

INDEPENDENT AUDIT INSPECTION ACTIVITIES REPORT 2025

1 January 2025 – 31 December 2025



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01

Executive Summary



Executive Summary

In 2025, the SEC continued to navigate a complex landscape shaped by rapidly evolving domestic and global factors, including economic conditions, technological advancements, investment trends, and investors' expectations, all of which carried significant implications for the Thai capital market. At the same time, these challenges created opportunities for the SEC to further strengthen its regulatory and market development capabilities and enhance its resilience in response to emerging trends. Through close collaboration with all relevant stakeholders, the SEC continued to foster trust and confidence in the Thai capital market while reinforcing its long-term competitiveness.

As the oversight and enhancement of the financial reporting system of entities in the capital market constitute a key mechanism for strengthening trust and confidence in the Thai capital market, the SEC continued to implement key initiatives in 2025 to improve the quality of financial reporting and the performance of auditors. In this regard, the SEC collaborated with the Thailand Federation of Accounting Professions to organize a series of seminars for auditors in the capital market on a range of topics, including (1) enhancing knowledge and understanding of financial reporting standards and audit evidence gathering, (2) preparing auditors for changes in sustainability-related disclosure requirements, (3) strengthening the competencies necessary to conduct audits in accordance with relevant professional standards, and (4) promoting the effective and efficient use of technology and data analytics tools in audits in a rapidly evolving business environment where technology plays an increasingly important role. In addition, the SEC published guidelines on IT governance and security for audit firms in the capital market, particularly small and medium-sized firms. The guidelines are intended to help firms tailor their IT governance and control frameworks to their respective technology risk profiles, thereby reducing technology-related risks, enhancing information security, and preventing the leakage of clients' information.



Throughout the year, the SEC continued to place strong emphasis on enhancing the quality of audit firms in the capital market. As part of this effort, all audit firms were required to undergo an assessment of their systems of quality management before being approved to undertake engagements in the capital market. In addition, the SEC continued to inspect the systems of quality management of audit firms in the capital market using a risk-based approach to assess how they oversee and ensure that their auditors perform engagements in compliance with professional standards. For the 2025 inspection cycle, the SEC focused on several key areas, including the scope of responsibilities of the Engagement Quality Reviewer (EQR), the involvement of EQRs and managers in audit engagements, the clarity of audit manuals regarding the assessment of risks of material misstatement due to fraud (fraud risk assessment), the external confirmation procedures, and IT governance and security. The inspection results of 13 audit firms in the capital market indicated that most firms had addressed the findings raised during previous inspections. Nevertheless, some firms had not fully remediated all previously identified findings, and additional findings were identified. The quality management components with the highest number of findings were monitoring and remediation, engagement performance, and technological resources. A contributing factor to these findings was that the leadership of some audit firms had not sufficiently fostered a culture that places quality at the forefront of the organization. In addition, certain firms focused primarily on preparing documents to demonstrate compliance with quality management standards rather than leveraging those standards as a tool to drive substantive improvements in audit quality. Furthermore, weaknesses in engagement acceptance procedures led some firms to accept engagements beyond their capacity.

With respect to audit engagement inspections, the SEC maintains a rigorous process for screening and evaluating the qualifications of auditors and the quality of their audit work before granting approval. In 2025, applicants approved as auditors in the capital market accounted for 91 percent of all applicants. The SEC also continued to conduct regular inspections of the quality of audit work performed by auditors in the capital market using a risk-based approach, with particular emphasis on the complexity and risk profile of audit engagements, as well as the extent of auditor involvement. The most common findings from audit engagement inspections during the year related to fraud risk assessment, inventory auditing, impairment testing of assets, the use of experts' work, revenue recognition auditing, and tests of internal controls. Key contributing factors to findings in audit performance included a lack of professional skepticism, inadequate supervision and engagement quality reviews, and audit manuals and audit programs that were either unclear or not effectively implemented in practice. Audit firms should therefore undertake a thorough root cause analysis of identified findings by taking a holistic approach and linking the analysis to the firm's system of quality management. This will enable firms to develop targeted remediation measures that effectively address the root causes of the findings.



Looking ahead, the SEC will continue to collaborate closely with domestic and international partner organizations to advance key initiatives aimed at enhancing the competitiveness of, and strengthening trust and confidence in, the Thai capital market. In 2026, the SEC will place particular emphasis on improving audit quality by strengthening the role of EQRs and ensuring that they perform their responsibilities effectively. The SEC also plans to enhance cooperation with foreign audit oversight authorities to support foreign companies seeking to raise funds in the Thai capital market through foreign listings. In addition, the SEC will pursue a range of initiatives to further enhance investor protection and support the sustainable development of the Thai capital market. These initiatives include strengthening the legal framework governing the oversight of auditors and audit firms in the capital market, promoting sustainability-related disclosures by issuers and companies listed on the Stock Exchange of Thailand in accordance with international standards, and organizing training on key topics for auditors in the capital market and auditors preparing to seek approval as such, thereby enhancing their ability to perform high-quality audit engagements in the capital market.

02

Quality Assurance Review Panel



Quality Assurance Review Panel

The Quality Assurance Review Panel (QARP) is responsible for providing opinions and recommendations to the Securities and Exchange Commission (SEC) to support its consideration of audit quality inspection results at both the firm and engagement levels. The QARP comprises six independent experts who are not audit practitioners and three experts who are audit practitioners. To ensure the QARP's independence in expressing its views, the SEC requires that non-practitioner members outnumber practitioner members at any meeting. In addition, all attending members must not have any relationship with, or interest in, the matters under consideration.

Mr. Prasan Chuaphanich

Positions



- Vice Chairman of the Board of Directors, 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 Chairman of the Nomination, Compensation and Corporate Governance Committee, Monix Company Limited
- Independent Director and Chairman of the Audit Committee, Singha Estate Public Company Limited
- Honorary Chairman and Advisor to 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, the State Enterprise Policy Committee (SEPC)
- Member of the State Enterprise Director Manifest Committee, the State Enterprise Policy Office (SEPO), Ministry of Finance
- Accounting Expert Member, the Dumping and Subsidy Committee, Ministry of Commerce



- Member of the Advisory Board, the Center for Building Competitive Enterprises (CBCE), the Thai Listed Companies Association
- Accounting Expert Member, the Accounting Professions Regulatory Commission, Ministry of Commerce
- Expert Member, the General Insurance Fund Management Committee
- Chairman of the Accounting Standard Scrutinizing Subcommittee, the Thailand Federation of Accounting Professions (TFAC)

Work Experiences



- Advisor to the Prime Minister, the Prime Minister's Office
- Commissioner, Member of the Audit Committee, and Chairman of the Subcommittee on Governance and Remuneration, SEC

- Expert Member, the Public Organization Development and Promotion Committee
- Director, SCB DataX Company Limited
- Expert Member, Board of Directors, Thailand Arbitration Center, Ministry of Justice
- Expert Member of the Audit Subcommittee and the Investment Subcommittee, and Chairman of the Budgetary Subcommittee, Life Insurance Fund
- Accounting Expert Member, the Public Sector Audit and Evaluation Committee, Office of the Public Sector Development Commission
- Chairman of the Subcommittee on Public Sector Audit and Evaluation for Ministries Group No. 5
- Member of the 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 Nomination Subcommittee, the State Enterprise Policy Office (SEPO), Ministry of Finance
- Independent Director, Member of the Audit Committee and Chairman of the Sustainable Development Committee, Advanced Info Service Public Company Limited
- Member of the Audit Committee of the 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 the Audit Committee and Chairman of the Nomination and Remuneration Committee, Thai Solar Energy Public Company Limited
- Commissioner of the Advanced Insurance Institute, Office of the Insurance Commission (OIC)
- Commissioner Member (Accounting) and Chairman of the Audit Committee, 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
- Member of the IFRS Advisory Council, IFRS Foundation, London, United Kingdom
- President of the TFAC
- Member of the Subcommittee on the Reform of International Economy and Other Economic Matters, National Reform Council
- Expert Member, the General Insurance Fund under the Ministry of Finance
- Independent Director, Nam Heng Concrete (1992) Company Limited
- Executive Member, Faculty of Commerce and Accountancy, Chulalongkorn University
- Member of the Advisory Committee for ASEAN CG Scorecard Project, Thai IOD
- President, Alumni Association of the Faculty of Commerce and Accountancy, Chulalongkorn University
- Chairman of the Auditing Profession Committee, TFAC
- Vice President of the TFAC
- Executive Chairman, PricewaterhouseCoopers ABAS Limited, Joint Executive Chairman of PricewaterhouseCoopers, Southeast Asia Peninsula Region
- Chairman of the Accounting System Committee, TFAC
- Independent Director, Chairman of the Audit Committee, and Member of the Nomination and Compensation Committee, KEX Express (Thailand) Public Company Limited

Education



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

Mr. Ayuth Krishnamara

Positions



- Chairman of the Sub-committee on Consideration of Regulations on Issuance and Offering of Debt Securities, Derivatives and Structured Products, SEC
- Chairman of the Regulations Consideration Subcommittee on Securities Issuance and Offering — Bonds and Sukuk, SEC
- Chairman of the Regulations Consideration Subcommittee on the Operation of Mutual Funds Management Business — Property Funds, Infrastructure Funds, and Real Estate Investment Trusts, SEC
- Expert Member, the Capital Market Supervisory Board (CMSB), SEC
- Expert Member, the Financial Institution Policy Committee, Bank of Thailand
- Member of the Accounting Standards 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 Member, the Corporate Bond Stabilization Fund (BSF) Committee
- Secretary and Member of the Risk Management Committee, 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 Company Limited
- Director, the Asian Bankers Association (ABA), Taipei, Taiwan
- Vice Chairman, BBL Asset Management Company Limited



- Chairman, Basel Club, the Thai Bankers Association
- Chairman, IFRS Club, the Thai Bankers Association
- Chairman, Thai Forex Club (ACI), the 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, 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 KASIKORN Securities Public Company Limited
- Director of the Thai Bond Market Association (ThaiBMA)
- President — ACI Thailand / ACI Financial Markets Association
- Director of the 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 for Type 1 Complex Products
- Treasury Dealer Certification

Mrs. Unakorn Phruithithada

Positions



- Chair of the Subcommittee on the Study and Monitoring of Developments in International Financial Reporting Standards (IFRS), TFAC
- Independent Director and Chair of the Audit Committee, Industrial and Commercial Bank of China (Thai) Public Company Limited

Work Experiences



- Partner, PricewaterhouseCoopers ABAS Limited
- Member of the Accounting Standard Setting Committee, TFAC
- Chair of the Subcommittee on the Feasibility Study for the Development of Accounting Standards for Digital Assets, TFAC
- Independent Director and Chair of the Audit Committee, Principal Capital Public Company Limited
- Independent Director and Member of the Audit Committee, Sri Trang Gloves (Thailand) 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 Bhuripanyo

Work Experiences



- Partner, PricewaterhouseCoopers ABAS Limited
- 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) Company 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
- Member of the Audit Committee, the Office of the Personal Data Protection Committee
- Vice Chairman of the Accounting and Tax Subcommittee, the Thai Life Assurance Association

Work Experiences



- Executive Vice President, International Business Department, Muang Thai Life Assurance Public Company Limited
- Member of the Subcommittee on 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 to Enhance Financial Reporting Quality



Activities to Enhance Financial Reporting Quality

“The SEC remains committed to the continued implementation of various initiatives to enhance the quality of financial reporting systems and reinforce transparency, credibility, and confidence in the capital market. These efforts form a vital foundation for the strong and sustainable growth of Thailand’s capital market.”

Strengthening the Capabilities of Relevant Stakeholders



The SEC organized training and knowledge-sharing seminars for capital market auditors on the following topics:



Challenges in the Adoption of Audit Data Analytics



2025 IESBA Code of Ethics



Observations from the 2024 Audit Quality Inspections



Sustainability Reporting and Climate Risks 2025

The SEC, in collaboration with the Thailand Federation of Accounting Professions under the Royal Patronage of His Majesty the King (TFAC), organized a seminar on the topic “Sustainability Reporting and Climate Risks 2025” on 31 October 2025 at TFAC Building. The seminar aimed to enhance knowledge and understanding of the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB), namely IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. It also covered guidelines for the audit and assurance of sustainability-related information to prepare capital market auditors for the evolving landscape of sustainability reporting and to enhance the skills necessary for performing audit engagements in accordance with relevant standards. In addition, the seminar sought to strengthen auditors’ capability to undertake sustainability assurance engagements in the future.





Issues and Case Studies on Accounting and Auditing of IPO and Listed Companies

The SEC, in collaboration with the TFAC, organized a seminar entitled “Issues and Case Studies on Accounting and Auditing of IPO and Listed Companies” for capital market auditors on 30 May 2025 at the TFAC Building. The seminar aimed to enhance participants’ knowledge and understanding of financial reporting standards and audit evidence gathering for initial public offering (IPO) applicants and listed companies. It also provided a platform for knowledge sharing and discussions of accounting and auditing issues and case studies, thereby contributing to further improvements in the quality and effectiveness of audit practices.



Strengthening and Developing the Capital Market toward Sustainable Growth



In 2025, the SEC continued its key initiatives to enhance the quality and professional standards of auditors and audit firms in the capital market, covering the topics below:



SEC Revised Regulations in Alignment with the Current Accounting Profession Landscape

The SEC continuously reviewed various regulations related to the accounting professions to ensure that they remain appropriate and relevant to prevailing circumstances and the current professional landscape. The reviews also aimed to enhance flexibility to accommodate future developments, thereby supporting the development of a high-quality and sustainable capital market. In 2025, the SEC was in the process of amending the Securities and Exchange Act B.E. 2535 (1992) with respect to the supervision of auditors and audit firms in the capital market.



SEC Published Information Technology Guidelines for Audit Firms

On 9 January 2025, the SEC published guidelines on information technology (IT) governance and audit for audit firms to support their compliance with the Thai Standard on Quality Management 1 (TSQM 1). The guidelines cover three key areas: governance, information security, and IT audit. They establish minimum standards that can be tailored to the size, complexity, and IT risk profile of each audit firm based on its own risk assessment.



SEC Promoted the Development of Young Talent for the Accounting Professions

The SEC collaborated with educational institutions by participating as guest speakers in academic lectures and seminars. These activities provided students with opportunities to gain insights and guidance from industry specialists, helping them develop their potential, enhance their knowledge and essential skills, and prepare for future careers in the accounting professions.



Growing with Quality and International Recognition

The SEC is a member of the International Forum of Independent Audit Regulators (IFIAR) and the ASEAN Audit Regulators Group (AARG), which are collaborative organizations comprising independent audit oversight authorities from various jurisdictions at both the global and regional levels. Membership in these organizations not only strengthens international cooperation but also provides an important platform for exchanging knowledge and experience in the supervision of auditors and audit firms with counterparts around the world. This contributes to the continuous enhancement of Thailand's audit oversight system to ensure alignment with international standards and best practices.

The SEC hosted the 2025 ASEAN Audit Regulators Group Workshop and the Financial Statements Surveillance Group Workshop for regulatory authorities from ASEAN member countries and partner jurisdictions from 25-27 August 2025 at the SEC Building. The workshops provided a forum for participants to exchange knowledge and experiences relating to capital market audit inspections and the review of listed companies' financial statements. Discussions also covered approaches to enhancing the quality of audits and financial reporting, as well as practical issues and emerging developments affecting these areas.



In addition, the SEC participated in the Committee 1 on Accounting, Auditing, and Disclosure of the International Organization of Securities Commissions (IOSCO) to discuss developments relating to international financial reporting standards, auditing standards, and the international code of ethics for professional accountants. The SEC also provided comments and recommendations on draft professional standards under consideration.

