveness of internal controls over the inventory account for the period 20X1-20X2. If sufficient and appropriate audit evidence was not obtained, the auditor had to consider issuing a modified opinion as required by Thai Standard on Auditing 705 (TSA 705) on Modifications to the Opinion in the Independent Auditor's Report.



Findings

3. Audit of revenue and cost of sales

- **Audit of revenue recognition based on the percentage of completion was insufficient.** For example, there was no evidence that the auditor assessed the sources and reasonableness of the percentage of completion, or the methods and assumptions used in determining the budget cost.



Recommendations

Where revenue is recognized over time, the auditor must obtain an understanding of the processes and controls associated with the assessment of the entity's percentage of work completion, whether using the input method or the output method, and assess whether the controls and methods used in determining this percentage are appropriate. For example, the auditor must obtain an understanding of and assess the controls associated with the process of preparing and adjusting the entity's budget cost, as well as calculate the percentage of work completion to determine whether the percentage is appropriate.



Findings

3. Audit of revenue and cost of sales (continue)



Recommendations

Obtaining an understanding of and assessing internal controls will enable the auditor to identify risks and design appropriate responses. The response to risks in cases where the percentage of completion is assessed by an engineer includes obtaining an understanding and evaluating the reasonableness of the methodology used by the engineer, such as comparing the percentage determined by the engineer with the percentage of completion based on actual cost incurred and budget cost. In cases where there are concerns regarding the rationale behind the percentage determined by the engineer, the auditor must make further inquiries of the engineer or the entity's management and consider whether additional audit procedures are necessary to obtain sufficiently appropriate audit evidence to support the audit conclusion.

Example: Recognition of revenue and cost using an output method

Company C engages in the business of supplying and installing solar panels. The company measures work progress (% progress) and recognizes revenues and costs of sales using the output method as follows:

- Revenue = % progress x Total contract revenue
- Cost = % progress x Budget cost

Furthermore, the company specified the use of 20% progress when the company issued a purchase order for materials to be used in any negotiated but unsigned contract, or where installation work had not commenced.

Findings

The auditor did not assess the appropriateness of cost recognition using the % progress based on the output method as follows:

- Did not evaluate whether the recognized cost represent actual cost incurred, particularly in cases where the company recognized costs when a purchase order was issued, which could not be considered as actual incurred costs. Furthermore, the auditor did not evaluate whether the costs recognized in the income statement using % progress based on the output method complied with the applicable accounting standard.
- Did not obtain an understanding and assess the appropriateness of the % progress calculation used in revenue recognitions in order to determine whether the % progress reflected the actual work completed, given that the company recognized revenue without an enforceable contract with customers, or when installation work had not commenced.





Findings

4. Audit of accounting estimates

- Sufficient understanding was not obtained, and adequate consideration was not given regarding the appropriateness of the methods and assumptions employed by management or management's experts in developing the accounting estimates, such as:

Audit of impairment of assets

- Failure to evaluate the appropriateness of the identification of the smallest cash-generating unit (CGU) determined by the entity for asset impairment testing.
- Failure to adequately assess the reasonableness of key assumptions used in estimating the recoverable amount, such as estimated revenue growth rates that were significantly higher than historical data without sufficient supporting evidence, and the basis for determining the discount rate.

Audit of expected credit loss (ECL)

- Failure to assess whether the methodology or model used to calculate the ECL for trade account receivables or loans was in accordance with the requirement in TFRS 9.
- Failure to sufficiently assess the reasonableness of assumptions used in ECL model, such as the sources and appropriateness of the probability of default and recovery rate.



Recommendations

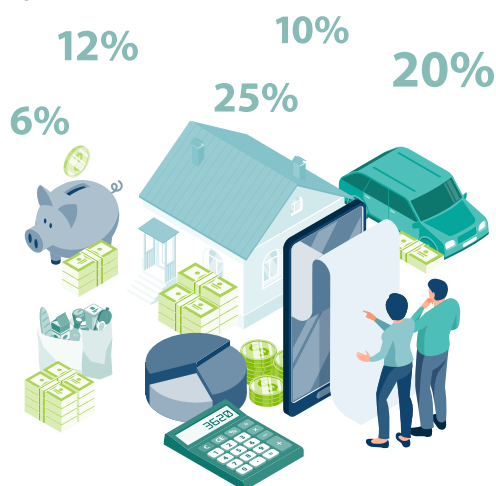


In auditing accounting estimates requiring the use of management's judgment, the auditor must obtain an understanding of the information relevant to the accounting estimates, which includes the significant judgments of the management, sources of data, and the methods that the management uses to develop estimates in order to conclude whether the accounting estimates and related disclosures are appropriate.

