

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/50110	Date: October 26, 2021
Circular Ref. No: 53/2021	

All Trading Members and 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 September 30, 2021** 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.

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 September 30, 2021, the due date is **November 30, 2021**. 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.

Further, Members shall also be required to submit the details of their Inventory of Assets as on September 30, 2021, at the following path in the New ENIT: Compliance > Inventory of assets > Inventory of Assets submission. Kindly refer to the manual enclosed as Annexure VI, for the purpose of making the submission. The details shall subsequently be certified by your internal Auditor along with the Internal Audit Report. Going forward the submission shall be made on an annual basis as on March 31, XXXX.

To simplify the submission process and ensure uniform formats across Exchanges for respective segments, the format for Internal Audit Report submissions has been standardized in consultation with all Exchanges as communicated vide Exchange circular ref. no. NSE/INSP/49227 dated August 09, 2021, and the uniform format applicable for half year ended September 30, 2021, has been enclosed with this circular. Pursuant to implementation of uniform format, auditors are advised to refer Column 'L' of Annexure II for applicability of respective checklist item.

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Further, Internal Auditors are advised to take note of below changes 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.
- 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.
- vi. The auditor shall verify and certify the "Inventory of assets" data submitted by the members in member portal (ENIT-INV-ASSETS-AUDITOR). The auditor shall not be able to submit the Internal Audit Report without certifying the same. Detailed instructions in this regard are provided in Annexure VI.

Please find enclosed the following Annexures applicable for the internal audit report for half year ended September 30, 2021:

- Internal Audit certificate - **Annexure I**.
- Format of Internal Audit Report - **Annexure II**. (Excel File-"IARNSESEP21")
- 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**.
- Instruction to submit/certify "Inventory of Assets" data – **Annexure VI**

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Further, Members are advised to adhere to the norms prescribed under clause 4.2 of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, w.r.t Appointment and Rotation of Internal auditors. Accordingly, members shall not appoint or re-appoint the internal auditor who has completed its term as specified under clause 4.2.1.2 (a) and 4.2.1.2 (b) of aforesaid circular.

Further, in order to ease the submission process of Internal Audit, a 'Test Page' to check Digital Signature has been provided for auditors/members right before submitting the Internal Audit report. The path for the same is captured in the detailed manual (Annexure V).

As per Exchange circular NSE/COMP/42287 dated October 03, 2019, the Internal Audit Certificate shall mandatorily contain Unique Document Identification Number (UDIN). A provision to enter the UDIN by the Auditor is available in the system.

All members are advised to ensure compliance with the above and note that no documents are to be submitted in physical form to the exchange. The system for submitting the Internal Audit report shall be made available from October 27, 2021, onwards.

Members and Auditors are requested to take note of the contents of the circular and comply.

For and on behalf of
National Stock Exchange of India Limited

Harinatha Reddy M
Senior Manager - Inspection

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

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