

(By Speed Post/Email)

February 5, 2018

To,

Mr. S.K.Singhal, Advisor (B&CS),
Telecom Regulatory Authority of India
MahanagarDoorsancharBhawan
Jawahar Lal Nehru Marg,
New Delhi – 110002

Sub:Comments of GTPL Hathway Limited (“**GTPL**”)on the Consultation Paper on empanelment of Auditors for Digital Addressable Systems (“**Consultation Paper**”)

Dear Sir,

We thank the Telecom Regulatory Authority of India (“**TRAI**” or “**Authority**”) for providing us with an opportunity to share our comments on the issue(s)pertaining Empanelment of Auditors for Digital Addressable Systems.

We are hereby enclosing our comments on the specific issues raised in the Consultation Paper.

Once again we would like to thank the Authority for such an extensive work undertaken by it, to bring uniformity and transparency, ensuring that the business interests of all the tiers of the distribution chain are adequately protected.

Thanking you,

Yours faithfully,

For GTPL Hathway Limited,

Authorized Signatory

Q1: Do you agree with the scope of technical audit and subscription audit proposed in the consultation paper? Give your suggestions along with justification?

A1: GTPL agrees with the scope of technical audit for the same being necessary for the purpose of verifying addressable system requirements as have been specified in schedule III of interconnection regulations passed by the Authority dated March 3, 2017. However, as far as the scope of subscription audit is concerned, inclusion of the compliance of the Quality of Service Regulations in the scope of such audit would make the subscription audit very extensive, as the extent to which information is required to be furnished to the auditors would remain ambiguous and will also be subject to confidentiality issues. For the purpose of improving transparency among the stakeholders in the value chain, we request the Authority to provide an exhaustive list and not an inclusive list to avoid any ambiguity.

Q2: Is there a need to have separate panel of auditors for conducting technical audit and subscription audit?

A2: Yes, it is very important to have a separate panel of auditors for conducting technical audit and subscription audit considering the required domain knowledge, expertise and experience involved.

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?

A3: No, as it is not feasible to have separate empanelment of auditors for different model/make of CAS/SMS. However, the auditors should mandatorily undergo training with the applicable manufacturers/vendors of such equipment's under controlled environment (say under the supervision of TRAI) for various CAS/SMS available in the market.

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?

A4& A5: The eligibility criteria must comprise of mixed parameter i.e. number of years of experience (*including relevant experience in dealing with technical and/or subscription audits, if any*) as well as the number of successful audits.

Accordingly, auditors having relevant experience of 1 year along with a minimum of 5 certified audits may be empanelled. However, considering the number of distributors/Multi System Operators ("MSOs") (*including the small distributors/MSOs*) it is

proposed that other interested auditors with experience of 3years and who have also undergone relevant training may also be empanelled. This will ensure that even the small distributors/MSOs do not go unchecked and are also being audited in terms of the regulatory framework issued by the Authority. This will also restrain unserious firms from getting empanelled and will also ensure compliance by small distributors/MSOs.

For the sake of clarity in case of audit by firm(s), before the commencement of audit the partner and/or employee(s) and/or individual involved in conducting the audit shall mandatorily have prior experience of such audits and/or have undergone relevant training as stated in para(s) above, as the case may be.

Q6: Any suggestions on type of documents in support of eligibility and experience?

A6: Following documents are required:

- a. Declaration regarding total number of successful audits(*including CAS/SMS audits if any*).
- b. Declaration regarding number of years of experience(*including relevant experience if any*).
- c. Declaration from the auditors that there shall not be any sub-delegation.

Q7: What should be the period of empanelment of auditors?

A7: The empanelment period of the auditors shall be five years and must be reviewed by the Authority every year on the basis of their performance as per the benchmark parameters set.

Q8: What methodology to decide fee of the auditor would best suit the broadcasting sector? and Why?

A8: The audit fee for technical audit shall depend upon the number of CAS/SMS involved.

However, the audit fee for subscription audit shall be decided on the basis of the subscriber base of the distributor. Benchmark subscriber base may be used to arrive at the subscription audit fee. The grid of benchmark subscribers is illustrated below:

Benchmark Subscribers
Upto 20,000
20,000 – 50,000
50,000 – 2,00,000
2,00,000 – 5,00,000
5,00,000 and above

Q9: How the optimum performance of the auditors can be ensured including maximum permissible time to complete audit? Give your suggestions with justification.

A9: Optimum performance of the auditors can be attained by the following:

1. **Maximum permissible time to complete audit –**

(a) **Technical Audit** – 3 days but not exceeding 7 working days for a single headend. Additional 3 days may be allowed for every additional headend installed by the MSO.

(b) **Subscription Audit** – based on the number of subscribers in the following manner:

Number of Subscribers
Upto 20,000
20,000 – 50,000
50,000 – 2,00,000
2,00,000 – 5,00,000
5,00,000 and above

However, in no case should such audit period exceed 20 days including but not limited to conducting audit, discussion, addressing queries and report finalization.

2. **Software (s) required for Audit:** For the purpose of conducting audit, the auditors should carry licensed version of relevant software (s), at their own cost/expense, which can be installed and uninstalled (on completion of audit) on distributor/MSO's system(s).
3. **Variance in Audit Report:** Variance in the report pertaining to audit findings should not in any case exceed 2 percent.

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?

A10: The following parameters should be used to benchmark the performance of the auditor:

- a. Timely completion of audit – The audit should be completed within the stipulated time (as stated in our response to question 9). Further, the audit must be initiated within 48 hours from the receipt of relevant details from the party to be audited.
- b. Audit should be done as per the scope as pre – defined and agreed.
- c. Variance in audit report – variance in audit report in no case exceed 2 percent.
- d. Timely resolution of disputes related to audit findings, if any. For this purpose, timely resolution shall mean a period of 7 working days from the day the dispute is reported to the auditor.

The auditors may be suspended and/or may be de-empaneled depending upon the failure of the auditors to meet various benchmarks set.

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?

A11: Yes, there may be a different time period for completion of audit work for different categories of distributors considering the number of subscribers as well as the technology involved.

An operator availing white level services from a Headend-in-the-Sky (“HITS”) operator shall also be subject to both technical as well as subscription audits by the empaneled auditors i.e. wherein an operator executes separate interconnect agreement(s) with various broadcasters and simultaneously avails signals from HITS service provider.

Q12: Are the conditions cited sufficient for de-empaneling an auditor? If not what should be the conditions for de-empaneling the auditor?

A 12: The conditions for de-empaneling an auditor are inadequate. Some of the **additional** conditions for de-empaneling an auditor are as follows:

1. Disclosure or misuse of confidential information of distributor - The auditors should be permanently de-empaneled and there should be exemplary penalty based on the kind of information disclosed.
2. Variance in audit reports, when exceeds 2 percent -
 - a. 1st time – suspension for 3 months.
 - b. 2nd time – suspension for 6 months.
 - c. 3rd time – suspension for 1 year.
 - d. 4th time – suspension for 2 years.
 - e. 5th time – de-empanelment for 3 years.

Q13: Comments on re-empanelment if any?

A13. The auditors may be re-empaneled after a period of 3 years’ subject to the auditor meeting the eligibility criteria and adhering to the benchmark performance parameters.

Q14: Any suggestion relating to the audit framework.

A14. The validity of technical audit shall be three years, unless there is any material change in the systems. Any change in the systems post the technical audit may be communicated by the distributors to the empaneled auditors.