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DE ESPAÑA

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Y COMPETITIVIDAD

ilclalcl Instituto de Contabilidad y
Auditoría de Cuentas

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2011

Activity report

2011 Activity Report

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INDEX

INTRODUCTION

ACCOUNTING

AUDITING STANDARDS

OVERSIGHT OF ACCOUNT AUDITING ACTIVITY

Introduction

Audit control activities carried out in fiscal year 2011

INTERNATIONAL ACTIVITY

MANAGEMENT OF RESOURCES AND THE OFFICIAL REGISTER OF AUDITORS

Maintenance of the Official Register of Auditors (ROAC).

Electronic administration

Regulatory Projects and the Audit Committee

Research, studies, documentation, distribution and publication activities intended to develop and perfect accounting standards and the accounting profession

ECONOMIC-FINANCIAL INFORMATION

Economic data

Financing sources

Human resources

ACTIVITY REPORT FOR 2011

INTRODUCTION

The Institute of Public Accounting and Auditing (ICAC) is an autonomous body attached to the Ministry of the Economy and Taxation with its own legal status and the ability to act independently in the pursuit of its stated objectives. Amendment of the regulations implementing The Account Auditing Law (Law 19/1988 of 12 July 1988), enacted by Spanish Royal Decree 1636/1990 of 20 December 1990:

According to Article 2 of Spanish Royal Decree 302/1989 of 17 March 1989 which approved the governing statutes and organic structure of the Institute of Public Accounting and Auditing, its functions include:

- a. Performing technical work and proposing a General Charter of Accounts adapted to the Directives of the European Economic Community and the Laws regulating these matters and approving the adaptations of this charter to the different sectors of economic activity.
- b. Establishing standards for the development of those points of the General Chart of Accounts and the sectorial adaptations of the Chart deemed necessary for the correct application of the said standards, which will be published in the Institute's Bulletin.
- c. Continuously perfecting and updating accounting plans and auditing activities, to which end it will propose to the Ministry of Economy and Taxation any legislative or regulatory modifications deemed necessary to bring them into harmony with the directives of the European Economic Community or with changes in the fields of accounting and auditing.
- d. Supervising and disciplining the practice of the auditing profession regulated in Law 19/1988 of 12 July 1988 and the auditors themselves by conducting technical oversight of audits conducted and taking the disciplinary measures applicable to auditors and auditing firms as regulated in Chapter III of the aforementioned Law.
- e. Establishing an Official Register of Auditors, authorising auditors and auditing firms to become members of the Official Register, creating and maintaining the Institute's journal, determining the basic rules to be followed for the administration of professional aptitude tests to public law professional corporations, and approving the respective calls, monitoring, oversight and custody of the bonds to be provided by auditors.

- f. Approving and publishing the technical auditing standards prepared by the public law corporations representing those who perform audits in accordance with the general principles and common practices in EU countries; drafting, adapting or revising those standards if the aforementioned corporations fail to draft, adapt or revise them after being asked to do so by the Institute of Public Accounting and Auditing.
- g. Performing and promoting research, studies, documentation, distribution and publications intended to develop and improve accounting standards and the accounting profession.
- h. Working with international bodies to provide technical coordination and cooperation on accounting and auditing matters, particularly EU bodies, and domestic bodies such as public law corporations or research associations.

To comply with these functions, a representative from the Institute, in accordance with the corresponding bodies of the Ministry of Foreign Affairs, will attend the meetings arranged by the specialised work groups or committees of which Spain is a member and which pertain to international governmental organisations.

The governing bodies of ICAC are: The Chairperson, the Audit Committee and the Accounting Board.

The Chairman, acting as the Director General, is proposed by the Ministry of the Economy and Taxation and appointed by the Government and is the legal representative of the Institute of Public Accounting and Auditing, exercising the powers vested in them by the Auditing Act and determined in the Institute's bylaws. The Chairman is responsible for:

- 1. Acting as the Institute's legal representative.
- 2. Chairing the Institute's Consulting Committee (now the Audit Committee).
- 3. Directing, promoting and coordinating the services provided by the Institute in the performance of its functions.
- 4. Taking the disciplinary measures referred to in Article 15 of Law 19/1988 of 12 July 1988.
- 5. Handling the Institute's international relations, in accordance with the corresponding bodies of the Ministry of Foreign Affairs.
- 6. Exercising the powers legally vested in the Chairpersons and the Directors of the autonomous bodies.
- 7. Performing any other functions assigned to them under the Auditing Law 19/1988 of 12 July 1988 or any other legal or regulatory provision.

The Audit Committee is an advisory body presided over by the Chairman of ICAC. This Committee, in the performance of its advisory functions, is responsible for conducting studies, drafting reports and making proposals on the matters falling within the scope of the Institute's jurisdiction. According to the regulations governing the Institute, the Audit Committee is composed of a maximum of thirteen members designated by the Ministry of the Economy and Taxation and broken down as follows: three representatives from the Ministry of the Economy and Taxation, one each from the National Securities Market Commission, the Directorate General of Insurance and Pension Funds and the Office of the State's Inspector General; one representative from the National Audit Office; four auditors' representatives; one representative from the Bank of Spain; one member with a legal or fiscal background or a state's attorney or business registrar; an investment analyst; and one renowned expert in the field of accounting and auditing. The Secretary General of the Accounting and Accounts Auditing Institute, who will perform the functions of Secretary of this committee, will attend the Auditing Committee sessions with a voice but no vote.

The Accounting Board is the body in charge of evaluating the suitability and appropriate nature of any regulatory proposal or interpretation of general interest to the accounting communities within the Conceptual Framework of accounting regulated in the Commercial Code.