Enhancing the Knowledge and Capabilities of SEC Staff



The SEC places great importance on the continuous development of the knowledge and capabilities of its staff, enabling them to effectively apply their expertise in strengthening the supervision of financial reporting by capital market entities and enhancing the oversight of capital market auditors. To support this objective, the SEC regularly conducts internal training programs covering financial reporting standards, auditing standards, ethical requirements for accounting professionals, as well as emerging issues relating to environmental, social and governance (ESG) reporting, digital assets, and technological developments. In 2025, the SEC organized training sessions on key topics as follows:



04

Auditing Landscape in Thailand in 2025



Auditing Landscape in Thailand in 2025

Introduction



Total market capitalization of listed companies

15.62

trillion baht

(a decrease of 9.24%, or 1.59 trillion baht, from 2024)



Accounting for **82%** of Thailand's Gross Domestic Product (GDP)¹

Total number of active juristic persons registered with the Department of Business Development

967,210

juristic persons

(an increase of 4%, or 38,918 juristic persons, from 2024)



117 : 1

Active juristic persons per CPA

Total number of listed companies

868 companies

(an increase of 1%, or 8 companies, from 2024)
639 SET listed companies
229 MAI listed companies



2.37 : 1

Listed companies per capital market auditor

CPAs registered with TFAC and having active status

12,016 persons



Practicing CPAs

8,287 persons



Accounting for **69%** of CPAs registered with TFAC and having active status

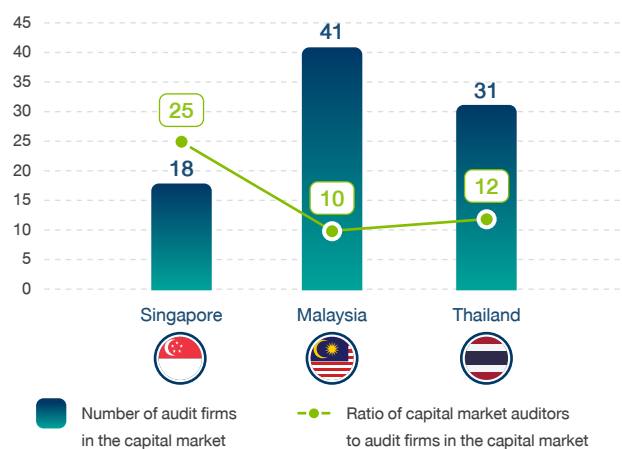
Capital Market Auditors

366 persons

(net increase of 1.4%, or 5 auditors, from 2024)



Accounting for **4.4%** of practicing CPAs



¹ National Accounting Division, Office of the National Economic and Social Development Council, Gross Domestic Product Article, Quarter 4/2025, issued on 19 February 2026, retrieved on 20 February 2026 from www.nesdc.go.th/wordpress/wp-content/uploads/2026/02/Economic-Report-Q4-25-รวมเล่ม-060526.pdf

Overview of Capital Market Auditors and Statistics on Audit Quality Indicators (AQIs)



Total number
of audit firms in
the capital market
at the end of 2025

31

audit firms

Large-sized
audit firms
(Big 4 firms)

4

audit firms

Small- and medium-sized audit firms
(Non-Big 4 firms)

27

audit firms

Thai audit firms
(Local firms)

19

audit firms

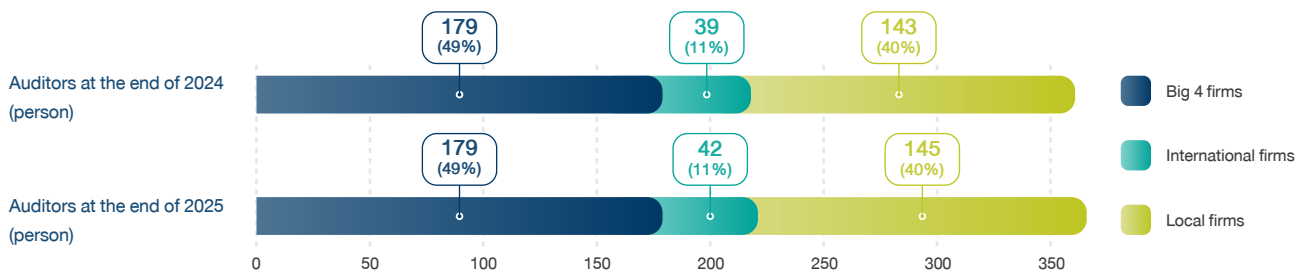
International network
audit firms
(International firms)

8

audit firms

Number of Capital Market Auditors at the End of 2025

Number of Capital Market Auditors by Type of Audit Firm

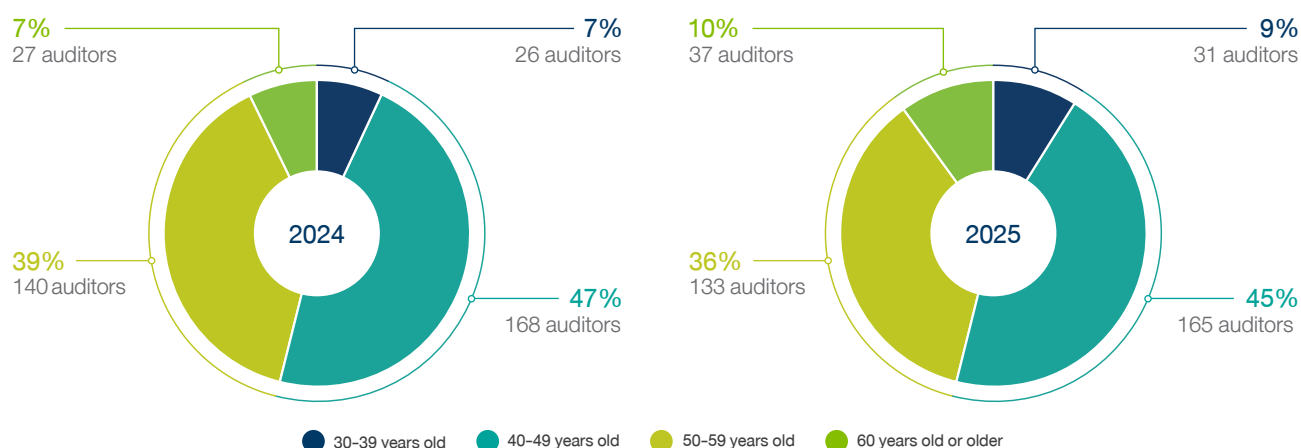


The composition of capital market auditors at the end of 2025 showed only minor changes from the previous year. The number of auditors in Local firms and International firms increased slightly, while those in the Big 4 firms remained unchanged, resulting in an overall structure broadly consistent with the previous year.

Changes in the number of capital market auditors in 2025



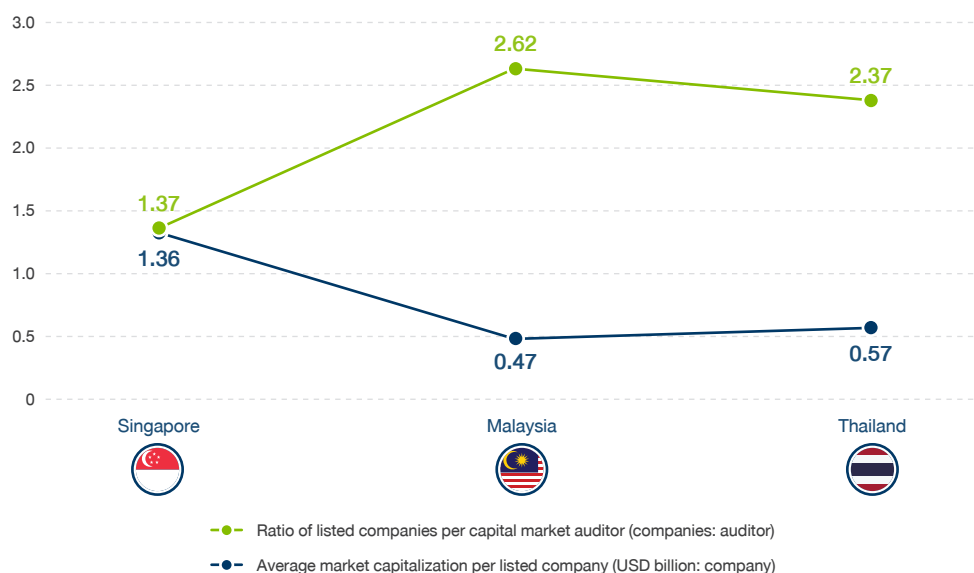
Age Ranges of the Auditors



The 2025 data reflects a demographic profile with the average age of capital market auditors continuing to increase. Auditors aged 40-49 remained the largest age group, accounting for 45% of all capital market auditors. An additional 46% were aged 50 or older. Accordingly, the SEC encouraged audit firms to establish succession plans to develop a sufficient pool of audit partners capable of replacing auditors who are expected to retire in the near future.

Auditing Landscape in Thailand, Singapore, and Malaysia as of Year-End 2025

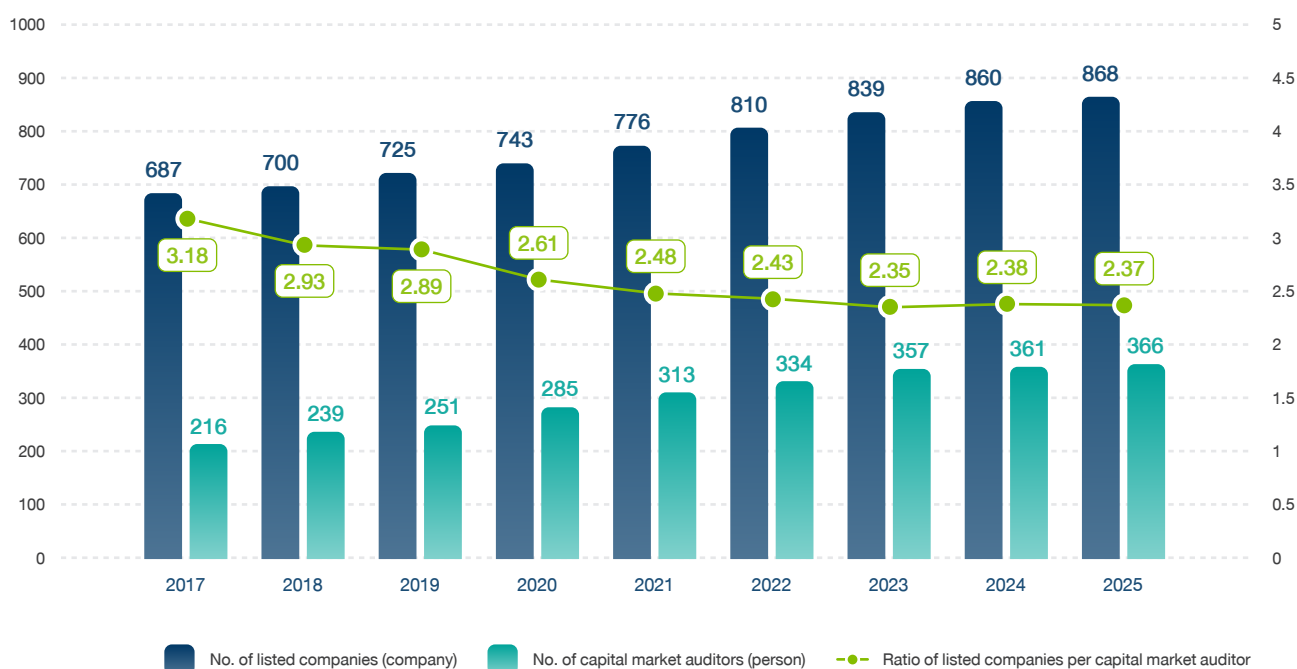
Ratio of listed companies per capital market auditors and average market capitalization per listed company in 2025



According to the 2025 survey, the average market capitalization per listed company in Thailand was USD 0.57 billion, while the ratio of listed companies to capital market auditor stood at 2.37. This level was broadly consistent with the previous year and comparable to those observed in neighboring countries. Market capitalization is an important factor reflecting the size, complexity, and risk profile of a business. Audits of companies with higher market capitalization may require auditors to allocate greater time and resources in order to appropriately address the nature and complexity of the engagement. However, the appropriateness of auditors' workloads should not be assessed solely based on the volume of audit engagements. Other relevant factors should also be taken into account, including the nature of the business, the complexity of accounting transactions, and the readiness of listed companies in supporting the audit process.

Ratio of Listed Companies Per Capital Market Auditor

Ratio of listed companies per capital market auditor as of year-end 2017 – 2025

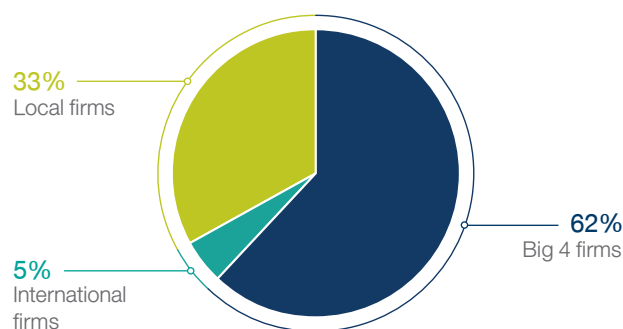


In 2025, the number of listed companies and capital market auditors continued to grow, reflecting the expansion of the Thai capital market and the profession's capacity to meet the audit demands of listed companies. The ratio of listed companies per capital market auditor was 2.37 : 1, representing a slight decline from 2024. Over the past several years, this ratio has gradually declined, primarily due to growth in the auditing workforce at a pace broadly consistent with the increase in the number of listed companies. Maintaining a sufficient pool of qualified auditors to support the needs of the capital market remains a key area of focus for the SEC.

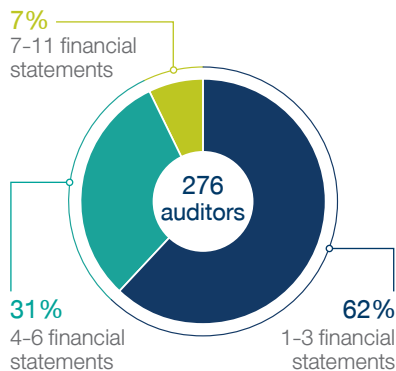
Number of listed company and initial public offering (IPO) clients by type of audit firm

Over the years, the SEC has continuously emphasized the importance of ensuring that capital market auditors maintain an appropriate audit workload, as accepting an excessive number of audit engagements may have implications for audit quality. Nevertheless, the capacity of each audit firm to accept audit engagements may vary depending on several factors, including the availability of human resources, technological capabilities, and expertise in specific industries. In addition, the size and complexity of client companies should also be taken into consideration when assessing the appropriateness of auditors' workloads.

Based on the Number of Listed Company and IPO Clients



Number of capital market auditors signing audit reports for listed companies and IPO companies



In 2025, a total of 276 capital market auditors signed audit opinions on the financial statements of listed and IPO companies, out of 366 capital market auditors in total. Most of these auditors (62%) were responsible for auditing approximately 1-3 sets of financial statements, while around 7% handled approximately 7-11 sets. Audits of listed and IPO companies generally involve greater risk and complexity, as well as a broader range of financial statement users, than audits of businesses outside the capital market. Accordingly, the SEC places particular emphasis on inspecting the audit quality of auditors who undertake a large volume of listed and IPO company audit engagements. In addition, the SEC focuses on reviewing audit firms' engagement acceptance practices and the appropriateness of workload allocation among engagement partners.

