

**Financial compliance and
internal control**



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The Strategic Importance of Financial Compliance and Internal Control in Phuket's Hospitality Industry

Phuket is a premier hospitality destination, attracting millions of domestic and international guests each year. Its vibrant hotel sector is both an economic engine and a highly competitive marketplace. In this environment, **financial compliance** and **internal control** are essential not only for meeting regulatory obligations but also for protecting revenues, optimizing operations, and safeguarding reputation.

This report examines the specific compliance requirements and operational risks for hotels in Phuket, outlines a tailored internal control framework, highlights common pitfalls, and provides a practical roadmap for embedding best practices.



Phuket Market

Phuket's tourism sector operates in a unique environment shaped by:

Seasonality

From November to April, occupancy rates surge, leading to higher transaction volumes, cash handling, and operational pressure. In the off-season, promotions and package deals are common, affecting pricing integrity and revenue recognition.

Complex booking channels

Hotels rely on a mix of Online Travel Agency ("OTA"), direct bookings, corporate contracts, and walk-ins. Each has different settlement terms, commission structures, and accounting implications.

Regulatory obligations

Compliance with Thai VAT at the current 7% rate, hotel licensing laws under the Hotel Act, and the Personal Data Protection Act (PDPA) adds to the operational workload.

High workforce mobility

Many hotels employ seasonal or temporary staff, which can create inconsistencies in following established procedures if training is not continuous.

Financial Compliance in the Phuket Hospitality

Financial compliance ensures that the hotel adheres to all applicable laws, regulations, and contractual obligations while maintaining accurate, transparent financial records.

Key Compliance Areas



PDPA Obligations

- ▶ Providing privacy notices to guests during check-in and online bookings.
- ▶ Securing consent for marketing communications.
- ▶ Restricting data retention to legal or operational necessity.



Tax Compliance

- ▶ Applying the correct VAT rate to different revenue streams.
- ▶ Reconciling VAT collected from guests with VAT remitted to the Revenue Department.
- ▶ Managing withholding tax on service suppliers where required.



Hotel Licensing

- ▶ Determining whether the property meets the small-accommodation exemption criteria.
- ▶ Renewing licenses on time and maintaining documentation for inspection.