The Accounting Board is chaired by the Chairperson of the Institute, who casts the deciding vote and, along with them, by a representative from each one of the other centres, bodies and institutions responsible for regulating accounting matters within the financial system: Bank of Spain, National Securities Market Commission and the Directorate General of Insurance and Pension Funds. A civil servant from ICAC acts as the Secretary of the Board and attends meetings with the right to be heard but not vote. Also sitting on the Accounting Board and attending with the right to be heard but not vote is a representative of the Ministry of the Economy and Taxation designated by the department head.

Spanish Royal Decree 302/1989 of 17 March determines that the structure of ICAC should include the following deputy directorates:

- General Secretariat.
- Deputy Directorate of Accounting Technique and Standardisation.
- Deputy Directorate of Technical Auditing Standards.
- Deputy Directorate of Technical Control.

Within the scope of authorities attributed to the body by Law 19/1988 of 12 July, *the General Secretariat* is responsible for: studying, proposing and managing the personnel policies applicable to the employees of the autonomous body; obtaining, organising and safeguarding bibliographical and documentary material from both domestic and international sources in the fields of accounting, finance and auditing; managing material resources, buildings and facilities; internal operations; economic, accounting, budgetary and accounting management and those

of an administrative nature in general as well as organising and maintaining the Official Register of Auditors and publishing the Bulletin of the Accounting and Auditing Institute.

The Official Register of Auditors is divided into two sections, one relating to individual auditors and the other to auditing firms. It periodically publishes an updated list of registered chartered auditors, listing their names and business addresses as well as the following information for members that are legal entities:

- Registered address.
- Full names of each one of the partners, indicating who is responsible for administrative and management functions.
- Full names of the auditors who work for the company.

This information will have to be completed pursuant to that set out in the consolidated text of the Accounts Auditing Law approved by Spanish Legislative Royal Decree 1/2011 of 1 July 2011 and the new Accounts Auditing Regulation approved by Spanish Royal Decree 1517/2011 of 30 October 2011 that implements this consolidated text (Article 79 of the Regulation).

Furthermore, auditors and auditing firms that audit the accounts of public interest entities must publish the annual transparency report referred to in Article 26 bis of the consolidated text.

The *Sub-Directorate General of Accounting Technique and Standardisation* is responsible for: preparing and proposing a General Chart of Accounts that complies with the directives of the European Economic Community; adapting the GCA to the different sectors of economic activity; analysing and proposing the laws in which the accounting principles are established, promoting and developing the application of such principles, and proposing the answers to queries raised in relation to accounting standards; developing, updating and perfecting analytical accounting; drafting reports on the provisions which in one way or another affect business accounting or the content and structure of annual accounts; in general, anything related to updating and perfecting accounting standards.

The *Sub-Directorate General of Technical Auditing Standards* is responsible for: Conducting auditing studies; coordinating and promoting the selection, training and refresher training of the auditors by the public law corporations which represent public accountants and auditors or by the Institute itself; analysing the technical auditing standards prepared by the public law corporations to ensure that they agree with the generally accepted principles and common practices in EU countries; proposing to the Chairperson that they be published in the Institute's Gazette; ordering the corporations to draft, adapt or revise technical auditing standards; drafting, adapting or revising these standards when the professional corporations fail to do so after being requested to do so by the Institute; conducting disciplinary proceedings, by means of the personnel comprising this, in relation to the auditing breaches referred to in Chapter III of Law 19/1988 of 12 July 1988, and in relation to the filing of annual accounts with the Business Register referred to in Chapter VI of Spanish Legislative Royal Decree 1/2010 of 2 July 2010, by

which the consolidated text of the Law of Corporations is approved; submitting proposals to the Chairperson of the Institute on the resolution of cases and other matters falling under its jurisdiction; issuing and drafting regulatory proposals for the auditing profession and studying and responding to queries in this area.

The *Sub-Directorate General of Technical Monitoring* is responsible for: exercising the powers of technical monitoring vested in the Institute of Public Accounting and Auditing by Law 19/1988 of 12 July 1988, specifically: proposing the audits to be reviewed by the Institute; conducting the reviews deemed necessary for technical monitoring purposes; preparing the technical monitoring reports with special emphasis on circumstances constituting a breach of Auditing Laws or technical auditing standards. Article 28 of the consolidated text sets out that in addition to technical control, part of the supervisory activity consists of quality control or inspections.

ICAC may entrust the quality control function to corporations that represent the auditors or third parties. In both cases, ICAC employees are responsible for the supervision and direction of the quality control work.

The administrative structure mentioned above is responsible for the following matters:

- Accounting standards.
- Auditing standards.
- Supervising public auditing activities (technical and quality control).
- Managing resources and Official Register of Public Auditors (ROAC).

Activities implemented by the different ICAC sub-directorates in 2011 are reported in the following sections.

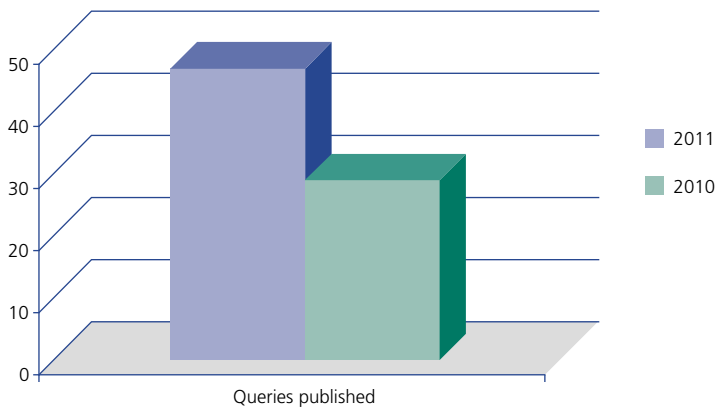
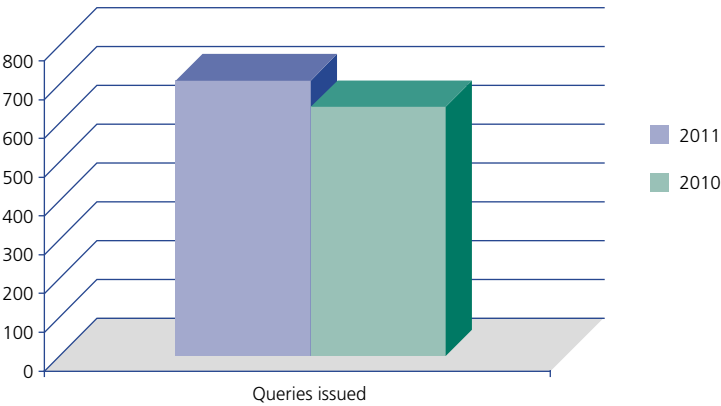
ACCOUNTING

