

Flash Alert

18 July 2021



Minimum Fee and Quality Guidelines

Publication of directive on quality guideline and minimum fee of audit firms

ICAN has issued "Guideline for Audit Firms and Fixation of Fees Directive 2078" to its members on 15 July 2021 which shall become effective from 16 July 2021.

Guidelines to Firms

The directive issued embarks minimum criteria for professional standards, physical infrastructure and quality control to be maintained by the audit firms. Some of the points incorporated in the directive have been highlighted below:

- Audit firms will be required to develop and implement audit manual, duly follow the requirements set by NSQC 1 and provide training to the staff to ensure that the staff are competent to interpret and apply provisions of the professional standards.
- Minimum office space of audit firms on the basis of class of auditor and number of staff in the firm as set out in the directive is to be maintained.
- Audit firms will also be required to provide materials like applicable laws, directives issued, newspapers etc. physically or electronically.
- To guarantee high morale and retention of competent staff, review of work and appropriate salary shall be provided by the audit firms.

Minimum Fees

The directive also sets out the recommendatory minimum fees to be charged by the auditor computed on the basis of time spent on the audit by applying the following rates for various category of auditors/staff as depicted in the following table:

S.N.	Category	Years of Experience	Daily Rates (Rs)
A	Chartered Accountants (COP holders)		
1	Partner/Proprietor/QC Reviewer	>15 yrs	At least 30,000
2	Partner/Proprietor/QC Reviewer	11 – 15 yrs	20,000 – 29,000
3	Partner/Proprietor/QC Reviewer	5 – 10 yrs	15,000 – 19,000
4	Partner/Proprietor/QC Reviewer/Managers	< 5 yrs	10,000 - 14,000
B	Registered Auditors (COP holders)		
5	B Class	-	15,000
6	C Class	-	10,000
7	D Class	-	5,000
C	Other Staff		
8	Semi-qualified with minimum of 3 years' experience	-	3,000
9	Trainees/ Support staff	-	2,000

In addition, the lump sum minimum fees has also been recommended for different types of entity as follows:

A. Listed BFI

Higher of Loans & Deposits	> Rs 100 billion	> Rs 50 billion	> Rs10 billion	> Rs 5 billion	> Rs 1 billion
Fees	2,500,000	2,000,000	1,000,000	500,000	300,000

*Minimum audit fee for A class commercial bank shall not be less than Rs 1 million
Minimum audit fee for other Listed BFI shall not be less than Rs 100,000*

B. Other Listed & Public Institutions

Turnover Amount	> Rs 50 billion	> Rs 10 billion	> Rs 5 billion	> Rs 1 billion	>Rs 600 million	> Rs 150 million	> Rs 20 million
Fees	2,000,000	1,000,000	500,000	300,000	200,000	100,000	100,000

Minimum audit fee for listed & public institutions shall not be less than Rs 100,000

C. Private Company and Other Entities Incorporated under Prevailing Laws

Turnover Amount	> Rs 50 billion	> Rs 10 billion	> Rs 5 billion	> Rs 1 billion	> Rs 600 million	> Rs 150 million	> Rs 20 million
Fees	1,500,000	800,000	400,000	250,000	150,000	100,000	40,000

D. For Cooperatives

Higher of Loans & Deposits	> Rs 5 billion	> Rs 1 billion	> Rs 600 million	>Rs 150 million	> Rs 50 million	> Rs 20 million
Fees	500,000	200,000	100,000	75,000	50,000	25,000

E. INGOs, NGOs and International Development Agencies

Amount of Grant	> Rs 500 million	> Rs 400 million	> Rs 300 million	> Rs 200 million	> Rs 100 million	> Rs 10 million	> Rs 5 million
Fees	600,000	500,000	400,000	300,000	200,000	100,000	50,000

Minimum audit fee for INGOs shall not be less than Rs 100,000

For the directive [click here](#).

For the notice [click here](#)

PKF Comments

The members are now expected to invest in the resources it requires to provide quality audit services following the code of ethics and the applicable standards and charge the fees based on the guidance provided in the directive on the basis of the actual level of effort spent by various level of staff.