

Big Five auditors sulk over lack of fair remuneration

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AUDITORS IN INDIA are upset over the lack of "fair remuneration" for the same kind of work their counterparts in developed countries do. "For us to be competitive, we have to infuse technology, and hire the best talent. In India, the audit fees should go up by at least 200% from the current levels," said the head of the auditing vertical at a Big Five firm.

Arvind Sethi, national leader at SR Batliboi & Co said that the average size of an audit engagement with a particular company varies depending on a host of factors such as the company's size, sector, business model, geographical presence, complexity of business processes, and the regulatory oversight. "Where Indian multinationals have substantial global operations, the audit fee levels outside India are in the range of 0.02 to 0.04% of the revenues whereas fees for Indian operations are around 0.01% of the revenues," Sethi said.

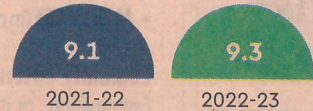
Though not comparable, auditors say they are "grossly underpaid" as compared to their counterparts in matured markets like the US. As per primeinfobase, the average fees of Indian auditors of 1,847 listed companies stood at ₹93 lakh in FY23, which is significantly lower than the average fees – \$10.78 million (₹90 crore) – paid to the auditors of S&P 500 companies in FY2022.

Auditors at Big Five firms said that while the profession is under duress, the remuneration paid to the professionals doesn't justify the risks, work stress and the investments that firms are making in tech and talent.

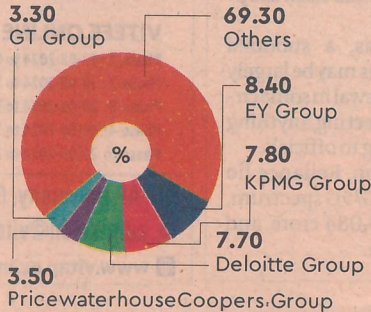
The regulator too seems to agree. In a March 2024 conference, the National Financial Reporting Author-

SUBSTANTIAL PAY GAP WITH US AUDITORS

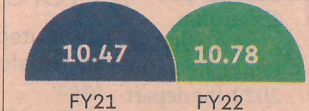
Average fees paid to auditors of listed Indian companies* (₹ mn)



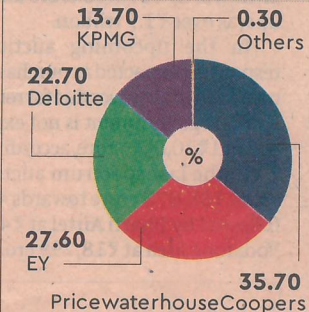
Audit market share in India (2022-23)



Average fees paid to auditors of S&P 500 companies (\$ mn)



Audit market share for S&P 500 companies (FY2022)



*Data based on 1,847 companies for which audit fee was available
Source: primeinfobase.com, Ideagen

ity (NFRA) chairperson Ajay Bhushan Pandey said that a high-pressure job like auditing is not well compensated in India. "If you see the difference in the auditing fees that the auditor gets abroad versus the amount the auditor gets in India, there's a vast difference," he had said.

Sanjeev Krishan, chairperson, PwC in India said that the role of trust is pivotal as it enables better and more inclusive outcomes. It is therefore imperative that trust services (or audit services) should be appropriately valued to enable trust providers to invest in strengthening the profession to better meet the needs of business.

However, there is a flip side to the argument, too. Experts argue that audit fee comparison between the US

and India is unfounded because of the scope of work for auditors in India and US is quite different. For instance, in the US, the audits are required to be performed under stringent PCAOB (Public Company Accounting Oversight Board) auditing standards which has its own complexity, risks and liabilities.

"In the Western markets, one of the biggest considerations while auditing the public interest entities (PIEs) is the cost of professional indemnity insurance. The firms charge for this insurance from clients based on the size of PIEs. In India, this concept is not even on the radar. Neither it is mandatory nor any such insurance is offered in the market currently," said the head of a Big Five audit firm.