Ratio of listed and IPO companies per signing capital market auditor for the 2025 financial statements:

3.25

Capital market auditors signing audit opinions on 2025 financial statements accounted for

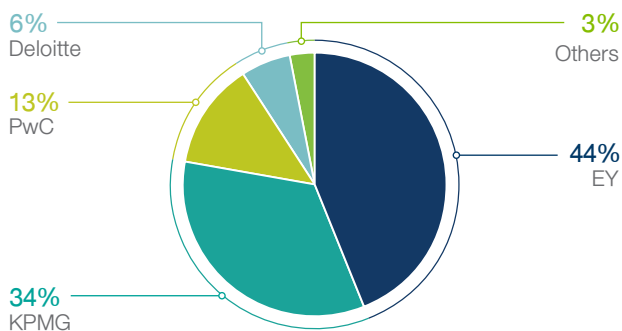
75%

of all capital market auditors.

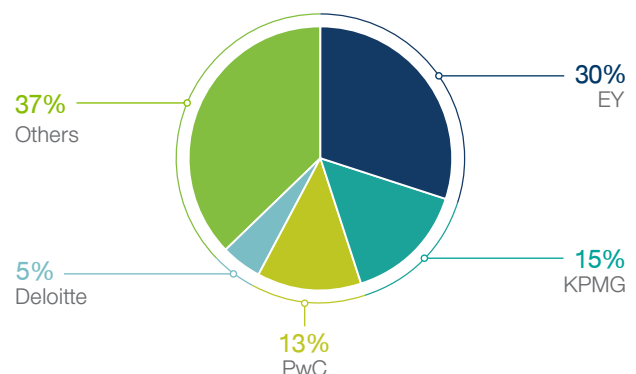
Of the **90 capital market auditors** who did not sign audit opinions on 2025 financial statements, most were either newly approved by the SEC or served as engagement quality reviewers or professional standards advisors to audit teams.

Proportion of Listed Company Clients by Audit Firm

Proportion of listed company clients by audit firm based on market capitalization as of 31 December 2025



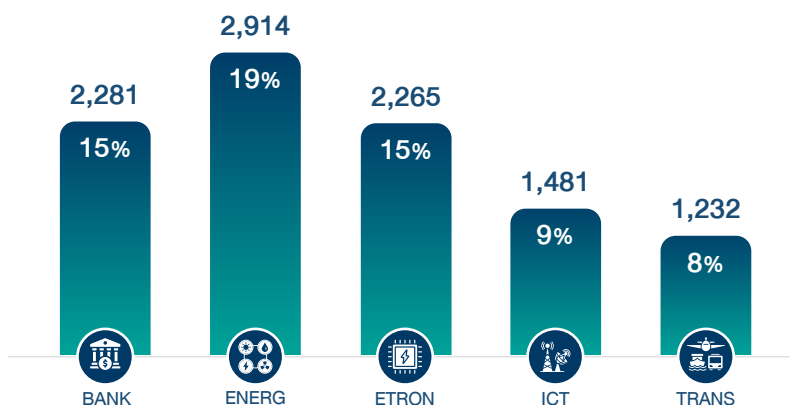
Proportion of listed company clients by audit firm based on the number of listed companies as of 31 December 2025



When the distribution of listed company clients is analyzed by audit firm group, different patterns emerge depending on whether the measurement is based on market capitalization or the number of listed companies.

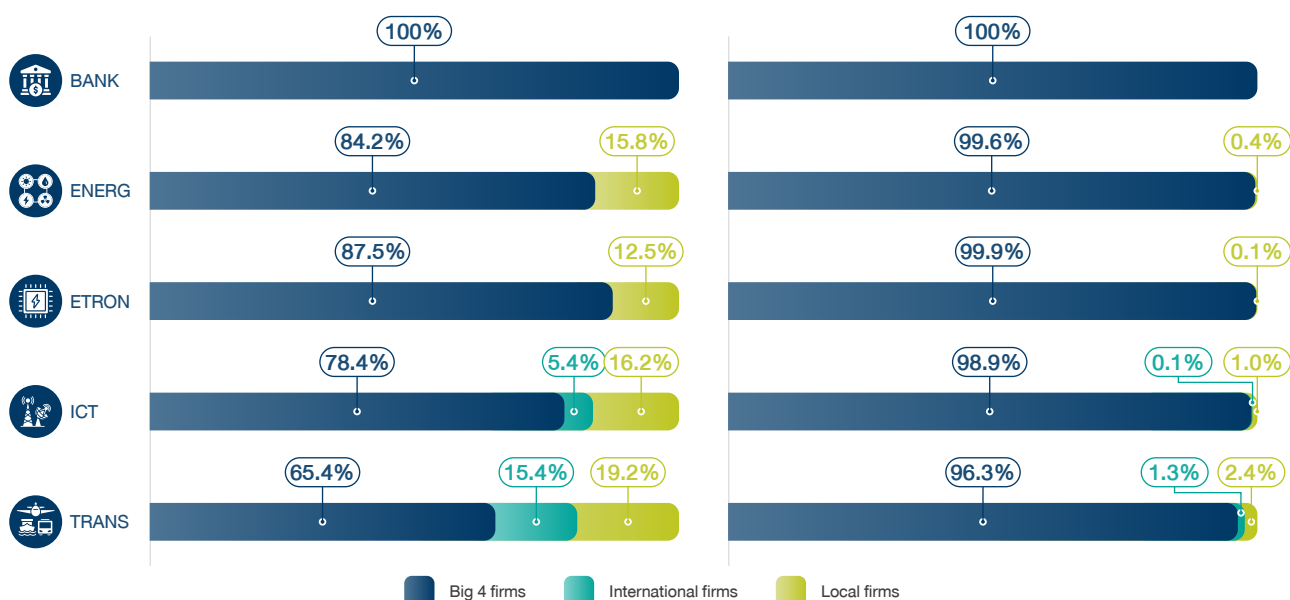
From a market capitalization perspective, listed company clients were predominantly audited by the Big 4 firms, whose share was significantly higher than that of Non-Big 4 firms. This reflected the concentration of large listed companies among the major audit firms. However, when measured by the number of listed companies, the client distribution was more diversified, with Big 4 firms collectively accounting for 63% and Non-Big 4 firms accounting for 37%.

Proportion of Auditors by Industry Group of Listed Companies



Sector | Based on the number of listed companies

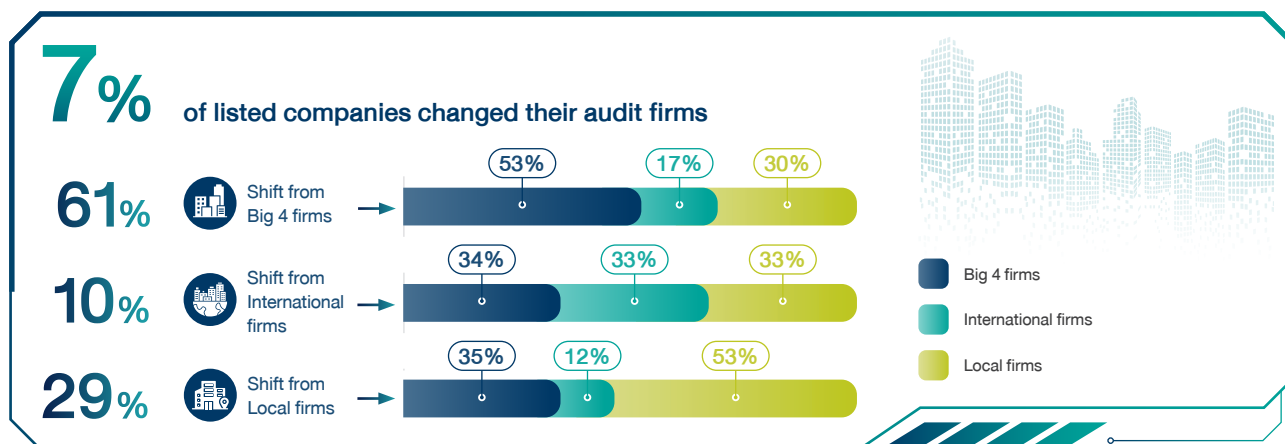
Based on market capitalization



The Banking, Energy and Utilities, Electronic Components, Information and Communication Technology, and Transportation and Logistics sectors were the five largest sectors by market capitalization, collectively accounting for approximately 66% of the total market capitalization of listed companies. Across these sectors, a substantial proportion of companies were audited by Big 4 firms, highlighting the concentration of large listed-company audit engagements among the major audit firms.



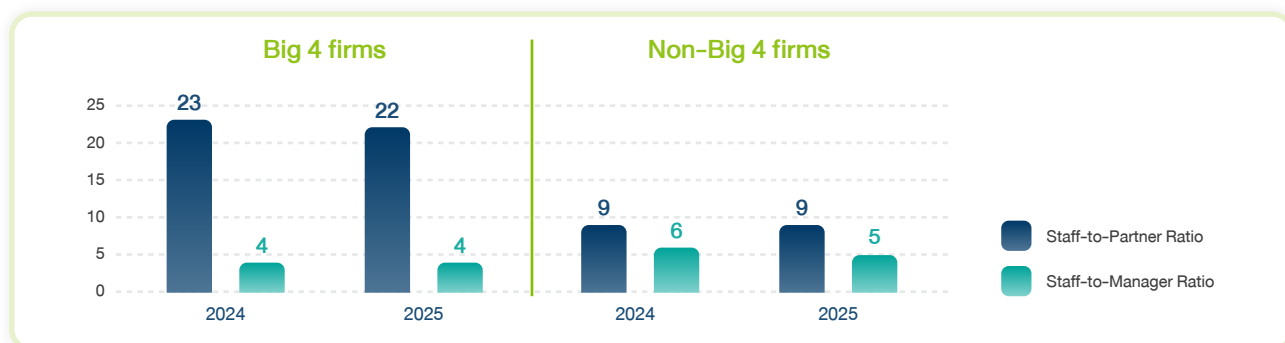
Audit Firm Changes Among Listed Companies



In 2025, 7% of listed companies changed their audit firms. Most of these companies were small- and medium-sized listed companies outside the SET100 Index. The changes involved both switches within the same audit firm group and switches between different audit firm groups. For companies that switched to audit firms in a different group, the underlying reasons may have varied. The data indicate that changing from Big 4 firms to International firms resulted in an average reduction in audit fees² of approximately 18% compared with the previous audit fees. Similarly, switching from Big 4 firms to Local firms reduced average audit fees by approximately 37%, while changing from International firms to Local firms reduced average audit fees by approximately 21%. Conversely, companies that switched from Local firms to Big 4 firms or International firms experienced an average increase in audit fees of approximately 13% compared with their previous audit fees. In addition, companies that changed from International firms to Big 4 firms experienced an average increase in audit fees of approximately 23%. These findings suggest that audit clients do not necessarily select audit firms solely on the basis of the lowest audit fee. Audit firms that consistently deliver high-quality audits and provide high-quality client services therefore have opportunities to expand their client base and achieve sustainable growth.

The SEC will continue to closely monitor trends in audit firm changes among listed companies. In particular, the SEC will focus on reviewing the quality management systems of audit firms that accept new engagements, including their resource readiness, knowledge, capabilities, industry expertise relevant to the new engagements, and the appropriateness of estimated audit hours and audit fee arrangements. This is to ensure that auditors have sufficient resources and are able to perform audit engagements with the level of quality required by professional standards.

Supervisory Coverage of Audit Staff



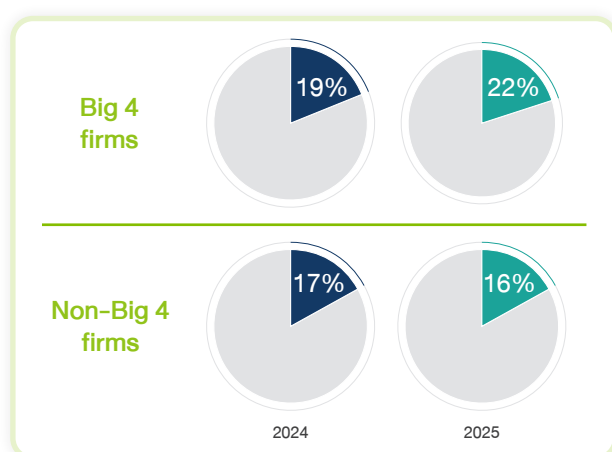
² The audit fees used in the data analysis are those specifically applicable to the separate financial statements of listed companies. Nevertheless, audit fees for the consolidated financial statements move in the same direction.

In 2025, the staff-to-partner ratio and staff-to-manager ratio remained broadly comparable to 2024. Among Big 4 firms, the staff-to-partner ratio declined slightly, while among Non-Big 4 firms, the staff-to-manager ratio also decreased marginally. This suggests that partners and managers have a tendency to be able to supervise audit teams more closely.

The balance between the number of staff and the number of partners and managers is an important factor related to supervisory capacity and the transfer of experience within audit teams. When audit firms maintain a workforce structure that is aligned with workload and an appropriate staffing ratio, partners and managers are able to effectively supervise and provide guidance to senior and junior staff. This is a key component of an effective audit quality management system.

Turnover Rate

Turnover rate by audit firm type



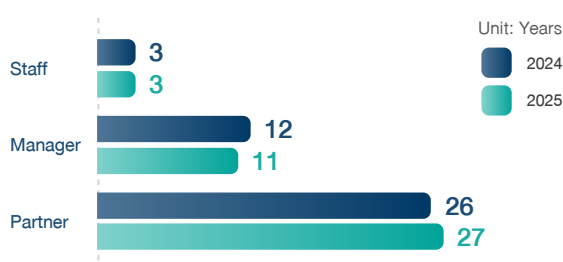
Overall, the turnover rate in 2025 increased slightly compared with the previous year. Nevertheless, audit firms in the capital market continued their efforts to retain knowledgeable, skilled, and experienced staff. Key measures implemented on an ongoing basis include enhancing audit efficiency, particularly through the application of technology to support audit processes, reduce repetitive tasks, and improve the accuracy of audit work. In addition, employee satisfaction surveys are conducted to better understand and address employee needs in a comprehensive manner.

Auditing Experience

Auditing experience is one of the indicators reflecting the skills, expertise, and professional judgment, including professional skepticism, of audit teams, which is a key component of high-quality audit performance.

In 2025, the average auditing experience of staff at each level remained broadly comparable to the previous year, with a slight increase in the experience of partners. Having highly experienced partners serving as engagement partners and engagement quality reviewers helps support audit planning, provide consultation and team supervision, and appropriately address complex, high-risk matters or issues requiring significant professional judgment.

Average Years of Audit Experience by Staff Level

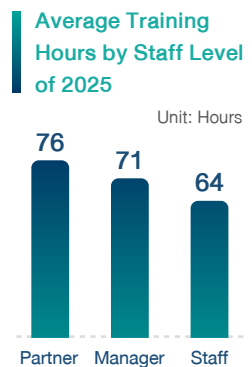


However, audit quality is not solely determined by experience levels. It is also influenced by the strength of an organization's internal quality management system, a corporate culture that promotes continuous learning and development, and effective and independent governance mechanisms. Therefore, to enhance and sustain audit quality, audit firms should place continued emphasis on developing staff capabilities, both in professional standards and relevant technical skills.

Training and Development of Capabilities for Staff at Each Level

Employees are a critical resource in delivering audit services, as their knowledge, competence, and skills directly affect the quality and reliability of audit work. Accordingly, providing training for staff at all levels is an essential mechanism for strengthening capabilities and improving work efficiency, as well as preparing staff to perform their duties at a high standard.

In 2025, audit firms in the capital market continued to prioritize human resource development, as reflected in the number of training hours completed by staff at each level, which exceeded the minimum continuing professional development requirement of 40 hours set by TFAC.