The activities performed by the Sub-Directorate General of Accounting Technique and Standardisation in 2011 were as follows:

- a) Monitoring the progress of the regulatory projects proposed by ICAC:
 - Spanish Royal Decree 1491/2011, of 24 October 2011 by which Rules to Adapt the General Accounting Plan for non-profit entities and the draft plan of action for non-profit entities are approved.
- b) Preparation of the Draft Bill for the Accounting Plan of Political Groups, in execution of the agreement subscribed with the Court of Auditors.

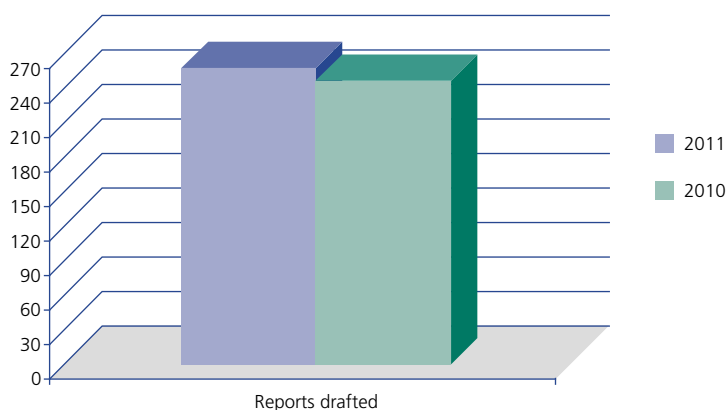
- c) Responding to queries received on the accounting treatment of specific situations. Among all queries resolved are those considered of general interest for their quarterly publication in this institute’s Official Bulletin.

	2011	2010
Queries issued	708	638
Queries published	47	29



- d) Preparing reports on the standards drafted by other bodies of the public administration or other public institutions. More specifically, the following reports were drafted:

	2011	2010
Reports drafted	258	247



- e) Translation of various International Financial Reporting Standards (IFRS) issued by IASB and adopted by the European Union through the Accounting Regulatory Committee for publication in the Official Bulletin of the European Union. This task was performed by the Translation Committee set up for this purpose.
- f) Technical coordination and cooperation with international organisations by participating in accounting work groups, specifically:
- Attending and participating in meetings of the Accounting Regulatory Committee chaired by the European Commission.
 - Attending and participating in EFRAG quarterly meetings with European accounting regulators, chaired by EFRAG.
 - Attendance and taking part in meetings for modification of the 4th accounting Directive regarding annual accounts for some companies, regarding micro-entities.
 - Attendance and taking part in working group meetings of companies held in the EU Council with the purpose of modifying the 4th and 7th accounting Directive.
 - Attendance and taking part in EFRAG PRC and Reference Group meetings on the EFRAG work agenda held in Brussels.

- Attendance and taking part in the proactive work group "Separate financial statement prepared under IFRS", chaired by EFRAG.
 - Participating in the meetings of the accounting experts work group (ISAR) set up by UNCTAD (UN).
 - Attending national accounting regulator meetings (NSS), held in New York, Vienna and London.
 - Collaboration with the IASB by means of reports and letters with observations on their proposed accounting rules and recommendations.
 - Organisation by the ICAC and holding in Madrid, in collaboration with EFRAG and the IASB, of an explanatory "outreach" on the future of the IASB agenda.
 - Organisation by the ICAC and holding in Madrid, in collaboration with EFRAG and the IASB, of an explanatory "outreach" on the IASB proposal of accounting standards for recognition of revenue and leasing.
- g)** Collaborating with the Bank of Spain Balance Sheet Centres on the review and, as appropriate, modification of forms for filing individual and consolidated annual accounts with Business Registers.
- h)** Collaboration and attendance at accounting meetings on the Higher Sports Board of the Mixed Commission for transformation of clubs into sports corporations.
- i)** Collaborating with XBRL España by appointing a member of the Sub-Directorate to chair the PGC-2007 and PGCPYMES-2007 Taxonomy Subgroup, in addition to attending meetings on this topic.
- j)** Collaborating with XBRL España by appointing a member of the Sub-Directorate to chair the Regulations Taxonomy Subgroup to prepare consolidated annual accounts, in addition to attending meetings on this topic.
- k)** Collaboration with the Office of the State's Inspector General, taking part in the work group to draft a regulation to prepare the consolidated annual accounts in the public sector.
- l)** Preparation and subsequent review of the text for its dissemination and publication of the Regulations for preparation of consolidated corporate annual accounts.
- m)** Update and subsequent review of the text for its dissemination and publication of the International Financial Information Regulations adopted by the European Union.
- n)** Two meetings of the Accounting Advisory Committee were held in 2011 (six in 2010).
- o)** Two meetings of the Accounting Board were held in 2011 (six in 2010).

