

IFIAR 2020 Member Profile – ICAC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Spain
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Instituto de Contabilidad Y Auditoría de Cuentas (ICAC) Accounting and Auditing Institute
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: C/Huertas, 26. 28014 Madrid (SPAIN) Tel.: (+34)913895622 Website: http://www.icac.meh.es/
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: The legal basis is: <ul style="list-style-type: none"> • Law 22/2015, of 20 July, on Auditing • Royal Decree 1517/2011, of 31st of October, which is the Regulation that develops the Consolidated Text of the Law on Auditing (also known as RAC.) • Royal Decree 302/1989, of 17th March, to approve the by-law and organic structure of the Accounting and Auditing Institute. The tasks of ICAC related to auditing are the following ⁽¹⁾ : <i>The functions of the Institute are:</i> [...] 2. The Accounting and Auditing Institute is the authority responsible for the public oversight system and, in particular, for: <ol style="list-style-type: none"> a) The authorization of auditors and audit firms and their inclusion on the Official Register of Auditors.

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>b) The adoption of standards with regard to ethics, internal quality assurance standards for audit activities and technical auditing standards on the terms foreseen in this Act, as well as the supervision of their proper fulfilment.</p> <p>c) Continuing education for auditors.</p> <p>d) The inspection and investigation system.</p> <p>e) The regular monitoring of the variation in the audit services market in the case of public interest entities.</p> <p>f) The disciplinary system.</p> <p>3. In addition to the functions legally attributed to it, the Accounting and Auditing Institute is responsible for participating within the scope of audit activities in the international co-operation mechanisms contemplated in this Act, as well as in Regulation (EU) n° 537/2014, of 16 April.</p> <p><small>(1) Article 46 of the Law 22/2015 on Audit-non-official translation.</small></p> <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The governing bodies with regard to audit are the President (or Chairperson) of ICAC and the Audit Committee.</p> <p>The Chairperson, acting as the Director General, is proposed by the Ministry of Economic Affairs and Digital Transformation and appointed by the Government and is the legal representative of the Accounting and Auditing Institute, exercising the powers vested in them by the Law on Auditing and determined in the Institute's bylaws. The Chairperson is responsible for:</p> <ul style="list-style-type: none"> • Acting as the Institute's legal representative. • Chairing the Institute's Audit Committee. • Directing, promoting and coordinating the services provided by the Institute in the performance of its functions.

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

- Taking the disciplinary measures referred to in our Law on Auditing (consolidated text by RDL 1/2011, 1st July 2011).
- Handling the Institute's international relations, in accordance with the corresponding bodies of the Ministry of Foreign Affairs.
- Exercising the powers legally vested in the Chairpersons and the Directors of the autonomous bodies.

The **Audit Committee** is chaired by the ICAC Chairperson and composed of a maximum of thirteen members appointed by the Ministry of Economic Affairs and Digital Transformation, broken down as follows:

- One representative from the Ministry of Economic Affairs and Digital Transformation (from the General Directorate for Insurance and Pensions Fund).
- One representative from the Ministry of Finances (from General Controller of the State)
- One representative from the Court of Auditors.
- Four representatives of the audit professional bodies.
- One representative from the Bank of Spain.
- One representative from the National Securities Market Commission.
- One member of the judiciary or a professional prosecutor or a commercial registrar
- One university professor
- One State Attorney, and
- One expert of recognized prestige in accounting and accounts auditing.

The secretary functions of the Audit Committee are carried out by the Secretary general of ICAC

The Audit Committee is the body to which the President must obligatorily submit the matters relating to the following topics for consideration:

- a) Determination of the standards that must be followed in the professional aptitude examinations required to access the Official Register of Auditors, as well as the notices convening these examinations duly approved and published in a Ministerial Order;
- b) Publication of the audit standards, ethical standards and the internal quality assurance standards that may be drawn up, adapted or reviewed by the recognized professional associations representing those performing audit activities or, in any case, by the Accounting and Auditing Institute;
- c) Drafts of amendments to legislation or regulations to be submitted to the Minister of Economic Affairs and Digital Transformation in connection with the regulations governing audit activities;
- d) Determination of the continuing education standards;
- e) Resolution of queries posed to the Accounting and Auditing Institute by auditors as a consequence of the exercise of this activity whenever these are considered to be of general interest;

