

Stress Needs an Audit, too

TIGHT DEADLINES, COMPLEXITY OF AUDITS, INCREASING DISCLOSURES WEIGH ON AUDIT PROFESSIONAL FIRMS

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Mumbai: The sudden demise of a young employee of SR Batliboi & Co, a member firm of EY Global, this month has brought the spotlight on the prevailing intense work pressure in the audit profession as firms grapple with clients imposing tight deadlines, growing complexity of audits, a spike in disclosures, heightened regulatory scrutiny, and an unfavourable risk-reward ratio.

Leading auditors say a key reason for increased work pressure is from the client side, who often pushes auditors to crunch deadlines for results announcements.

large accounts and have stiff revenue targets, choose to keep the client happy instead of setting realistic expectations upfront. The recent past has seen a surge in company disclosures. Adoption of IFRS, additional Companies Act requirements, and new ministry of corporate affairs disclosures have compounded auditors' workloads.

The complexity of audits has risen in recent years as companies expanded and took private investments, demanding more work from auditors. "Deadlines, deadlines, deadlines—it's turned into a relentless race against time," said Jeenendra Bhandari, managing partner, MGB Advisors.

Auditors say one of the biggest impacts on audit workflow in the last two years has been due to NFRA (National

When audit files need to be locked, auditors must gather extensive confirmations and document the rationale behind their audit positions. This creates immense pressure on junior teams working on the audit, as it becomes a race against time.

"With NFRA coming into the picture, the regime changed from lax to stringent, and firms don't have time to make adjustments. Moreover, corporations are still accustomed to the old ways of working," said a Big Four auditor. "Businesses are evolving rapidly, and so are regulations and compliance requirements. It is increasingly challenging to keep pace with them," said Paras Savla, managing partner, KPB & Associates. The firms are also under pressure to maintain profitability as employee and fixed costs continue to rise each year, while audit fees remain low, making it challenging to maintain a workforce that matches the workload.

Audit fees for Nifty 500 companies rose by a modest 28% between 2018 and 2023, but mcap grew 92.75%, net sales rose 83.7%, and profit after tax (PAT) increased 126.2%, according to primeinfobase.com and ET Research data.

"India's audit fee is the lowest among large economies by a significant margin. In the US and UK, for a Big Four client, we manage to get an average rate of \$150-\$200 per hour, depending on the size and complexity. In India, for a similar audit, we get ₹1,700-₹1,800 per hour. Of course, input costs are lower in India, but the gap remains substantial," said another Big Four auditor.

In the last few years, hiring top talent has become a major issue for auditing firms. Higher risks, longer working hours, linear pay raises, and better career graphs in tax and other advisory businesses have led to bright CAs not choosing audit businesses. The latest issue is rapid expansion of global development centres (GCCs) in India, which has intensified pressure on attracting and retaining skilled talent. "Many prospective professionals may view auditing as less attractive compared to other fields, especially those that offer faster career progression, higher earning potential, or more dynamic roles in technology, consulting, or finance," added Savla.

Adding to work pressure problem is that a major share of audit work still needs to be done manually, and tech hasn't advanced enough to fully automate these tasks. Moreover, the work pressure is disproportionately affecting the middle and lower levels, where managers are often not adequately trained to lead teams effectively, resulting in faulty work allocation.

Taking a Toll

DISCLOSURES...

IFRS, additional Companies Act requirements, and new MCA stipulations

HEADWINDS

Profitability pressure, rising fixed costs, hiring top talent

RESULT

Top professional services firms more selective in taking on audit clients



Litigation very expensive

AUDIT FEES

For Nifty 500 cos, fees rose by 28% between 2018 and 2023



Demanding clients are shortening deadlines for audits

Meeting tight deadlines is viewed as a sign of professionalism and efficiency, and, in some cases, also due to alignment with global standards. For instance, if the full-year results of a company were to be announced in the fourth week of April, the chief financial officer may want them by the third week. "The problem is the company's finance and accounts departments are not prepared for the change, as they operate on old timelines. This shifts the pressure onto auditors, who have a smaller window to work within. It places significant strain on firm's audit staff, especially during results season," said one of India's top auditors, speaking on condition of anonymity. Senior Big Four partners, who manage

BITTER TRUTH

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Financial Reporting Authority). After the regulator levied heavy fines on erring firms, banned partners found wanting, and pointed to insufficient documentation, firms are demanding extensive documentation from employees within a short window.

"Audit files are required to be locked within a month of completing the audit, according to rules," said a partner at a Big Four firm. "However, larger firms now aim to lock them within a week, as NFRA has questioned why it was taking longer and raised concerns about potential alterations to the numbers."