AUDITING STANDARDS

Specific actions performed in 2011 by the General Deputy Directorate for Auditing Technical Rules were the following:

- During 2011 the consolidated text of the Accounts Auditing Law was approved by Spanish Legislative Royal Decree 1/2011, of 1 July 2011. This text was processed up to the date of its approval by the government by the personnel of this Sub-Directorate; the corresponding reports as well as explanatory support notes are thus rendered null and void.
- During 2011 (second semester), the Regulation of the implementing regulation for the Accounts Auditing Law was approved by means of Spanish Royal Decree 1517/2011, of 31 October 2011, whose preparation commenced the year before by means of preparing speeches by the personnel of this deputy directorate for the purposes of integrating a first draft of this project. During 2011, this processing was carried out, including preparation of speeches and meetings with the regulated sector; the corresponding reports and explanatory support notes were drawn up.
- As a consequence of the entry into force of the aforementioned Accounts Auditing Regulation, work began during the last quarter of 2011 on the projects for the corresponding resolutions on the conditions that auditor theoretical training programmes should comply with, referred to by Article 34 of this Regulation, for access to accounts auditing in Spain, as well as general dispensing criteria on carrying out theoretical training courses and finishing the first phase of the examination for those who have an official qualification, valid in the whole country, based on that set out in Art. 36.2 of the Regulation that implements the Law on Accounts Auditing.
- In 2011, we also continued the process of translating the International Auditing Regulations issued by IFAC (International Federation of Accountants), begun in previous years, in response to the request made by the European Commission for its possible adoption in the context of Article 26 of Directive 2006/43/EC. This work was performed by means of the working group for the translation of the aforementioned regulations by means of Resolution of the Presidency of this Institute of 31 October 2008 published in this Institute's Gazette, in which personnel from this Sub-Directorate appear as the Chairperson and Secretary of this group. The following actions were performed in 2011:

Once the 37 international auditing regulations, glossary of terms, preface and other introductory sections were translated and issued to the IFAC Latin American Review Committee, the observations of this committee on the proposed translation of the Glossary of Terms of the Manual of International Regulations for Auditing and Quality Control were reviewed and analysed.

Once this review was performed and the IFAC was notified, the process ended with the publication in September 2011 of the "Manual of International Auditing and Quality Control Regulations". The full translation was also sent to the European Commission (Directorate General for Translation).

- In 2011 and given the delay in adopting international auditing regulations by the Commission as well as the new content of the proposed Directive (it will be the member states that adopt the international auditing regulations), we have started with the Working Group for Technical Auditing Regulations in which representatives from representative corporations of auditors and personnel from this Sub-Directorate will take part in the study and review of international auditing regulations translated to be adapted to that set out in the revised text of the Accounts Auditing Law and the remainder of our regulatory framework.
- The Deputy Directorate General for Technical Auditing Regulations dictates, by means of the personnel comprising it, the disciplinary administrative files for breach of accounts auditing and obligation to deposit the annual accounts in the mercantile registry and assist the Chairman with preparing the matters under their jurisdiction stated in these files. During this year, 157 account filing cases were handled, 167 cases were settled and there were 42 disciplinary proceedings on accounts auditing settled.
- The Sub-Directorate General of Technical Auditing Regulations also prepares reports on provisions which affect the scope of accounts auditing activity, it studies and prepares the response to matters put forth in relation to the application and interpretation of accounts auditing regulations. In 2011 the number of reports on proposals or regulatory projects stood at 121 and a total of 193 accounts auditing queries were answered.
- It is also responsible for executing the competencies attributed to the Institute of Accounting and Accounts Auditing regarding the standardisation of theoretical teaching courses required for access to the Official Accounts Auditor Registry, recognition of the teaching centres which impart these and giving the theoretical training courses and first phase of access to the Official Accounts Auditor Registry. For the purposes of standardising theoretical training courses for access to accounts auditing activity, that lead to exemption from the first part of the theoretical examination a collaboration agreement was signed with ANECA to verify theoretical training courses with the right to exemption. The number of courses standardised during 2011 was 38.
- Finally, during 2011, the work to implant new information technologies commenced by means of the design and putting into operation of new computer applications which collaborate in attaining the aims sought by Law 11/2007, of 22 June 2007, on electronic access of citizens to public services, increasing the efficacy and efficiency of

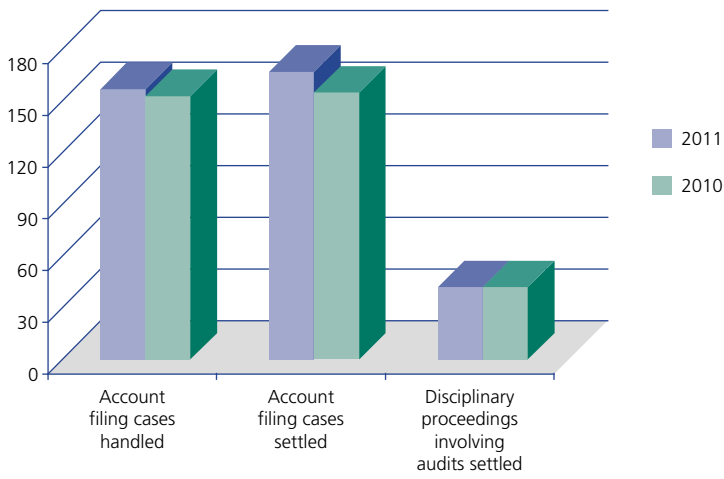
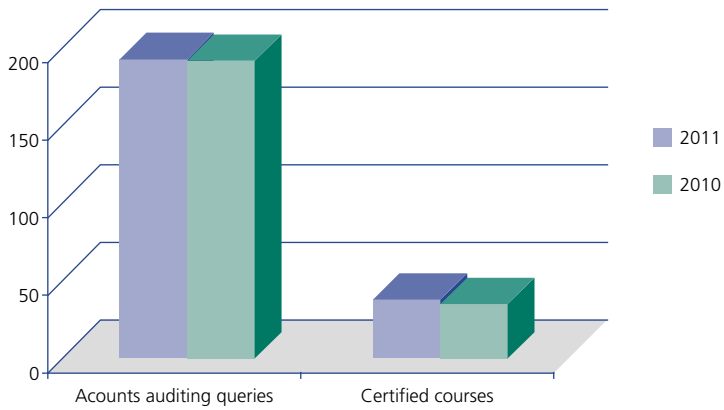
administrations by means of using information technologies and simplifying the administrative procedures among other equally relevant aspects. Currently, 70% of internal administrative procedures are in process.

