



ABP
NEWS NETWORK

BY HAND/ELECTRONIC MAIL

To,

5th February, 2018

Advisor (B&CS)
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
Old Minto Road,
New Delhi - 110 002

Re: Submission to Telecom Regulatory Authority of India ("TRAI") in response to the
Consultation on Empanelment of Auditors for Digital Addressable Systems

Dear Sir,

At the outset, we at ABP News Network Private Limited ("ANN") would like to thank the Authority for giving us an opportunity to tender our views on the "Consultation on Empanelment of Auditors for Digital Addressable Systems". For reasons detailed herein below, the Authority is requested to kindly treat our comments as a Preliminary response.

On perusal of the Consultation Paper, we hereby submit our comments attached as **Annexure**. The said comments as submitted herein is without prejudice to any of our rights, in particular, we reserve our rights but not limited to challenge/ appeal and/ or any such legal recourse or remedy available under the law in reference to any directions, regulations recommendations or any other order(s) that may be made/ passed by the Authority on the subject matter.

The same are for your kind perusal and consideration.

Yours Sincerely,

ABP News Network Private Limited

Encl: As above



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RE: SUBMISSIONS TO TELECOM REGULATORY AUTHORITY OF INDIA
("TRAI") IN RESPONSE TO THE CONSULTATION ON EMPANELMENT OF
AUDITORS FOR DIGITAL ADDRESSABLE SYSTEMS

Kind Attention:

Advisor (B&CS)

Telecom Regulatory Authority of India,

Mahanagar Doorsanchar Bhawan,

Jawahar Lal Nehru Marg,

Old Minto Road,

New Delhi - 110 002

At the outset, ABP News Network Private Limited (hereinafter referred to as "ANN") would like to submit that we have carefully perused the Paper and are of the preliminary view that the paper does not render a holistic view of the entire aspects involved in the technology chain in the Broadcasting Industry and consequentially does not give an in-depth picture of the system and processes to appreciate the complexities of the technical aspects of the Industry with respect to



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transmission of data and collection of revenue from the subscribers. We are also of the view that the Paper does not deal with the essence of defining the scope process and the technical requirements thereto and in view of the same, the response being submitted herein is limited only to a generic overview and ANN reserves its right to respond in detail if the Authority comes up with a detailed philosophy for comments from stakeholders.

AUDIT SYSTEM - NEED & RELEVANCE

In the regime of the impugned Regulations (which are stayed before the Hon'ble High Courts) and the extant Regulations, it is observed in many Litigations pending or disposed of in the Tribunal that there is often a tendency by Distributors with respect to submission of incorrect SMS reports even post the Distributor getting its system audited by BECIL, issue of CAS and SMS not being integrated which indicates a need for a healthy and comprehensive audit System which is not only fair but also does not take away the Broadcaster's independent inherent right to Audit the systems of the Distributors to protect their commercial interest. The impugned regulations moreover do not allow the Broadcaster to Audit the Distributor's systems more than once a year which interferes with the business of the Broadcaster given that a very important determinant of the Broadcaster's revenue is the subscriber base of the Distributor and if that itself isn't accounted for properly then in that case, the Broadcaster's basic right gets exposed to infringement. In the above stated backdrop, we now respond accordingly for simplicity and convenience.



QUESTIONS FOR THE CONSULTATION

Q1. DO YOU AGREE WITH THE SCOPE OF TECHNICAL AUDIT AND SUBSCRIPTION AUDIT PROPOSED IN THE CONSULTATION PAPER? GIVE YOUR SUGGESTIONS ALONG WITH JUSTIFICATION?

We believe that at this stage, it is too pre mature to define scope of Audit given that the standards on the basis of which such scope should be determined have not been identified. Thus it will be difficult if not impossible at this stage to define the scope of Audit. It is requested that the Authority must first place before the stakeholders detailed parameters on the basis of which a comprehensive framework can be created for Audit of the systems of the Distributors.

Q2. IS THERE A NEED TO HAVE SEPARATE PANEL OF AUDITORS FOR CONDUCTING TECHNICAL AUDIT AND SUBSCRIPTION AUDIT?

ANN believes that once the parameters have been clearly identified by the Authority, only then can the question of a panel be deliberated upon.

ANN reserves the right to give a more detailed response once such details are brought to light but would like to assert on behalf of the Broadcasters that the Subscription Audit should remain an independent prerogative of the Broadcaster given that their entire revenue stream is dependent upon the correctness of such audit.

Q3: SHOULD THERE BE A DIFFERENT LIST OF EMPANELMENT OF AUDITORS BASED ON THE MODEL/MAKE OF CAS AND SMS INSTALLED BY DISTRIBUTOR? WILL IT BE FEASIBLE TO OPERATE SUCH PANEL OF AUDITORS?

ANN believes that before dealing with any such proposal it is first pertinent to define the standards of audit framework as has been stated above. Given that the technology in the Broadcasting Sector is constantly evolving and the DAS regime is at a relatively nascent stage, the presence of such standards as deliberated above is an imperative requirement to take the framework as envisaged in this paper forward.

Q4: WHAT SHOULD BE VARIOUS PARAMETERS FORMING ELIGIBILITY CRITERIA FOR SEEKING PROPOSALS FROM INDEPENDENT AUDITORS (INDEPENDENT FROM SERVICE PROVIDERS) FOR EMPANELMENT? HOW WOULD IT ENSURE THAT SUCH AUDITORS HAVE KNOWLEDGE OF DIFFERENT CAS AND SMS SYSTEMS INSTALLED IN INDIAN TV SECTOR?