Audit Work Involvement Rate by Staff Level and Audit Firm Type, 2025

	Engagement Partners		Engagement Quality Reviewers		Managers	
	Min	Max	Min	Max	Min	Max
Big 4 firms	1%	10%	0.1%	4%	3%	22%
Non-Big 4 firms	1%	20%	0.2%	7%	0% ³	56%

The engagement involvement rate of engagement partners (those responsible for the audit), engagement quality reviewers, and managers is an important factor reflecting the level of involvement in audit engagements to ensure audit quality and compliance with professional standards. Senior staff play a key role in providing guidance and supervising audit teams throughout the audit process, including risk assessment, audit planning, audit execution, consideration of complex matters or issues requiring professional judgment, as well as the conclusion and issuance of the audit report. When senior staff with a high level of professional skepticism are sufficiently involved in audit engagements, they can help identify potential anomalies during the audit process and provide timely and valuable guidance to the audit team.

The involvement rate is calculated based on the number of working hours contributed by staff at each level relative to the total audit working hours. This rate may vary across audit firms depending on team structure management and the nature of audit work assigned to the staff at each level. In some audit firms, experienced partners or managers may perform preliminary review functions before submitting work to the engagement partner, thereby partially reducing the total working hours of the engagement partner. In contrast, in some firms, the engagement partner may also concurrently serve as an audit manager, which may result in a lack of appropriate checks and balances. In such cases, a high involvement rate by a single individual may not necessarily contribute positively to audit quality.

In addition, the SEC observes that the involvement rate of engagement quality reviewers in both Big 4 firms and Non-Big 4 firms remains relatively low in many audit engagements compared with the workload they are responsible for. Adequate and effective involvement of engagement quality reviewers can enhance assurance that audit work is performed in accordance with applicable professional standards, that auditors exercise appropriate professional judgment, and that audit reports are issued appropriately based on the circumstances. The SEC therefore places emphasis on reviewing the adequacy and effectiveness of engagement quality reviewers' roles to ensure that their involvement is effective and contributes to overall audit quality.

³ The hours of audit work at the manager level account for 0%, as the audit firms assessed that the engagements were not complex and therefore did not assign managers to participate in the audits. Instead, senior staff with audit experience were assigned to perform the relevant audit procedures. Meanwhile, the engagement partners and the engagement quality reviewers accounted for a relatively high proportion of the audit working hours. However, the SEC observes that even though engagement partners may increase their level of involvement in audit execution, the absence of managers may result in a lack of an appropriate mid-level review mechanism, particularly for matters requiring professional judgment. In addition, when senior staff and engagement partners perform both execution and review roles concurrently, it may weaken the system of checks and balances and increase the risk of failing to detect material misstatements.

Roles of Specialists in Enhancing Audit Quality



Under the current market landscape, audit engagements have become increasingly complex due to changes in the business environment, technology, and regulatory requirements. As a result, audits no longer rely solely on the expertise of auditors but increasingly require the involvement of specialists from a range of specific fields to support audit planning, execution, and the formation of audit opinions, thereby enhancing their appropriateness and reliability. These specialists play a key role in improving audit quality in several dimensions as follows:

Types of Specialists and Their Roles in Audit Engagements



IT Audit Specialist

- Assisting in the assessment of audit clients' technology-related risks
- Evaluating the effectiveness of IT general controls and application controls

Enhancing the assurance over the accuracy and completeness of financial information through the assessment of the relevant IT system reliability



Technical Advisory Specialist

- Providing technical advice on accounting and auditing standards
- Supporting audit work in complex areas or matters requiring significant professional judgment

Enhancing the quality and prudence of auditors' judgments in accordance with professional standards



Audit Analytics Specialist

- Applying data analytics techniques to support audit procedures
- Analyzing irregularities, trends, and risks within large datasets
- Supporting high-risk-focused auditing to improve audit efficiency and effectiveness

Enhancing the quality of data analysis and improving the efficiency and effectiveness of the overall audit process



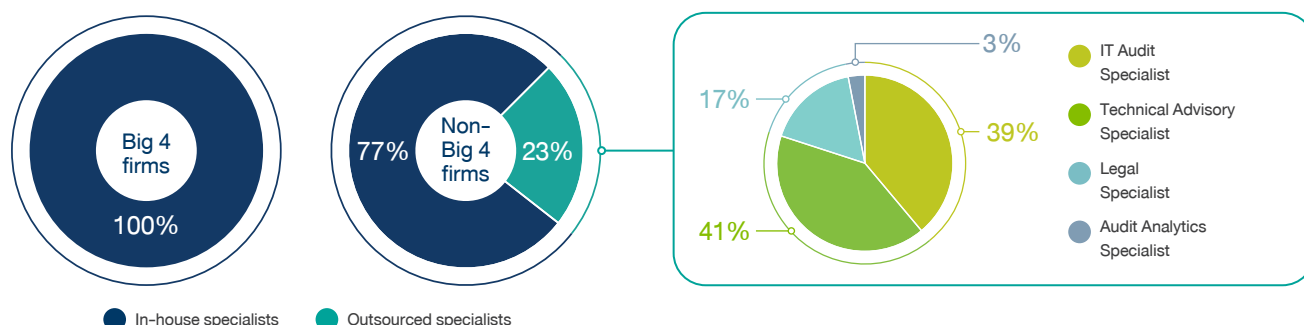
Legal Specialist

- Providing advice on agreements, contracts, regulations, and legal opinions
- Supporting auditors in assessing legal implications that may affect financial statements or disclosures

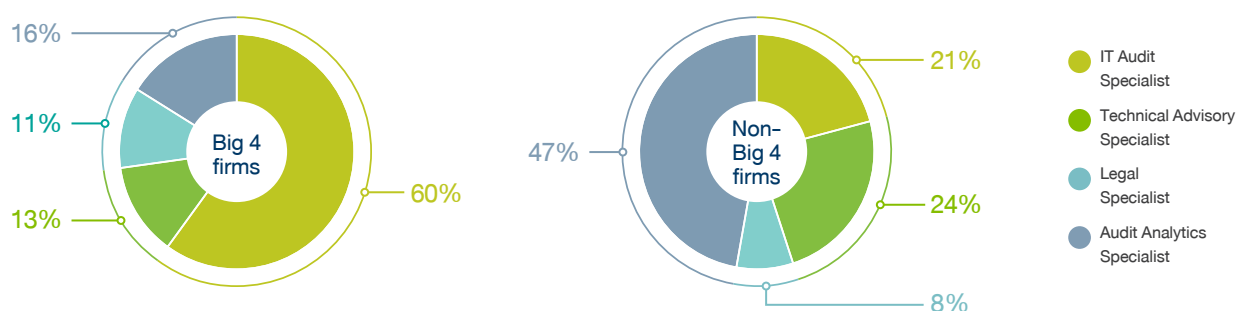
Mitigating risks and enhancing the prudence of auditors' professional judgments

Specialists within Capital Market Audit Firms

Ratio of in-house to outsourced specialists in audit firms



Proportion of specialists by type of audit firm



Across 31 audit firms, the number of specialists in each category is as follows:



Key Statistics

Statistics on inspections of audit firm quality control/quality management systems and approval of capital market auditors

Unit: Firm or Person

Year	Number of inspected audit firms for quality control/ quality management systems	Number of applicants for auditor approval (excluding withdrawn applications)	Number of approved auditors		Number of applicants denied approval	Number of withdrawn applications
			New	Renewal		
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
2025	13	66	16	48	2	4

Statistics on sanctions against auditors

Misconduct	2021	2022	2023	2024	2025
Deficiencies in audit performance in accordance with professional standards	1 warning and disclosure on the SEC website	1 suspension	-	2 warnings and disclosures on the SEC website	1 suspension and 1 revocation

Statistics on financial statement rectification orders imposed on listed companies

Actions taken	2021	2022	2023	2024	2025
1. Order listed companies to rectify their financial statements	-	-	-	3 companies	5 companies 6 times
2. Order listed companies to undergo special audits	-	-	2 companies	-	3 companies

Statistics on financial statement rectification orders imposed on listed companies

Unit: Times

Issues requiring rectification	2021	2022	2023	2024	2025
1. The auditor's report conveyed a sense of scope limitation for auditing or review imposed by the management					
1.1 Fair Value Measurement of Shares	-	-	-	1	-
1.2 First-time adoption of Thai Financial Reporting Standard No. 17 on Insurance Contracts	-	-	-	-	1
2. Failure to prepare and disclose financial statements in accordance with financial reporting standards					
2.1 Advances for goods and investments in subsidiaries	-	-	-	1	-
2.2 Investments in overseas asset acquisitions	-	-	-	1	-
2.3 Trade receivables, trade payables, and intangible assets	-	-	-	-	1
2.4 Inventories and cost of sales	-	-	-	-	2
2.5 Goodwill, investments in subsidiaries, inventories, biological assets, and other assets	-	-	-	-	1
2.6 Asset acquisitions that do not meet the definition of a business	-	-	-	-	1

05

Audit Inspection Results

A. Firm Level

30

B. Engagement Level

43



Audit Inspections

A. Firm Level



“An efficient quality management system at the firm level enhances audit performance in meeting applicable professional standards, thereby strengthening the credibility of financial information—a key factor in building trust and confidence in the capital market.”

Audit Inspections

The SEC inspects the quality management systems of all audit firms before permitting them to accept engagements in the capital market. Those granted permission are then subject to continuous and regular inspections of their quality management systems in accordance with a risk-based approach. The frequency and scope of such inspections are determined by the following factors:

- Market capitalization

- Past inspection result



This is to ensure that audit firms are able to oversee their affiliated auditors so that they perform their work with quality in accordance with professional standards.

Quality Management System Inspections of 13 Audit Firms in 2025

In 2025, the SEC inspected the quality management systems of 13 audit firms.

Big 4 firms

4

audit firms

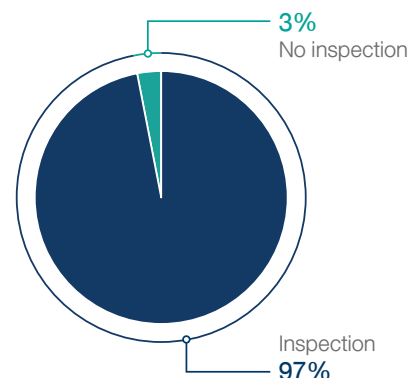
Non-Big 4 firms

9

audit firms

The market capitalization of listed companies audited by the 13 audit firms, whose quality management systems were inspected by the SEC, represented 97% of the total market capitalization as of 31 December 2025.

Market capitalization



Theme inspection

1 RA | The Firm's Risk Assessment Process

- Setting quality objectives, identifying quality risk, and designing responses to address quality risk in a manner appropriate to the sizes, complexities, and risk profiles of audit firms.

2 LD | Governance and Leadership

- Governance structures of audit firms.
- Appropriateness of portfolio allocation to audit partners.

3 ER | Relevant Ethical Requirements

- Policies and guidelines for disclosing information related to audit fees and non-audit fees in cases where audit firms provide services to clients that are public interest entities (PIEs).
- Policies and guidelines in cases where professional fees from a single client constitute a high proportion of an audit firm's total professional fees (fee dependency).
- Compliance with Code of Ethics for Professional Accountants on audit partner rotation.

4 AC | Acceptance and Continuance of Client Relationships and Specific Engagements

- Risk assessment in the audit client acceptance process, with a particular focus on the readiness of audit firms' personnel.
- Response to and delivery of the professional clearance letter.

5 EP | Engagement Performance

- Qualifications, responsibilities and scope of work of engagement quality reviewers.
- Involvement in audit engagements by staff at the levels of signing partner, engagement partner, engagement quality reviewer, and manager.
- Policies on the assembly of the final audit file.
- Clarity of the audit guidance and audit procedures relating to fraud risk assessment and issuance of confirmation letters.

6 R | Resources

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

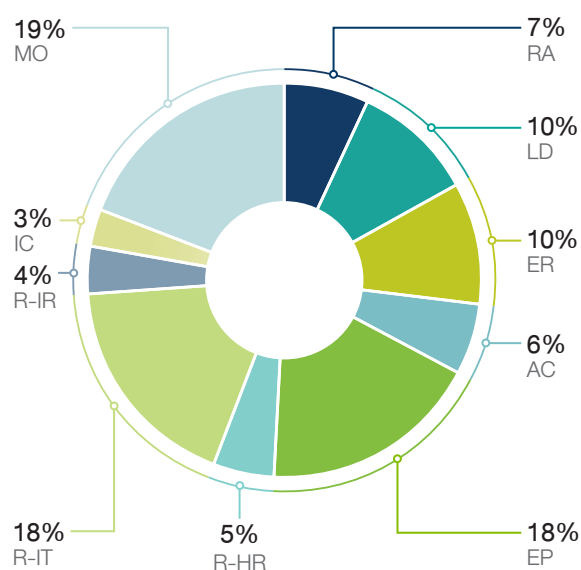
7 MO | Monitoring and Remediation Process

- Qualifications and responsibilities of monitoring responsible person.
- Root cause analysis of deficiencies and the establishment of remediation plans, drawn from both firm-level monitoring and the SEC's findings.
- Evaluation of the efficiency and effectiveness of quality management systems.



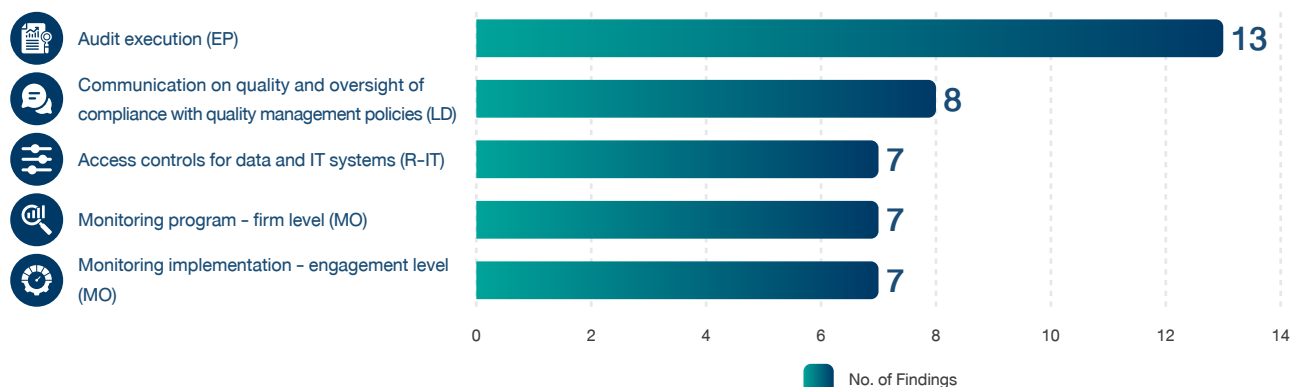
Overview of the Inspection Results of Quality Management Systems

Percentage of findings by component under TSQM 1

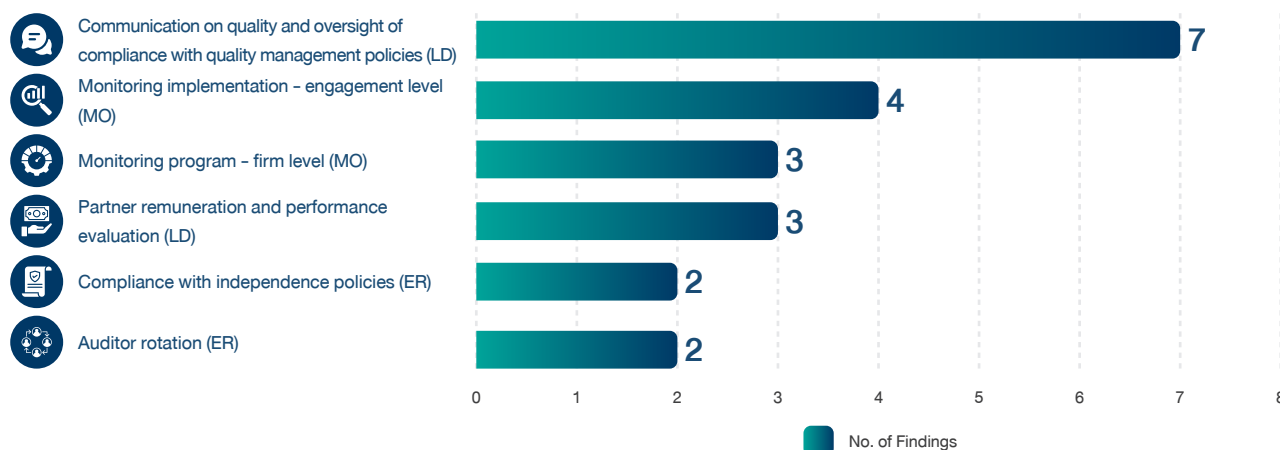


An overview of quality management system inspection results by component under TSQM 1 for the year 2025 showed that the majority of audit firms had already addressed the findings identified by the SEC in the previous inspection cycle. Recurring findings accounted for 24 percent of the total findings identified in the current inspection cycle. The components with the highest number of findings were, in descending order, Monitoring and Remediation Process, Engagement Performance, and Technological Resources, while the components with the fewest findings were Information and Communication, Intellectual Resources, and Human Resources, respectively.

