

Audit Committee Institute in Thailand

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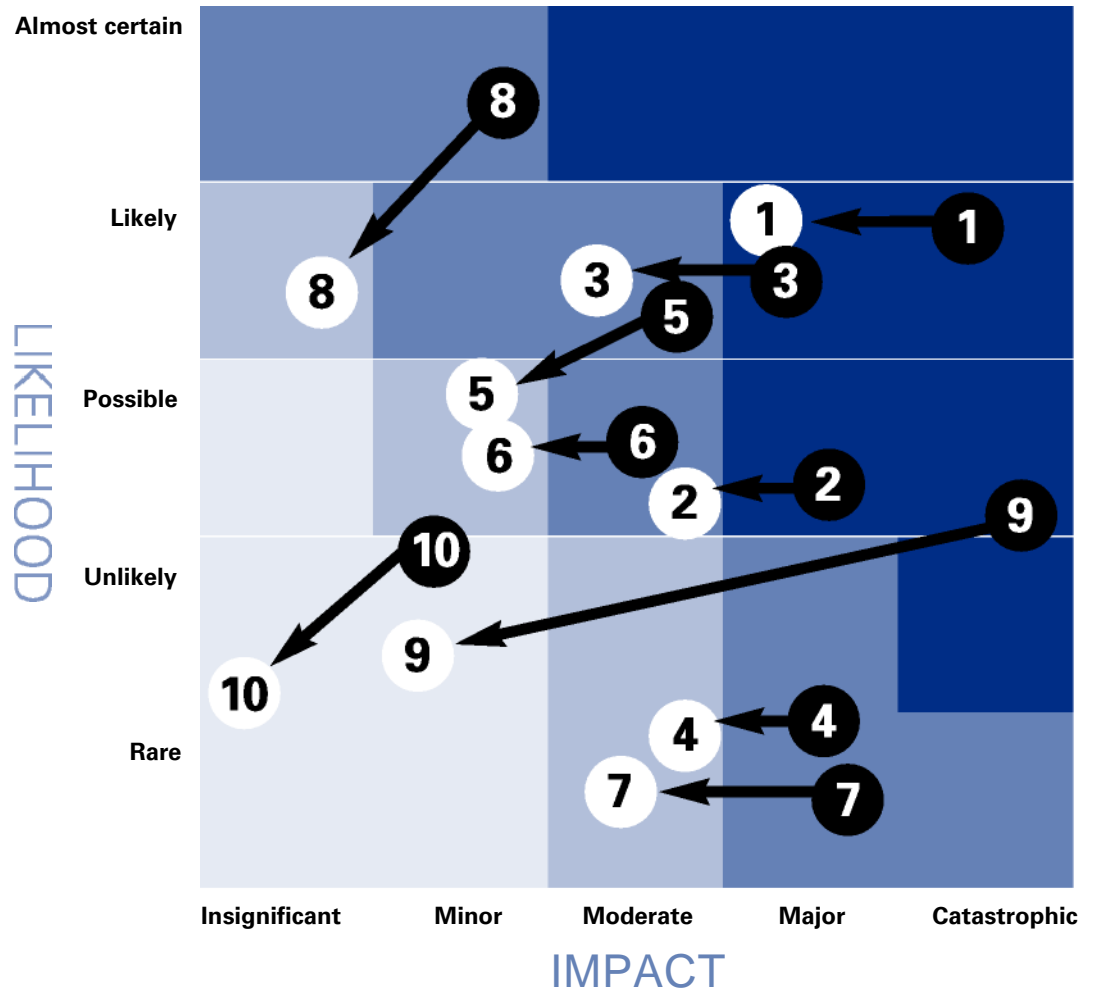
The Audit Committee Institute in Thailand has developed a Toolkit to provide examples of the reporting and documentation required by Audit Committees. The Toolkit, which is being continually built upon, will need to be adapted to the circumstances of individual audit committees and companies. The guidance contained within this document is taken from the Audit Committee Institute publication "A practical guide: Shaping the Thai audit committee agenda", complimentary copies of which can be obtained from the Thai ACI.

Example risk summary and register

Significant progress has been made in the development and implementation of the group's risk management policy. The process is to identify, assess and manage the group's key risks, to support the business objectives. The output from the risk management process is now used as a tool to manage the group on an ongoing basis, rather than being seen as a stand alone exercise for the annual report. The purpose of this section of our report is to present management's view of the top 10 key risks facing the business. Each of these risks has been assessed in terms of potential impact and likelihood of occurrence, using descriptive scales. Quantification criteria for likelihood and impact is set below the risk summary.

The grid below has been used to provide a graphical illustration of the likelihood and impact for each of the group's top ten risks, the arrows representing the influence existing internal controls are thought to have on that risk (refer to Appendix 3 for the summary risk register).





