CDSL/AUDIT/RTA/POLCY/2023/209 **September 28, 2023**

FORMAT FOR REPORT ON INTERNAL AUDIT OF REGISTRAR AND TRANSFER AGENT

Attention of Registrar and Transfer Agents (RTAs) (including in-house RTAs) is drawn to CDSL Bye Laws 12.9 which states that RTAs shall ensure that an internal audit in respect of its depository operations is conducted at intervals of not more than six months by a qualified Chartered Accountant or a Company Secretary or a Cost and Management Accountant, holding a Certificate of Practice and a duly signed internal audit report shall be furnished to the Depository.

2. The scope, objectives, mandatory contents, and the checklist of the internal audit report is enclosed as **Annexure-A** which will be applicable for the internal audit for the half year ended 30th September 2023.

3. The due date for submission of IAR for half year ended 30th September 2023 is 15th November 2023.

4. The submission of IAR should be online as per the procedure prescribed in the Communique **CDSL/A,I&C/RTA/POLCY/2018/22** dated March 20, 2018. Physically submitted IAR will not be accepted and shall be considered as non-submission.

5. RTAs activated during the half-year ended 30th September 2023 should submit the internal audit report pertaining to the period from the date of activation till the end of the half year.

6. Further, as per CDSL Bye Laws 12.10, every RTA shall ensure that internal audit findings along with management comments are placed before its Board of Directors in respect of its depository operations.

7. NISM Qualification:

The internal audit report should contain a declaration to the effect that at least one person conducting the internal auditor of the RTA (including in-house RTAs) is NISM Series IIA certified. The internal audit report submitted by the RTA and signed by the auditors who have not fulfilled the requirement of NISM qualification, will not be accepted and will be considered as non-submission.

8. RTAs are required to bring this to the notice of the internal auditors and ensure compliance.

Queries regarding this communiqué may be addressed to CDSL – Audit, Inspection & Compliance Department on telephone nos. (022) 2305-8519, 2305-8520, 2305-8678, 2305-8679, 2305-8515.

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Latha Nair
Assistant Vice President – Audit, Inspection & Compliance

The internal audit should cover activities in respect of depository operations carried out by Registrar and Transfer Agent (RTA). A checklist of audit points is given below which stipulates the minimum areas to be verified. Over and above of the same, internal auditors may adopt more stringent requirements and expand the scope of audit or add more audit points to achieve the internal audit objectives listed below.

OBJECTIVES OF INTERNAL AUDIT: -

The following are the broad objectives of internal audit function of operations of an RTA: -

a. To ensure that the Registrar and Transfer Agent (RTA) is complying with, Circulars issued by SEBI, Bye Laws and Operating Instructions for RTA, Communiqués issued by CDSL and the agreement entered with the CDSL.

b. To ensure that the required internal controls, checks and risk management procedures are in place.

c. To ensure that the manpower, procedures and systems of the RTA are adequate with respect to the current and projected business of the RTA.

d. To ensure that appropriate risk management policy with internal control and exception reporting mechanism is in place.

e. To ensure that the systems are managed in a manner to ensure that there is no risk to business continuity and integrity of data processing system is maintained at all times.

f. To ensure adequacy of procedures with respect to maintenance of records. In the event of loss or destruction of data, sufficient backup of records should be available at all times.

AUDIT REPORT: -

The audit report should contain the following:

1) The scope, objectives, period of coverage and nature and extent of audit work performed.
2) The minimum sampling plan should be as mentioned in this communique under the head “Sampling Plan” and mention in the audit report as per the format provided for. The internal auditors should draw samples taking into consideration all ISINs managed (Listed/Unlisted) by the RTA/Issuers and give weightage to companies having higher volume of transactions. Also more samples should be drawn from listed Companies on exchanges.
3) Observations on all the checklist points should be commented highlighting the exceptions and deviations of repetitive nature. In case of any deviation from the prescribed procedure, the exact nature of deviation should be stated.
4) Recommendations of auditors if any, with respect to internal controls, procedures, etc.

