

Dated 5th December 2012

Mr. Robert J. Ravi,
Advisor (QOS)
Telecom Regulatory Authority of India
New Delhi

Dear Sir,

With reference to the Consultation Paper on Review of 'The Quality of Service (Code of Practice for Metering and Billing Accuracy) Regulations, 2006, dated 27th November 2012, inviting comments on the questions raised in the consultation paper, We submit our comments on the same as below:

Question 1:

What are your views on imposing financial disincentives for delay in submitting audit reports of the metering and billing system and what should be the quantum of such financial disincentives? Please give your comments with justification.

Comments

The imposition of financial disincentives for delay in submission of audit reports of metering and billing system should be in place to ensure timely submission of reports. However, exceptions should be made, where there is genuine difficulty in timely submission and there is explanation by the telecom company justifying the delay with prior permission of TRAI. The quantum instead of flat basis should be determined circle-wise and keeping in view the subscriber base and gross receipt from telecom operations and the period involved.

Question 2:

What are your views on imposing financial disincentives for delay in submission of Action Taken Reports on audit observations of the metering and billing system and for providing false information or incomplete information and what should be the quantum of such financial disincentives? Please give your comments with justification.

Comments

The imposition of financial disincentives for delay in submission of Action Taken Reports on audit observations of metering and billing system should be in place to ensure timely submission of reports. However, exceptions should be made, where there is genuine difficulty in timely submission and there is explanation by the telecom company justifying the delay with prior permission of TRAI. The quantum instead of flat basis should be determined circle-wise and keeping in view the subscriber base and gross receipt from telecom operations and the period involved.

For the false or incomplete information the quantum disincentive should also be based on the quantum of amount involved in the false or incomplete information with a view to conceal actual facts from TRAI and subscribers.



Question 3:

What are your views on the proposal for audit of the CDRs for at least twice a year-three months CDR pertaining to first half year and three months CDR pertaining to second half year? Please give your comments with justification.

Comments

The auditor should be appointed for full year, and directed to submit reports twice as in the proposed in the consultation paper, as otherwise the Data, being voluminous is taken in back-up, and has to be reloaded for determining the actual overcharging and resulting in delay or non-refunding of the overcharged amount to the concerned subscriber.

Question 4:

What are your views on the proposal for simultaneous reporting of instances of overcharging to TRAI by the auditor, monthly progress report on the action taken by service providers on such audit observations and financial disincentives on delayed refund of such overcharged amounts? Please give your comments with justification.

It will be a healthy practice in the interest of transparency and justification that the reporting is done simultaneously to TRAI as well by the Auditor.

Question 5:

Do you support mandating service providers to undertake a thorough analysis of each audit observations and the requirement to furnish a detailed comment on each audit observation, as proposed above, including financial disincentives for submitting audit reports without adequate comments? Please give your comments with justification.

Comments

we are in support of the view that thorough analysis of each audit observation should be done to bring transparency and correctness of the billing and metering system and that no subscriber is overcharged or unduly charged.

Question 6:

Do you support nomination of auditor by TRAI and appointment of the nominated auditor by the service provider? Please give your comments with justification.

Comments

We definitely support the view that nomination of auditor for billing and metering audit should be done by TRAI, from the firms listed with it to maintain independence of the auditor and to bring about more transparency. We base our opinion considering the following facts:

The Statutory audit of Public Sector Undertakings (PSUs) is done under the Indian Companies Act, 1956. The appointment of Auditors is made by Comptroller and Auditor General of India (C&AG) out of the Panel maintained by C&AG. The PSU Company has to get the accounts audited from the so appointed Auditors. The report



of the auditors is issued as per the requirements of the Companies Act, 1956 and a special supplementary report u/s 619 of the Companies act, 1956, as per requirements of the C&AG, for which it gives the necessary directions containing the matters on which report is required to be given by the Statutory Auditors.

The report of the Auditors is considered by the C&AG for issue of final report by their office.

The aforesaid procedure brings about more transparency as the auditors are not influenced by the fact that their appointment is not made by the auditee company. When the appointment is made by the auditee company, the company may consider as to how much, they can influence the auditor, and the auditor can oblige them while issuing their report and on the matters to be reported.