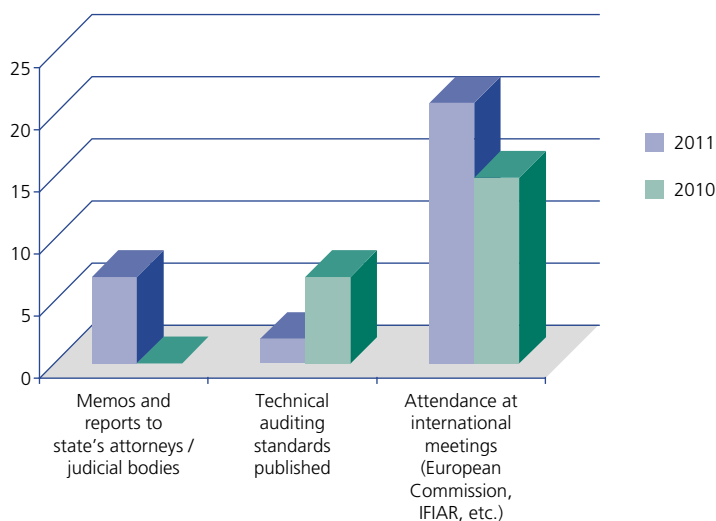
In addition, the personnel from this Sub-Directorate, together with the Sub-Directorate of Technical Monitoring, attend international meetings and forums. For this purpose, all work documentation or notes in relation to the topics discussed before international institutions (such as the European Union), international forums (IFAR - International Forum of Independent Audit Regulators) and before the authorities of other countries competent on supervision and regulation of accounts auditing activity, are studied, analysed and prepared.

In this context, it is notable that the personnel from this Sub-Directorate have, firstly, been attending European Union Council meetings since the end of 2011 in which community regulation proposals were debated on accounts auditing and, secondly, they have taken part in discussions by the competent authorities of the United States of America (PCAOB) to sign a protocol for exchange of information to enable joint inspections to be made.

In short, the specific activities carried out in 2011 were as follows:

ACTIONS RELATED TO TECHNICAL STANDARDS	2011	2010
Auditing queries	193	192
Official course approval	38	35
Account filing cases handled	157	153
Account filing cases settled	167	155
Disciplinary proceedings involving audits settled	42	42
Regulatory reports	121	122
Technical auditing standards published	2	7
Memos and reports to state's attorneys / judicial bodies	7	
Attendance at international meetings (European Commission, IFIAR, etc.)	21	15





OVERSIGHT OF ACCOUNT AUDITING ACTIVITY

Introduction

Article 27 of the Consolidated Text of the Accounts Auditing Law attributes to the ICAC the capacity to govern the public supervision system. Article 28 of the aforementioned Consolidated Text also stipulated that monitoring accounts auditing activity will include technical monitoring and quality control.

Technical monitoring consists of investigating certain audits or aspects of auditing activity to determine events or circumstances which could constitute a failure of the audits or the auditor's work to abide by the terms of the laws governing audits.

Quality control consists of periodically inspecting or reviewing the work of auditors or audit firms in order to improve the quality of the audit work, primarily by means of the formulation of requests for improvement.

The ICAC's Sub-Directorate of Technical Control is responsible for supervising the activities of the auditing profession.

In this regard, additional provision eight of the consolidated text establishes that "the Institute of Public Accounting and Auditing will publish an annual report containing, at the very least,

the Institute's programmes or plans of action, a report on the activities carried out, general results, and conclusions reached in relation to the quality control system".

Audit control activities carried out in fiscal year 2011

Monitoring auditing activity is truly extensive given that between 60 and 70 thousand auditing jobs are monitored each year by approximately 3000 (1000 companies and 2000 individual auditors) auditors and auditing companies.

In 2006, the approval of the Directive of 8 March 2006 of the European Parliament and Council regarding legal auditing of annual and consolidated accounts is notable, by which Council Directives 78/660/EEC and 83/349/EEC are modified, which incorporate important changes into the quality control system that different European Union countries should adapt, whose transposition to Spanish law was made by Law 12/2010 of 30 June 2010 to reform the Law of Accounts Auditing. This regulation was replaced during 2011 by Spanish Legislative Royal Decree 1/2011, of 1 July 2011, by which the Consolidated Text of the Law of Corporations is approved and regulated by Spanish Royal Decree 1571/2011, of 31 October 2011, by which the Regulation that implemented the Accounts Auditing Law, approved by Spanish Legislative Royal Decree 1/2011, of 1 July 2011 (AAR) is approved.

These quality control systems should be subject to a series of principles that in 2010 made it obligatory to reconsider quality control, while their most significant effects will start to occur albeit not completely in 2011, given that this will also affect the year 2012. The impact on 2012 is because of the approval of the AAR at the end of 2011 and the period to implement the Resolution of 26 October 2011, of the Accounting and Accounts Auditing Institute, by which the Regulation for Internal Quality Control of accounts auditors and auditing companies is published up to 1 January 2013. In this sense, it is relevant to point out that the AAR considers the frequency of revisions which is 3 years for auditors who perform qualified auditing jobs of public interest, and 6 years for the remaining auditors; while, as indicated in the aforementioned Regulation cycles will be computed in 2012. In this sense, in 2011 a collaboration agreement was signed with the representative corporations of auditors for the purposes of being able to see to these cycles during the reference periods.