5) Management comments on all the exceptions, deviations, adverse observations and recommendations made by the auditor.
6) Compliance status regarding observations made in the earlier audit report/s and previous CDSL inspection. In case of any misleading compliance provided by the RTA, the internal auditor should specifically comment on the same.
7) In case any point / comment is of confidential nature, auditor may communicate it separately to CDSL.
8) The checklist points which are not applicable should be marked as ‘not applicable’ indicating the reason for the same in the remark column or else may be considered **as a** non-compliance. The number of instances where non-compliance has been observed should be stated under the column ‘No. of instances’ and details of the same should be provided as Annexure to the report.
9) A statement by the auditor that he is not a related party to the RTA.
10) Auditor’s membership number.

Note: Auditors are advised to refer to the Inspection Manual which is available on CDSL's website.

Name & Address of the Registrar and Transfer Agent (RTA)

RTA-ID : **Date(s) of Internal Audit:**

Period for which internal audit is conducted:

Name, Telephone number and Email ID of the Compliance Officer:

Name of the Audit firm and officials conducting internal audit and contact details:

(Mention Tel.no./Mobile no. /email ID)

Sampling Plan		
Audit Area	**Sample Size (In actual numbers)**	**Sample Size (%)**
Dematerialization (at least 25%)		
De-Statementization (at least 25%)		
Dematerialization Rejections (at least 25%)		
De-Statementization Rejections (at least 25%)		
Rematerialisation (at least 25%)		
Re-Statementization (at least 25%)		
Rematerialisation rejection (at least 25%)		
Re-Statementization rejection (at least 25%)		
Grievances received in respect of RTA operations received by RTA/Issuer (100%)		
Other Areas (at least 25%) e.g. IPO / Corporate action, Distinctive Nos, transfer of locked-in securities etc...		

Audit Area	Sample Size (In actual numbers)	Sample Size (%)
Reconciliation (at least as on two different dates for all the ISINs (100%) associated with the RTA).		

Note - Auditors shall verify the reconciliation for different dates and submit the details of such verification as annexure.

(1) Demat / Destatementization/ Remat / Restatementization / Redemption Requests Processing

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	There is a proper procedure in place for inward of requests received from Participants	❑Yes ❑ No		
2	Adequate controls exist over requests received and their respective status	❑Yes ❑ No ❑ N/A		
3	Serial number and receipt date stamp has been affixed on all the requests received by the RTA	❑Yes ❑ No ❑ N/A		
4	All the requests received during the audit period have been processed within the stipulated time frame	❑Yes ❑ No ❑ N/A		
5	Date of receipt mentioned on the requests matches with the receipt date entered in CDAS	❑Yes ❑ No ❑ N/A		
6	Request forms received were duly authorised by the Depository Participant and were completely filled in.	❑Yes ❑ No ❑ N/A		
7	No requests have been confirmed where there exists any prohibitory order, stop transfer, attachment order, or disputed title on the said securities or MF units	❑Yes ❑ No ❑ N/A		

