MOSL Market Audit Findings 2025

Area (s)	Category	Priority	Finding	Recommendation	Management Response
Settlement	Control Design	Low	**Settlement Monitoring Threshold** While performing monitoring of settlement run results, the variance between R1 and the previous R1, and for R2, R3 and RF between the run being performed and the previous one in the sequence, is calculated on both a trading party level and aggregate level. The control design includes a threshold of a 10% variance for investigation (with the control noting this may be amended based on the size of the Trading Party and the judgement of the Settlements team). The 10% variance is not derived from a specific market code requirement or internal MOSL policy, and there is no specific rationale documented within the control or wider Compliance Framework documentation as to the appropriateness of the threshold and the basis on which it is expected to identify significant errors in the settlement run. In all instances tested in our work the issues identified from the application of the policy related to issues with Trading Party data rather than underlying exceptions in settlement calculations performed by MOSL within CMOS.	The criteria for investigation should be assessed, and periodically reevaluated, to maintain relevance and proportionality to the level of error which MOSL are responsible for detecting. Given the availability of historic data this could be informed by a review of historic errors (including any not detected by the monitoring controls). In addition as the key responsibility of MOSL within settlement is to perform the calculations as per the relevant market code requirements consideration should be given to the attributes used to perform the comparison – for example a comparison of results at a Service Component level may identify an issue with a specific calculation that at an aggregate / trading party level falls below the threshold but indicates a specific defect in the CMOS calculation. Management should also apply this principle – i.e. to assess and document the rationale for the threshold used to identify exceptions within a control – to other controls which make similar use of quantitative thresholds.	The settlement runs are an output from CMOS, based on the data that is provided by trading parties. The key controls providing assurance over settlement accuracy are through robust change management controls carried out primarily by CGI. The monitoring, by MOSL, flagged within this finding is to observe and flag to trading parties where variances are seen that may indicate an error on the part of a trading party that can be investigated by them and rectified if required. We see this monitoring as value adding to trading parties and is in support of MOSL's role as Market Operator. It is not a defined obligation for MOSL. Whilst the review may indicate potential risks with settlement calculation, it is not designed to identify these as it is based on a high-level threshold. We have regularly considered the 10% level and whether it remains appropriate and have concluded that reducing it would not be proportionate for what it is trying to achieve or based on the history of what it has identified. However, we accept Deloitte's observation that such reviews and our rationale for the threshold should be clearly documented and will complete this. Also, whilst we have considered a range of alternative approaches and more granular variance analysis in the past, we agree that this should be revisited regularly. We will investigate Deloitte's proposal of a reviewing results through a

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					service component and document our decision and rationale.
CMOS Change Management	Control Design	Low	**Coverage of Change Management Controls** Through testing of the CMOS change management process, it was confirmed that the relevant market code obligations had been achieved during the reporting period with regards to the CMOS system. We note that over time the scope of systems operated by or on behalf of MOSL has grown. This includes the bilateral hub, MPF calculation engines and dashboarding / reporting capabilities used to facilitate trading party and other reporting. The Change Management activities included in the market code and Compliance Framework are heavily focused on CMOS. The scope of these activities does not explicitly include the full range of systems used to support the market.	Management should identify and assess the full range of systems and other tools used to support delivery of Market Services and identify the appropriate level of change management processes and controls for each system / tool based on the associated risk each presents.	We are confident that as Market Systems at MOSL have grown beyond CMOS change management control has remained core to system integrity and ensuring code obligations are met. We however accept Deloitte's recommendation and will ensure that all market systems and data provided to the market is captured within our Compliance Framework to ensure internal audit activity is appropriately deployed.
MO Charging and Invoicing	Control Operation	Low	**Market Exit Process – Link with MO Charging** As part of our testing of the MO Charging and Invoicing process we noted one instance where an invoice query was received from a Party which was charged for a period after the date of exit. Whilst this query was addressed through the documented process and the value of the	While not a part of the planned scope of the 2025/26 market audit, the MOSL Internal Audit and Compliance team should consider scoping a review of the processes and procedures of the market exit process in the next year to ascertain whether there are handoffs from the Market Exit	We have noted the recommendation, and it will be given attention in next year's Internal Audit.