In support of the above we also invite attention to that:

- The Department of Telecom (DoT), Ministry of Telecommunication, appointed auditors for special audit of telecom companies in respect of license fee payable to DoT by the telecom companies, which is payable on the gross telecom receipts as per the license conditions. *Although the telecom companies are submitting AGRs certified by the statutory auditors, **but for independent and transparent view it was considered expedient to appoint separate independent auditors for the purpose.*** The said audit has brought out certain items of telecom receipts on which license fee was not being calculated by the telecom companies. Even certain adjustments made by them in expense and receipt accounts were also found to be in violation of license conditions.
- The Income Tax Department (ITD) also gets special audit done in some of the cases, where they feel the necessity, and for those cases the ITD appoints a firm out of the panel maintained by them, to do the special audit. ***The firm so appointed is different from the auditor under The Companies Act by appointed by the company, for the sake of transparency and independent report.*** The report has to be given as per the prescribed form and on the matters specified for the purpose.
- Securities and Exchange Board of India (SEBI), which is the **regulator for listed companies**, and in the interest of share-holders, particularly small



shareholders, who cannot look into the accounts or other trading at the stock exchanges, where it feels necessary gets the accounts of the company examined by a firm of chartered accountants, empanelled with it. For the purpose it appoints the firm for the examination and also fixes the remuneration, considering the size and volume of work after due assessment by itself. SEBI is appointing the firm of auditors for independence of report of audit / examination and for transparency.

- Audit Bureau of Circulation (ABC), since January 2012 has also **started appointing auditor for Circulation audit of Newspapers by itself** from the **panel maintained** by it. Earlier ABC had instructed to get the bi-annual audit done from any of panel auditors, but to **bring in the transparency and maintain independence of the auditors**, it has started appointing itself, and the auditee now has no other choice.

TRAI is regulatory authority, in the interest of subscribers, who are the largest in number and are most important stake-holders, who are very small as compared to the telecom companies, the billing and metering audit is required to be carried out. For independence of the auditor and for greater transparency it is necessary that the auditor for the purpose should be appointed by TRAI and the remuneration payable to them should also be fixed by TRAI.

Question 7:

What are your views on the proposal for fixing of remuneration of auditor by TRAI and what should be the quantum and methodology for computation of audit fees, in case the same is to be fixed by TRAI? Please give your comments with justification.

Comments

We definitely support the view that the remuneration for the Billing and Metering Audit should be fixed by the TRAI.

*The quantum of remuneration, in our opinion should be fixed circle-wise keeping in view the size of business in the circle. The business in our opinion can be determined either by **considering the number of subscribers in the circle or the amount of telecom business receipts in terms of money.** Certain slabs can be fixed for remuneration considering the size of subscribers / business i.e. from 0-X, X+1 to Y, Y+1 to Z, and so on. Certain minimum and maximum amount can also prescribed for*



remuneration considering the smallness or very large size of base of subscribers / business.

We are basing our opinion in view of the fact, that in respect of branch auditors appointed for the audit of branches of the bank, the remuneration to be paid is fixed on the basis of business of advances in the branch, i.e. Amount of advances at the end of the period to which the audit relates, i.e. 31st March every year. Different slabs of Advances ranging from xx to yy, and so on, have been prescribed by the Reserve Bank of India with fixed remuneration for each slab.

Question 8:

What are your views on the proposals relating to tariff plans to be covered for audit? Please give your comments with justification.

Comments

It is true that plans introduced during the year and more particularly during the last part of the year, the subscriber base is not heavy enough to get covered within in the 10% subscriber requirement and as such is left out. It will be in the fitness of things and to bring more transparency that two / three plans of the six-months or at least one plan introduced in every month, with highest number of subscribers, is also covered in audit.

Please find the above in order for doing the needful

Thanking you,

Yours faithfully,

For S. K. Mittal & Co.
Chartered Accountants


Gaurav Mittal
Partner

(Membership No. 099387)

