



**The Institute of
Chartered Accountants
of Pakistan**

HEAD OFFICE

Circular No. 09/2008

August 13, 2008

ALL MEMBERS OF THE INSTITUTE

**THE COUNCIL OF THE INSTITUTE REVISES ATR-14 (REVISED), MINIMUM HOURLY CHARGE
OUT RATES AND MINIMUM FEE FOR AUDIT ENGAGEMENTS**

Dear Member

The Council of the Institute in its 197th meeting held on July 25, 2008 has approved the recommendations of the Technical Advisory Committee relating to the revision of ATR-14, *Minimum Hourly Charge Out Rates and Minimum Fee For Audit Engagements*.

Members are advised to file the enclosed revised ATR –14 in Members' Handbook, Volume II, Part II, Section C.

We also wish to draw the attention of the members that compliance with the directives issued or pronouncements made by the Council or any of its Standing Committees is not only the responsibility of members in practice, the members in service are also required to comply with the Council's directives or pronouncements so as not to fall within the mischief of Part 4 of Schedule I to the Chartered Accountants Ordinance, 1961.

Thanking you

Yours truly

Shahid Hussain
Director Technical Services

Encl.: As above

(Established under the Chartered Accountants Ordinance, 1961-X of 1961)

Chartered Accountants Avenue, Clifton, Karachi-75600 (Pakistan) Ph: (92-21) 111 000 422 Fax: 9251626

Website: <http://www.icap.org.pk> E-mail: info@icap.org.pk

**MINIMUM HOURLY CHARGE OUT RATES AND MINIMUM FEE FOR
AUDIT ENGAGEMENTS**

1. The audit engagements carry immense responsibility and which has increased manifold in recent years. To meet the expectations of various stakeholders, stringent regulatory requirements and ever increasing demand to increase the level of due care, the members need to perform the audit exercising very high degree of "professional competence." Such work is also required to be properly documented to support the opinion expressed by the auditors.
2. The Council of the Institute of Chartered Accountants of Pakistan (ICAP) has recently issued a notification making it mandatory, for the firms doing audit of listed and public sector entities, to observe from 1 July 2009 ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements*, issued by IFAC and has also notified, ISA 220 *Quality Control for Audits of Historical Financial Information*, ISA 230 *Audit Documentation* etc. These standards require extensive documentation of audit procedures and recruitment of qualified staff. Furthermore the minimum stipend rate for audit trainees have also significantly increased. Hence, the cost to perform audit by the firms has significantly increased to ensure that quality control procedures are adequately complied with by the firms.
3. The Council of the ICAP periodically reviews and prescribes minimum hourly rates, which it considers reasonable and compatible with the increase in the cost to complete the engagements and quality of professional standards to be observed by the practicing members of the Institute. The current minimum chargeable rates as prescribed by the Council of the Institute are shown below:

	Rupees Per man-hour
Partner	7,500
Qualified Support Staff:	
Above 8 years	5,000
4 to 8 years	4,000
Below 4 years	3,000
Supervisor	2,000
Senior	1,000
Semi-Senior	750
Junior	500

4. The level of fee is to be mutually agreed between the auditor and his client, which largely depends upon the volume of work involved and estimated time to be incurred on the audit engagement. The Council whilst recognizing this principle is however, of the view that there has to be a minimum threshold of audit fee. To achieve the desired objective, the following minimum audit fee is prescribed (which may be increased by consent having regard to specific circumstances of an audit engagement).

Schedule of Minimum Audit Fee:

Type of entity	Minimum Fee
Listed companies	
Turnover up to 500 million	250,000
Turnover over 500 million up to 1 billion	300,000
Turnover over 1 billion up to 5 billion	500,000
Turnover above 5 billion	1,000,000

Economically Significant Entities

Turnover up to 1 billion	250,000
Turnover over 1 billion up to 5 billion	400,000
Turnover above 5 billion	800,000
Medium Sized Entities	125,000
Small Sized Entities	75,000

Notes:

- i) The terms “Economically Significant Entities” (ESE), “Medium Sized Entities”(MSE) and “Small Sized Entities” (SSE) shall have the same meaning as defined in S.R.O.859(I)/2007 dated 21 August 2007 issued by the Securities and Exchange Commission of Pakistan pursuant to Section 234 of the Companies Ordinance, 1984.
- ii) Considering the practical difficulties being faced by various practicing members in the determination of audit fee, the Council has decided that the prescribed minimum audit fee shall be charged without any exception. However, in case of an existing audit client, the present audit fee shall be enhanced to the aforesaid prescribed level over a period of two years with mutual consent provided it is not less than 75% of the prescribed minimum in the first year. Nevertheless, in case of acceptance of an audit client by a practicing member for the first time the prescribed fee levels shall be strictly observed.

5. Minimum Audit Fee in Certain Circumstances

For audit engagements of clients in the pre-incorporation / pre-operation stages or in case of sickness of the project or closed operations or discontinuation of business, the prescribed minimum audit fee chargeable by the practicing members shall be as under:

	Listed Companies/ ESEs	MSEs	SSEs
Minimum audit fee	Rs.75,000	Rs.50,000	Rs. 30,000

The exception in paragraph 4(ii) above shall apply mutatis mutandis to the above paragraph 5.

6. The minimum audit fee prescribed in paragraph 4 and 5 above is exclusive of the below mentioned additional services to be rendered by a statutory auditor under the Code of Corporate Governance and for any other certifications and the professional fee for such services shall be charged separately by mutual consent.
 - Attend the Audit Committee Meetings of clients
 - Issue a Review Report on Statement of Compliance with Best Practices of Corporate Governance
 - Issue Review Report on half – yearly financial statements
 - Special certification required by regulators over and above normal scope of audit
7. The minimum audit fee determined in accordance with this ATR shall not be less than the present audit fee of an existing client.
8. In case of joint audits, fee may be shared among the auditors as may be mutually agreed between them.
9. The fee may be reviewed annually to cover inflationary effects in costs.
10. The hourly rates and fee are exclusive of traveling and hotel expenses, out of pocket expenses and other incidental costs which would be reimbursable to auditors at actual.
11. In case of a religious or charitable institution or a company “not for profit”, the practicing members may undertake to do the audit on a token fee or on an honorary basis.
12. At the time of quality control review, the reviewer will ensure the compliance of this ATR.

This Directive supersedes ATR-14 (Revised) issued pursuant to the Council’s decision of 30 March, 2007 and would apply to all audit appointments made after August 31, 2008.

(197th meeting of the Council held on July 25, 2008)