

# Response to Consultation Paper on Empanelment of Auditors for Digital Addressable Systems

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## Introduction:

At the Outset we would like to thank the Authority for publishing the Consultation Paper on Empanelment of Auditors for Digital Addressable Systems and giving us an opportunity to furnish our comments.

We do feel that the Empanelment of Auditors for Digital Addressable Systems would not only go a long way in ensuring that the audit does not delay the provision of signal. But would also help in speeding up the process of audit and the number of audits thereby reducing the burden on service providers/distributors.

## Comments on Issues for 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?**

**Ans:**

We agree with the scope of technical audit and subscription audit proposed in the consultation paper.

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

**Ans:**

We do not feel that there is a need for separate panel of auditors for conducting technical audit and subscription audit. The technical and the subscription audits are interlinked.

**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?**

**Ans:**

We do not think there is a need for different list of empanelment of auditors based on the model/make of CAS and SMS installed by distributor. Further for distributors who run their operations on multiple CAS, would have to go for multiple audits. The broadcasters may also ask for multiple audits in such cases. This would defeat the vision of the Authority to simplify the audit exercise.

**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?**

**Ans:**

We feel that the following documents are necessary for determining the eligibility of the auditors.

- Documents related to experience in conducting the audit of networks
- Certification regarding accreditation of auditors.
- CV of the technical staff employed with the company for the last one year, highlighting their experience in the various CAS , SMS and distribution networks.
- Self certification regarding conflict of interest with the stakeholders

**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?**

**Ans:**

Years of experience or number of audit can be one of the conditions that should make a company eligible, say, 'Any company that has the experience of successfully completing the audit of at least 3 networks of minimum 5 lakh subscribers, in the last 3 years, should be eligible'

But keeping this as an essential condition would make only the existing auditing companies eligible.

Any other company which has the potential to do the audit should also get a chance to participate in the process of empanelment

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

**Ans:**

We suggest that the following documents have to be scrutinised by the authority to assess the eligibility and experience of the auditors

- Should produce all the audit details conducted till now and complete profile.
- Trained manpower details with certificates.
- Total training hours with external agencies.
- Experience Certificate
- Audit Analysis reports

Further we would like to make the following suggestion regarding the process of empanelment of the auditors, for the kind consideration of the Authority:

Auditing is an exercise which the Authority is facilitating to avoid disputes between the Broadcasters and distributors besides to ensure compliance of regulations in this regard. So if a joint committee consisting of officers from TRAI and a representative each from Broadcasters (may be nominated by IBF), leading distributors both DTH and Cable (may be nominated from DTH association and MSO alliance) and BECIL can be made for empanelment of auditors, it would be nice. This committee after seeing the presentations from the companies who apply for empanelment, based on the various criteria discussed above, can make recommendations to the Authority.

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

**Ans:**

We consider a Period of Three (3) years to be apt for the empanelment of auditors.

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

**Ans:**

The Mixed model methodology will suit the best for broadcasting sector as even for a small distributors there will be fixed cost of travel, accommodation and other charges.

The Authority should prescribe the auditing fees. It could be based on the following parameters:

- Number of Headends
- Number of subscribers
- Number of locations
- Number of types of CAS and SMS

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

**Ans:**

The maximum permissible time to complete an audit can be:

- Technical audit - 2-3 days
- Subscription audit – 3-4 days

Period of audit can vary depending on number of subscribers, number of locations and/or number of CAS & SMS in the network.

**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?**

**Ans:**

Parameters for benchmarking the performance of the auditor can be

- Accuracy of reports
- Timely completion of audits
- Number of complaints against the auditor

Proposed actions on auditor for below par performance can be,

- warning
- ratings through feedback mechanism
- de-empanelling an auditor
- Financial disincentives

**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?**

**Ans:**

Time period for completion of audit must not be based on the category of distributors but instead the time limit for the completion of audit must be based on

- number of headends
- number of types of CAS & SMS
- number of subscribers
- number of locations

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

**Ans:**

Conditions on de-empanelling can be

- integrity complaints
- conflict of interest complaints
- ratings mechanism
- non-compliance of non-negotiable norms fixed by TRAI given in Clause 2.20 of the paper.

**Q13: Comments on re-empanelment if any?**

**Ans:**

Once de-empanelled, should be eligible for re-empanelment only after 5 years, and information of de-empanelment with reasons has to be circulated to all the relevant stake holders.

**Q14: Any suggestion relating to the audit framework.**

**Ans:**

**Following suggestions are offered:**

- 1) Conflict of Interest issues must be looked into by the Authority while empanelling the auditors.
- 2) We have often observed that the broadcasters often go beyond the scope of regulations and impose arbitrary clauses on the distributors in their subscription agreements. The audit related clauses in broadcaster agreements should be same as the audit related clauses prescribed by the authority.
- 3) Authority should also ensure that the additional Audit fee and/or Additional Charge clause in the Subscription Agreements are removed.

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