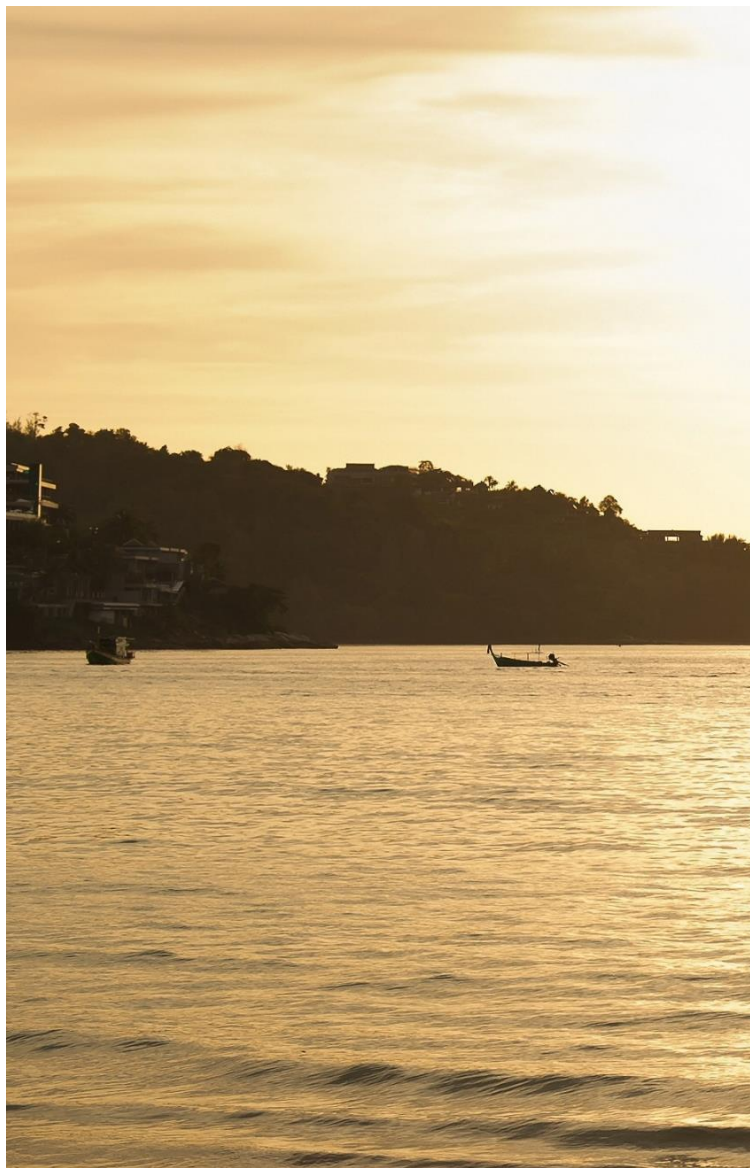
Labor and Payroll Compliance

- ▶ Ensuring correct wage rates, overtime calculations, and social security contributions.
- ▶ Transparent service charge pooling in compliance with employment contracts.



Contractual Obligations

- ▶ Meeting rate parity terms with OTAs.
- ▶ Correctly calculating and paying commissions to agents.



Why This Is Critical in Phuket

Phuket's hotel market is especially vulnerable because:

- ▶ High staff turnover – New or temporary staff may not be familiar with controls or may exploit weak oversight.
- ▶ Seasonal fluctuations – Peak season rush can cause reduced scrutiny of postings and settlements.
- ▶ Multiple currencies and payment methods – Creates complexity in reconciliations, increasing opportunities for manipulation.
- ▶ Language and cultural diversity in guests and staff – Can make communication gaps a potential exploitation point.



3-Phase Implementation Roadmap

Execute and Embed Actions

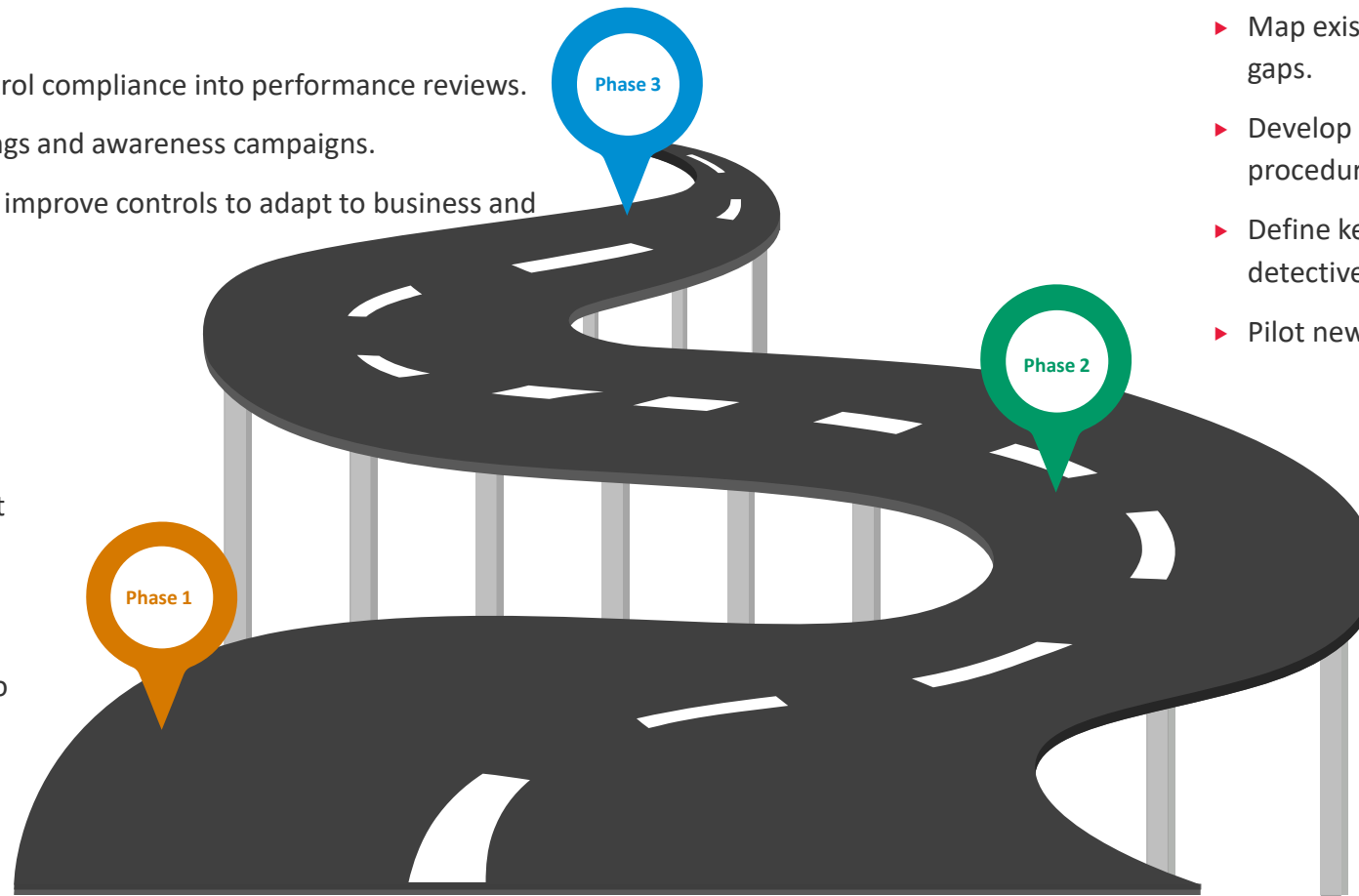
- ▶ Integrate control activities into business processes and workflows.
- ▶ Establish regular monitoring, reporting, and corrective action processes.
- ▶ Introduce dashboards and key control indicators for ongoing oversight.
- ▶ Incorporate internal control compliance into performance reviews.
- ▶ Conduct refresher trainings and awareness campaigns.
- ▶ Continuously review and improve controls to adapt to business and regulatory changes.