Q5: SHOULD THE MINIMUM PERIOD OF EXPERIENCE IN CONDUCTING THE AUDIT BE MADE A DECIDING PARAMETER IN TERMS OF YEARS OR MINIMUM NUMBER OF AUDITS FOR EMPANELMENT OF AUDITOR?



Q6: ANY SUGGESTIONS ON TYPE OF DOCUMENTS IN SUPPORT OF ELIGIBILITY AND EXPERIENCE?

At this stage once a proper standard and scope of Audit has been properly defined, we believe a cumulative test of strength of the Auditor Company / Organisation, the relevant experience and competence must be looked into before deciding on which Auditors to empanel.

Further, the Authority may contemplate a certification of the Auditors that are eligible to empanelment for Audits. Such certification shall be enjoyed by only those Auditors who manage to clear certain requirements as may be decided by the Authority and amended from time to time once the entire technical scope is identified by the Authority basis suggestions from the stakeholders. The practise in other relevant areas of having standards of quality such as ASI in accounting may be followed at the time of initial empanelment and renewal of empanelment to ensure atleast the basic criteria is met.

Q7: WHAT SHOULD BE THE PERIOD OF EMPANELMENT OF AUDITORS?

Any Auditor may be allowed empanelment for up to 1 year and they should have to compulsorily seek renewal at the end of the term, subject to maximum continuous renewal of not more than 2 years.



Q8: WHAT METHODOLOGY TO DECIDE FEE OF THE AUDITOR WOULD BEST SUIT THE BROADCASTING SECTOR? AND WHY?

Q9: HOW THE OPTIMUM PERFORMANCE OF THE AUDITORS CAN BE ENSURED INCLUDING MAXIMUM PERMISSIBLE TIME TO COMPLETE AUDIT? GIVE YOUR SUGGESTIONS WITH JUSTIFICATION.

Q10: WHAT CAN BE THE PARAMETERS TO BENCHMARK PERFORMANCE OF THE AUDITOR? WHAT ACTIONS CAN BE TAKEN IF THE PERFORMANCE OF AN AUDITOR IS BELOW THE BENCHMARK?

The methodology of deciding the fee of the Auditor should be the percentage of subscription revenue.

The optimum performance can only be ensured through top auditing firms having experience of auditing broadcasters as well as DPO's, with a basic knowledge of technology.

Parameters to benchmark performance of auditors can be the timelines, efficiency and whether auditor has adhered to the rules and regulations of audit prescribed by TRAI or other authorities.

It is however pertinent to note that the parameters indicated above be taken as an inclusive list and we reserve our right to suggest additional parameters. At present owing to paucity of time in deliberating this issue, we have presented the same as a preliminary view. Thus, the fee must be totally dependent upon the costs incurred in conducting such audits.



Q11: SHOULD THERE BE DIFFERENT TIME PERIOD FOR COMPLETION OF AUDIT WORK FOR DIFFERENT CATEGORY OF THE DISTRIBUTORS? IF YES WHAT SHOULD BE THE TIME LIMITS FOR DIFFERENT CATEGORY OF DISTRIBUTORS? IF NO WHAT SHOULD BE THAT TIME PERIOD WHICH IS SAME FOR ALL CATEGORIES OF DISTRIBUTORS?

Yes. Different kinds of distributors running different kinds of systems should have different time periods depending upon the subscriber base.

For small distributors having subscribers below 10,000 - Within 10 Days

For distributors having subscribers below from 10,000 to 1,00,000 - Within 20 Days

For distributors having subscribers below greater than 1,00,000 - Within 30 Days

For distributors having subscribers below greater than 1,00,000 but having multicity presence - Within 45 to 60 Days

However, the Distributor must also be subject to stringent regulations which mandate them to upload their subscriber numbers to a common platform so that the same can be assessed by competent Auditors in an easy manner. Any deviance by the Distributor in such uploads must be penalized.

Q12: ARE THE CONDITIONS CITED SUFFICIENT FOR DE-EMPANELLING AN AUDITOR? IF NOT WHAT SHOULD BE THE CONDITIONS FOR DE-EMPANELLING THE AUDITOR?

Q13: COMMENTS ON RE-EMPANELMENT IF ANY?



The Standards of Quality of Auditor may be prescribed. Each Auditor that is subject to the certification process as discussed above must have to re certify itself at the time of re-empanelment.

Once de-empanelled, it can only be re-empaneled after few years (3 years) subject to fulfilment of the extant terms and conditions of the empanelment and proper justification.

Q14: ANY SUGGESTION RELATING TO THE AUDIT FRAMEWORK.

As has always been the practice recognized by the Authority, each Broadcaster should have an independent right to conduct audit as per Regulations and any curtailment of the Broadcaster's right to conduct its own Audit will be an infringement of the Broadcaster's right to do business to secure its revenue and any curtailment of such inherent right will have the potentiality of hurting the entire business model of the Broadcasters.

Further, Authority shall make sufficient provisions to ensure that the Audited Subscriber Data (Geography wise) shall be available on DPO's website.

We request the Authority to take this preliminary submission on record.

Sincerely Yours

ABP NEWS NETWORK PRIVATE LIMITED

