

This thesis involves a study on examination of foreign exchange and money market transactions of commercial banks, foreign exchange control exercised by the Bank of Thailand, related internal control system operated by commercial banks, audit procedures for these transactions, and examination by the Bank of Thailand, in order to propose internal control procedures and guidelines for audit of foreign exchange and money market transactions suitable for use by commercial banks to improve administrative and operational efficiency, internal control and internal audit in this area. The proposals should also benefit the Bank of Thailand which is responsible for supervision and examination of commercial banks as well as external auditors of commercial banks.

In carrying out the study, observations are made of commercial banks' day-to-day operations, officers and managements of commercial banks and examiners from the Bank of Thailand are interviewed, studies are made from texts, journals, documents, rules and regulations governing commercial banks, and laws and notifications issued by the Bank of Thailand relative to the subject. The study begins by examining the fundamentals i.e., the meanings and definitions of foreign exchange market, money market, prescription of exchange rates, and then moves on to procedures and operations of commercial banks comprising cash turnover management, organization management, designation of authorities and responsibilities, internal control, accounting, and audit of the operations and related transactions.

The results of the study indicate that foreign exchange and money market operations are significant in relation to other activities of the commercial banks as these activities represent significant sources of income or losses, and have high inherent risks. The study therefore recommends that the foreign exchange examiners or auditors should have sound knowledge and experience in the foreign exchange operations and treasury audit. Due to the rapid fluctuations of the foreign exchange activities, unexpected profit or loss may be incurred if the commercial banks do not maintain clearly defined foreign exchange operation policy and internal control procedures. Moreover, the banks should establish an internal audit function responsible solely for auditing foreign exchange operations which would strengthen internal control in this area. The study also recommends that examiners and auditors should place emphasis on assessment of risks relative to foreign exchange operations, and on improvement of internal control. Top management of commercial banks should at the same time recognise the importance of establishing foreign exchange operations policy as well as treasury auditing.