

Response to TRAI Consultation Paper No. 15 / 2012
Review of The Quality of Service (Code of Practice for Metering & Billing Accuracy)
Regulation, 2006

The Quality of Service (Code of Practice for Metering & Billing Accuracy) Regulation, 2006 was introduced to protect the interests of consumers with regards to accuracy of metering & billing. The regulation specifies various benchmarks with on dissemination of Information on Tariffs, Service Provisioning (including value added services), Accuracy of measurement, Reliability of Billing, Applying credit to accounts, Timeliness of Billing, Restriction & Removal of services & Complaint Handling.

Over the past 6 years, the audit of metering & billing systems has resulted in significant benefits for both consumers and service providers alike. Anil Ashok & Associates has been at the forefront of implementation of this regulation since 2006 and have been the only auditors to have conducted this audit for all service providers across basic & mobile services. We have also participated & made presentations at various workshops conducted by TRAI to highlight our experiences while conducting this audit.

This consultation paper proposes some positive initiatives like half yearly audit of CDRs, simultaneous reporting of audit progress and observations, appointment of auditors & fixing of remuneration by TRAI, financial disincentives for delays and incorrect submission of audit and action taken reports etc that will further address the interest of subscribers. However, there are some resultant issues, which we have highlighted in our detailed response, that need to be examined appropriately.

With the advent of new technologies like 3G, LTE etc and increased focus by industry on data services, it is imperative that auditors make significant investments in knowledge management and technology initiatives in order to keep pace with competencies required to meet the objectives of this audit. However, this can only be facilitated by availability of adequate opportunities that encourage such endeavors. It is therefore essential for TRAI to have a renewed focus on ensuring adequate skills and competency in the panel of auditors in order to ensure continued relevance of this audit for both consumers and industry.

Also, the current model of audit focuses on reviewing tariff plans with more than 10% of subscriber base and certain new tariff plans introduced during the audit period. This model, however more often than not, does not throw up data plans in the sample. With increased usage of data services by subscribers, criteria for sample selection maybe modified to ensure coverage of data / 3G plans as well, in order to ensure subscribers of such services are also selected in the sample.

Our detailed responses to questions raised by the authority are as per below.

Question 1:

What are your views on imposing financial disincentives for delay in submitting audit reports of the metering and billing system and what should be the quantum of such financial disincentives? Please give your comments with justification.

AAA Response:

The metering & billing audit entails review of voluminous data points and involves various stakeholders within an organization like revenue assurance, customer service, marketing, network, IT etc. This involves multiple exchanges of views and constant back & forth on observations. Any delays in audit progress may be monitored as part of the periodic progress update to TRAI and the authority may consider levy of financial disincentives in case of any undue delays.

Question 2:

What are your views on imposing financial disincentives for delay in submission of Action Taken Reports on audit observations of the metering and billing system and for providing false information or incomplete information and what should be the quantum of such financial disincentives? Please give your comments with justification.

AAA Response:

Upon due consideration, the authority may consider levy of financial disincentives in case of undue delays and false / incomplete information in Action Taken Reports.

Question 3:

What are your views on the proposal for audit of the CDRs for at least twice a year- three months CDR pertaining to first half year and three months CDR pertaining to second half year? Please give your comments with justification.

AAA Response:

The audit of CDRs twice a year will ensure a better representation of issues across the entire year. However, the following issues need to be addressed:

1. The timing for appointment of auditors will need to be modified. As per current practice, auditors are generally appointed by Sept – Oct each year, which will delay the half yearly audit of CDRs. Therefore, auditor appointments will have to be confirmed latest by June of each year.
2. The audit of CDRs twice a year will result in deployment of significant additional manpower & resources thereby resulting in increased time & efforts. The proposed audit fee will have to factor in the same and be increased accordingly.
3. A specific date for submission of findings with responses from service providers will have to be

specified for the audit of CDRs for the first half year else submission along with detailed findings by 30th June of next year will defeat the purpose of half yearly audit.

Question 4:

What are your views on the proposal for simultaneous reporting of instances of overcharging to TRAI by the auditor, monthly progress report on the action taken by service providers on such audit observations and financial disincentives on delayed refund of such overcharged amounts? Please give your comments with justification.

AAA Response:

Simultaneous reporting of instances of overcharging to TRAI along with monthly progress report on action taken by service providers on observations is a positive suggestion and can be implemented. However, for this to be effective and meaningful, observations will need to be reported along with responses from service providers. Such periodical reporting will also expedite and facilitate timely submission of final reports.