(2) Dematerialization

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Validity of the certificate/"Letter of confirmation" is verified, on receipt of physical security certificates/Letter of confirmation.	❑Yes ❑ No ❑ N/A		
2	On receipt of physical security certificates, the RTA verifies whether the application for demat has been made by the person(s) whose name is recorded in the Register of member / debenture holders as the case may be	❑Yes ❑ No ❑ N/A		
3	Register of member (ROM) is updated on confirmation of demat requests	❑Yes ❑ No		
4	On receipt of physical security certificates, the RTA tallies the details mentioned in the DRF with details received electronically	❑Yes ❑ No ❑ N/A		
5	On receipt of physical security certificates, whether the RTA tallies the signature of the applicant(s) with the signature recorded by the RTA	❑Yes ❑ No ❑ N/A		
6	Certificates received with requests were marked with words "Surrendered for Demat, DP ID, DP name and client ID mentioned on the certificate	❑Yes ❑ No ❑ N/A		
7	RTA have created/updated the Database for Distinctive numbers of equity shares for dematerialization of listed companies and the same is verified at the time of dematerialization	❑Yes ❑ No		
8	Procedure for demat as prescribed in RTA Operating Instructions is complied with	❑Yes ❑ No		
9	RTA ensures that demat requests are honored within the stipulated time frame from the date of physical receipt of the DRF	❑Yes ❑ No		
10	Issuer/RTA has accepted the demat request, wherein physical security certificate(s) have got lost in transit, and carried out the dematerialization on the basis of indemnity and proof of dispatch furnished by the Participant as per prescribed guidelines	❑Yes ❑ No ❑ N/A		
11	In case of transposition cum demat, proper internal controls are implemented to ensure that the transposition form contains those combinations of names in which the BO account has been opened	❑Yes ❑ No ❑ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
12	RTA gives credit of demat securities for which listing approval has been received from the relevant stock exchange/s	❑Yes ❑ No ❑ N/A		
13	In case of RTA handling only the electronic connectivity, the physical RTA informs the receipt of documents related to DRF to the electronic RTA (Note: Electronic RTA should confirm or reject only on the basis of intimation received from physical RTA)	❑Yes ❑ No ❑ N/A		
14	Procedure for withdrawal of demat request as prescribed in RTA Operating Instructions is complied with	❑Yes ❑ No ❑ N/A		
15	RTA follows the due diligence process in respect of processing of dematerialization request of remaining physical shares as prescribed in SEBI Circular SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122 dated November 05, 2019 (Ref Comm. CDSL/OPS/RTA/POLCY/2019/126 dated November 06, 2019)	❑Yes ❑ No ❑ N/A		
16	In instances, where flags/alerts have been generated by Depository for mismatch of name on the share certificate(s) vis-à-vis name of the BO of demat account, RTA has obtained the additional documents explaining the difference in name as per SEBI Circular SEBI/HO/MIRSD/RTAMB/CIR/P/2019/122 dt. November 05, 2019	❑Yes ❑ No ❑ N/A		
17	RTA/Issuer follows the procedure as per the guidelines issued vide SEBI Circular No. 2022/8 dated January 25, 2022 regarding issuance of securities in dematerialized form in case of Investor Service Requests of listed companies	❑Yes ❑ No ❑ N/A		
18	RTA has a suitable SOP to handle instance(s) of erroneous confirmation of the demat request processed. (Ref. Communique CDSL/OPS/RTA/POLCY/2023/135 dated July 20, 2023)	❑Yes ❑ No		
19	RTA has appropriately rectified the demat requests which were erroneously confirmed instead of being rejected, if any.	❑Yes ❑ No ❑ N/A		

(3) Dematerialisation Rejections

Sr. No.	Particulars Checked	Comments	No. of Instances	Remarks of Auditors
1	RTA rejects the demat requests electronically by capturing the appropriate rejection reason if certificates / documents are not received within 30 days from the date of electronic request logged into the system by the DPs	❑Yes ❑ No ❑ N/A		
2	In case of rejection, RTA returns the certificates relating to those securities to the DP in all cases and proof of dispatch is maintained	❑Yes ❑ No ❑ N/A		
3	The rejection memo contains DP ID, client ID, rejection code and rejection reason	❑Yes ❑ No ❑ N/A		
4	Rejection reason as mentioned in memo matches with rejection reason entered in CDAS system	❑Yes ❑ No ❑ N/A		
5	The RTA/Issuer is rejecting the request for valid reason	❑Yes ❑ No ❑ N/A		
6	In case of rejection of demat requests, all the formalities as prescribed in Operating Instruction for Issuer / RTA are complied with	❑Yes ❑ No ❑ N/A		

