

Department: Inspection	Segment: All Segments
Circular No: MSE/INSP/13321/2023	Date : April 10, 2023

Subject: Submission of Internal Audit Report for the Half Year ended March 31, 2023

To All Members,

This is to inform that all Trading Members / Clearing Members are required to carry-out complete Internal Audit for the half year ended March 31, 2023 and submit the report electronically through the Inspection Portal of the Exchange. The Audit shall be conducted only by independent qualified Chartered Accountants or Company Secretaries or Cost & Management Accountants who are in practice and does 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 MSE/INSP/12474/2022 dated October 21, 2022, regarding 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 the half year ended March 31, 2023, the due date is May 31, 2023. The penalties/disciplinary actions for late/non-submission of the Internal Audit Report and non-compliances observed in the Internal Audit Report, shall be applicable as per circular MSE/INSP/12474/2022 dated October 21, 2022.

Further, Members' attention is drawn to Exchange circular MSE/INSP/11982/2022 dated June 23, 2022, wherein it has been prescribed that the trading member shall submit an undertaking to Exchange on half yearly basis along with Internal Audit Report confirming that the penalty levied by clearing corporations on account of "short/non-collection of upfront margins from clients" is not being passed on to respective clients under any circumstances. The facility to submit the same has been provided under 'Internal Audit Tab' in Inspection Portal. Members are hereby directed to submit the undertaking digitally signed by the proprietor or partner or the designated director of the company. Internal Auditor shall not be able to submit the Internal Audit Report unless the said undertaking is submitted by member.

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, 2022 to March 31, 2023, irrespective of trades done on PRO / Client accounts, are required to submit the Internal Audit Report electronically latest by May 31, 2023. No physical copies are required to be submitted to the Exchange.

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

- 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.
- 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, appropriate remarks are mandatory to be provided.
- 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 may be sourced from the member.

Metropolitan Stock Exchange of India Limited



Please find enclosed herewith, following Annexures applicable for the Internal Audit Report for half year ended March 31, 2023:

- 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**

Please be informed that a separate notice shall be issued shortly regarding availability of online submission of Internal Audit Report for half year ended March 31, 2023. Once online submission is activated for submission, submission of Internal Audit Report shall be considered complete only after Member submits the report to the Exchange and receives an acknowledgment email. Saved reports/reports submitted by auditor will not be considered as submission.

All the members are advised to ensure compliance with the above requirements and submit the Internal Audit Report positively by May 31, 2023.

**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

Metropolitan Stock Exchange of India Limited

Registered Office: 205A, 2nd Floor, Piramal Agastya Corporate Park, Kamani Junction, LBS Road, Kurla (West), Mumbai – 400070.

Tel: +91-22-6112 9000 | customerservice@msei.in | www.msei.in | CIN: U65999MH2008PLC185856