

GUIDELINES FOR SYSTEM AUDIT OF THE BROKERS OF PMEX

The brokers are required to follow the following steps for carrying out system audit:

- **SELECTION OF AUDIT FIRM:**

The broker shall select the audit firm from system audit panel of auditors vide our official website however, not every audit firm in the approved panel may be eligible to conduct system audit assignment.

Here, it is important to interpret Regulation 3(3) of the System Audit Regulations which says; ***“No Auditor shall be appointed to conduct the Audit of a broker, if that Auditor has conducted the statutory audit or other assignment of such Broker, at any time during the past two years immediately preceding from the date of balloting in which such Broker is selected for the Audit”.***

Interpretation: Other assignment means assignments including but not limited to formation and assistance in preparation of Accounts/Financial statements, Net capital & Net worth statement, Any other system audit, control testing, risk based and financial consultancy assignment or any nature of assignment during the past two years. The basic objective is non familiarity and independence in the relationship of Broker and Auditor.

- **AUDITOR’S DECLARATION / ENGAGEMENT LETTER (Requirement 1)**

The Broker shall discuss the assignment fee and date for conducting system audit with the auditor;

Once agreed, the auditor shall send Auditor’s declaration (Engagement letter) vide our official website, to the broker;

- **APPOINTMENT LETTER (Requirement 2)**

The Broker shall appoint an Auditor through appointment letter as per format prescribed by the Exchange vide Annexure “B” of the Regulations governing system audit (Regulatory compliance) of the Brokers of Pakistan Mercantile Exchange Limited, 2012;

Regulation 8(3) & 8(4) says: *If the Broker fails to appoint an Auditor within the time specified in these Regulations, the Exchange shall appoint the Auditor for such Broker within 14 days after expiry of the requisite time period and may impose a fine not exceeding Rs. 50,000/-.*

If the Broker fails to pay the audit fees and charges within the specified time, the Exchange may impose a penalty on such Broker as it may deem fit.

- **AUDIT FEE (Requirement 3)**

The Broker who is being audited shall pay all the fees, charges and cost of the Auditors. The said fees, charges and costs shall be deposited with the Exchange on the date the auditor is appointed by the said broker, for onward payment to the Auditor

The Broker shall submit Auditor’s declaration, Appointment letter of Auditor and Auditor’s assignment fee through pay order in the name of Audit firm to the Exchange. It is incumbent upon the Broker to submit the aforesaid document to the Exchange as required under System audit Regulations however, the maximum time period for appointment of auditor and completing this process is 30 days from the date of letter sent to Brokers confirming their selection;

- **SCOPE OF SYSTEM AUDIT**

The Auditor shall carry out the Audit in terms of the agreed upon procedures and in accordance with the scope defined in the Regulations.

- **TIME PERIOD TO COMPLETE SYSTEM AUDIT**

Audit firm upon its appointment to conduct system audit shall report to the Managing Director of Pakistan Mercantile Exchange Limited, the compliance report, format vide our official website within one month of the deadline of their appointment;

- **AUDIT FINDINGS (ONWARD COMPLIANCE)**

The Broker shall rectify non-compliance(s) identified in the system audit report immediately.