

**Opinion on
Consultation Paper on
Review of The Quality
of Service (Code of
Practice for Metering &
Billing Accuracy)
Regulations, 2006**

December 16

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This document contains opinion of H K KHANNA & Co. Chartered Accountants on consultation paper issued by TRAI on Review of the QOS (Code of Practice for MBSA)

SI. NO	ISSUES FOR CONSULTATION	OPINION	JUSTIFICATION
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.	We are in favor of TRAI proposal on imposing financial disincentives for delay in submitting audit reports of the metering and billing system. Quantum of disincentive as proposed by TRAI seems adequate to us.	We as an auditor for MBSA audit observed following issues which can be standardized through this proposed provision: <ol style="list-style-type: none"> 1. Due to lack of penalty provisions in submission of audit reports on due date, service provider are reluctant and their approach to MBSA audit is casual. This provision will bring some amount of seriousness and proactive approach on part of service provides. 2. Service providers are required to adopt serious approach towards TRAI MBSA audit and they must ensure that adequate resources are allocated in terms of time & energy. Penal provisions will exert some amount of pressure on service providers to take all possible steps in order to complete MBSA audit within due date.
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?	We are in favor of TRAI proposal on imposing financial disincentives for delay in submission of Action Taken Reports (ATR) on audit observations of the metering and billing system. We are also in favor of TRAI	We as an auditor for MBSA audit observed following issues which can be standardized through this proposed provision: <ol style="list-style-type: none"> 1. Scope of audit for a particular year includes audit of action taken by service provider on audit observation of previous year. It becomes difficult in some cases

<p>Please give your comments with justification.</p>	<p>proposal on imposing financial disincentives for providing false information in ATR on audit observation of the MBSA report. Quantum of disincentive proposed by TRAI seems adequate to us.</p>	<p>to audit such actions due to lack of availability ATRs on timely basis.</p> <p>2. ATRs contains action taken by service provider on observation mentioned in previous year audit report therefore in absence of such ATR on timely basis it becomes difficult to verify accuracy of such actions taken by service provider.</p>
<p>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.</p>	<p>We are in favor of TRAI 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.</p>	<ul style="list-style-type: none"> • Auditing CDRs twice in a single year will help in more coverage of CDRs sample and will certainly reduce audit risk to some extent. • CDRs sample of 3 months in 2 different half yearly periods will give clearer picture of metering and billing accuracy for whole financial year. • Audit of 6 months CDRs will require auditor to put in more efforts and resources in comparison to present scenario therefore allowance for additional remuneration may be provided to auditors for same.
<p>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</p>	<ul style="list-style-type: none"> • We are in favor of TRAI proposal for simultaneous reporting of instances of overcharging to 	<ul style="list-style-type: none"> • Simultaneous reporting of overcharging events to TRAI will result in fast reporting of audit observation to TRAI rather than to wait for due date of submission of

<p>service providers on such audit observations and financial disincentives on delayed refund of such overcharged amounts? Please give your comments with justification.</p>	<p>TRAI by the auditor.</p> <ul style="list-style-type: none"> • We are also in favor of TRAI proposal for submission of monthly progress report by auditor on the action taken by service providers on audit observations. • We are also in favor of TRAI proposal for imposing financial disincentives on delayed refund of overcharged amounts. • Quantum of disincentive as proposed by TRAI seems adequate to us. 	<p>audit report.</p> <ul style="list-style-type: none"> • Imposition of financial disincentives for delayed refund or non refund of overcharged amount will exert some amount of pressure on service providers to take quick action and resolve instances of overcharging as quickly as possible.
<p>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.</p>	<p>We are in favor of TRAI proposal mandating service providers to undertake a thorough analysis of each audit observations and the requirement to furnish a detailed comment on each audit observation. Quantum of disincentive proposed by TRAI seems adequate to us.</p>	<ul style="list-style-type: none"> • We have observed in past that comments provided by service providers on auditor observations are inadequate and general in nature. • We have also observed that service providers comments does not provide reasonable assurance that corrective actions have been initiated and completed on timely and effective manner.

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.	We are in favor of TRAI proposal on nomination of auditors and appointment of such nominated auditors by service providers.	<ul style="list-style-type: none"> • Nature of work involved in MBSA is of public interest. Where public interest is on stake it must be ensured that right person get the right work to do. • It will provide check on internal adjustments in allotment of audit work. There are possibilities of cross settlement between auditors to interchange auditee through mutual understanding between them. For example where auditor 'A' has been allotted audit work of service provider 'x' in year 1 and similarly auditor 'B' has been allotted audit work of service provider 'Y' in year 1. In year 2 both the auditors enters in undocumented mutual understanding to undertake audit work whereby Auditor 'A' undertakes audit of service provider 'Y' and auditor 'B' undertakes audit work of service provider 'X'. This practice hampers quality of audit work and it will also impact independence of auditor.
7.	What are your views on the proposal for fixing of remuneration	We are in favor of TRAI proposal for fixing of	<ul style="list-style-type: none"> • It will remove unnecessary competition for price bidding.

	<p>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.</p>	<p>remuneration of auditor by TRAI. Quantum of fees proposed by TRAI seems adequate to us provided an additional allowance for travelling expense may be provided in addition to amount proposed by TRAI.</p>	<ul style="list-style-type: none"> • It will increase Quality of audit because quality of audit depends upon time and resources devoted while doing such audit. Where TRAI will fix adequate remuneration for audit it will enable auditors to concentrate more specifically on audit work. • TRAI can use following methodology for computation of audit fees: <ul style="list-style-type: none"> ➤ Quantum of audit fees can be fixed on the basis of number of licensed service areas for a particular service provider.
<p>8.</p>	<p>What are your views on the proposals relating to tariff plans to be covered for audit? Please give your comments with justification.</p>	<p>We are in favor of TRAI proposal relating to tariff plans to be covered for audit.</p>	<p>No comments.</p>