

Discussion Paper

Guidelines on Minimum Recommended Scale of Fees in Audit Services provided by the Practicing Chartered Accountants in Sri Lanka

Foreword:

The areas of financial reporting, adoption of new rules and regulations, complexities in the business environment, changes in the technology, globalization and heightened public expectations have led to greater risks and challenges being faced by auditors and it has also imposed greater responsibility on the overall work of practicing chartered accountants. In the light of these challenges, practicing chartered accountants are expected to maintain the highest standards of quality, while exercising due professional care and also need to be compensated adequately to maintain such standards.

The objective of this discussion paper is to recommend a minimum scale of fees that could be charged by the practicing chartered accountants who are engaged in providing audit services to clients.

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) believes that this guideline would enable practicing members to recover their costs in providing services with a reasonable margin while maintaining the quality standards in providing such services to the clients. Further, it is also expected that fees being charged would compensate the value of services being rendered. Ultimately, this would lead towards enhancing the quality of the audit work which would be deemed satisfaction by all the stakeholders, including the practicing chartered accountant, client, regulators and the general public.

In terms of the Code of Ethics issued by CA Sri Lanka, when entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted and will bring disrepute to the profession as a whole.

Several countries in the region including India and Bangladesh have already enforced the minimum recommended fees for services provided by their practicing chartered accountants.

In our efforts to issue this guideline on the Minimum Recommended Scale of Fees, CA Sri Lanka expects to follow a due review process. This discussion paper being the first step would be followed by a survey and wider publication of an implementation plan. At the conclusion of this process, the Council of CA Sri Lanka will release a Guidelines on Minimum Recommended Scale of Fees for selected services.

We invite you to direct your comments on the proposed framework to be used to develop the Minimum Recommended Scale Fees as given in the table below and other related areas as given in the survey questionnaire to the Technical & Research Unit. Please forward your comments to technical@casrilanka.org on or before 18th December 2017.

No:	Particulars
1.	AUDITS
1.1	Minimum Recommended Rate per hour / per day
	i) Partner (a) above 10 years of post-qualifying experience (b) 5 – 10 years of post-qualifying experience (c) below 5 years of post-qualifying experience
	ii) Qualified Staff (a) above 15 years of post-qualifying experience (b) above 10 to 15 years of post-qualifying experience (c) 5 to 10 years of post-qualifying experience (d) below 5 years of post-qualifying experience
	iii) Partly Qualified Staff in Chartered Accountancy (a) above 5 years of experience (b) 2 to 5 years of experience (c) below 2 years of experience (The status of completion of Chartered Accountancy examinations would also be taken into consideration, when deciding the rates per hour / day)
	iv) Other professionally qualified staff, including graduates that (a) above 5 years of experience (b) 2 to 5 years of experience (c) below 2 years of experience
1.2	Minimum Recommended Scale of Fee
	For the audits of Financial Statements in accordance with Sri Lanka Auditing Standards, minimum recommended fees could be based on a minimum Sri Lanka rupee value or equivalent or variables such as type of the business, minimum percentage of gross turnover or gross assets of the business.
1.2.1	Type of the business for working out the minimum recommended scale of fee
	i) Quoted Public Companies (QPCs)
	ii) Specified Business Enterprises (SBEs) as per the Sri Lanka Accounting & Auditing Standards Act No: 15 of 1995 (excluding Quoted Public Companies)
	iii) Small and Medium Sized Entities (excluding SBEs)
	iv) Smaller entities
	v) Sole Proprietorships
	vi) Partnerships
	vii) NGOs / NPOs / Charities (excluding SBEs)
	viii) Others
1.2.2	Percentage of Gross Annual Turnover of the business for working out the minimum recommended scale of fee
	(i) Below Rs. 5 million or equivalent

	(ii) Above Rs. 5 million to Rs. 20 million or equivalent
	(iii) Above Rs. 20 million to Rs. 50 million or equivalent
	(iv) Above Rs. 50 million to 100 million or equivalent
	v) Above Rs. 100 million or equivalent
1.2.3	Percentage of Gross Assets of the business for working out the minimum recommended Fee
	(i) Below Rs. 1 million or equivalent
	(ii) Above Rs. 1 million to Rs. 10 million or equivalent
	(iii) Above Rs. 10 million to Rs. 50 million or equivalent
	(iv) Above Rs. 50 million or equivalent

Notes:

1. The aforesaid table information is to work out the minimum recommended scale of fees by taking into account the time required to complete the audit assignments. However, subject to the minimum fees compliance, members will be free to charge varying rates depending upon the nature and complexity of assignment and time involved in completing the same.
2. Travelling and out-of-pocket expenses that would be chargeable are not being considered in arriving at the minimum recommended scale of fees as these are variable from audit to audit and the decision on the quantum to be added to be decided by the practicing firm concerned.
3. Likewise, the applicable government taxes and levies that would be chargeable are not considered in arriving at the Minimum Recommended Scale of Fees given as these are variable based on the applicable laws and hence will become an add-on to the minimum recommended fees.