
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/COMPLIANCE- 004/2024

Date : April 23, 2024

Subject : Submission of Half Yearly Internal Audit Report by Clearing Members for half year ended March 31, 2024

This is with reference to NCCL Circular no. NCCL/COMPLIANCE-002/2024 dated March 28, 2024 wherein it was informed that the process for submission of IAR for the half year ended March 31, 2024 including format of Internal Audit Certificate, Format of Internal Audit Report, Guidelines on sample selection etc. shall be communicated separately through a circular.

The submissions was advised to be made to the email ID inspection@nccl.co.in with the subject line as "Internal Audit Report- Name of the Clearing Member (Clearing Member Code) – March 2024

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

1. The Internal Audit Certificate (Annexure I) should be digitally signed by the auditor.
2. The Annexure II which is Format of Internal Audit Report shall be submitted in excel file and as a PDF document. The PDF document shall be digitally signed by the auditor and the clearing member along with management comments of the clearing member.
3. In cases where samples are prescribed, auditors are required to procure the data from the clearing members. Auditors are advised to refer Annexure III carefully before initiating the audit. The samples for parameters/ criteria shall be as per the "Guidelines on sample selection" prescribed in Annexure III and the data required for the same shall be sourced from the member.
4. For each "Not complied" observation, wherever applicable, the auditor shall mandatorily provide the "no. of instances verified" and "Amount/value involved in those instances where non-compliance is observed" while submitting the Report. Further, for each "Not Applicable" Points, appropriate justification/ remarks is mandatorily required to be provided.
5. Internal auditors are required to give the details of the sample verified (sample date, shortlisted sample etc.) wherever applicable. The formats for the same are given in Annexure IV

The following annexures which are applicable for the internal audit report for the half year ended March 31, 2024 are available in the downloads section on the NCCL website, <https://www.nccl.co.in/useful-links/downloads> as "Internal audit Annexure for half year ended March 2024".

Members are required to send Annexure I, II, III and IV to the NCCL at inspection@nccl.co.in.

- a) Internal Audit Certificate - Annexure I
- b) Format of Internal Audit Report - Annexure II (Excel File-"IARNCLMAR24")
- c) Prescribed Sample Size- Annexure III
- d) Format for samples verified - Annexure IV

6. Please note that the internal audit report with all the Annexures as prescribed above and the corresponding information shall only be treated as valid submission.

Further, as advised by SEBI and to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, it has been decided that the auditors empaneled with any of the Exchange(s), shall be eligible to conduct internal audit of the Clearing Members of any of the Clearing Corporations.

Clearing members undertaking clearing activities for atleast one trade during the period from October 1, 2023 to March 31, 2024 for other stock-brokers and/or for custodian participants code (their direct trading clients or otherwise) are required to carry out Internal Audit and submit the report to National Commodity Clearing Ltd. (NCCL).

It is to be noted that the due date to submit the Internal Audit Report is within two months from the end of the half year ended March 31, 2024 that is May 31, 2024.

The penalties/disciplinary actions for late/non-submission of the Internal Audit Report shall be as per NCCL circular: NCCL/COMPLIANCE-002/2024 dated March 28, 2024. The penalties/disciplinary action for non-compliances reported in the Internal Audit Report shall be as prescribed by NCCL circular no.: NCCL/COMPLIANCE-013/2023 dated December 28, 2023 or any other relevant circular that may be issued by NCCL from time to time.

For and on behalf of
National Commodity Clearing Limited

Suresh Nair
Chief Compliance Officer and Head Legal

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 266 6007
2. Customer Service Group by e-mail to : contactus@nccl.co.in