(4) Destatementization

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	On receipt of Statement of Account (SOA), the RTA tallies the details mentioned in DRF with details received electronically	❑Yes ❑ No ❑ N/A		
2	Received date mentioned on the DRF matches with received date entered in the system	❑Yes ❑ No ❑ N/A		
3	Procedure for destat as prescribed in RTA Operating Instructions is complied with	❑Yes ❑ No ❑ N/A		
4	RTA ensure that destat requests are honored within a period of 15 days from the date of physical receipt of the DRF	❑Yes ❑ No ❑ N/A		
5.	Transposition cum destat request is not processed by the RTA	❑Yes ❑ No ❑ N/A		
6.	Signature of the BO is verified with the records available with Issuer/RTA	❑Yes ❑ No ❑ N/A		

5) Destatementization Rejections

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1.	In case of rejection, the RTA returns the certificates relating to those securities to the DP in all cases and proof of dispatch is maintained	❑Yes ❑ No ❑ N/A		
2	Rejection code and rejection reason as mentioned in the rejection memo matches with that captured in the CDAS	❑Yes ❑ No ❑ N/A		
3	Rejection code and rejection reason selected by RTA/Issuer for rejecting the request was correct	❑Yes ❑ No ❑ N/A		
4	RTA rejects the destat requests electronically by capturing the appropriate rejection reason if SOA / documents are not received within 30 days from the date of electronic request logged into the system by the DPs	❑Yes ❑ No ❑ N/A		
5	In case of rejection of destat requests, whether all the formalities as prescribed in Operating Instruction for Issuer / RTA are complied with	❑Yes ❑ No ❑ N/A		

(6) Rematerialisation/ Repurchase of existing scrips

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	RTA checks that the remat request made by the BO has been authorized by the DP	❑Yes ❑ No ❑ N/A		
2	The procedure for acceptance and rejection of remat request as prescribed in Operating Instructions for Issuer / RTA is complied with	❑Yes ❑ No ❑ N/A		
3	Name of the BO as the Registered Owner(s) of the rematerialised securities is recorded and CDSL is debited in the Register of Members of the Issuer for the rematerialised quantity	❑Yes ❑ No ❑ N/A		
4	Printed certificates are sent directly to the Registered Owner at the address mentioned on the RRF and proof of despatch of certificates maintained	❑Yes ❑ No ❑ N/A		
5	RTA / Issuer has issued the repurchase / redemption warrant in case of repurchase of units	❑Yes ❑ No ❑ N/A		
6	The process of remat is completed within 30 days of the receipt of intimation of remat request from CDSL	❑Yes ❑ No ❑ N/A		
7	The back office records are reconciled with the CDSL records for pending remat	❑Yes ❑ No ❑ N/A		

(7) Rematerialisation Rejections

Sr. No.	Particulars Checked	Comments	No. of Instances	Remarks of Auditors
1	The rejection memo contains DP ID, client ID, rejection code and rejection reason	❑Yes ❑ No ❑ N/A		
2	Rejection memos have been sent in all cases of rejections within seven days of rejection	❑Yes ❑ No		
3	Rejection code and rejection reason as mentioned in the rejection memo matches with that captured in the CDAS by RTA/Issuer	❑Yes ❑ No ❑ N/A		
4	Proof of despatch for request rejections has been properly maintained by the RTA/Issuer	❑Yes ❑ No ❑ N/A		

5	RTA/Issuer is rejecting the request for valid reason	❑Yes ❑ No ❑ N/A		

(8) Restatementization

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Units at the time of restatementization have been issued to the person as per the pattern of holdings in the demat account with the participant from which such units are restatementized.	❑Yes ❑ No ❑ N/A		

(9) Restatementization Rejections

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1.	Objection memos have been sent in all cases of rejections	❑Yes ❑ No ❑ N/A		
2.	Objection code and objection reason as mentioned in the objection memo matches with that captured in the CDAS	❑Yes ❑ No ❑ N/A		
3.	The objection code and objection reason selected by RTA/Issuer for rejecting the request was correct	❑Yes ❑ No ❑ N/A		