Define Roles and Responsibilities

- ▶ Define clear roles and responsibilities for management, process owners, and staff.
- ▶ Assign accountability for risk management and control activities.
- ▶ Establish an Internal Control Framework aligned with organizational needs.
- ▶ Communicate leadership's commitment to internal control across all levels.
- ▶ Provide initial training to build awareness and understanding.

Develop the Plan

- ▶ Conduct a risk assessment to identify key exposures.
- ▶ Map existing processes and identify control gaps.
- ▶ Develop internal control policies and procedures.
- ▶ Define key control activities (preventive, detective, corrective).
- ▶ Pilot new control practices in priority areas.



Business Case for Strong Compliance and Control

Internal control systems protect hotel assets, ensure accuracy in financial reporting, and support compliance. A well-structured control environment also improves guest satisfaction by ensuring consistent service quality.

Performance Driver	Description	Example risk identified and controls
Revenue Protection	<ul style="list-style-type: none"> ▶ Safeguards against revenue loss from unbilled services or unpaid amounts. 	<p>Risks: Misalignment between OTA booking records, PMS postings, and virtual card settlements can cause under-recording or overstatement of revenue.</p> <p>Controls:</p> <ul style="list-style-type: none"> ▶ Weekly OTA reconciliation between PMS, channel manager, and bank records. ▶ Limited PMS/POS access rights, automated reconciliation reports, audit logs, data encryption for guest & payment data
Operational Efficiency	<ul style="list-style-type: none"> ▶ Reduces time spent correcting errors and chasing missing information. 	<p>Risks: Manual entry mistakes, incomplete records, or delayed updates</p> <p>Controls:</p> <ul style="list-style-type: none"> ▶ Standardized workflow procedures, exception and discrepancy reports for quick follow-up ▶ Automated notifications/alerts for missing or inconsistent data, role-based access control, audit logs for corrections, encrypted storage of critical data
Regulatory Confidence	<ul style="list-style-type: none"> ▶ Minimizes risk of fines, license issues, or reputational harm. 	<p>Risks: PDPA non-compliance by using guest data for marketing without consent or storing passport scans longer than necessary.</p> <p>Controls:</p> <ul style="list-style-type: none"> ▶ Capture marketing consent separately at check-in, implement retention schedules, and delete expired data records.
Informed Decision-Making	<ul style="list-style-type: none"> ▶ Provides reliable financial data to guide pricing, cost control, and investment strategies. 	<p>Risks: Investment decisions affected by incomplete financial reports</p> <p>Controls:</p> <ul style="list-style-type: none"> ▶ Standardized reporting templates with review/approval ▶ System side: Automated financial reporting tools, role-based access to sensitive data, audit trails for adjustments, encrypted storage of financial records
Staff Morale	<ul style="list-style-type: none"> ▶ Transparent processes in areas like service charge distribution can improve trust and retention. 	<p>Risks: Inaccurate distribution of payroll and service charge reduces staff trust</p> <p>Controls:</p> <ul style="list-style-type: none"> ▶ Standardize calculation rules, automate where possible, and publish monthly summaries for transparency

