



Reliance Jio
Media Private Limited

RJMPL/TRAI/2017-18/001

05th February 2018


To,
Sh. Sunil Kumar Singhal
Advisor (B&CS),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi 110002

Subject: Comments on Consultation Paper on 'Empanelment of Auditors for Digital Addressable Systems' dated 22.12.2017.

Dear Sir,

Please find enclosed herewith comments of Reliance Jio Media Private Limited (RJMPL) on the consultation paper on 'Empanelment of Auditors for Digital Addressable Systems' dated 22.12.2017, for your kind consideration.

Thanking You,
For **Reliance Jio Media Private Limited,**



Authorised Signatory

Enclosures: As above.

COMMENTS OF RELIANCE JIO MEDIA PRIVATE LIMITED ON TRAI'S CONSULTATION PAPER
ON 'EMPANELMENT OF AUDITORS FOR DIGITAL ADDRESSABLE SYSTEMS'
(CP NO. 18 OF 2017, DATED 22.12.2017)

General Comments:

At the outset, we would like to thank the Authority for issuing this consultation paper aiming to address one of the key source of disputes between the Broadcasters and Distributors regarding various technical and commercial terms through the effective Audit Framework for Digital Addressable Systems (DAS). As the Authority has recognised that this consultation paper is of preparatory nature, accordingly, without prejudice to the views of Reliance Jio Media Private Limited (RJMPL) regarding ongoing litigations, the comments of RJMPL are submitted below for kind consideration:

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

Response:

- a) Reliance Jio Media Private Ltd (RJMPL) supports the decision of the Authority under the Interconnection Regulations 2017 that the broadcaster, before providing signals of television channel shall not cause audit of the addressable system of the distributor if the addressable system of such distributor has been audited during the last one year by M/s. Broadcast Engineering Consultants India Limited (BECIL), or any other auditor empanelled by the Authority. This will avoid 'multiple audit' by several broadcasters and undue delay in getting signals if MSO or distributor holds the audit report already conducted by BECIL or any other auditor empaneled by the Authority .
- b) RJMPL is however not sure if BECIL has been able to conduct the Technical Audit of all the MSO's who have been authorised to install a DAS headend, CAS system and SMS system. This is the precise reason why there are still disputes arising between pay broadcasters and distributors that still arise on a day to day basis despite ten years of operationalization.
- c) There has also been multiplicity of several unknown headend and CAS vendors from China and elsewhere which do not adhere to the DVB-C standards as also the standards imposed by TRAI and MIB. Therefore a one time audit of all the service providers (distributors) is a must and this will ensure a major cleaning up exercise is done. We also recommend TRAI that inferior quality standards of DAS head-ends, CAS systems, SMS systems found during the one-time audit, must be derecognised and scrapped.

- d) It is noted from the point 1.5 on page no 6 of the consultation paper that there is a rider in the Interconnection Regulation, 2017 that the audit by broadcaster will not be insisted if the same has been carried out within one year, unless the configuration or the version of the addressable system of the distributor has been changed after issuance of report by the auditor.
- e) In this context, it is submitted that during day-to-day business we may have to carry out routine changes in addressable system like channel additions, deletions, package additions, deletions, pricing changes etc. therefore, requirement of separate audit due to change in 'Configuration' / 'Version of the addressable system' is not practical. Also we would like to highlight that software patches includes bug fixes and security updates are routinely carried out and may change the current version of the addressable system. Therefore, our submission is that the above routine configuration changes or by whatever name called should not constitute a change that will entail another technical audit to be triggered by the broadcaster.
- f) **In view of the above RJMPL submits as under:**

- (i) The scope of technical and subscription audit given in the consultation paper is adequate.**
- (ii) One time technical audit of all Digital Addressable System should be mandated to ensure technical compliance of all systems operational in the DAS areas.**
- (iii)** Many routine changes carried out in addressable system like channel additions, deletions, package additions, deletions, pricing changes etc or software patches for bug fixation and security updates should not constitute a change requiring another technical audit to be triggered by the broadcaster. TRAI should issue necessary amendment/ clarification to avoid misuse of this provision in the Regulation by broadcasters.

