

## **Annexure II**

### **AUDIT PROCESS**

#### **1. SUBMISSION OF SYSTEM AUDIT REPORT:**

##### **Auditor's Role & Responsibilities:**

1. The system audit will be conducted as per the Terms of reference (TOR) specified.
2. The auditor shall also take into consideration the observations / issues mentioned in the previous audit reports and cover open items in the report.
3. In case of findings / observations during the audit, the auditor must also report such findings with the status, risk ratings, TOR clause, root cause analysis, impact analysis etc. to highlight the major findings of the audit.
4. On review of details of corrective action submitted by trading member, the auditor shall submit the status of compliance as Compliant or Non-Compliant on BESF. The process for submitting the details of corrective action taken by trading member through ATR and auditor's confirmation on compliance status of ATR shall be provided through separate circular.
5. Auditor must also specify whether a Follow-on report is required to review the status of NCs.

##### **Member's Role & Responsibilities:**

1. The system audit report must contain the management comments of the stock broker in case of findings during audit.
2. Management of the stock broker must provide their comment about the non-compliance / non-conformities (NCs) and observations mentioned in the report.

#### **2. SUBMISSION OF CORRECTIVE ACTION REPORT:**

For each non-conformance, specific time bound (within 3 months from due date of submission of system audit report allowed by Exchange) corrective action must be taken and submitted to the Exchange.

#### **3. SUBMISSION OF FOLLOW-ON REPORT:**





In order to ensure that the corrective actions are taken by the stock broker, follow-on audit, if any, shall be scheduled by the stock broker within 6 months from due date of submission of system audit report allowed by Exchange and submitted immediately thereafter.

