

Just 10% nominal rise in income over five years, real income growth negative

# As fees stagnate, audit firms struggle to retain talent

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**RISING RISKS, COUPLED** with absence of any rise in fees in real terms over recent years, have made rendering of audit services less remunerative, industry players said. The auditors of the Big Five firms claim that the risk-reward matrix is getting unfavourable for the firms, which is also affecting their ability of attract talents.

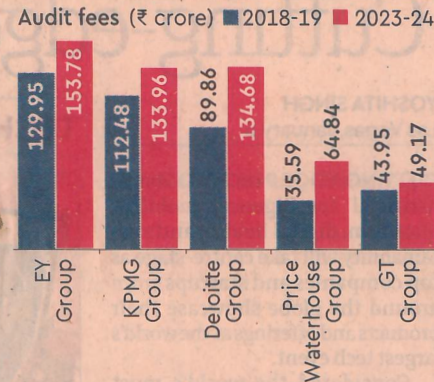
“The audit income in India for our top companies aren’t increasing at the pace it ought to. This is affecting the ability of firms to pay attractive compensation and retain the best people. In the UK, in the last 5 years, audit fees have increased by 85% for the top 100 audit companies whereas in India that number is under 10%,” said Vishesh C Chandio, CEO, Grant Thornton Bharat.

The situation is even grimmer for smaller audit firms. As for the larger firms, audit functions are often

## COST CALCULATION

■ No. of companies for which data is available  
■ Total fees collected by audit firms (₹ crore)

Year	No. of companies for which data is available	Total fees collected by audit firms (₹ crore)
2018-19	1,557	1,606.5
2019-20	1,584	1,454.7
2020-21	1,646	1,670.9
2021-22	1,767	1,638.4
2022-23	1,847	1,740.8
2023-24	1,049	1,707.8



Source: primeinfobase.com

cross-subsidised by income from assorted non-audit services, including consultancy and management services. The regulator, the National Financial Reporting Authority, has dissuaded auditors from providing non-audit services to the same com-

panies or related parties.

As per primeinfobase.com, the audit fees collected by three top audit firms — out of the Big Five — have gone up marginally between FY19 and FY24. For instance, income from audit services of EY Group has risen

from ₹129.95 crore in FY19 to ₹153.78 crore in FY24, registering a compounded annual growth rate (CAGR) of 3.4%. Similarly, the growth in audit fees for KPMG Group stood at 3.6% during the same period. However, firms like PwC Group and

Deloitte Group have registered impressive growth in audit firms but on much smaller base. Even though the companies included in FY24 data (1,049) is considerably smaller than FY19 (1,557) due to the time lag in reporting of numbers by the compa-

nies in FY24, it still captures almost all top 500 companies in India, and does reflect the overall trend.

Several experts said the company managements usually pick up the lowest bidder without assessing the quality of services that are being offered, and in such cases, the role of the audit committees becomes crucial because they understand the risks associated with low-quality auditing. “The companies must prioritise quality and the capability to manage complex audits over simply selecting the lowest bidder. This is where the role of the audit committee becomes crucial,” said Samir Shah, head of audit at Deloitte India. According to primeinfobase.com, the per-auditor fees have also stagnated over the past five years. For instance, the per-auditor fees which stood at ₹2.01 crore in FY19 has marginally gone down to ₹1.95 crore in FY24.

Experts said the pressure on auditing fees has coincided with the rise in regulatory costs.