Furthermore, the auditor must evaluate the reasonableness of the accounting estimates and the adequacy of disclosures in the notes to the financial statements, particularly the reasonableness of key assumptions, as unreasonable assumptions can have a significant impact on the estimates. In addition, when the estimates are complex, the auditor must consider the need to involve an auditor's expert.

Example: Audit of ECL of non-performing loans and interest income recognized from loans

Company D operates a business that manages non-performing loans (NPLs). The management had engaged an expert to develop a model for estimating cash flows expected to be received from NPLs each year, for use in the calculation of the ECL of NPLs and the credit-adjusted effective interest rate (CEIR) to be used for interest income recognition and ECL calculation. However, such model was designed to estimate cash flows from the date of NPLs acquisition without revising the estimates based on actual collections. In addition, the cash flow estimates were based on key assumptions, namely the probability of default and recovery rate, calculated from historical data and adjusted using fixed constants.



Findings

- The auditor did not evaluate and test whether the model was developed to function based on the requirement in TFRS 9. As a result, the auditor did not identify that the design of the model did not require the cash flow estimates to be revised and updated at the end of each reporting period, causing an inappropriate recognition of ECL and interest income from loans.
- The auditor did not assess the sources and the appropriateness of the probability of default and recovery rate, particularly the appropriateness of fixed constants used to adjust the cash flow estimates. Furthermore, the auditor did not evaluate whether management's judgments were reasonable and free from bias in developing these accounting estimates.

Conclusion & Opinion



Findings

1. Assembly of the audit documentation in the final audit file

- Failure to fully assemble important audit documentation in the final audit file.
- Audit documentation in the final audit file was not the final version.

2. Review of audit work

- Some audit documentation was not signed-off by the reviewer as evidence of the review performed.
- The review of audit documentation was conducted after the audit report date.

Recommendations



Assembly of audit documentation in the final audit file must be complete and accurate, and the review of the engagement team's work must be finalized on or before the date of the audit report, to ensure that sufficient and appropriate audit evidence has been obtained to support an opinion in the audit report.



Findings

3. Assessment of impact of uncorrected misstatements

- The auditor identified misstatements higher than the clearly trivial threshold, but no evidence was found that the auditor reported the misstatements to management for adjustments.
- Failure to consider the qualitative impacts of the uncorrected misstatements. For example, the auditor did not assess whether the uncorrected misstatements would affect the classification of liabilities and compliance with loan covenants.



Recommendations

The auditor must communicate in a timely manner all misstatements higher than clearly trivial threshold that are identified during the audit to the appropriate level of management and request the management to correct those misstatements. If management refuses to correct the misstatements, the auditor must obtain an understanding of the management's rationale and consider and assess whether the overall financial statements are free from material misstatements.

Furthermore, in assessing whether uncorrected misstatements are material, the auditor must consider the amount, classification, presentation, and disclosure to determine whether adjustments should be made and whether the auditor is able to give an appropriate opinion on the financial statements.



Key findings from the 2024 audit quality inspection, categorized by industry sector

1

Consumer Products

Audit of revenue from sales, such as the assessment of the appropriateness of revenue recognition for each distribution channel

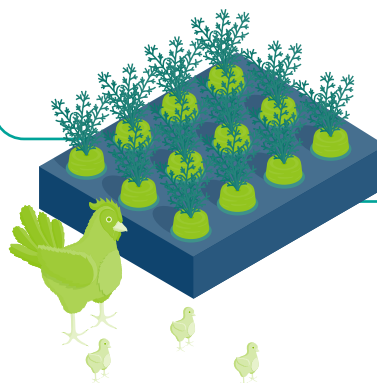


Audit of inventory, such as the observation of inventory count at some branches in cases where the entity has multiple branches, and the audit of the allowance for inventory write-down

2

Agro & Food Industry

Audit of inventory, such as the assessment of the appropriateness of the method used for counting agricultural products, and the audit of the allowance for inventory write-down and damaged inventory