Top 5 most frequently identified findings



Top 6 most recurring findings from the previous inspection cycle



Illustrative Findings from Quality Management System Inspections of Audit Firms



Risk Assessment of Audit Firms (RA)

“Establishing a risk assessment process to set quality objectives, assess quality risk, and design responses to address such risk helps audit firms effectively manage their quality management systems.”



Findings

Audit firms did not include quality objectives required as a minimum under TSQM 1 in their risk profiles. As a result, certain key quality objectives prescribed by TSQM 1 were not fully considered in audit firms' risk assessment and risk response process.

Audit firms failed to properly assess risks associated with the findings identified in the previous inspection cycle and still unremediated in the current inspection cycle. By uniformly assigning these findings a low risk rating, they lacked the urgency and prioritization needed to address them. As a result, the firms failed to design and implement additional risk responses sufficient to remediate the deficiencies, and prevent their recurrence.



Recommendations

Audit firms should ensure that all quality objectives required under TSQM 1 are fully identified and documented. To this end, they may designate a staff member to review the completeness of quality objectives against the requirements of TSQM 1. In addition, the head of each audit firm, who bears ultimate responsibility and accountability for the firm's quality management system, should perform a further review to confirm that all required quality objectives have been identified. Audit firms may also develop a risk assessment manual or standardized risk assessment template to assist both the preparer and the reviewer of risk assessment in verifying more effectively that all quality objectives required under TSQM 1 have been identified.

Audit firms should establish more appropriate criteria for assessing the severity of quality risks. In particular, quality risks arising from findings previously identified by either the audit firms themselves or by external inspection bodies that have not yet been adequately remediated should be assigned a higher risk rating, reflecting the significance and urgency of remedial action. This would help ensure that appropriate responses are implemented on a timely basis, thereby reducing quality risks to an acceptable level.



Governance and Leadership (LD)

“The head of an audit firm plays a critical role in setting the tone and fostering a culture in which quality is recognized as a top priority, by allocating sufficient resources to support quality work and ensuring that the firm maintains a high-quality management system on an ongoing basis.”



Findings

Audit firms established partner performance evaluation criteria that did not adequately reflect partners' quality and accountability. Specifically, the criteria did not take into account performance in the role of Engagement Quality Reviewer (EQR), or the results of monitoring activities at either the engagement or firm level, whether conducted internally or by external parties.

The heads of audit firms did not take adequate and sufficient actions to effectively remediate the identified findings. Consequently, recurring findings in the same areas were again identified in the current inspection cycle.



Recommendations

Audit firms should improve their partner evaluation criteria to establish clear and comprehensive links to audit quality and the quality of the quality management system for which each partner is responsible. The criteria should include performance in the role of EQR as well as the results of engagement-level and firm-level monitoring activities. Such revisions would ensure that partner evaluation and remuneration are aligned with audit quality, thereby reinforcing a culture in which quality is a top priority for all partners and staff.

The heads of audit firms should place greater emphasis on the remediation of identified findings and communicate to staff at all levels that remediation is a matter of the highest importance. Firms should also adopt proactive measures to promote quality-first culture and governance structure, including conducting root cause analyses of identified findings, establishing clear and appropriate remediation plans with timelines commensurate with the severity of each finding, assigning clear ownership of remediation responsibilities, and monitoring remediation progress closely. Remediation should additionally be designated as a KPI in the evaluation of relevant personnel, to ensure that identified findings are addressed fully and in a timely manner and to reduce the likelihood of recurrence.



Relevant Ethical Requirements (ER)

“Audit firms must have policies and procedures that provide reasonable assurance that the firms and their personnel fully comply with the auditor’s code of professional conduct, particularly with respect to independence and client confidentiality, in order to uphold the credibility of both the audit firms and the audit profession.”



Findings

Audit firms had a significant fee dependency on a particular client, with audit fees received from that client exceeding 15 percent of the firms’ total fees for two consecutive years. The audit firms’ policies required that such fee dependency be disclosed to those charged with governance prior to the issuance of the auditor’s report and that, in the second year, an external professional who was not a member of the audit firm be engaged to perform an engagement quality review. Where fee dependency persisted, both measures were required to be applied in each subsequent year, and the audit firms were also required to assess whether sufficient safeguards were in place to reduce the threats arising from such dependency to an acceptable level. However, the SEC found no evidence that the fee dependency had been communicated to those charged with governance in accordance with the audit firms’ own fee dependency policy.



Recommendations

Audit firms should communicate their fee dependency policies and procedures to all relevant personnel across the firms. To ensure that this matter is consistently considered by all engagement teams, the firms may establish a standardized checklist. In addition, the firms’ central teams should compile and analyze fee income data on a per-client basis to identify clients with significant fee dependency. The relevant engagement teams should then be informed of their obligation to comply with the firms’ fee dependency policies and the codes of professional conduct. Compliance with the established fee dependency policies should also be monitored on a regular and consistent basis.





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

“Acceptance and continuance of client relationships and specific audit engagements are critical processes for mitigating risk and promoting audit quality. Audit firms should assess the risks and complexities of audit engagements, taking into account the knowledge and competence of their personnel, as well as the sufficiency of the firms’ available resources, to ensure that auditors and engagement teams are capable of performing high-quality audits in accordance with professional standards.”



Findings

In assessing the risks associated with the acceptance of audit engagements, audit firms assessed the overall engagement risk as high due to risk factors relating to management integrity. Nevertheless, the firms accepted the audit engagements without designing appropriate responses sufficient to address the identified risks or implementing measures to reduce the risks to an acceptable level.



Recommendations

The integrity and conduct of management are qualitative factors that can affect the reliability and credibility of financial statements. Where the auditor assesses the risks associated with these factors as high, the overall engagement risk should likewise be assessed as high. In such circumstances, the audit firms should design and implement appropriate risk responses to reduce the risks to an acceptable level before accepting audit engagements or consider declining the engagement if adequate measures to address the identified risks cannot be found. In determining the appropriate risk responses and deciding whether to accept audit engagements, audit firms should require internal consultation, as this enables a more thorough and robust assessment than leaving the acceptance decision solely to the engagement partner. Audit firms should also require the engagement teams to adequately document in the engagement acceptance working papers the rationale for accepting engagements, the risk mitigation measures implemented, and evidence of the consultations performed.



Engagement Performance (EP)

“Audit firms that establish clear and comprehensive audit policies and procedures—including audit manuals, audit methodologies, and associated audit forms—together with appropriate assignment of work, effective planning and supervision by experienced auditors at each critical stage of the audit, and access to specialists for consultation on difficult and complex matters, are better positioned to consistently deliver high-quality audits.”



Findings

Audit firms had not clearly defined the scope of the EQR's review, including the matters requiring professional judgement and the circumstances in which such judgement should be exercised. As a result, the EQR's review lacked sufficient focus and was ineffective in mitigating audit risk. In certain cases, the EQR failed to identify significant audit findings that fell within the scope of the review as prescribed by the firms' policies. In addition, the documentation of the EQR's work lacked sufficient detail, and in some cases the EQR's level of involvement, as reflected by the hours devoted to the engagement, was relatively low given the risk and complexity of the audit engagements.



Recommendations

Audit firms should define the scope of the EQR's review to encompass all significant matters required by professional standards, including difficult and complex matters, and should clearly specify the matters that require the exercise of professional judgement. The firms should also establish minimum hours of EQR involvement in each engagement, commensurate with the engagement's risk and complexity, and develop guidelines for documenting the EQR's work at a level of detail sufficient to enable the firms to evaluate the effectiveness of the EQR's review. In addition, audit firms should further strengthen the quality of EQR performance through ongoing training and development, including regular communication of risk issues and inspection findings. The importance of the EQR role should also be reinforced by establishing partner evaluation criteria that are clearly linked to the quality of engagement quality reviews. For example, the results of internal and external engagement monitoring for engagements in which a partner served as the EQR should be incorporated into that partner's performance evaluation and remuneration.



Findings

From the inspections of audit firms' quality management systems in 2025, the SEC identified significant findings related to several key aspects of audit performance, including the identification and assessment of fraud risk, inventory audit procedures, impairment testing of assets, the use of experts' work, revenue audit procedures, and internal control testing. These represent fundamental aspects of financial statement audits of companies in general and capital market businesses in particular. Deficiencies in these areas may have a material or pervasive effect on the reliability of financial statements.



Recommendations

Audit firms should conduct root cause analyses of identified deficiencies and establish targeted remediation plans. Such plans may include communicating deficiencies identified—whether identified internally or by external parties—to personnel at all levels, together with guidance on appropriate remedial actions; enhancing audit manuals and audit methodologies in areas where deficiencies have been identified to ensure that they are sufficiently detailed and practical for consistent application; providing training and professional development to ensure that personnel have a sound understanding of financial reporting and auditing standards and are able to exercise appropriate professional judgement in applying those standards; increasing the involvement of highly experienced auditors in audit engagements to ensure that planning, supervision, and the significant judgements are performed appropriately and that sufficient professional skepticism is exercised; and assigning work appropriately while regularly monitoring staff workloads to ensure that they have sufficient time to perform high-quality audits and continuously develop the necessary knowledge and competencies.





Resources (R)

“Effective resource management—through the recruitment of appropriate personnel, the provision of regular training to ensure that personnel possess the knowledge and competencies required for quality performance, performance evaluation and remuneration structures that incentivize quality work, and the long-term retention of high-potential personnel—is a key factor in achieving audit quality. In addition, the effective management of technological resources and intellectual resources through their appropriate use and maintenance supports the consistent and effective operation of quality management systems.”



Findings

The data on audit hours of personnel at each level used by audit firms for workforce planning and allocating personnel to individual audit engagements were unreliable and incomplete. This was because certain partners and staff did not accurately record the actual hours they spent on audit engagements. In addition, some partners did not record their own audit hours but delegated this task to their assistants, who estimated the hours on their behalf.

Audit firms’ policies on technological resources were incomplete and inadequate. Specifically, no retention period was specified for log data relating to internet usage and firewall activity, despite the fact that clearly defined retention periods are necessary to ensure that sufficient evidence is available for retrospective review and that root cause analysis can be conducted in a timely and appropriate manner when anomalous events occur. Furthermore, the firms had no policy on data classification or the assignment of data sensitivity levels, resulting in an approach to data life cycle management—including data storage, access, and disposal—that was inconsistent with IT governance and audit guidelines applicable to audit firms, thereby increasing the risk of breaches of data confidentiality under TSQM 1.



Recommendations

Audit firms should communicate to partners and personnel at all levels the importance of accurately and completely recording actual audit hours. The firms should also establish effective monitoring and control procedures over the recording of audit hours, particularly by key personnel such as partners, to ensure that complete and accurate records of actual audit hours are maintained. These records should be used for workforce planning, allocating internal resources, and determining the volume of audit work that can be performed while maintaining high audit quality.

Audit firms should establish comprehensive policies governing technological resources that address all significant matters, including: specifying clear log retention periods to support retrospective review; and classifying data according to sensitivity levels so that access to information can be appropriately controlled based on its level of confidentiality. These measures help ensure that data confidentiality is maintained systematically in accordance with IT Governance and Security guidelines applicable to audit firms.



Monitoring and Remediation Process (MO)

“An effective and sufficiently detailed monitoring and remediation process enables those responsible for monitoring to identify significant deficiencies in a timely and comprehensive manner, and supports audit firms in conducting root cause analyses of those deficiencies and determining appropriate remedial actions.”



Findings

The monitoring responsible person at the firm level had responsibilities for the components they were assigned to monitor, creating a self-review threat and compromising the independence required to perform firm-level monitoring. Furthermore, audit firms had not clearly defined the qualifications of monitoring responsible person at either the firm or engagement level to demonstrate that they possessed the knowledge, competence, and experience necessary to review work effectively and to appropriately challenge the judgements and raise observations regarding the work of engagement personnel.

Audit firms did not conduct root cause analysis of all findings identified during the previous quality management system inspections, including findings identified by both external monitoring bodies and the firms' own monitoring activities. Instead, the firms attributed the findings solely to human errors. As a result, appropriate remediation plans were not developed, leading to the recurrence of similar findings in the current inspection.



Recommendations

Audit firms should implement measures to ensure that monitoring responsibilities are assigned to personnel who are independent of the operation of the quality management system by establishing a monitoring structure that clearly separates responsibility for the operation of the quality management system from responsibility for monitoring activities. The firms should also clearly define the qualifications, knowledge and competencies required of monitors to enable them to perform effective monitoring at both the firm and engagement levels.

Audit firms should ensure that root cause analyses are conducted for all findings identified, at both the firm and engagement levels, whether by internal or external parties, so that appropriate and targeted remediation plans can be established. Prematurely attributing deficiencies solely to human errors risks leaving underlying weaknesses in the quality management systems unaddressed, which may result in the recurrence of the same deficiencies or in deficiencies with more serious consequences.



Root Cause Analysis of Deficiencies at the Firm Level



Root cause analysis is a critical process that enables audit firms to develop appropriate and targeted remediation plans and to reduce the likelihood of recurrence of the same or similar deficiencies.

Based on the inspections of quality management systems in the previous cycle, the SEC found that certain audit firms were unable to remediate deficiencies effectively for the following reasons:

1 | Heads of audit firms did not sufficiently foster a quality-focused culture

The heads of audit firms play a critical role in setting the tone and ensuring that the firms and their personnel at all levels give priority to quality. This commitment must be reflected in the firms' vision, mission, and quality objectives, as well as through clear leadership and by serving as role models of quality-focused conduct, in order to foster an organizational culture firmly committed to quality.

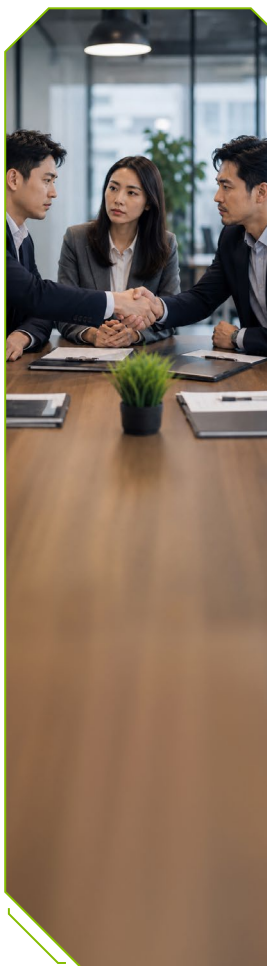
From inspections conducted in the previous cycle, the SEC identified significant deficiencies directly linked to the role of the heads of audit firms within the Leadership and Governance component. Beyond that component, the heads of the firms also failed to give sufficient attention to the remediation of deficiencies in other components, resulting in their recurrence. Furthermore, the heads of audit firms did not strictly adhere to the firms' own policies and procedures in several respects, undermining their credibility as role models and their ability to demonstrate convincingly that quality took precedence over commercial considerations, as stated in the firms' vision. The failure of firm leadership to prioritize quality appropriately, or to consistently model the expected conduct within the quality management system, is one of the key factors contributing to the recurrence of deficiencies in the current inspection cycle.





