

PRACTICE ADVISORY

Minimum Fees and Fee Collection

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How Low Can You Go?

Is there a minimum dollar fee that you are required to charge an assurance client, such as a not-for-profit organization?

You may be in a situation where an assurance client has asked you to provide an assurance opinion (review or audit) at no cost, or you may be preparing a fee proposal which includes a fee that is significantly lower than that charged by the incumbent accountant. Rule 204.4(34) provides that this will not impair independence as long as you can demonstrate that:

- the work will be performed by qualified individuals who will devote an appropriate amount of time to the engagement; and
- you have followed all applicable assurance standards, guidelines and quality control procedures.

Remember also that Rule 214 prohibits you from quoting a fee for any professional engagement without first obtaining adequate information about the engagement.

How Can You Improve Fee Collection?

As ‘busy season’ approaches, it may be appropriate to discuss with your clients not only the specific services you will be providing to them but to also remind them how your fee will be determined, when you will issue your invoice(s) and when you expect payment. This discussion will help your client budget for your services. Invoicing and payment arrangements should be clearly set out in your engagement letter.

For larger clients, it is not uncommon to issue interim bills as the engagement moves along. You may consider this for smaller clients as well, perhaps billing them on a monthly basis. This will allow the client to manage their cash outlays, provide cash resources for you, and minimize the “surprise factor” that can occur when a large invoice is rendered at the end of an engagement.

Timing is everything. Experience shows that it is easier to collect a bill when the invoice can be directly related to the service provided, so ensure that your invoice is prepared on a timely basis and not as an afterthought, long after the work has been performed and your effort forgotten by the client. Also, remember that fee disputes and collection difficulties are often a result of unexpected problems encountered during the engagement. You should notify the client when extra work has been required or the work has taken longer than anticipated due to unforeseen circumstances, so that the client is not surprised when you present your invoice.



Now might also be a good time to review the format of your invoice – does it clearly itemize the work performed? A more detailed invoice provides the opportunity to describe the services you have performed and can make collection easier.

If you find yourself in the rare situation where a client refuses to pay and chooses to change public accountants, remember the guidance contained Rule 302, which states: “On the part of the predecessor, there must be readiness to cooperate with the successor recognizing that the client’s interests are paramount whether or not there are fees owing to the predecessor by the former client.” In other words, you cannot withhold source documents or completed work product from a client in an attempt to influence the timeliness of the payment of their account.

For further guidance, members are encouraged to contact a Practice or Member Advisor:

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