

Response of Siti Networks Limited on Consultation paper on Empanelment of Auditors for Digital Addressable Systems

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

Answer: Yes, There are bigger MSO and Smaller MSO. There has to be uniformity in the system. Audit also ensure effective control on piracy and brings out transparency. It is submitted that the audit should be done strictly as per the scope of the audit as defined in the Regulations, as it has been observed that Broadcasters have been emphasizing on audit terms which are beyond the scope of the audit which may even not be commercially viable or logical and thereby creating ground for refusal for providing signals to DPOs.

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

Answer: Yes, There should be two different panels for technical and subscription audit as both require separate skill set and expertise. While technical auditor would require understanding knowledge of CAS and SMS Systems, the subscription auditor would need to have knowledge about the industry, various regulations and orders governing this sector and basic understanding of CAS and SMS Systems.

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?

Answer: No. It is not feasible to have different lists of auditors for different CAS and SMS as basic technology remain the same. Having different audit for different CAS/SMS would not only lead to intricacies and may lead to monopolistic situation. There are various MSOs who have installed multiple CAS and SMS, for such MSOs, it would be difficult to get the audit done from a single auditor.

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?

Answer: Audit firms who have minimum five year experience of working in the Telecom or Cable & Broadcasting sector and have sufficient resources to manage the requirement of the

sector. They should have team of qualified personnel on their rolls having knowledge of CAS and SMS.

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?

Answer: Please refer to answer of question no.4. The auditors must have conducted audit in last two financial years. However in case of new entrants, a proper due diligence by TRAI with regard to capability and skill set should be done before certifying them.

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

Answer: A self-declaration by auditors on listing of audits done in last five years and audit reports of at least last two years should be submitted with the regulator.

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

Answer: One time registration for three years.

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

Answer: The methodology of audit fee should be based on two criteria. One should be the fixed cost for a minimum sub base for smaller MSOs and variable cost for larger MSOs which should come down on the increasing numbers. The slab of subscriber base for the fee is suggested as below :

Upto 2 lacs subscribers

More than 2 lacs upto 5 lacs subscribers

More than 5 lacs but upto 10 lacs subscribers

More than 10 lacs subscribers

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

Answer: To achieve maximum optimum performance of the auditors the audit process should be divided into four segments.

1. Scope / Methodology of audit – 3 working days
2. Conduct audit based on the scope and methodology of audit – 7 working days
3. Queries and discussion – 3 working days
4. Report finalization – 3 working days.

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?

Answer: Parameters to benchmark performance of the Auditors should be;

1. Timely completion of audit
2. Accuracy of the analysis of subscriber data
3. Transparency on audit observation

In case of performance below the benchmark, TRAI should have the right to take action including de-empanelment of the auditor.

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?

Answer: No the timeline should be the same for all the DPOs. For the time lines please refer to answer to question no. 9 above which should be similar for all categories of distributors.

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

Answer: Yes

Q13: Comments on re-empanelment if any?

Answer: No comments

Q14: Any suggestion relating to the audit framework.

Answer: Scope of audit should cover maximum period of past twelve months from the date of audit.

It is observed that audit has become tool for negotiation of commercial term by the broadcasters hence it is suggested that the audit should be conducted well before the date of renewal of the agreement and it should not be allowed to conduct audit in the last month of agreement period to ensure that the same is not used as a tool to re-negotiate the commercials terms.