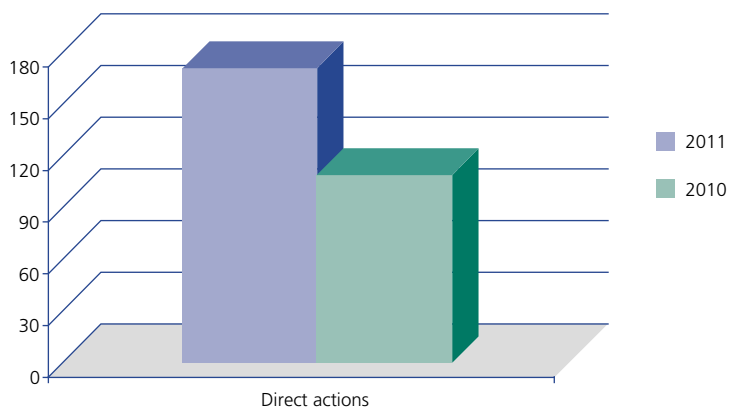
Oversight of auditing has been carried out by the institute itself with varying extent and scope based on the characteristics of the job under review; or, quality control performed by Corporations of auditors, by virtue of the collaboration agreements signed, have been supervised. Quantitatively, these oversight actions in their different forms, in 2011, give the following figures:

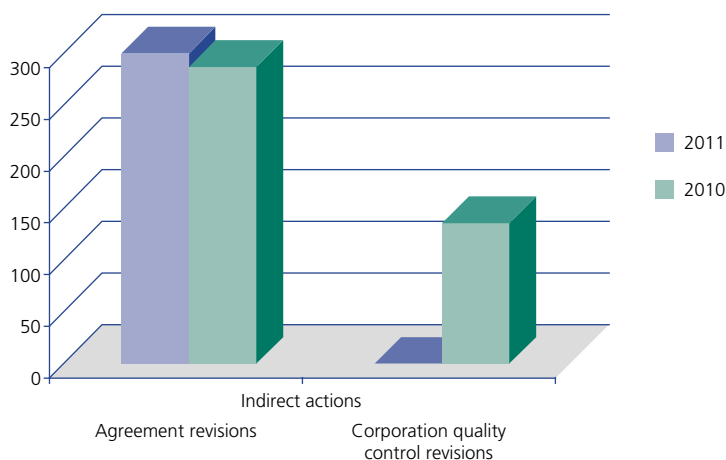
- Oversight directly by the ICAC is focused either on more general oversight of quality and technical monitoring (monitoring or explanatory diligences) or more specific actions on protection of independence (Turnover obligation of Article 19 of the AAR) which stands in total at 171.

- Quality control review actions performed by virtue of the collaboration agreements signed with the representative corporations of auditors by means of which two actions of 150 auditors have been revised, one case of oversight of signature and another for work, 300 actions in total.

The following table shows the variation in actions for 2010:

OVERSIGHT ACTIONS	2011	2010
Direct actions	171	109
Indirect actions	300	423
• Agreement revisions	300	287
• Corporation quality control revisions	—	136
Total actions	471	532





Considering the above data, it has been stated that during 2011, oversight activity increased compared to the previous year for technical oversight or investigations and direct quality control by the ICAC and decreased for quality control supervision or inspections. Regarding the latter, we should point out that this decrease is not homogeneous as 2010 data still show actions from the previous quality control system that were less intensive as regards depth and scope. Therefore, the numeric reduction of quality control supervision is compensated by a greater extension of quality control guidelines dealt with, which as a whole will mean stronger quality control as shown by the forecast of number of hours to use for different activities.

Article 64 of the AAR sets out that the ICAC will prepare a control plan of accounts auditing activity annually, in accordance with the means available and based on the following criteria:

- a) Results or other information that arises from quality assurance actions.
- b) Objective data that arise from the information supplied to the ICAC by accounts auditors and auditing companies.
- c) Data obtained through complaints or any other type of information that the Institute may be aware of, including that which arises from the corporations that represent auditors and other public bodies or institutions.

INTERNATIONAL ACTIVITY

The Sub-Directorates General of Technical Control and Technical Auditing Standards participate jointly and on a regular basis in the international meetings of the following organisations:

- European Union committees.
 - Audit Regulatory Committee (AuRC).
 - European Group of Auditors Oversight Bodies (EGAOB).
 - Egaob Subgroup Intra EU Cooperation
 - Egaob Subgroup Inspections
 - Egaob Subgroup ISAS
- COREPER-Regulatory proposals
- European Audit Independent Group (EAIG): European working group that mainly shares experiences from inspections, exchange of common findings, deficiencies over application of NIAs and dialogue with Auditing firms and the IAASB.
- International Forum of Independent Audit Regulators (IFIAR): international and with the aim of exchanging experiences and knowledge on inspections. From April 2011, the ICAC is a member of the Advisory Council (IFIAR Advisory Council)
- Regulator Colleges: founded as a result of the new structures of some European Auditing Firms and with the aim of sharing information between regulatory members as well as planning joint inspections in the near future.
- Translation Groups for International Standards and Technical Standards.

MANAGEMENT OF RESOURCES AND THE OFFICIAL REGISTER OF AUDITORS

In addition to the activities indicated above, ICAC performs other activities through the office of the General Secretariat. The most prominent of these are described below:

