

Department: Inspection	Segment: All Segments
Circular No: MSE/INSP/IAR-21-22(2)11741/2022	Date : April 21 , 2022

Subject: Submission of Internal Audit Report for the Half Year ended March 31, 2022

To All Members,

This is to inform that all Trading / Clearing members are required to carry-out complete Internal Audit for the half year ended March 31, 2022 and submit the report electronically through the Inspection module in the Member Portal. The Audit shall be conducted only by independent qualified Chartered Accountants or Company Secretaries or Cost & Management Accountants who are in practice and do not have any interest in or relation with the Member other than the Internal Audit assignment. Attention of members is also drawn to Exchange circular Ref No. MSE/INSP/11510/2022 dated February 22, 2022 regarding revised additional eligibility criteria for internal auditors.

In this regard, the Exchange has provided a facility to upload / submit the requisite data through a web-based application at the link <https://inspection-os.msei.in/MemberLogin.aspx>. Details of login Id and password for accessing the system will be sent to the email Id's of the compliance officer of the members.

Accordingly, all the trading members / clearing members, who have traded / cleared at least one trade on any segment during the half year period October 01, 2021 to March 31, 2022, irrespective of trades done on PRO / Client accounts, are required to submit the internal audit report electronically latest by May 31, 2022. **No physical copies are required to be submitted to the Exchange.** The action for late /non-submission of the internal Audit Report shall be applicable as per the Exchange circular Ref No. MSE/INSP/5753/2017 dated November 13, 2017.

Please find enclosed herewith, following Annexures applicable for the internal audit report for half year ended March 31, 2022:

- Internal Audit certificate - **Annexure I.**
- Format of Internal Audit Report - **Annexure II.** (Excel File)
- Guidelines on Sample selection & other points to be noted - **Annexure III.**
- List of Indicative Processes & reference of Exchange/SEBI circulars - **Annexure IV.**
- Detailed Manual for submission of Internal Audit Report for Member as well as Auditor - **Annexure V**

As per Exchange circular MSE/INSP/8205/2019 dated October 09, 2019 all Internal Audit Certificate shall mandatorily contain Unique Document Identification Number (UDIN). A provision to enter the UDIN by the Auditor has been provided in the system.

Further, Internal Auditors are advised to take note of below changes while carry out the Audit :

- i. The samples for parameters/ criteria shall be as per the “methodology for sample selection” prescribed in Annexure III, and the data required for the same can be sourced from the member.

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- ii. There are certain changes in the sampling criterion and methodology for sample selection compared to previous half year submission. Auditors are advised to refer Annexure III carefully before initiating the audit.
- iii. For each “Not complied” observation, wherever applicable the auditor shall mandatorily provide the “no. of instances verified”, “% of instances where non-compliance is observed” and “Amount/value involved where non-compliance is observed” while submitting the Audit report.
- iv. Further, for each “Not Applicable” Points, remarks are required to be mentioned.
- v. The quality of internal audit reports received from members shall be monitored and appropriate steps shall be taken if the reports do not meet minimum expected quality levels. In case where internal audit report submitted is incomplete and not as per the guidelines like sample size not given, only certificate submitted without report or management comments not given etc., same would be treated as non-submission of internal audit report. Stock brokers are strictly advised to submit the report in the format prescribed by the Exchange.

Auditors are requested to mandatorily adhere to the sample selection guidelines specified therein (**Annexure-III**) and mention the sample size selected along with details of the instances of non-compliance (if any) against each of the checklist points. All working papers and records with respect to the audit should be retained by the auditors for verification by the Exchange as and when required.

All the members are advised to ensure compliance with the above requirements and submit the internal audit report positively by May 31, 2022.

**For and on behalf of
Metropolitan Stock Exchange of India Limited**

**Mahendra Choudhari
Asst. Vice President, Inspection Department**

In-case of any query kindly contact Inspection Department on [61129000](tel:61129000) or mail on compliancemsx@msei.in