(10) IPO / Corporate Action Processing

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	RTA has taken appropriate action on unsuccessful allotments (Report RT38/RT98/RT24)	❑Yes ❑ No ❑ N/A		
2	The name of CDSL is recorded as “Registered owner of Securities” in the Register of Members for securities allotted in electronic form in CDSL	❑Yes ❑ No ❑ N/A		
3	In case of cash corporate action, whether bank account details of the investors as provided by CDSL are used	❑Yes ❑ No ❑ N/A		
4	In case of cash corporate action, whether ECS facility (wherever available) is used for such distribution	❑Yes ❑ No ❑ N/A		

5	Proper controls are in place to ensure that allotments for mismatched items are made in physical form after trying to rectify the errors	❑Yes ❑ No ❑ N/A		
6	Reconciliation of its records i.e. total number of applicants in electronic mode = Total successful allotees (electronic credit + physical credit in respect of mismatch cases) + Applications rejected) is done	❑Yes ❑ No		

(11) Reconciliation of ISIN Balances

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	RTA is carrying out process of daily reconciliation and maintaining record.	❑Yes ❑ No	No instances	
2	ISIN balances are reconciled on daily basis	❑Yes ❑ No		
3	Separate folios for NSDL & CDSL are maintained in back office	❑Yes ❑ No		
4	RTA verifies the securities held by CDSL in the books of the issuing company by reconciling the inter depository transactions on a daily basis	❑Yes ❑ No		
5	RTA reconciles security balances of CDSL+NSDL+securities held in physical form with listed and issued capital of a company on daily basis	❑Yes ❑ No		
6	Issuer/ RTA maintains Register for recording all information/ Reconciliation figures for each ISIN on a daily basis (Refer RTA O.I.5.5.2)	❑Yes ❑ No		
7	In case of mismatch found during reconciliation, RTA immediately informs CDSL about the same	❑Yes ❑ No ❑ N/A		
8	RTA submits Reconciliation of Share Capital Audit Report (Quarterly) in case of any difference in issued, listed and the capital held by CDSL	❑Yes ❑ No ❑ N/A		

(12) Investor Grievances

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	There is system to record & redress all grievances of clients received within stipulated time.	❑Yes ❑ No		
2	In case of any grievance received from the BO, the same is reported to CDSL through grievance report	❑Yes ❑ No ❑ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
3	RTA informs the action taken for pending grievances received regarding non-receipt of non-cash corporate action	❑Yes ❑ No ❑ N/A		
4.	Quarterly investor grievance reports have been submitted to CDSL as per SEBI / CDSL guidelines within stipulated timelines	❑Yes ❑ No ❑ N/A		
5	Issuer/RTA has registered on the Common Online Dispute Resolution Portal ("ODR Portal") as per SEBI Circular viz. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/131 dated July 31, 2023 and has displayed a link to the ODR Portal on the home page of their websites and mobile apps.	❑Yes ❑ No ❑ N/A		

(13) System Areas

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Physical access to client machine is restricted to authorized persons	❑Yes ❑ No		
2	Variable Access Rights is implemented in CDAS	❑Yes ❑ No		
3	There is no occasion of failure to establish connectivity with depository even through alternate means of communication	❑Yes ❑ No ❑ N/A		
4	Single point connectivity for all the work related to share registry in terms of both physical and electronic is maintained as per SEBI circular no. D&CC/FITTC/Cir-15/2002 dated 27/12/2002	❑Yes ❑ No		
5	Antivirus software is loaded/ upgraded/enabled on server and/or client machine	❑Yes ❑ No		

(14) Other Areas

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
1	Issuer handling registry operations in-house and having more than one lac account holder are registered as Share transfer agent under RTA Regulation 2g (ii) as per SEBI requirement	❑Yes ❑ No ❑ N/A		
2	RTA operations are carried out after	❑Yes		

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
	following all communiqués issued by CDSL/SEBI	❑ No		
3	All associated persons engaged in RTA activities are NISM-Series IIA certified (as per SEBI notification dated 04-Sep-2009)	❑Yes ❑ No		
4	There is no regulatory action against the Issuer / RTA by SEBI, RBI, stock exchanges, etc. during audit period. (Provide details in case there is any regulatory action against the Issuer / RTA by SEBI, RBI, stock exchanges, etc.)	❑Yes ❑ No		