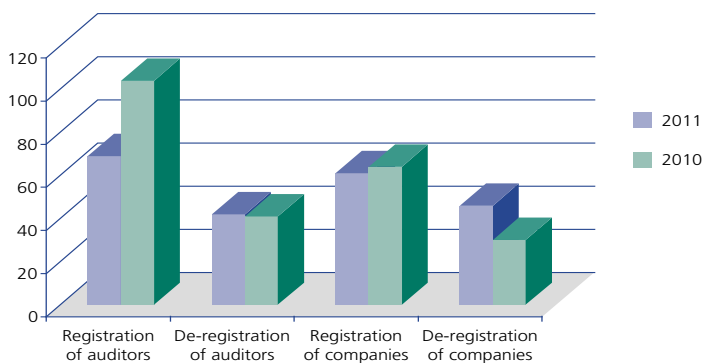
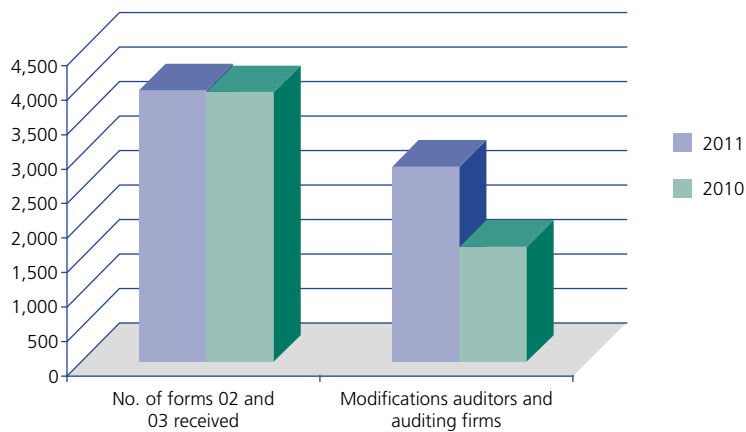
Maintenance of the Official Register of Auditors (ROAC)

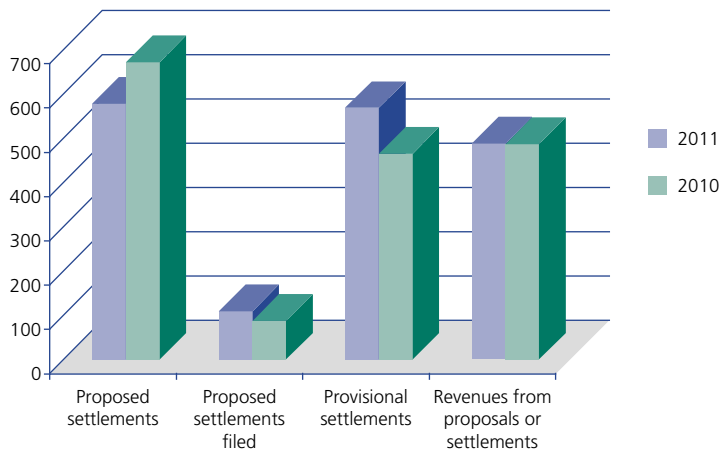
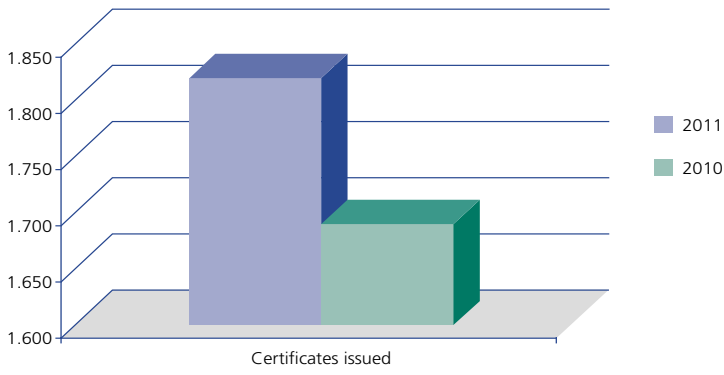
Access to the ROAC is by means of complying with the requirements and overcoming the tests set out in Spanish Legislative Royal Decree 1/2011, of 1 July 2011, by which the consolidated text of the Accounts Auditing Law and implementing regulation, approved by Spanish Royal Decree 1517/2011, of 31 October 2011, is approved. Only the auditors who are members of this Register may issue official auditors' reports.

ICAC performed the following activities in relation to ROAC:

ROAC	2011	2010
No. of forms 02 and 03 received	4,370	4,347
Modifications auditors and auditing firms (*)	3,143	1,850
Registration of auditors	69	104
De-registration of auditors	42	41
Registration of companies	61	64
De-registration of companies	46	30
Certificates issued	1,820	1,690
TASA (Art. 44 TRLAC): CROSSOVER BETWEEN FORMS 02 / 03		
Proposed settlements	577	671
Amount	€ 157,460.80	€ 61,779.84
Proposed settlements filed	109	87
Amount	€ 61,898.44	€ 11,781.18
Provisional settlements	568	465
Amount	€ 195,600.73	€ 79,600.89
Revenues from proposals or settlements	488	486
Amount settled	€ 137,660.37	€ 85,277.74
Late payment surcharge (art. 27 LGT)		
No. surcharges	762	299
Amount settled	€ 11,260.01	€ 13,448.23
Executive tax collection		
Debts sent to the Spanish Inland Revenue for executive tax collection	80	47
Amount	€ 60,707.02	€ 28,152.48

(*) Modifications to the data mentioned regarding the domicile of auditors are not reflected in the database managed by the ROAC, for which reason the number of changes made cannot be specified.







Electronic administration

ICAC currently has an electronic sub-site which is part of the electronic site of the Ministry of Economy and Taxation.

According to the terms of Law 11/2007 on the electronic access to public services by citizens, this electronic site is available to citizens through the telecommunications networks owned, operated and administered by the public administration or an administrative body or entity in the exercise of its functions. One of the purposes of this site is to comply with the principle of accessibility to information and services by electronic means pursuant to the terms of the laws in force through systems that enable obtaining such information and services in a safe and comprehensible way and that guarantee universal accessibility and a design which can accommodate all media, channel and environments so as to ensure that everyone can exercise their rights under equal conditions, incorporating elements to guarantee accessibility by certain groups as needed.

The address of the electronic website of the Institute of Public Accounting and Auditing is: <http://icac.gob.es> On 6 May of this year, a joint resolution was issued by the Under-secretary and the Institute of Public Accounting and Auditing by virtue of which it was agreed that this body would be included in the department's electronic records.

Regulatory Projects and the Audit Committee

During the year the ICAC worked on 56 regulatory projects and the Audit Committee met eight times.