2 | TSQM 1-based quality management systems were implemented primarily for compliance rather than to enhance audit quality

Some audit firms tended to regard the TSQM 1-based quality management system as a compliance exercise rather than a tool for enhancing audit quality. As a result, implementation focused primarily on preparing documentation and completing activities to satisfy the requirements, without a clear understanding of the objectives and principles of the quality management system. Consequently, personnel involved lacked a clear understanding of the system's role and objectives and carried out prescribed procedures without a clear purpose. This resulted in significant time and resources being expended without delivering meaningful improvements in audit quality and prevented the quality management system from effectively serving as a mechanism for risk management or supporting the efficient and effective operation of audit firms.



3 | Inadequate client acceptance and continuance process led to engagements exceeding audit firms' capacity

The client acceptance and continuance process is a critical mechanism that enables audit firms to appropriately assess the volume and risk profile of audit engagements, forming the basis for decisions on engagement acceptance, audit fee determination, audit planning, and the allocation of resources—including personnel, expertise, and time in a manner commensurate with the complexity and risk of each engagement. It also enables audit firms to maintain their audit portfolios at a level that is appropriate and within their management capacity, which is a key element in sustaining and enhancing audit quality.

Accepting audit engagements without careful consideration of acceptance risk—particularly high-risk engagements—combined with resource constraints such as limitations in personnel numbers, knowledge, competence, and experience, resulted in staff being burdened with workloads that exceeded their capacity to perform high-quality work. Furthermore, when a firm was required to devote disproportionate resources and time to resolving issues or managing complex and high-risk engagements, this inevitably reduced the time and resources available for effectively managing and developing the firm's quality management system, leading to deficiencies across multiple components of the system. This situation reflected inadequate emphasis on the client acceptance and continuance risk assessment process and insufficient commitment to upholding professional standards.

Audit Inspection Results

B. Engagement Level



Overview of Audit Inspections in the 6th Inspection Cycle (2024 – 2026)



Auditors applying for initial approval as capital market auditors are subject to a qualification screening and audit quality assessment process



The SEC regularly monitors the audit quality of capital market auditors in line with internationally recognized principles on auditor oversight



Number of capital market auditors
as of 31 December 2025

366 auditors
from **31** audit firms
Net increase **5** auditors (+1%)
from 2024



Number of audit engagements selected by the SEC for audit quality inspection
in 2025

52 engagements



Number of auditors granted approval
in 2025

64 auditors
comprising **16** new approvals
and **48** renewals

The SEC adopts a risk-based approach in selecting audit engagements for inspection. Various factors are considered when selecting engagements and determining the scope of inspection, including:



Factors considered in selecting engagements for inspection



Audit engagements assessed by audit firms as complex and high-risk



Audit engagements accepted by audit firms for the first time



Audit engagements where the signing partners issue audit opinions on the financial statements of a large number of listed companies, which may pose risk to audit quality



Factors considered in selecting the scope of inspection



Areas that are complex and require professional judgment, such as: the assessment of the risk of material misstatement due to fraud; the determination of materiality; significant accounting estimates; and the application of the substance-over-form principle



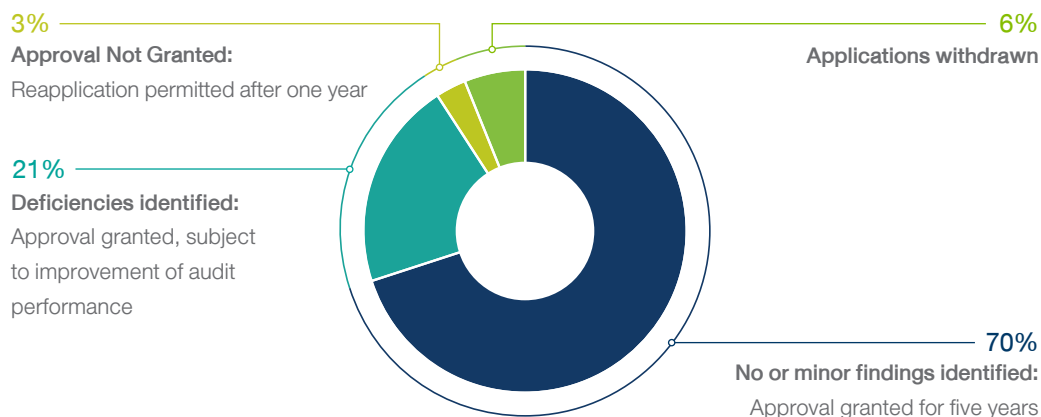
Areas with a high risk of material misstatement



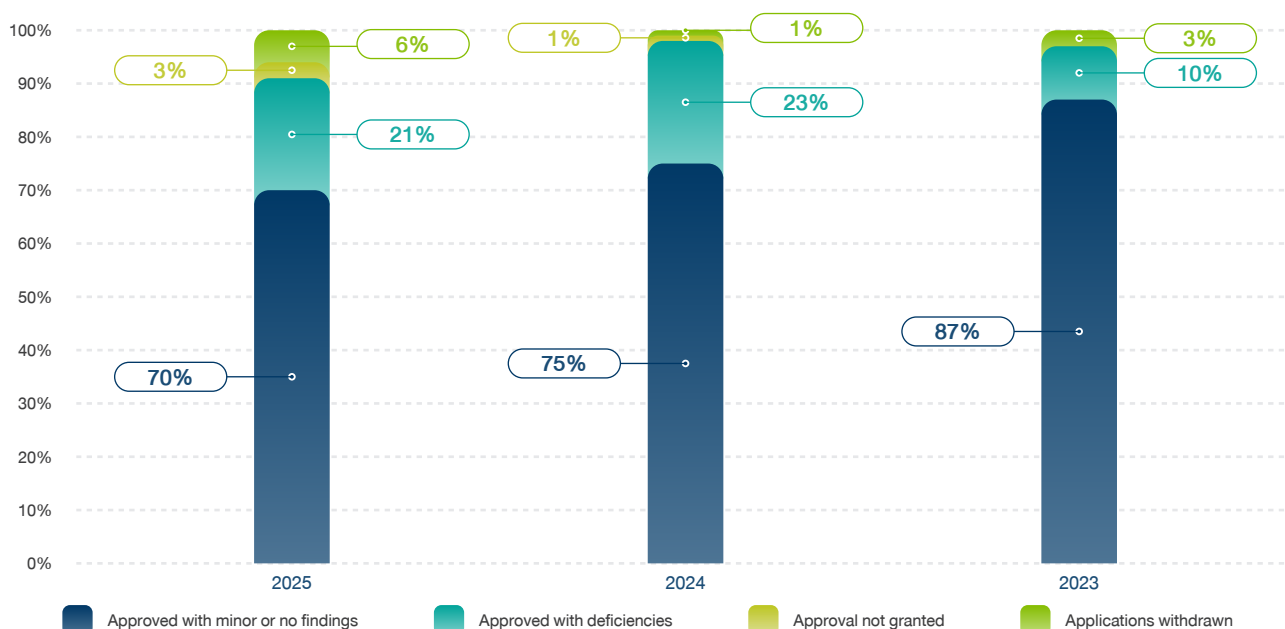
Areas that are material to the financial statements

2025 Results of Individual Auditor Approvals

Results of individual auditor approvals for 2025

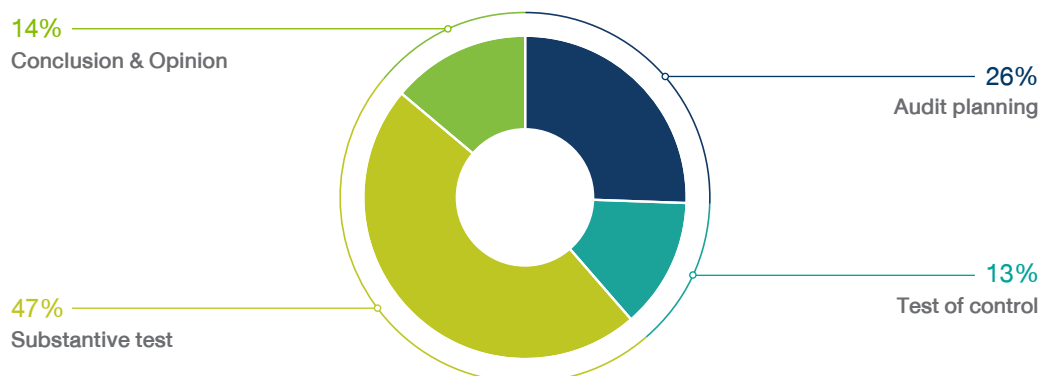


Results of individual auditor approvals over the past three years



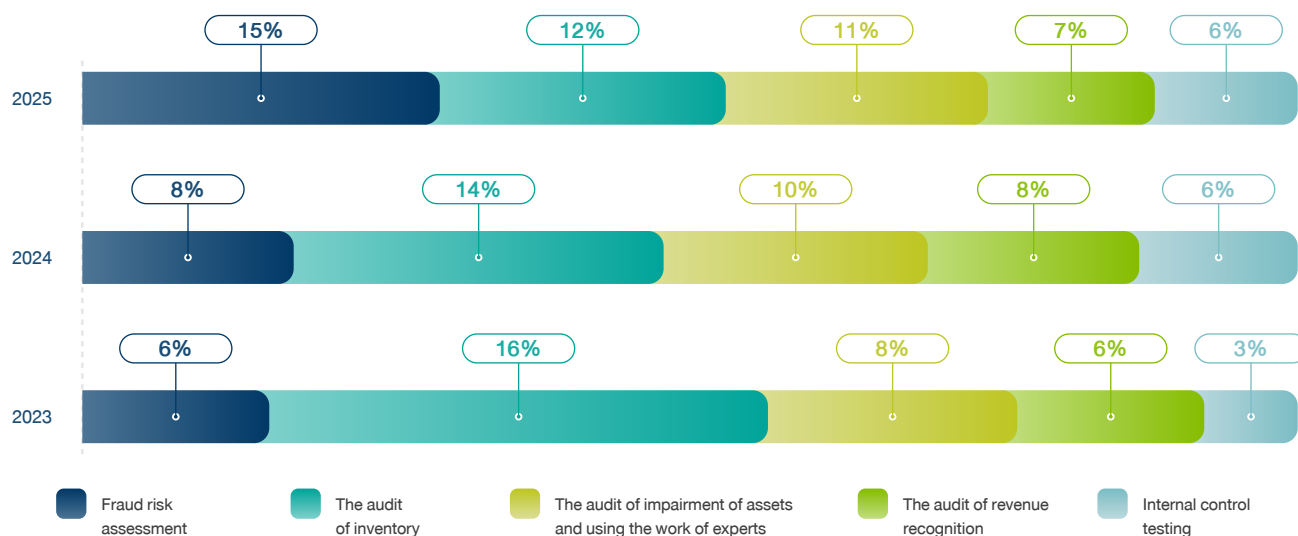
Key Findings Identified from Audit Inspections in 2025

Proportion of findings identified at each stage of the audit process in the 2025 audit inspection



Note: Percentages of findings identified at each stage of the audit process are calculated based on the total number of findings identified in 2025.

Top 5 most frequently identified findings



Note: Percentages of findings identified for each topic are calculated based on the total number of findings identified in each respective year.

The SEC has continuously communicated the findings identified in 2025 to auditors, particularly regarding fraud risk assessment, to help them improve the quality of the audit engagements under their responsibility. The nature and examples of these findings are as follows:



Fraud risk assessment

Thailand Standard on Auditing 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, specifies that the auditor is responsible for obtaining reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. In performing an audit to obtain reasonable assurance, the auditor is required to maintain professional skepticism throughout the audit. The auditor must also consider the possibility that management may override internal controls and conceal fraudulent activities. Accordingly, the auditor should always recognize that a material misstatement due to fraud is possible, regardless of the auditor's previous experience regarding management's honesty and integrity.

Furthermore, audit procedures that are effective in detecting errors may not be appropriate for detecting fraud, as fraud often involves deliberate concealment or sophisticated schemes. Therefore, discussions among engagement team members to collectively analyze and exchange views on the audit approach and the financial statement areas exposed to fraud risk are a critical part of audit planning. Such discussions help auditors identify, in greater detail, "what can go wrong," including which financial statement items may be susceptible to fraud, how and when fraud could occur, and how it might be concealed. This enables auditors to design and implement responses to the identified fraud risks appropriately and effectively.



Identification and assessment of fraud risk

- The auditor is required to assess which types of revenue, revenue-generating transactions, or management assertions in the financial statements are susceptible to fraud risk.
- The auditor is required to treat fraud risk as a significant risk. Accordingly, the auditor must identify the entity's controls designed to address the risk and evaluate the effectiveness of those controls. Nevertheless, the auditor must consider the risk of management override of controls, as management is in a position to perpetrate fraud by overriding controls that would otherwise operate effectively.



Responses to fraud risk

- The auditor must determine appropriate overall responses to fraud risk at the financial statement level. These include assigning significant audit responsibilities to personnel with appropriate knowledge and competence; evaluating the selection and application of accounting policies, particularly those involving judgment in value measurement, which may indicate fraudulent financial reporting; and incorporating an element of unpredictability into the selection of the nature, timing, and extent of audit procedures (unpredictable procedures).
- The auditor must design and perform further audit procedures by determining the nature, timing, and extent of those procedures to appropriately respond to fraud risk at the assertion level.



Based on the inspections of audit firms' quality management systems at the engagement level conducted during the past year, the SEC continued to identify findings relating to the assessment of and responses to fraud risk, particularly those concerning revenue recognition and management override of controls. Although most auditors had presumed the existence of fraud risk, the SEC still found issues in auditors' fraud risk audit procedures. In this regard, frequently identified deficiencies include

1 The auditor identified “what can go wrong” only in broad terms, without clearly specifying the circumstances giving rise to the fraud risk, without reflecting the entity’s specific risks, and without considering how the entity might conceal fraudulent activities. As a result, the auditor failed to design appropriate responses and unpredictable procedures for auditing the fraud risk. Examples include

- An entity generated revenue from multiple types of goods and/or services, each involving different transaction characteristics, sales terms and conditions, delivery arrangements, revenue recognition criteria, contract complexity, and varying motivations or opportunities for fraud. However, the auditor did not sufficiently assess and analyze each revenue stream separately to determine whether certain types of revenue were more susceptible to fraud risk than others.
- The auditor identified general fraud risks relating to revenue recognition, such as the overstatement of revenue, the recognition of fictitious revenue, the recording of revenue in an incorrect accounting period, the creation of fictitious sales, or the overstatement of revenue through recognition without the delivery of goods or prior to the delivery of goods, particularly near the end of the reporting period. However, the assessment lacked sufficient detail and was not tailored to the entity’s specific circumstances. Consequently, the auditor’s responses to the identified fraud risks consisted only of general audit procedures that would ordinarily have been performed even if no fraud risk had been identified.
- The auditor identified a risk that management could override controls and recognize fictitious revenue by recording transactions through journal vouchers (JVs). However, no analysis was performed of the nature or scope of such transactions, such as the types of revenue involved, periods of heightened risk, or unusual patterns of journal entries or adjustments.
- The auditor assessed revenue as having a fraud risk relating to the occurrence assertion, whereas trade receivables, which are directly related to revenue, were assessed as having a low risk for the same assertion, without any documented rationale or supporting evidence for the differing risk assessments. Consequently, the auditor did not design unpredictable procedures for trade receivables, which may have resulted in audit procedures that did not adequately and appropriately respond to the identified fraud risk.

