# ICAI order on EY India affiliates may speed up notification of norms

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Several affiliates of Big Four accounting firms in India are likely to receive orders similar to those issued to EY India from the Institute of Chartered Accountants of India (ICAI) in the coming weeks, but not everyone at these firms is disappointed with the development.

Many top executives at these firms told *Business Standard* that even as there was disappointment with the order, some felt it would eventually lead to the "much-needed" clarity on guidelines on international networking for domestic firms.

On Thursday, ICAI passed an order against EY's three affiliates and a retired partner for "professional misconduct."

The institute ruled that the name of Raj Kumar Agrawal, a former partner at EY India, be removed from the institute's register of members for three years, with a monetary penalty of ₹5 lakh.

The ICAI's order stated that entities affiliated with EY were using the email addresses and visiting cards that advertised the names of their global affiliates. According to ICAI, this would come under publicity for a foreign audit firm in India and be in contravention of the Chartered Accountants Act.

It also added that the referral fees paid by EY India to its global network firms, EY Global (EYG) and EY Europe, Middle East, India and Africa (EY EMEIA), were also against the guidelines of the CA Act.

Similar orders against other firms are ready and may come out in the coming weeks, one of the partners cited above said. He added that they may have come out earlier but all firms, except EY India, had taken a stay from various high courts.

Currently, affiliates of these firms are meeting ICAI to discuss the "findings order", which is usually issued before the final order. This findings order was handed out to several affiliates in February this year.

EY India's affiliate SRBC & Co. LLP said it would file an appeal against the ICAI order and has already stopped some of the practices highlighted in it. "Among other things, the order has asked that past practices of using global network branding be stopped. Many of such practices no longer exist today," it told *Business Standard*.

However, the appellate tribunal, which is supposed to hear these appeals, has not been set up by the ICAI after it was dissolved in December last year. Last week, in an interview with this newspaper, ICAI president Ranjeet Kumar Agarwal said the institute will come up with guidelines on the aggregation of domestic CA firms and international networking in the next three months.

"With the recent order, the matter will be taken up in the higher courts. We believe that the judicial process will eventually lead to a clear law, ethical framework and firmly established guidelines for networking," a partner from one of the large audit firms said.

"This is much needed now. It would be a welcome move," another senior partner at one of the Big Four firms said on Monday.

Currently, there are guidelines for domestic networking but not for international networking. In 2011, a high-powered committee was formed by the Centre to review the working of international audit firms in India. Later the same year, some guidelines on international networking were issued.

In 2013, notices were sent out to around 150 firms with international networks. But in 2022, a set of these guidelines were repealed and there has been limited regulatory clarity since then.

## Audit fee paid by NSE-listed firms rose 6.1% in FY23

The audit fee paid by companies whose equity shares were listed on the National Stock Exchange (NSE) was ₹1,738 crore in financial year 2022-23 (FY23) on a standalone basis, 6.1 per cent higher than ₹1,638 crore paid in the previous year, according to data shared by primeinfobase.com.

It was based on 1,847 companies for which audit fee data was available.

Out of the total, the global Big Four had a 27 per cent share of the audit fees with the EY Group leading at ₹145.44 crore. It was followed by the KPMG Group at ₹135.65 crore and the Deloitte Group at ₹134.14 crore.

The Price Waterhouse Group and Grant Thornton Group stood at fourth and fifth places with a share of ₹61.26 crore and ₹56.56 crore respectively.

The average audit fee in India was ₹0.93 crore per company in FY23, up from ₹0.91 crore in FY22. The audit fee paid by companies for 2023-24 is not yet available in the public domain.

The data showed that overall fees, including audit and fees paid for other services, paid by NSE companies were up 5.9 per cent to ₹2,043 crore in FY23 from ₹1,929 crore in FY22.

Of these fees, the Big Four accounted for a 32 per cent share. Here too, the EY Group led with a total overall fee, on a standalone basis of ₹194.95 crore, followed by the KPMG Group at ₹185.22 crore and the Deloitte Group at ₹182.08 crore.

Interestingly, banks paid the lion's share of overall fees during 2022-23. The data highlighted that 39 listed banks paid an overall fee of ₹925 crore or 45 per cent of the total in comparison to ₹1,118 crore paid out by the balance of 1,808 companies.

Of the ₹925 crore paid by banks, the 16 listed public sector banks paid ₹857 crore or 93 per cent of the total with the State Bank of India alone accounting for ₹270.79 crore.

It was followed by the Bank of India at ₹119.5 crore and the Bank of Baroda at ₹83.96 crore.

Among non-banks, the highest fees were paid by Reliance Industries at ₹35 crore. It was followed by Tata Consultancy Services at ₹16 crore and the New India Assurance Company Limited at ₹12.38 crore. RAGHAV AGGARWAL