Question 5:

Do you support mandating service providers to undertake a thorough analysis of each audit observations and the requirement to furnish a detailed comment on each audit observation, as proposed above, including financial disincentives for submitting audit reports without adequate comments? Please give your comments with justification.

AAA Response:

Yes, this is a very basic requirement of any audit. As per general audit practice, each issue is adequately discussed and responded by the auditee before confirmation of any observation. This is generally followed with most service providers. The following details can be mandated along with the response to each observation in order to ensure systematic closure of each observation:

- Root Cause
- Proposed Action Plan for systemically addressing the anomaly
- Proposed Action Plan for addressing the affected subscribers
- Proposed date for implementation of action plan
- No. of subscribers affected

Question 6:

Do you support nomination of auditor by TRAI and appointment of the nominated auditor by the service provider? Please give your comments with justification.

AAA Response:

With the advent of new technologies like 3G, LTE etc and increased focus by industry on data services, it

is imperative that auditors make significant investments in knowledge management and technology initiatives in order to keep pace with competencies required to meet the objectives of this audit. However, this can only be facilitated by availability of adequate opportunities that encourage such endeavors. In the current scenario, there are 12 service providers and 14 auditors on the panel which creates adequate competition. However, the restriction on maximum number of audits that can be undertaken results in limitations for both auditors & service providers (As restriction on consecutive years for which audit can be undertaken for one service provider already exists).

While introduction of restriction on maximum number of audits to be undertaken and increase of number of auditors in the panel has created opportunities for more number of auditors to take up this audit, it has, however, not resulted in an environment that adequately incentivizes & encourages the fulfillment of eventual objectives of the regulation. It is therefore essential for the authority to have a renewed focus on ensuring adequate skills and competency in the panel of auditors in order to ensure continued relevance of this audit for both consumers and industry.

We are in agreement with the proposal for nomination of auditor by TRAI as it will further assist in meeting the objective of the regulation. Due regard can be given to capabilities of auditors like size of operations, audit methodologies, tools used for CDR rating verification, experience of field auditors, telecom industry expertise etc while making the appointment. This will also ensure adequate quality in the audit.

Question 7:

What are your views on the proposal for fixing of remuneration of auditor by TRAI and what should be the quantum and methodology for computation of audit fees, in case the same is to be fixed by TRAI? Please give your comments with justification.

AAA Response:

In line with nomination of auditor, remuneration can also be fixed by TRAI to further strengthen audit independence. This will also ensure that capability is the sole criteria for auditor appointment. However, the fee needs to be fixed **per service area per report** as an equal amount of effort and resources are expended in the audit of both mobile and fixed wireline services due to separate data being audited and separate reports being issued.

It needs to be noted that the proposed fee of Rs. 1 lakh per service area has generally been charged over the past 6 years, but the same has remained static and has not taken into account various factors like inflation in the interim period, increase in cost of resources, increase in subscriber base, increased & continual investments in updation on knowledge management & technology resources by auditors to keep pace with new technologies like 3G, VAS services etc, review of additional tariff plans etc. These have resulted in deployment of significant additional manpower and resources by auditors without

corresponding increase in audit fee. In view of the above factors, the authority may consider fixing the audit remuneration at Rs. 1.50 lakh per service area per report at the very minimum.

However, the following also need to be considered:

1. It may also be noted that audit of CDRs twice a year will result in deployment of significant additional manpower & resources thereby resulting in increased time & efforts. The proposed audit fee will have to factor in the same and be increased accordingly.
2. As per proposal in this consultation paper, 3 new prepaid & 2 new postpaid plans in each service area will also have to be selected in the sample for review in addition to the already existing tariff plans (Plans with more than 10% of subscriber base in each service area). Also, additional data plans may also need to be reviewed, if proposal on same is accepted. This will also result in additional manpower and resources being expended on the audit. The proposed audit fee will have to factor in the same and be increased accordingly.

Question 8:

What are your views on the proposals relating to tariff plans to be covered for audit? Please give your comments with justification.

AAA Response:

The current model of audit focuses on reviewing tariff plans with more than 10% of subscriber base and certain new tariff plans introduced during the audit period. This model, however more often than not, does not throw up data plans in the sample. With increased usage of data services by subscribers, criteria for sample selection maybe modified to ensure coverage of data / 3G plans as well, in order to ensure subscribers of such services are also selected in the sample.

The current proposal for including 3 new prepaid plans & 2 new postpaid plans is also valid and should be implemented.