2 The auditor did not sufficiently analyze management’s motivations or pressures to commit fraud. Examples include

- The auditor identified the “what can go wrong” scenario as including both the overstatement and understatement of revenue within the same accounting period. However, this may not be consistent with the reality that management is generally motivated to manipulate revenue in only one particular direction. In addition, although the auditor identified that management might commit fraud to achieve an earnings target, no analysis was performed of the entity’s operating performance trends or the likelihood of achieving its earnings projections to assess whether management would be motivated to manipulate revenue in either direction.
- The auditor concluded that the entity was at risk of overstating revenue, even though it was not a listed company. However, no analysis was performed of management’s motivations to support the conclusion as to why management would be more likely to increase, rather than reduce, profits in order to mitigate the entity’s tax burden. As a result, the fraud risk assessment may not have been consistent with the entity’s business environment.

3 The audit procedures designed in response to the identified fraud risks were not appropriate for addressing those risks. Examples include

- The auditor identified a risk that the entity might record fictitious sales and subsequently reverse them in the following period through the issuance of credit notes. The audit focused on sales transactions with customers who made only a single purchase during the year. However, the audit procedures were limited to examining internally generated documents, such as invoices, receipts, and delivery notes, without obtaining corroborating evidence from external sources. In addition, no procedures were performed to examine subsequent events after the reporting period, such as the issuance of credit notes, sales returns, or sales cancellations, to address the identified risk. Consequently, the audit procedures may not have been sufficient to respond to the identified “what can go wrong” scenario.
- The auditor designed an unpredictable procedure to address the risk of fictitious revenue by requesting that the entity send sales confirmation requests to its customers, with the responses to be returned directly to the auditor. However, because the entity was aware of which customers would receive confirmation requests, there was a risk that management could interfere with the confirmation process, for example by altering confirmation responses before they reached the auditor or preventing the auditor from receiving the responses directly. As a result, the reliability of the audit evidence obtained from the confirmation process may have been compromised.
- The auditor identified a risk that the entity might have sold goods to related parties at unusually high amounts. However, the audit procedures were limited to assessing whether the selling prices charged to related parties were comparable to those charged to external customers. No analysis was performed to assess whether the volume of sales to related parties was reasonable in comparison with historical sales patterns.

4 The auditor performed inappropriate testing of JVs in response to the risk of management override of controls. Examples include

- The auditor tested both recurring and non-recurring JVs in response to the risk of management override of controls by applying the selection criteria prescribed in the audit firm’s audit manual as the basis for selecting journal entries for testing. However, the auditor did not tailor those criteria to reflect the entity’s journal entry characteristics.
- The auditor applied the same audit procedures to JVs identified as unusual—for example, JVs used to record revenue or cash disbursements—as those applied to routine journal entries. These procedures were limited to examining supporting accounting documentation, verifying that the journal entries had been approved by authorized personnel, and making inquiries of management or relevant staff. No additional procedures were performed to assess the underlying business rationale for recording such unusual transactions through JVs.

5 The auditor did not reassess fraud risk in light of circumstances identified during the audit. Examples include

- The auditor performed analytical procedures comparing the entity’s sales for the current year with those of the prior year and noted a significant increase in sales to new customers, as well as substantially higher profits in the fourth quarter compared with the other quarters. Although the auditor inquired of management regarding these matters, no further audit procedures were performed to determine whether management’s explanations were reasonable or whether the increase in profits and sales to new customers was unusual. For example, the auditor did not verify the existence of the new customers or analyze which sales transactions contributed to the increase in profits in order to design audit procedures that would appropriately respond to the potential fraud risks.
- Near year-end, the entity sold manufacturing machinery to a related party for a material amount. The auditor examined the transaction by inspecting the invoice, receipt, bank statement, and confirmation sent to, and obtained from, the related party. However, no further procedures were performed to determine the commercial rationale for the transaction, such as why the entity sold the machinery or whether the selling price was reasonable.

Illustrative Case 1



A company primarily engaged in the provision of hire-purchase financing for various types of motor vehicles. Its principal source of revenue is interest income from hire-purchase contracts, which was recognized over the contractual term using the effective interest rate method. Given the large volume of contracts, the company used an ERP system to automatically calculate and record interest income. The interest rates applied by the company varied depending on the type of contract and the applicable marketing promotions. The auditor assessed interest income from hire-purchase contracts as being subject to fraud risk only with respect to the accuracy assertion on the basis that the company could intentionally record interest income incorrectly. The auditor concluded that revenue recognition was not subject to fraud risk in relation to the existence/occurrence, completeness and cut-off, or presentation and disclosure assertions, which were assertions that could ordinarily be susceptible to fraud risk. The auditor's rationale was as follows:

Assertion	Rationale
Existence/ Occurrence	All financing contracts were subject to an approval process, during which customer information—such as national identification cards, house registration documents, and monthly installment payment receipts—was verified. Accordingly, the auditor assessed that there was a low risk of recognizing interest income arising from non-existent financing contracts.
Completeness and cut-off	Interest income was calculated automatically by the ERP system and recognized in accordance with the terms of the financing contracts. As each contract specified a clearly defined commencement date and effective date, the auditor assessed that the risks relating to the completeness assertion and the cut-off assertion were low.
Presentation and disclosure	The presentation and disclosure were straightforward, and there were no additional, entity-specific disclosure requirements.

The auditor designed audit procedures for revenue in various ways, including obtaining an understanding of and testing internal controls related to revenue, testing information technology general controls (ITGCs) of the company's ERP system, and performing substantive tests such as sending accounts receivable confirmations, performing sample testing of contracts or other supporting documents related to revenue recognition, examining subsequent cash receipts after the reporting period, and testing non-recurring JVs, including revenue-related JVs, in response to the risk of management override of controls. The auditor concluded that no unusual items were identified from substantive testing and journal entry testing, and that the company did not record revenue through JVs.



Findings related to the auditor's responses to fraud risk are as follows:

- 1 The auditor did not clearly specify the "what can go wrong" scenarios, particularly in relation to how the company could intentionally misstate revenue and conceal fraud. For example, the auditor did not sufficiently consider scenarios such as the application of interest rates for revenue recognition that were inconsistent with contractual terms, or the manipulation of interest rates within the ERP system to inflate recognized revenue. In addition, the auditor did not consider whether fraud risk was more likely to arise at specific periods or in relation to particular types of financing contracts. As a result, the audit of revenue was performed in a general manner and did not include the design of effective, unpredictable procedures to appropriately respond to the identified fraud risks.
- 2 The auditor did not sufficiently consider that, if management wished to manipulate revenue, it could fabricate documents to record fraudulent revenue and could also override internal controls. For example, management could create fictitious customers to support fictitious sales, modify customer information, alter contractual terms, change interest rates or sales prices to increase revenue recorded in the ERP system, or alter accounting entry dates or contract dates. Accordingly, the auditor should have further considered in further detail whether the company may have had fraud risks in financial statement assertions other than the accuracy assertion.



Findings related to the auditor's responses to fraud risk (continued)

- 3 As the company relied heavily on its ERP system to calculate and record revenue, and given the large volume of financing contracts with varying terms and details, it was beyond the auditor's ability to obtain sufficient appropriate audit evidence solely through sample-based substantive testing of documents to obtain reasonable assurance over the completeness and accuracy of revenue recognition. Accordingly, the auditor should have tested application controls within the ERP system relating to revenue recognition, to gain assurance that revenue was recorded completely and accurately.

Illustrative Case 2



A limited company incorporated in Thailand, engaged in the manufacturing and sale of products, was a subsidiary of a foreign company listed on an overseas stock exchange. During 20x1 - 20x5, the company entered into contracts with a foreign supplier for the purchase of raw materials and production machinery. The contracts did not specify fixed delivery schedules or contract durations; instead, they stipulated that the supplier would deliver goods whenever the company requested them. The company made significant advance payments to the supplier over the period; however, it never received the raw materials or machinery as contractually agreed. Management explained to the auditor that the construction of a new factory had been postponed due to an economic downturn, and that receipt of the goods had therefore also been deferred. Subsequently, at the end of 20x5, the company entered into an agreement to request a full refund of the advance payments from the supplier. The refund agreement stipulated that the company was entitled to recover the advance payments if it no longer required the raw materials and machinery. The agreement did not specify a fixed term, and the company had not yet exercised its right to request a refund. The auditor assessed that the company was exposed to fraud risk relating to revenue recognition and management override of controls.



Findings related to the auditor's responses to fraud risk are as follows:

The auditor's assessment that fraud risk was limited to revenue recognition and management override of controls, without considering the risk of misappropriation of funds through significant advance payments to a foreign supplier, indicated an insufficient exercise of professional skepticism. This was because the transactions exhibited indicators of fraud risk and lacked clear commercial substance, such as:

- 1 Long-term contractual arrangements without clearly defined delivery terms or timelines;
- 2 Significant and recurring advance payments over several years without receipt of goods;
- 3 Failure to exercise the contractual right to request a refund;
- 4 Management's explanations inconsistent with observable business behavior (e.g., stating that the project had been postponed, while advance payments continued to be made).

Furthermore, the auditor's failure to fully consider the risks associated with these transactions and to appropriately link them to relevant financial statement assertions resulted in an incomplete identification of significant risks. The auditor did not design audit procedures that appropriately responded to the risks identified, nor did the auditor obtain sufficient appropriate audit evidence regarding the advance payment balances. As a result, it may have been necessary to extend audit procedures to other related accounts or areas.

Illustrative Case 3



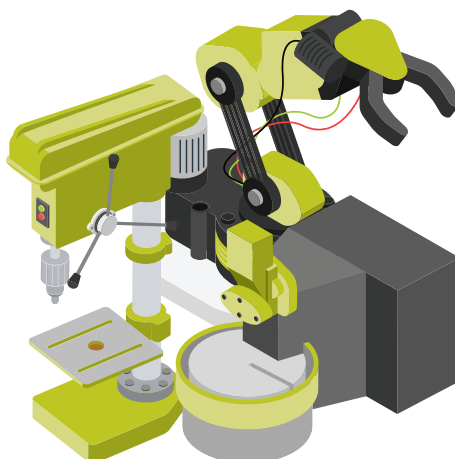
A company was engaged in the manufacturing and sale of products. During the audit, while testing internal controls over the inventory costing system (the company used an ERP system), the auditor identified that the company's stock cards for raw materials and finished goods showed negative inventory balances during certain periods between March and September (a total of seven months). Nevertheless, the auditor concluded that the ERP system accurately calculated inventory costs and that the relevant internal controls were operating effectively.



Findings related to the auditor's responses to fraud risk are as follows:

The results of the auditor's tests of internal controls indicated that the company's ERP system allowed inventory movements to be recorded in a manner that resulted in negative inventory balances over a continuous period. This reflected a significant deficiency in internal controls over the inventory management process. The situation involved a risk that the auditor should have given due attention to, because when an ERP system permits negative inventory balances, and certain inventory items show negative balances during certain periods, there is a risk that the entity may record the issuance of raw materials or the production of goods without actual inventory on hand, record sales transactions without sufficient inventory to support them, record the receipt of inventory or post retrospective accounting adjustments to conceal errors or fraudulent activities, or record transactions that are inconsistent with actual circumstances. However, the auditor nevertheless concluded that the internal controls were effective and that the ERP system accurately calculated inventory costs, without evaluating the impact of these deficiencies on fraud risk. Consequently, the auditor's risk assessment was inconsistent with the facts identified during the audit, and the audit procedures designed may not have been sufficient to respond to the actual risks involved.

The auditor should have exercised professional skepticism in evaluating these circumstances by analyzing the underlying causes of the negative inventory balances. For example, the auditor should have considered whether raw materials had been issued before they were actually received, whether inventory receipts had been recorded retrospectively, or whether sales had been recorded without the existence of physical inventory. The results of these procedures should then have been used to reassess fraud risk, as these circumstances may indicate irregularities in the recording of inventory, revenue, and cost transactions. In addition, the auditor should have considered expanding the nature, timing, and extent of audit procedures to appropriately respond to the increased level of risk.





The audit of inventory

Based on the results of audit quality inspections conducted in 2025, the SEC identified the following findings related to the audit of inventory:

Examples of observations from physical inventory counts

- No inventory cut-off testing was performed on the inventory report obtained as of the inventory observation date.
- The auditor did not attend the physical inventory count for all inventory categories as planned, without documenting the reasons for the deviation.
- Where a company maintained inventory at multiple warehouse locations, the auditor attended the physical inventory counts at each warehouse on different dates. However, no audit procedures were designed or performed to obtain reasonable assurance that inventory had not been transferred among warehouses during the count period, which could have resulted in the same inventory being counted more than once.
- Where the auditor did not attend the physical inventory count at the reporting date, the inventory roll-forward/rollback procedures performed to reconcile inventory movements (receipts and issues) between the count date and the reporting date were inappropriate. For example:
 - » The auditor performed the inventory roll-forward/rollback by reconciling inventory movements only, without performing sample testing to verify the accuracy of inventory receipts and issues.
 - » The auditor compared the quantities counted during the physical inventory count with the inventory quantities recorded at the reporting date and documented the reasons for any differences identified. However, the auditor did not perform an inventory roll-forward/rollback or examine supporting documentation for inventory receipts and issues occurring between the physical count date and the reporting date.

Testing the net realizable value (NRV) of inventory. Examples include

- The auditor did not obtain an understanding of the company's policy for determining the NRV of inventory or evaluate the appropriateness of the methodology applied. For example, the auditor did not understand how the company determined the allowance for NRV (e.g., the percentages used to calculate the NRV of different categories of inventory or the selling costs included in the NRV calculation). In addition, the auditor did not evaluate the appropriateness of the company's use of historical price lists, rather than current selling prices, in determining the NRV of inventory.
- The company recognized an allowance for NRV only for finished goods. However, the auditor did not further consider whether work in progress and raw materials related to those finished goods should also have been assessed for NRV and, where appropriate, provided with an allowance for NRV.



The audit of impairment of assets and using the work of experts

Based on the results of audit quality inspections conducted in 2025, the SEC identified the following findings related to the audit of impairment of assets and using the work of experts:

- The auditor did not sufficiently evaluate the appropriateness of the assumptions used by management in estimating the recoverable amount based on the value in use.
- The auditor placed undue reliance on the work of the auditor's expert without obtaining an adequate understanding of, or evaluating the appropriateness of, the fair value valuation report prepared by the auditor's expert.
- The auditor did not evaluate whether the company had appropriately considered indicators of impairment before concluding that no impairment indicators existed. For example, in auditing the impairment of an investment in a subsidiary, the auditor identified that the subsidiary was subject to material uncertainty regarding its ability to continue as a going concern. However, this matter was not considered as a factor indicating possible impairment.

Illustrative case 1: Using the work of the auditor's expert

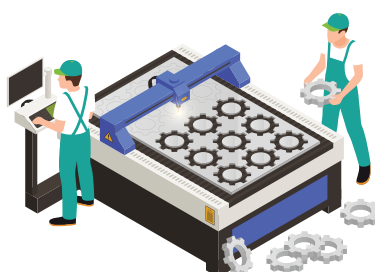


Company A was engaged in the manufacturing and sale of motor vehicles. Its financial statements included goodwill arising from the acquisition of Company G. Company A performed an annual impairment test of goodwill by determining the value in use of the relevant cash-generating unit using the discounted cash flow (DCF) method. The auditor engaged the auditor's expert to review the key assumptions used by management in the DCF model, including projected revenue and revenue growth rates, EBITDA margins, capital expenditures (CAPEX), and the weighted average cost of capital (WACC) used in the valuation.