	<p>f) Any other matters considered appropriate by the President of the Institute, excluding those related to the exercise of the power to impose sanctions.</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>So far, most of the Presidents of ICAC have been civil servants.</p> <p>All of the presidents have been experts in accounting or auditing.</p> <p>Members of the Audit Committee of ICAC are experts in fields they act as representatives.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The representatives of the professional bodies are 4 out of 13 (minority).</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>According to Law 22/2015, 20th July on Auditing there are the following cooling-off period:</p> <p>1) <u>Cooling-off period to become a member of the Audit Committee:</u></p> <p>The individuals that, during the previous 3 years, were under any of the following circumstances, shall not be members of the Audit Committee of ICAC:</p> <p>1^o If they did audits;</p> <p>2^o If they held vote rights in an audit firm;</p> <p>3^a If they were members of the board of directors, or held a management or supervision function in an audit firm;</p> <p>4^o If they were partners or held an employment or contractual relationship or any other kind of relationship in an audit firm.</p> <p>2) <u>Prohibition after ceasing as a member of the Audit Committee of ICAC</u></p> <p>For the following 2 years after the end of their function as members of the Audit Committee of ICAC, those individuals shall not be in any of the above mentioned four circumstances.</p>

	<p><u>Cooling-off period to become President of ICAC</u></p> <p>The individuals that, during the previous 3 years, were under any of the above mentioned four circumstances, shall not become President of ICAC.</p> <p><u>Prohibition after ceasing as President of ICAC</u></p> <p>For the following 2 years after the end of his/her function as President of ICAC, he/she shall not be in any of the above mentioned four circumstances.</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>Please see answer to question 3.5</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>The ICAC staff are civil servants and they are neither practitioners nor members of any professional body.</p> <p>Professional bodies only can take part in inspections, in case of non- public interest entities, under the direction and supervision of ICAC).</p> <p>Professional bodies also participate in the elaboration of the audit standards.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p>

	<p>Its main sources of funding are:</p> <ul style="list-style-type: none"> • From 2002, a fee for each audit report issue. This fee is mandatory for auditors and auditing firms that are obliged to pay it quarterly. • From 2016, a fee for the expedition of certificates and for the inscriptions and annotations in the Official Register of Auditors. • There are secondary sources of funding as publication revenues. <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Please, see answer to question 4.1</p>						
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>The Accounting and Auditing Institute carries out the Spanish public oversight system through its power on inspections and investigations.</p> <p>Inspections of PIEs are performed directly by ICAC and those related to Non-PIEs can be carried out by reviewers hired by the professional bodies under the direction and supervision of ICAC.</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Regarding frequency of inspections, according to our Law on Audit, depending on the size of the Public Interest Entities the audit firm is subject to a different cycle based on a risk approach:</p> <table border="1" data-bbox="451 1921 1353 2024" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">TYPE OF ENTITY</th> <th style="width: 50%;">SIZE OF THE ENTITY</th> <th style="width: 25%;">INSPECTION CYCLE</th> </tr> </thead> <tbody> <tr> <td style="height: 30px;"></td> <td></td> <td></td> </tr> </tbody> </table>	TYPE OF ENTITY	SIZE OF THE ENTITY	INSPECTION CYCLE			
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	PIE	<i>Large entity</i>	Assets => 20.000.000€ Net turnover >40.000.000€ Employees >250	At least every 3 years				
		<i>Medium entity</i>	Assets <= 20.000.000€ Net turnover <= 40.000.000€ Employees <= 250	At least every 6 years				
		<i>Small entity</i>	Assets <= 4.000.000€ Net turnover <= 8.000.000€ Employees <= 50					
	Non-PIE	<i>Large entity</i>	Assets >20.000.000€ Net turnover >40.000.000€ Employees >250	At least every 6 years				
		<i>Medium entity</i>	Assets <= 20.000.000€ Net turnover <= 40.000.000€ Employees <= 250					
		<i>Small entity</i>	2.850.000€ < Asset <= 4.000.000€ 5.700.000€ < Net turnover <= 8.000.000€ Employees <= 50	Without any minimum cycle				
<p>We consider three major subgroups of auditors from the point of view of our inspections cycles:</p> <ul style="list-style-type: none"> - Big 4: the legal requirement is inspecting them at least once every three years. ICAC's goal is doing it once a year. - Middle size audit firms: subject to at least three or six year cycle, depending on the size of if it is the case, the size of their PIE clients. - Small auditors that perform non-public interest audit engagements based on a risk approach and the available resources. 								
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>According to the annual files done by the auditors corresponding to the period 01/10/2017 to 30/09/2018, approximately 2.138 auditors (931 sole practitioners and 1.207 audit firms) have filed having issued auditor's reports.</p> <p>There are, approximately, 1.412 PIE audited by 62 audit firms.</p>							
	<p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>According to the available data, corresponding to the period 01/10/2017 to 30/09/2018:</p>							
	AUDIT FIRM	No.of partners	Declared Fees	Fees	No. Signed	Signed auditor's Reports	No. Audited	Audited Entities