Sr. No.	Particulars checked	Comments	No. of Instances	Remarks of internal auditor
4	The requirement of maintaining trained staff (as per RTA operating instruction chapter 8.2) is followed	❑Yes ❑ No		
5	Issuer/RTA has processed requests for transfer of locked-in securities or securities held under suspended ISIN in case of account transfer and transmission (Refer RTA Comm.987)	❑Yes ❑ No ❑ N/A		
6	Change in details of Compliance Officer / Authorized Signatory / Office address in prescribed format is submitted to CDSL	❑Yes ❑ No ❑ N/A		
7	The discrepancies and /or non-compliances observed during previous inspections / last two internal audit are rectified and /or complied with (Please refer the non-compliance letter issued by CDSL)	❑ Yes ❑ No ❑ N/A		
8	RTA/ Issuer has placed last CDSL inspection report and corrective action taken before the meeting of its Board of Directors held on__________ (Mention date and the same may be verified from the extract of the minutes of the Board Meeting)	❑ Yes ❑ No		
9	RTA/ Issuer has placed last CDSL internal audit report and corrective action before the meeting of its Board of Directors held on__________ (Mention date and the same may be verified from the extract of the minutes of the Board Meeting)	❑ Yes ❑ No		
10	At least one person of internal auditors of RTA conducting internal audit is NISM Series IIA certified	❑ Yes ❑ No		
11	The internal auditors are not related party to the RTA	❑ Yes ❑ No		
12	Issuer / RTA has obtained requisite details of Promoters/ Promoter Group from the listed Issuers and uploaded the same in the prescribed format on the CDSL system	❑ Yes ❑ No		
13	The Issuer / RTA, in case of any change in Promoters / Promoter Group (i.e. for Addition, Modification or Deletion), obtained the approval of the stock exchange(s) on which the securities of company is / are listed and thereafter updated the same in CDSL system	❑ Yes ❑ No ❑ N/A		

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
14	RTA is updating Distinctive Number (DN) information in respect of all physical share capital and overall DN range for dematerialised share capital for all listed companies in the manner prescribed by SEBI	❑ Yes ❑ No ❑ N/A		

(15) Record Maintenance

Sr. No.	Particulars checked	Comments	No of instances	Remarks of internal auditor
1	Original DRF, TRPF and RRFs are kept in a manner so that they can be retrieved at any time	❑Yes ❑ No		
2	Record of all the rejections sent by the Issuer / RTA along with all the necessary documents such as copies of Court orders, order of any tribunal etc. are maintained	❑Yes ❑ No ❑ N/A		
3	Record of the Folio Nos., Distinctive Nos. and Certificate Nos. issued against any remat request is maintained	❑Yes ❑ No		
4	All documents required for corporate action are maintained	❑Yes ❑ No		
5	There is a system in place to maintain all the records and written instructions received from DPs / BOs for a minimum period of 8 years or any such period as specified by SEBI /CDSL/ Prevention of Money Laundering Act 2002, whichever is higher.~~.~~	❑Yes ❑ No		

(16) Details of the Audit Firms to be provided (Mandatory requirement):

Name of the Audit Firm conducting Internal Audit	:	
Registration No. of the Firm	:	
Address of the Audit Firm	:	
Name of the Auditor	:	
Designation of the Auditor	:	
PAN of the Auditor	:	
Office Phone No.	:	
Mobile No.	:	
Email id of the Firm	:	
Registration No. of the Auditor	:	
NISM Series IIA Certificate no. [of any one person conducting the internal audit]	:	

name of the person to be mentioned.		
Date till which certificate is valid	:	DD-MM-YYYY

Conflict of Interest certificate:

❑ We hereby confirm that neither the firm nor any of the partner/ employees of the firm are directly or indirectly interested or associated with (*Name of the RTA*) whose internal audit is carried out.

Stamp/Seal & Signature of the Internal Auditor : __________________ **Date:** _______

Management Comments : ________________________________

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Stamp and Signature of RTA : _______________ **Date:** ______