

Audit Fees Growth Lags Corporate Expansion in India

Fees rise just 28% as auditors face higher scrutiny amid increase in talent and organisation costs

Vinod.Mahanta@timesgroup.com

Mumbai: Audit fees for Nifty 500 companies increased by a modest 28% between 2018 and 2023, indicating that they have lagged behind their growth and operational performance, as market capitalisation grew 92.75%, net sales rose 83.7%, and profit after tax (PAT) increased 126.2%. According to data provided by Prime Database, audit fees grew from ₹1,114 crore in FY18 to ₹1,430 crore in FY23 for Nifty 500 companies and from ₹404 crore to ₹466 crore for Nifty 50 companies.

While the audit fee hike is marginal, the sharply increasing complexity in business operations, heightened regulatory oversight on listed companies, growing complexity in reporting requirements, and escalating talent and organisation costs every year are putting auditors in a tough spot.

And one of the key reasons why auditors are not in a position to demand an adequate fee has been the Companies Law-mandated audit rotation every five years. Audit committees and CFOs leverage the competitiveness between the firms to keep fee hikes low. Simultaneously, companies are imposing tighter deadlines on auditors to complete reporting processes, exacerbating costs and work pressure.

Sanjeev Krishan, chairperson of PwC India, says that at a time Indian businesses face the dual challenge of managing intricate regulatory landscapes and navigating disruptions to create stakeholder outcomes, trust becomes paramount. "If trust underpins all organisational actions leading to larger outcomes, it should command a premium," he said.

Even NFRA chairman Ajay Bhusan Pandey stated in a recent conference that despite working under intense pressure, Indian auditors receive inadequate compensation. He remarked that several companies are listed on the NYSE and the Indian stock exchange, and there was a significant difference in audit fees received by auditors abroad compared to those in India, despite the tasks being essentially the same.

Sudhir Soni, head of audit at BSR & Co, says that expectations from auditors are rising, but it's not translating into audit fees. "Conducting a high-quality audit requi-

Modest Show

Nifty 500 (Audit Fees)

FY18

₹1,114 cr



FY23

₹1,430 cr



Market capitalisation of cos

FY18 ₹12,038,173 cr

FY23 ₹23,203,735 cr

FY24 ₹35,427,365 cr



₹1,689 cr Estimated
audit fee for 2024 based on
5-year CAGR (FY18-23)

Source: primeinfobase.com;
ET Research



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res many components: good talent, technology, and robust quality management processes. And that requires continued investment in all three areas, but the low fee levels can become a challenge," he said. But a few companies are bucking the trend and are even willing to pay a premium to auditors for timely and thorough reporting.

"India is among the lowest audit fee markets as compared to other countries, despite the effort, complexity and risks involved. However, there are companies, who are willing to recognise the quality of talent, sector expertise and technology-enabled insights offered by an audit firm," said Arvind Sethi, national leader, SR Batliboi & Co.

Audit fees in India are notably lower compared to the US and UK markets. For instance, for all listed companies on the FTSE in the UK, the audit fee increased by 75% between 2018 and 2023, reflecting a compound annual growth rate (CAGR) of 11.82%.

Clients are increasingly asking audit firms to reduce billing hours through the utilisation of technology. However, this presents a dilemma as it necessitates investment in technology, such as software licences and data storage, which could become problematic given the current fee levels.