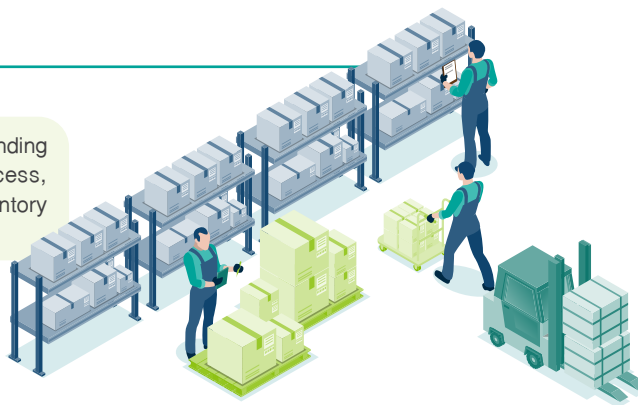


Audit of revenue and cost of sales, such as the assessment of the appropriateness of revenue and cost recognitions

3

Industrials

Audit of inventory and cost of sales, such as obtaining an understanding of and testing internal controls over the manufacturing process, observing the inventory count, and auditing the allowance for inventory write-down



4

Financials

Obtaining an understanding of the information system and testing of IT general controls, and testing of IT application controls



Audit of ECL for receivables and loans, and audit of investment impairment

Audit of digital assets, such as obtaining an understanding of the classification and recognition of digital assets, and auditing ownership rights, existence, and valuation of digital assets

Examples of findings related to the audit of digital assets

- Failure to obtain a sufficient understanding the nature and objectives of the company's digital asset holdings to assess the appropriateness of the classification and recognition of transactions according to the relevant financial reporting standards, such as intangible assets or inventory.
- Failure to obtain an understanding of and test the accuracy of smart contract terms in order to obtain assurance that the recognition of digital asset transactions reflected the underlying economic substance of the arrangements.
- Failure to sufficiently evaluate whether the company had controls over digital assets held in digital wallets and those deployed in various platform activities to obtain assurance regarding the rights and obligations related to digital assets.
- Failure to evaluate the accuracy and completeness of information used as audit evidence, such as the digital asset transaction summary report downloaded by management from the digital asset platform.

The auditor may consider the need to involve an expert in auditing smart contracts.



5

Services



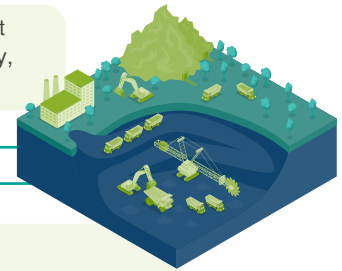
Audit of revenue recognition based on the stage of completion of services

6

Resources

Audit of the impairment assessment of property, plant and equipment

Audit of the entity's ability to continue as a going concern



7

Technology

Audit of revenue from sales, such as the evaluation of the appropriateness of revenue recognition method



8

Property & Construction

Audit of revenue recognition over time (based on the stage of completion) and construction costs estimate



Audit of revenue recognition upon transfer ownership of real estate and the cost of sales

Each industry has its own unique characteristics and inherent risks, and findings in some areas tend to be found more frequently in certain industry sectors. Auditors must obtain an understanding of the nature of the entity and its environment to ensure that the risk assessment and the planning and determination of audit scope are sufficient and appropriate in accordance with auditing standards.

Root Cause Analysis of the Inspection Findings

The findings from the engagement-level quality management system inspection may be partially attributed to the following factors:



Number of Audit Engagements

- Audit firms assigned an excessive number of audit engagements to auditors, resulting in auditors having insufficient time to adequately participate in each audit engagement. Furthermore, difficult and complex audit engagements that required experience and judgment were allocated to managers and assistant auditors who might have insufficient knowledge and experience. The SEC found that auditors responsible for a large number of audit engagements, without an adequately experienced audit team, were more likely to have a higher number of deficiencies.
- Audit firms had a shortage of managerial-level staff, resulting in an excessive workload for each manager. Consequently, the reviewing process is not as efficient as it should have been, ultimately affecting the quality of the audit engagements.



Quality of Audit Review

Audit reviews performed by both the engagement partners and engagement quality reviewers (EQR) were of insufficient quality, particularly in complex matters requiring professional judgment. As a result, there were insufficient exercises of professional skepticism and the inability to detect significant issues, which ultimately undermined the overall audit quality.



Professional Skepticism

Auditors have placed excessive reliance on the audit results of prior years, which led to an insufficient exercise of professional skepticism in each audit procedure as they believed no prior errors were made. For example:

- They did not give sufficient importance to the procedures on fraud risk assessment.
- They failed to adequately assess the appropriateness of the assumptions used by management in accounting estimates by readily accepting the management's explanations and clarifications without considering potential bias.
- They failed to bring up complex issues to the technical team for consultation.