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			credit note issues was clearly trivial , in most cases the date of exit of a Trading Party from the market is known in advance and this may indicate a gap in the handoff between the Market Exit and MO Charging and Invoicing processes.	process that need to be identified and implemented.	
Settlement, Additional Services (Unplanned Settlement)	Evidence	Low	**Inconsistent Reporting Periods** Through review of the internal audit engagement letter, work programme and work paper, it was identified that different reporting periods were captured. Inconsistent reporting periods can lead to uncertainty over the scope and extent of the testing performed, which can limit the assurance derived from such internal audit activity.	As part of the planning for each internal audit, the period under examination should be clearly defined and agreed with the audited team. The quality review process should explicitly include a step to confirm the alignment of the reporting periods.	We have noted the recommendation. A quality review process will be established to ensure oversight of the internal audit, aligning it with the documented methodology
Settlement, Additional Services (Unplanned Settlement)	Evidence	Low	**Sampling Methodology** The internal audit methodology under which the internal audit team perform their reviews defines the considerations for selecting an appropriate sample for testing. However, this methodology is general and when it is applied, the specific considerations for individual audits / control tests are not outlined in the work paper or the report. This leads to an inability to confirm retrospectively that the selected samples were appropriate, with regards to method and size.	In each internal audit, the specific factors considered when selecting the sample should be outlined. This could be achieved using a work paper template which has a series of considerations and judgements, and a sample size table which indicates the appropriate selection based on the responses to those criteria. Overall, the justification for the sample size and methodology should be clearly documented so that when reviewed later, the rationale can be understood.	We acknowledge the recommendation. The internal audit methodology will be revised to include a template that specifies considerations and justifications for using a sampling method and state clearly within each internal audit the rationale for the sampling method selected

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Settlement, Additional Services (Unplanned Settlement)	Evidence	Low	**Mapping to Market Codes** Many of the tests performed as part of internal audits are explicitly tied back to the market code against which the controls are being assessed which is good practice. However, in some instances this mapping is not documented, which leads to an inability to fully contextualise the results of the testing and their impact on the achievement of the market code.	For each internal audit, the scope should include a clear definition of the market code obligations the internal audit is designed to assess adherence to.	There is a clear section in the Engagement Work Programme that outlines the sections of the code applicable to the internal audit activity; however, the recommendation is noted and we will ensure that mapping to market codes is clear in the internal audit documentation.

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Settlement, Additional Services (Unplanned Settlement), Market Performance and Insight, CMOS Change Management	Procedures	Low	**Gaps in Compliance Framework** For most of the MOSL obligations within the market code, MOSL had captured these in their Compliance Framework as an auditable activity, with processes and control sets as required. However, for some specific obligations, issues were identified in the following areas: *Settlement* The market code stipulates the frequency and format of the settlement timetable, and the method in which it should be published. While through independent testing it was noted that during the reporting period the timetable had been published in the correct format and on time, the procedures and controls do not capture this requirement. *Additional Services (Unplanned Settlement)* The market code outlines that the charges for unplanned settlement runs should be published on the MOSL website. It was noted that the procedures to perform this had not been included in the Compliance Framework, although we confirmed that the charges had been published as required. *Market Performance and Insight* While it was noted that this area had been included in the Compliance Framework as an	For each of the auditable activities within the Compliance Framework, the procedures should be in place and completely address the controls in place to achieve the applicable market code obligations.	We acknowledge the recommendation. Plans are in place through internal auditing procedures to ensure that the reported gaps will be addressed and we see these recommendation as integral to our maturity towards a standards based audit approach.

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			auditable activity, and our independent testing identified there were controls in place to achieve the related market code obligations, there is no procedure or risk and control set captured in the Compliance Framework for the Market Performance and Insight area. *CMOS Change Management* While through independent testing it was noted that the market code obligations related to CMOS Change Management had been achieved during the reporting period, some of the obligations had not been captured in the supporting procedures. Examples of obligations not captured within the procedures include requirements to: - Publish all changes on the MOSL website. - Review and respond to trading party responses. - Provide regular updates to trading parties throughout the change process.		