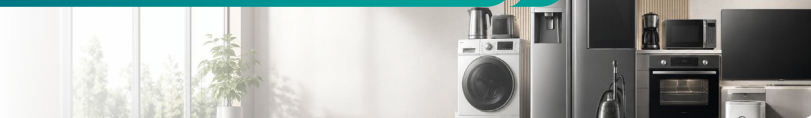


SEC findings

The auditor did not obtain an adequate understanding of the expert's report and conclusions, nor did the auditor evaluate whether the information contained in the report was consistent with other audit evidence obtained during the audit. For example, the auditor did not assess whether key assumptions used in the DCF model—such as revenue growth rates and significant expenditures—were consistent with other supporting evidence, including whether projected revenue growth was inconsistent with historical performance, or whether the CAPEX figures for each period were unusually high without evidence of management's approval of the related investment plans. As a result, the auditor did not obtain sufficient appropriate audit evidence to conclude that the assumptions underlying the impairment assessment were reasonable.



Illustrative case 2: Using the work of the management's expert



Company H, a listed company on a foreign stock exchange, was engaged in the manufacturing and sale of electrical appliances. The auditor audited the financial statements of Company L, a Thai subsidiary of Company H, while the financial statements of Company H and the consolidated financial statements of the group were audited by an overseas auditor within the same audit network firm. The management of Company H engaged an external expert to assist in developing the assumptions used to calculate the expected credit loss (ECL) allowance for trade receivables and other receivables of Company H and all subsidiaries within the group.

The auditor of Subsidiary L evaluated the competence, capabilities, and objectivity of the external expert engaged by Company H, and decided to rely on the ECL information presented in the external expert's report, on the basis that the expert possessed appropriate qualifications and that the auditor of Company H had already evaluated the assumptions used by the expert in calculating the ECL allowance for Company H and all subsidiaries within the group. Accordingly, the auditor of Subsidiary L proposed that Subsidiary L recognize the ECL allowance for its trade receivables and other receivables in accordance with the conclusions set out in the expert's report, without performing any further procedures to evaluate the assumptions used by the expert in calculating the ECL allowance for Subsidiary L.



SEC findings

The auditor did not evaluate the reasonableness of the assumptions used by the external expert in calculating the ECL allowance relating to Subsidiary L, despite having relied on that information and recommended that Subsidiary L adjust its financial statements accordingly. As a result, there were findings regarding the reasonableness and accuracy of the ECL allowance recognized by Subsidiary L, as well as the sufficiency and appropriateness of the audit procedures performed.



The audit of revenue recognition

Based on the results of audit quality inspections conducted in 2025, the SEC identified the following findings related to the audit of revenue recognition:

- The auditor did not consider whether the company's revenue recognition was consistent with the principles set out in Thai Financial Reporting Standard 15: Revenue from Contracts with Customers (TFRS 15). Examples include
 - » A company engaged in the manufacture of stainless steel pipes entered into a contract with a customer to manufacture customized products. Under the arrangement, the customer supplied the raw materials and purchased specialized machinery for the production of those products. The company entered into a lease agreement with the customer to lease the machinery for manufacturing purposes, while the customer simultaneously entered into a lease agreement with the company to lease factory space for installing the machinery. The company recognized revenue from manufacturing the products as service revenue, based on the quantity of products manufactured. However, the auditor did not evaluate whether the contracts entered into with the same customer at or near the same time met the criteria for contract combination under TFRS 15. For example, the auditor did not assess whether the manufacturing contract, the factory space lease agreement, and the machinery lease agreement had been negotiated as a package such that the prices under the individual contracts did not reflect standalone selling prices or fair values. Such circumstance may have indicated that the contracts should have been combined and that the transaction price should have been allocated to the respective performance obligations. In addition, the auditor did not consider whether the lease payments made by the company to the customer for the machinery constituted consideration payable to a customer that should have been accounted for as a reduction of revenue recognized under the contract with the customer.

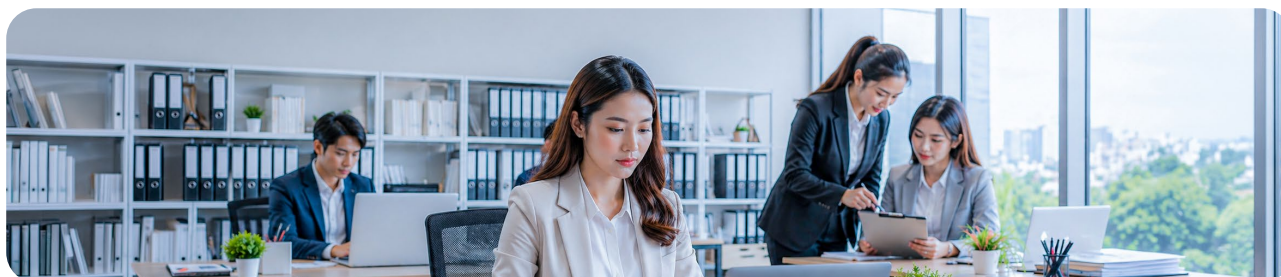
- » A company was engaged in the sale of structural steel for construction projects and provided product warranties for a specified period. However, the auditor did not evaluate whether the sales contracts with warranty provisions included a service-type warranty under TFRS 15.
- » A company was engaged in the sale of cosmetics and operated a customer loyalty program under which customers could enroll as members free of charge. Members earned loyalty points from purchases, which could be redeemed for discounts on future purchases. The amount of the discount depended on the customer's membership tier (basic, intermediate, or premium). In addition, members were entitled to receive complimentary products during their birthday month. However, the auditor did not evaluate whether the company's failure to allocate the transaction price to the various customer loyalty benefits provided to members, and its failure to recognize the related contract liability, was consistent with the requirements of TFRS 15.
- The auditor established an inappropriate scope for sales cut-off testing because the testing period did not adequately cover the company's delivery period. For example, the auditor performed sales cut-off testing covering only three days before and after the reporting date, whereas tests of controls over the sales process indicated that deliveries to customers could take up to seven days. In addition, the auditor did not document the rationale for determining the scope of the sales cut-off testing.
- The auditor did not evaluate the reliability of information produced by the entity (IPE) before using it as audit evidence. For example, the auditor used the entity's sales reports as the basis for sample selection in tests of controls and substantive testing without first evaluating the reliability of the information.
- In auditing a company engaged in construction contracting that recognized revenue over time using the input method to measure progress toward complete satisfaction of its performance obligations, the auditor did not sufficiently examine the details of the estimated costs (budget costs), which directly affected the accuracy of revenue recognition under the contracts. For example, the auditor did not obtain an understanding of the source of, or evaluate the reasonableness of, the information used by the company in preparing the budget costs, nor did the auditor test the internal controls over the approval and revision of the budget costs.



Internal control testing

Based on the results of audit quality inspections conducted in 2025, the SEC identified the following findings related to the testing of internal controls:

- The auditor did not obtain a sufficient understanding of the company's key internal controls. For example, the auditor did not obtain an understanding of the controls over the company's new revenue stream, yet assessed control risk as low without performing tests of controls.
- The auditor designed inappropriate tests of controls. For example, the auditor tested the controls over domestic and export sales as a single process, even though domestic and export sales were subject to different key control activities.
- The auditor selected inappropriate samples for testing internal controls. For example, there was no documented basis for determining the sample size, and the sampling method did not give all sampling units within the population an equal opportunity for selection, as the auditor selected test samples only from transactions occurring in a particular month.
- The auditor did not obtain an understanding of, or assess, IT risk, nor test the relevant ITGCs and application controls relating to significant revenue recognition processes, despite the company's heavy reliance on reports generated and calculated by its information technology systems for revenue recognition purposes.



Root Cause Analysis of Deficiencies at the Engagement Level

Based on its inspections of audit firms' quality management systems at the engagement level, the SEC found that one of the key reasons some audit firms have been unable to remediate deficiencies effectively is that their root cause analyses have not been sufficiently comprehensive. In many cases, audit firms focused primarily on identifying the nature of the deficiencies observed, without performing a root cause analysis of the deficiencies. The SEC also observed that, in some instances, the root cause analysis did not adequately consider how engagement-level deficiencies were linked to the firms' overall systems of quality management, such as their operational processes, governance arrangements, and engagement quality review. As a result, the remediation measures implemented were not sufficiently targeted to address the underlying causes of the deficiencies.



Some of the deficiencies identified from inspections of audit firms' quality management systems at the engagement level were attributable to the following factors:



1 Lack of professional skepticism

A lack of professional skepticism in the performance of an audit may arise when auditors accept information or explanations provided by management without sufficiently evaluating their reasonableness or challenging management's explanations where they appear unreasonable. It may also result from undue reliance on the results of prior-year audits without considering changes in the entity's circumstances and entity-specific risks. In addition, auditors may, in some cases, place greater emphasis on the completeness of audit documentation than on the quality and persuasiveness of the audit evidence obtained, leading to inappropriate audit conclusions. A lack of professional skepticism may also stem from deficiencies in audit firms' quality management systems. For example, the firms' culture, including their approaches to engagement quality review, may not sufficiently encourage auditors to question information or perform further analysis when matters requiring additional consideration are identified during the audit. Consequently, auditors may fail to adequately assess the reliability of the information and evidence obtained. Accordingly, fostering an environment within audit firms that encourages auditors to ask questions, challenge assumptions, and critically evaluate audit evidence will promote the consistent exercise of professional skepticism and, ultimately, enhance audit quality.



2 Inadequate supervision and engagement quality review

Inadequate supervision and engagement quality review may result from assigning work without providing clear instructions, appropriate guidance, or effective communication. Consequently, engagement team members with less professional experience may not fully understand significant and complex risk areas, leading them to perform prescribed audit procedures without considering whether the audit approach is appropriate to the specific circumstances of the company under audit. Insufficient engagement quality review may also arise when reviewers focus primarily on the completeness of audit documentation rather than on the quality and appropriateness of the audit evidence obtained. In addition, deficiencies may occur when more experienced auditors and engagement team members fail to provide adequate guidance on matters requiring the exercise of professional judgment. These shortcomings can adversely affect auditors' conclusions and are among the key factors contributing to deficiencies in audit engagements.

Furthermore, inadequate supervision and engagement quality review may stem from weaknesses in audit firms' quality management systems. For example, an audit firm may assign an excessive number of engagements to individual auditors, leaving them with insufficient time to be appropriately involved in each engagement. Similarly, EQR may lack sufficient experience or adequate time to perform an effective engagement quality review. In addition, the firm's performance evaluation process may not appropriately reflect the results of engagement quality monitoring for engagement partners and EQRs. Accordingly, audit firms should foster a culture that emphasizes the importance of active involvement by engagement partners, effective supervision, and robust engagement quality review, so that sufficient appropriate audit evidence is obtained to support auditors' conclusions.



3 Audit manuals and audit guidelines were unclear or were not implemented in practice

Audit manuals and audit guidelines that are drafted in overly broad terms or focus primarily on principles, without providing practical guidance or illustrative examples, may result in inconsistent interpretation and application by engagement teams. This is particularly relevant in areas requiring significant professional judgment, such as risk assessment and responses to assessed risks, the selection of appropriate benchmarks for determining materiality, and the identification of, and responses to, fraud risks in individual audit engagements. Accordingly, audit firms should develop clear and practical audit manuals and audit guidelines that include illustrative examples and appropriate scenarios to support consistent application. Effective internal communication, staff training, access to technical consultation, and monitoring of implementation are also essential to ensure that the firms' audit manuals and audit guidelines are applied consistently and appropriately across audit engagements.

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Roadmap for 2026



Roadmap for 2026

In 2026, the SEC will focus on enhancing the competitiveness and credibility of the Thai capital market through bolstering auditor oversight and investor protection mechanisms, promoting sustainability-related disclosures in line with international standards, and continuing initiatives to elevate audit quality. To achieve these objectives, the SEC will work closely with domestic and international partner organizations to enhance the transparency and reliability of information and financial reporting by entities in the Thai capital market. These efforts are expected to further strengthen the global competitiveness of the Thai capital market.

1 Strengthening Cooperation with Overseas Audit Regulators to Facilitate Foreign Listings



The SEC plans to become a signatory to a Multilateral Memorandum of Understanding (MMOU) Concerning Co-operation in the Exchange of Information for Audit Oversight with foreign audit regulators that are members of the International Forum of Independent Audit Regulators (IFIAR). This initiative aims to enhance the effectiveness of the oversight of foreign auditors who audit the financial statements of foreign companies seeking to raise funds in the Thai capital market, while also preparing for an increasing number of foreign companies interested in accessing Thailand's capital market. Becoming a signatory to the MMOU will facilitate more effective coordination and information exchange among audit regulators. Such cooperation will serve as an important mechanism for strengthening trust and confidence of investors and stakeholders in the Thai capital market as a whole.

2 Enhancing Audit Quality through the Role of Engagement Quality Reviewers



The SEC places significant importance on strengthening the effectiveness of the engagement quality review process, with a particular focus on the roles of the EQR, who performs a final engagement quality review or serves as a “second eye” before the auditor’s report is issued. This process helps provide greater assurance that the audit has been conducted in accordance with applicable professional standards, that appropriate professional judgment has been exercised throughout the audit, and that the auditor’s report is appropriate in the circumstances. To this end, the SEC plans to implement the following initiatives:



Study EQR oversight approaches in other jurisdictions



Assess EQR effectiveness within audit firms in the Thai capital market



Communicate the SEC's expectations on EQR roles and responsibilities to audit firms in the Thai capital market



Review the need to amend relevant laws and regulations governing the roles, responsibilities, and qualifications of EQR.

These initiatives are intended to further enhance audit quality and reinforce investor and stakeholder confidence.

In addition to the key initiatives outlined above, the SEC plans to implement a range of other activities to strengthen the credibility and efficiency of the Thai capital market and support its sustainable development, as follows:



Promoting Sustainability-Related Disclosures in Line with International Standards

The SEC places significant importance on sustainability-related disclosures by issuers and companies listed on the Stock Exchange of Thailand in accordance with international standards. To this end, the SEC is in the process of enhancing the sustainability disclosure requirements under Form 56-1 One Report to align with the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB), namely:

IFRS S1

General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2

Climate-related Disclosures

The SEC also supports issuers and listed companies in preparing for future compliance with the ISSB Standards. To this end, the SEC has collaborated with the TFAC through the establishment of the Sustainability Disclosure Standards Subcommittee to develop Thai-language sustainability disclosure standards, thereby facilitating implementation by issuers and listed companies. In addition, the SEC has received support from the Thailand-UK PACT (Partnering for Accelerated Climate Transitions) Programme in conducting capacity-building activities aimed at enhancing the ability of issuers, listed companies, and relevant stakeholders to properly apply and comply with the standards. Furthermore, the SEC continues to monitor international developments and disclosure standards relating to biodiversity and human capital, to prepare for future disclosure requirements.



Training and knowledge development for capital market auditors and those preparing to apply for approval

The SEC plans to further develop the knowledge and build the capabilities of capital market auditors, as well as those preparing to apply for approval as capital market auditors. In collaboration with partner organizations, the SEC will organize training sessions and seminars on key topics, such as the application of data analytics tools in audit, findings arising from inspection of audit firms' quality management systems, key issues and case studies relating to the financial statements of listed companies and IPO companies, as well as professional standards becoming effective in the near future.



Enhancing the efficiency and effectiveness of enforcement in the oversight of capital market auditors and audit firms

The SEC is drafting amendments to the Securities and Exchange Act B.E. 2535 (1992) with respect to the oversight of capital market auditors and audit firms. Under the proposed amendments, audit firms serving the capital market would be required to obtain approval from the SEC. This would enable the SEC to exercise direct oversight of audit firms and further enhance the efficiency and effectiveness of its regulatory framework. In addition, the SEC is revising the range of available sanctions to provide greater flexibility in enforcement actions, allowing regulatory measures to be applied in a manner that is proportionate to the nature and severity of the misconduct. These enhancements are expected to improve the effectiveness of enforcement and support a more responsive supervisory framework.

The Securities and
Exchange Commission, Thailand



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