SmartFin Services

Case Study

Brokerage Audit

Client Description

- The client is a premium asset management company located in India.
- They are a joint venture between a 150 year old Indian financial firm and the world's largest investment management firm.
- They boast over 19 years of track record of investment excellence.

Business Challenge & Drivers

- Considering its complexity, the client was not confident of the brokerage calculations.
- There were leaks in the brokerage pay-outs that had to be fixed.
- The cases of short payments for brokerages were resulting in unhappy dealers.

Solution Approach

Implementation methodology

RTA
- Deploy PC with required hardware
- Install SQL

SmartAudit
- Integration with RTA database
- Script the parameters in SQL
- Train SmartAudit personnel on scripting, execution and other aspects
- Perform the audit using SQL

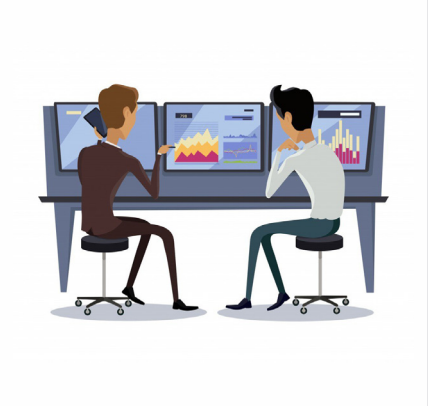
Post implementation audit methodology

Initiate
- Define objective/goals
- Definition of audit samples

Collect data
- Data collection using SQL

Analysis
- Analysis of exceptions
- Analysis of 'reds'

Deliverables
- Audit report with findings



(Name withheld to maintain confidentiality)

"We leave Internal/Ops Audit to the experts. It helps us concentrate on our core competencies"

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SmartAudit Services
Redefining Audit

SmartFin Services

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Key Highlights

Benefits realized in Brokerage Audit using SQL:

- Many areas which were covered under a sample basis were fully covered using SQL. Some of these included:
  - Brokerage Setup
  - Incentives
  - Missed and Reversals
  - SIP cases without entry load
  - Brokerage structure for NFOs
  - Service tax
  - Withholding brokerage in case amount does not exceed ₹ 500
  - Payment to blacklisted brokers

Benefits realized in Brokerage Audit using SQL audit

- Some areas were audited by directly getting data from tables. For example, in the case of the broker code consolidation, the consolidation was directly checked from tables rather than verifying samples.
- In some areas, the audit methodology had been reversed. For example, instead of taking a sample of 200 brokers who had not completed their KYD, the tool was used to find all brokers whose pay-out had been withheld, and co-related with reasons. Similarly in the case of the change in broker category, all changes in Broker Rates were traced back to changes in broker category.
- Most importantly, the SQL helped track all changes including changes in setup and other static data which could be co-related back to memos.

Data Security while using SQL

- Only a local version was installed, and even that was within the RTA premises only. Where the RTA already had an SQL tool, that was used instead. So all data continued to remain within RTA premises and without compromise.
- The SQL tool only read RTA data, database structures and tables. It didn't have any provision to change any data in the original database. Therefore, there was no security threat to the RTA database.

Conclusion

SmartAudit was able to manoeuvre the waters with this company given the skill and experience of its team:

- Deep industry knowledge of MF/RTA
- Thorough knowledge of the brokerage process
- Audit capabilities
- Analytical abilities
- Programming knowledge in SQL

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