			Market Share	auditor's Reports	Market Share	Entities	Market Share
PRICEWATERHOUSECOOPERS AUDITORES, S.L.	48	129.091.822,85	19,46	6.434	11,28	5.802	10,37
ERNST & YOUNG, S.L.	90	86.438.442,25	13,03	4.019	7,05	3.568	6,38
DELOITTE, S.L.	87	110.010.948,30	16,58	6.546	11,48	5.898	10,55
KPMG AUDITORES, S.L.	42	86.779.712,00	13,08	4.552	7,98	4.092	7,32
TOTAL	267	412.320.925,40	62,15	21.551	37,79	19.360	34,62

7. Main Other Responsibilities of the Member within the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: Consultation on audit matters </p> <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>ICAC organizes the authorization process to become an auditor, chairs the examination and selection Board in charge of that process, registers the auditors and receives information from them with regard to the update of the compliance with the requirements to be registered (financial guarantee, continuous education, partners, administrators, etc.).</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the</p>
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other organization and procedures applied, as well as the role of the Member in these procedures.

The technical auditing standards, the ethical rules and those on the internal quality control of auditors and audit firms shall be prepared, adapted or revised in accordance with the general principles and commonly accepted practice in the Member States of the European Union, by the recognized professional associations representing those engaging in audit activities, subject to public consultation during a period of two months and shall be valid on publication, through a resolution of the Accounting and Auditing Institute, in its "Official Gazette".

If the professional associations mentioned above, following requirement by the Accounting and Auditing Institute, fail to prepare, adapt or revise any of the technical auditing standards, the ethical rules and those on internal quality control, in the manner previously established, the Institute shall proceed to prepare, adapt or revise them, informing the said associations of this fact and also complying with the requirement for public consultation during two months.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

Auditors registered in the Official Register of Auditors must take courses and complete continuing education programmes, which may be given, among others, by the professional bodies. The Accounting and Auditing Institute is responsible of monitoring and overseeing the fulfilment of this education duty, being the professional bodies, and subsidiarily the auditors, obliged to submit the respective information to ICAC.

7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?

Directly Through Referral

If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

	<p>ICAC has full powers to investigate compliance with the audit regulation, to initiate sanctioning proceedings and the Chairperson is in charge of imposing the administrative sanctions which can be appealed by the auditors or audit firms before the Ministry of Economy and Business and before the courts.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>Auditors and audit firms may make duly documented consultations to the Accounting and Auditing Institute with respect to the application of the standards contained in the applicable legislative framework of audit activity.</p> <p>The reply will be merely informative and therefore non-binding although the criteria expressed by the Accounting and Auditing Institute in these consultations is commonly applied by the profession.</p> <p>The Chairperson of the ICAC has the authority to resolve consultations, who may, due to the relevance and interest of the questions arising in a certain consultation, submit them to the consideration of the Audit Committee.</p> <p>Consultations may be published in the gazette of the institute and on its web page whenever it may be deemed to be of general interest.</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>ICAC is in charge of issuing local accounting standards, in development of the Code of Commerce and the Company Law and of answering to consultations on those standards.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>The issuance of the Resolution of the Accounting and Auditing Institute of 23 December 2016 to publish the adaptation to the Spanish circumstances of the new standards on the audit report issued by the IAASB. These standards (called NIA-ES) contain the new models for the audit reports.</p> <p>In particular, NIA-ES 701 will be applicable to all audits in relation to the most significant risks.</p>