In A Nutshell

Phuket's hospitality industry is vibrant but also operationally complex. Hotels must balance the demands of a fast-paced, high-volume service environment with strict adherence to legal and financial obligations. By implementing a clear financial compliance framework and practical internal controls, hoteliers can protect their business, enhance profitability, and sustain guest trust in an increasingly competitive market.



Global Solutions. Driven to be the best



BDO's vision is to be the leader for exceptional client service, by delivering high-quality, consistent service across all offices globally.



Revenue



US \$15 bn*

By region



56% Americas
33% EMEA
11% Asia Pacific

By service line



40.8% Audit & Assurance
21.7% Advisory
22.6% Tax
14.9% Business service & Outsourcing

Peoples



119,611 People

Presence

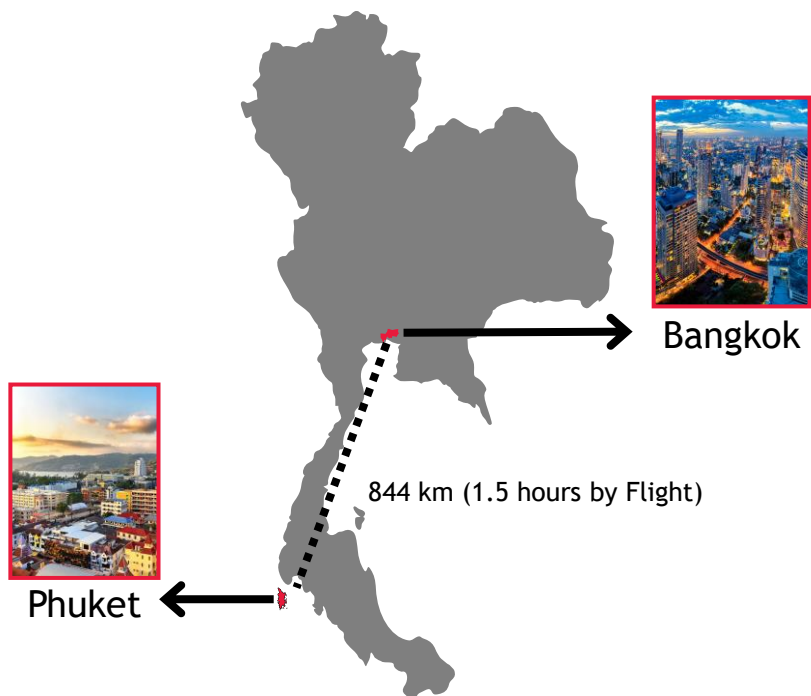


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* As of 30 September 2024

BDO in Thailand

BDO in Thailand is a professional business consultancy firm that provides comprehensive audit & assurance, advisory, tax and legal, and business services & outsourcing services to companies large and small. Our company is based in Bangkok and Phuket, with Thai CPAs, SEC registered auditors, and advisory experts that provide professional service to companies in Thailand and nearby countries.



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BDO in Thailand

www.bdo.th

42nd Floor, Exchange Tower,
388 Sukhumvit Road
Klongtoey District,
Bangkok 10100,
Thailand

