

# National Stock Exchange of India Limited

## Circular

DEPARTMENT: INSPECTION	
<b>Download Ref No: NSE/INSP/52017</b>	<b>Date: April 13, 2022</b>
<b>Circular Ref. No: 30/2022</b>	

To All Trading Members/ Clearing Members,

### **Sub: Internal Audit of Trading members/ Clearing 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 NSE/INSP/ 51939 dated April 06, 2022 regarding revised additional eligibility criteria for internal auditors.

It is to be noted that the due date to submit the Internal Audit report is within two months from the end of half year i.e., for half year ended March 31, 2022, the due date is May 31, 2022. The actions for late/non-submission of the internal audit report shall be applicable as per the Exchange circular NSE/INSP/36248 dated November 06, 2017.

Members' attention is drawn to Exchange Circular NSE/INSP/50110 dated October 26, 2021, wherein members were required to submit the details of their Inventory of Assets as on September 30, 2021 and going forward on annual basis as on March 31, XXXX.

Members are hereby informed that aforesaid requirement to submit details of their Inventory of Assets as on March 31, XXXX on annual basis shall be submitted along with the internal audit report for the half year ended September 30, XXXX.

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

- i. Exchange has made available the data submitted by members to Exchange towards Enhanced Supervision, List of Bank/ Demat accounts reported and other weekly submissions such as Client level cash & cash equivalent balances, bank account balances, Holding Statement for the sample dates/ period in the respective Auditor's login for the purpose of verification.

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- ii. Details of sample dates/clients applicable for certain checklist points have been made available in respective Auditor's login to enable the auditor to select samples as per the Sampling Criteria 1, 2 and 3 prescribed in Annexure III. Auditors are advised to get their registration done from members and retrieve the aforesaid data and samples from their respective logins before initiating the audit.
- iii. The samples for parameters/ criteria other than provided above, 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.
- iv. 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.
- v. 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. Further, for each "Not Applicable" Points, remarks are required to be mentioned.
- vi. It was clarified vide Exchange circular ref. No. NSE/INSP/51110 dated January 24, 2022, that in accordance with the principle of 'proportionality', the penalty framework as applicable in respect of non-compliances observed in inspections carried out by the Exchange vide Exchange circular ref. No. NSE/INSP/47457 dated February 25, 2021 shall also be applicable for the non-compliances observed in the internal audit reports.

Please find enclosed the 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-"IARNSEMAR22")
- 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 & Troubleshooters- **Annexure V.**

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

**Harinatha Reddy M**  
**Senior Manager - Inspection**

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## National Stock Exchange of India Limited

In case of any clarifications, Members may contact our below offices:

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-49008632	inspectionahm@nse.co.in
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