Top ten key risks:

- ① Inappropriate acquisition strategy and process
- ② Fall in investor confidence due to media criticism
- ③ Failure to comply with appropriate regulatory and legal requirements (i.e., cartels)
- ④ Post implementation IT systems failures*
- ⑤ Failure to allow current business strategy enough time to develop
- ⑥ Failure to manage and respond adequately to economic uncertainty
- ⑦ Inadequate business continuity and disaster recovery plans to manage a major IT network failure
- ⑧ Inability to protect brand name
- ⑨ Parcel and Express services division fail to deliver their expected growth strategy
- ⑩ Loss of key staff and inadequate succession planning

* Reviews planned in period to 30 June 2007



APPENDIX 2

Quantification criteria for likelihood and impact

LIKELIHOOD

Event is expected to occur in most circumstances	>90%	Almost certain	5					
Event will probably occur in most circumstances	50-90%	Likely	4					
Event should occur at some time	30-50%	Possible	3					
Event could occur at some time	10-30%	Unlikely	2					
Event may occur only in exceptional circumstances	<10%	Rare	1					
				1	2	3	4	5
				Insignificant	Minor	Moderate	Major	Catastrophic

Time	Resolution would be achieved during normal day to day activity	Resolution would require input from regional management team	Resolution would require input from Executive team	Resolution would require the mobilisation of a dedicated project team	Resolution would require input from the Board
Profit	Less than 1% or no impact	1% to 3% impact	3% to 10% impact	10% to 25% impact	Greater than 25%
Turnover	Little or no impact	1% to 3% impact	3% to 10% impact	10% to 25% impact	Greater than 25%
Environment	On-site environmental exposure immediately contained	On-site environmental exposure contained after prolonged effort	On-site environmental exposure contained with outside assistance	Off-site environmental exposure contained with outside assistance	Environmental exposure off-site with detrimental effects
Reputation	Letters to local/industry press	Series of articles in local/industry press	Extended negative local/industry media coverage	Short term national negative media coverage	Extensive negative national media coverage
Regulatory	Minor breaches by individual staff members	No fine - no disruption to scheduled services	Fine but no disruption to scheduled services	Fine and disruption to scheduled services	Significant disruption to scheduled services over an extended period of time
Management effort	An event, the impact of which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact	A significant event which can be managed under normal circumstances	A critical event which with proper management can be endured	A disaster with potential to lead to collapse of the business

IMPACT



APPENDIX 3

Summary risk register

	Risk	Gross risk		Board accountability	Control description	Control effectiveness	Net/residual risk		Action	Responsibility	Review date
		Impact	Likelihood				Impact	Likelihood			
1	Inappropriate acquisition strategy and process	5	4	Finance director	Use of external advisors for due diligence	Weak	4	4	Develop mergers and acquisitions framework aligned with business strategy Widening of acquisition search function	Finance director	Sep-07
2	Fall in investor confidence due to media criticism	4	3	Chief executive	Annual meeting with key investors	Poor	3	3	Media training for all executives. Open days Formal and informal programme of contacts	Head of communications	Jun-07
3	Failure to comply with appropriate regulatory and legal requirements (i.e., cartels)	4	4	Entire board	Yearly self assessment Oversight by legal department	Poor	3	4	Health check on all procedures regarding regulatory and legal compliance	Head of legal	Jun-07
4	Post implementation IT systems failures	4	2	Finance director	Project management procedures Utilization of Readiness Review checklist on all projects	Good	3	2	Maintenance of offsite back ups	Head of IT	Jun-07
5	Failure to allow current business strategy enough time to develop	3	4	Entire board	Board's continuous review of group strategy	Good	2	3	Setting of strong KPIs for business strategy and realistic review dates	Chief Executive	Jun-07
6	Failure to manage and respond adequately to economic uncertainty	3	3	Chief executive, Finance director Division MDs	Management monthly review of economic forecast and comparison with the group's forecast financial position	Good	2	3	Creation of financial models in order to conduct scenario modelling	Board	Sep-07



Summary risk register (continued)

	Risk	Gross risk		Board accountability	Control description	Control effectiveness	Net/residual risk		Action	Responsibility	Review date
		Impact	Likelihood				Impact	Likelihood			
7	Inadequate business continuity and disaster recovery plans to manage a major IT network failure	4	1	Finance director	Business continuity and disaster recovery plans reviewed (and update where necessary) and tested half-yearly	Strong	3	1	Off-site back-up of systems	Head of IT	Sep-07
8	Inability to protect brand name	2	5	Chief executive, Finance director	Copyright procedures in place Quarterly management review process to ensure compliance with copy right legislation Legal review of all copyrights	Good	1	4	Review and update (if necessary) copyright procedures	Head of legal	Sep-07
9	Parcel and Express services division fail to deliver their expected growth strategy	5	3	Chief Executive, MD Parcel and Express Services	Growth strategy devised following regional consultation with senior management Good KPI framework with regular monitoring Widespread communication of strategy	Good	2	2	Regular review of strategy and performance against KPIs in management meetings	MD parcel & express services	Jun-07
10	Parcel and Express services division fail to deliver their expected growth strategy	2	3	Chief Executive, Division MD's Salary review	Well defined succession planning for key members Well defined recruitment processes Strong recruitment processes	Strong	1	2	Annual benchmarking of salaries compared to industry peer group	Head of human resources	Sep-07





If you would like further information on any of the matters discussed in this publication, please talk to your usual contact at KPMG Phoomchai or contact:

auditcommittee@kpmg.co.th

**Further material is available on the
Audit Committee Institute website**

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