Complexity of Current Business Operations

Operating businesses in the current context has become increasingly complex, yet auditors might not have obtained sufficient understanding of their clients' business natures. This resulted in auditors' inability to appropriately assess risks, plan the audit, determine audit procedures, and exercise professional judgment in drawing audit conclusions.



Interpretation and Implementation of Financial Reporting Standards

Current financial reporting standards, such as Thai Financial Reporting Standard 15 (TFRS 15) for Revenue from Contracts with Customers and TFRS 9, are highly complex and require substantial judgment in their implementation. However, auditors may lack an in-depth understanding of the principles underlying these standards. In many cases, auditors are unable to identify issues that require special consideration regarding the appropriateness of accounting recognition and to appropriately assess the substance of transactions. Consequently, they fail to design audit procedures that would gather audit evidence sufficiently appropriate for drawing audit conclusions. Furthermore, they do not raise significant issues for consultation with the audit firms' technical team, thereby impairing the proper exercise of professional judgment in drawing audit conclusions.



Audit Manual and Audit Guidelines

The audit manual and guidelines have not been updated to reflect the evolving business environment and recent revisions to professional standards. This is evident in the lack of detailed and sufficiently clear examples and explanations, the absence of linkage throughout the audit process - from planning to conclusion - and the inadequate guidance on professional judgment in various situations. Additionally, there is a lack of specific audit procedures tailored to businesses with unique characteristics. Consequently, audit teams are left without clear and comprehensive direction when performing their work.

06

Roadmap for 2025



Roadmap for 2025

In 2025, the SEC plans to continue prioritizing its core responsibility of enhancing trust and confidence in the Thai capital market. Through ongoing collaboration with all sectors, the SEC aims to ensure the Thai capital market operates as an efficient source of capital while efficiently serving the needs of stakeholders across all sectors.

Overseeing engagement performance of auditors in the capital market to ensure audit quality remains an important factor in building trust and confidence. Therefore, the SEC continues to prioritize audit quality enhancement. In 2025, the SEC plans to conduct more rigorous inspections of audit quality among auditors and audit firms in the capital market. This enhanced oversight will focus on firm culture and governance, appropriateness of IT governance and security policies within audit firms, the performance of engagement quality reviewers (EQR) and identification and assessment of material misstatement risks due to fraud.



In addition, the SEC plans to carry on various initiatives aimed at enhancing trust and confidence in the Thai capital market, including:



Supporting stakeholders involved in financial reporting to perform their duties more appropriately

Establishing guidelines on IT governance and security for audit firms,

including examples of IT inspection report forms and remediation plans for deficiencies, in order for audit firms – particularly small- and medium-sized firms – to have clearer guidelines for complying with Thai Standard on Quality Management 1 (TSQM 1) on technological resources quality management within audit firms, which will help them to address technological risks more effectively.



Collaborating with relevant organizations in capacity building for the stakeholders

- Organizing training sessions to provide knowledge on significant issues to auditors in the capital market and those preparing to apply for approval, such as the application of data analytics tools in audit, findings identified from inspection of quality management of audit firms, issues and case studies on accounting and auditing of Initial Public Offering and listed companies, as well as sustainability reporting and climate risks.
- Communicating with and organizing training sessions and seminars to provide knowledge on significant issues for listed companies, securities issuers, and other relevant stakeholders. This includes promoting the importance of good governance to senior management of listed companies, ensuring disclosure of sustainability information in the annual registration statement and annual report form (56-1 One Report) according to international sustainability standards, and supporting the establishment of guidance on internal controls for sustainability reporting and fraud risk management for Thailand that aligns with international guidelines (The Committee of Sponsoring Organizations of the Treadway Commission: COSO).





Amending laws and regulations regarding the oversight of auditors and audit firms in the capital market to enhance efficiency and effectiveness

The SEC is amending the Securities and Exchange Act B.E. 2535 (1992) to enhance its oversight of auditors and audit firms in the capital market. The amendment will require audit firms to obtain approval from the SEC, ensuring that the SEC has sufficient authority for effective oversight. Additionally, it will establish a broader range of proportional sanctions based on the severity of violations committed by auditors and audit firms in the capital market.





The Securities and Exchange Commission, Thailand

