

TATA SKY'S RESPONSE TO THE CONSULTATION PAPER ON EMPANELMENT OF AUDITORS FOR DIGITAL ADDRESSABLE SYSTEMS DATED 22ND DECEMBER, 2017

- ❖ There exists no trust deficit between the broadcasters and the DTH operators, and this is borne by the fact there exist no disputes between the two. Today there are no denial of signals on account of technical issues and neither any dispute on fudging of subscriber counts. The equipment for the SMS is provided by limited global vendors, eg. NDS, Irdeto, etc. and they have standard operating system which cannot be faulted on technical grounds. By bringing out a common regulatory regime for all the DPOs, TRAI has treated 'unequals as equals' and this will become a tool for inconvenience and harassment.
- ❖ While the Telecommunication (B&CS) Interconnection (Addressable Systems) Regulations, 2017, prescribes for an audit through auditors empanelled by TRAI, however, it also permits the broadcasters to reject the same and conduct his own audit. This 'escape' provision in the Regulation nullifies the efforts for setting up a panel of auditors. We believe the current consultation exercise will only be fruitful if the provision (for audit rejection) is removed from the main Regulation otherwise this audit will become an additional burden on the DTH operators.

Scope of Audit

- ❖ The consultation paper mentions about 'revenue leakage' (point 1.4) and 'distribution of revenue amongst stakeholders in the value chain' (point 2.7) thus suggesting that the scope of audit might include audit of financial statements and subscription revenues. We believe that the proposed audit should clearly limit itself to the technical audit and ascertaining/validating subscriber numbers. If financial audit is envisaged under this audit proposal, it would be a duplication leading to additional costs and inconvenience.
- ❖ With respect to the technical audit, if the CAS and SMS have not undergone any change of vendor or change in the operating system then this audit should be conducted only once during inception.
- ❖ In point 1.6 there is a mention of the Regulation permitting variation in the reported figures of subscribers as less than 0.5% of the billed amount (in revenue terms). However, the Subscriber Audit is focused on just the subscriber count. Hence, the calculation logic for reconciling between revenue and subscriber count need to be specified in detail.
- ❖ We should strive for audit excellence. Since the skills and knowledge required for Technical and Subscription audit differ, it is fine with us if there are separate auditors.
- ❖ Having a common panel of auditors, irrespective of models/make of CAS and SMS, is desirable. It will not be feasible to operate a panel of auditors who specialization is limited by the type of CAS and SMS.

Eligibility Criterial and Experience

- ❖ The auditors should be certified professionals from within the industry. Technology professionals with experience of CAS or SMS implementation / development / operations can also be considered.

Audit Fee and Payment Terms

- ❖ The choice of auditor should be left to the DPOs and the audit fee would be the outcome of negotiation between the DPO and the auditor.
- ❖ If, on the other hand, TRAI opts to determine the audit fee then we are of the view that the fee should not exceed Rs. 2 lakhs each for the technical audit and the subscriber count audit. It may kindly be noted that the quantum of the subscriber base has no bearing on the subscriber count audit cost.