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

Response: Yes, there must be two separate panels of Auditors for conducting technical and subscription audit. The following suggestions may be considered for making panels of auditors for technical and subscription:

- a) For Technical Audit BECIL should do the supervisory role and consulted for empanelment of engineering consultants/ engineering Auditors. Such firms are available in cross the country and conduct such assignments for manufacturing firms, process related industries etc. **We feel that BECIL themselves must only do the job of Oversight and let the professional engineering consultant firms do the actual job.**

For subscription audit which is commercially sensitive in nature independent CA firms, cost audit practitioners should be empanelled. The auditors must thoroughly do a one-time exercise of all SMS systems functional in the DAS areas. TRAI can mandate this

audit once in a year and the reports should not be submitted to TRAI directly with a copy to the distributors. TRAI has already empaneled auditors for audit of Metering and Billing systems of telecom operators. The same panel of auditors can also be extended for subscription audits.

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?

Response:

Yes, there should be two separate set of auditors. One for technical audits of DAS head-end and CAS systems and the other for subscription audit of SMS system, revenue recognition, tax compliance etc. However, we feel model or make based empanelment will not be required as it would be difficult to get such specific skill sets.

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?

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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?

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

Response:

The eligibility criteria for empanelment of independent auditors are suggested below:

Technical audit

- a) Should be Engineering consultancy firms
- b) Minimum 5 years' experience in the field of technical audit of manufacturing facilities, process industries etc.
- c) Prior pre-approval exist for the above firms from any Central or State Government bodies (not mandatory but preferable)
- d) Proven track record of independence and creditability

Subscription audit

- a) Practicing CA/ ICWAI firms
- b) Minimum 3 to 5 year's experience as a practicing professional firm.
- c) Prior empanelment for RBI audit of banks could be the preferred choice

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

Response:

TRAI should issue updated panel of auditors from time to time, who meet the eligibility conditions specified by the Authority in this regard. It is suggested that the panel should be updated at least once a year and number of empaneled auditors should be sufficiently large so as to meet the demand of the cable industry.

RJMPL suggests that period of two years as the maximum term should be fixed for both technical and subscription audits. There afterwards there must be mandatory rotations.

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

Response:

It is suggested that MSOs should be allowed to negotiate the audit fee as the same depends on place, scale of operations etc. which differs from operator to operator. TRAI has also not prescribed any fees for metering and billing audit of telecom service providers and on same lines it is suggested that audit fees should not be regulated for technical and subscription audit of MSOs.

It is suggested that the panel of auditors should be fairly large so that enlisted auditors can meet audit demand of the Cable Industry.

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

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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?

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Q14: Any suggestion relating to the audit framework.

Response:

TRAI should not specify the maximum time to carryout audit instead TRAI should specify as under:

- (i) The last date to appoint technical and subscription auditors from annual audit. It is suggested that it should be 30th April of every year as in the case of appointment of metering and billing auditors.**

- (ii) The audit should be required to be completed by 31st July of every year.
- (iii) To ensure timely completion of audits, the Auditors should be required to report the progress of audit in such format and at such intervals as the Authority may specify from time to time.

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?

Response: Suggested parameters to benchmark performance of the auditors:

- (a) Ensure that the audit is conducted in fair and transparent manner;
- (b) Ensure that the confidential data collected during the conduct of audit of a service provider is not shared with any person except in the manner provided under these regulations;
- (c) Timely submission to the Authority report on progress of audit in such format and at such intervals as the Authority may specify from time to time;
- (d) Timely completion of the audit to enable the MSO to submit the audit report to the Authority within the specified time limit.

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

Response: Yes, we agree with the proposed conditions given in the Consultation Paper. No further comment.

Q13: Comments on re-empanelment if any?

Response: None.