Research, studies, documentation, distribution and publication activities intended to develop and perfect accounting standards and the accounting profession

The quarterly publication of ICAC, the Official Bulletin of the Institute (BOICAC), contains information on aspects relevant to the accounting and auditing professions. There is also an Internet website with the most relevant regulatory information and the queries published on accounting and auditing topics are contained in the Institute's Journal for general information purposes.

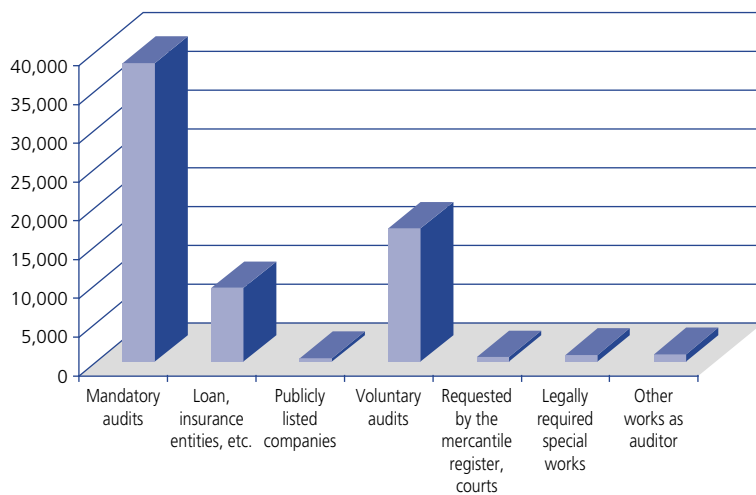
Another study published every year refers to the Auditing Situation in Spain. According to the report on the Auditing Situation in Spain in 2010, published in edition 86 of BOICAC (June 2011), the number of practising auditors was 4586, of whom 2867 worked as independent contractors and 2751 of whom worked for companies (1032 auditors are both partners and practising auditors). The number of companies registered in the ROAC stood at 1353.

A total of 10,892,387 hours was invoiced, 9,970,762 of which were billed by auditing firms and 921,625 by auditors working as independent contractors.

Practising auditors and auditing companies declared to the ROAC in 2010 a total of 68,607 auditing jobs.

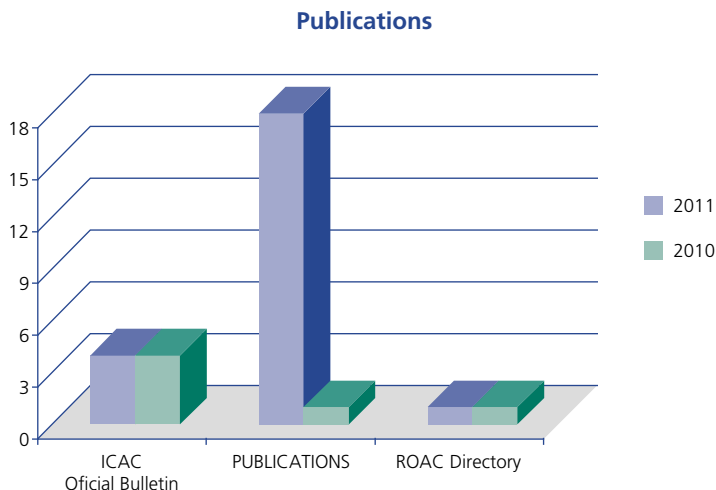
The breakdown by type of audit is as follows:

TYPE	NUMBER	%
Mandatory audits	38,539	56
Loan, insurance entities, etc.	9,490	14
Publicly listed companies	472	1
Voluntary audits	17,184	25
Requested by the mercantile register, courts	559	1
Legally required special works	850	1
Other works as auditor	915	2



In short, the specific actions in 2011 in this area in comparison with the year before were as follows:

	2010	2011
BOICAC	4	4
PUBLICATIONS	1	18
ROAC DIRECTORY	1	1



With regard to research work, it should be noted that each year, ICAC, in coordination with the Association of University Accounting Professors (ASEPUC), awards two accounting research prizes, the "Fernández Pirla Award" and the "Carlos Cubillo Award" as well as an award for an excellent doctoral thesis on a research topic in the field of accounting or auditing. In the sphere of performing and promoting research, study, documentation, dissemination and publishing activities for the development and perfecting of accounting regulations:

- Call number XIX (2011) and resolution of the "José M^a Fernández Pirla award for accounting research projects.
- Call and resolution of the Carlos Cubillo Valverde" award (24th Edition) for the best article published in the accounting journal.

In 2011, for the purpose of disseminating award-winning works in different years, this institution has begun to place titles published on paper onto digital support. These works will be available on-line on the ICAC website as they are transferred to electronic format.

In a further effort to promote an understanding of the accounting profession and research in this field, a database called the Accounting and Auditing Index in Iberian Languages (ICALI) has been developed which includes all of the publications on file in the ICAC library and thus constitutes one of the largest lists of bibliographic titles in the fields of auditing and accounting

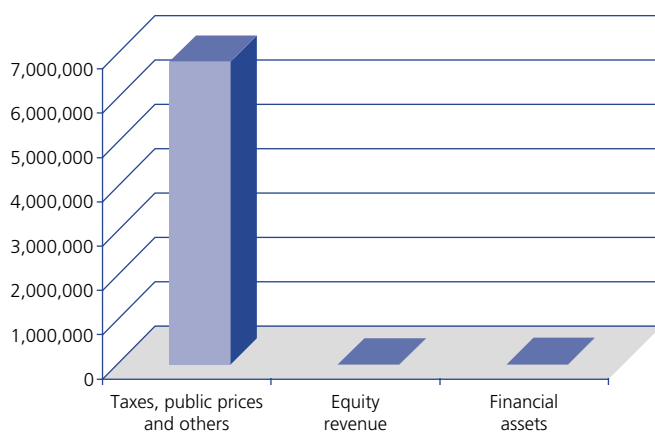
ECONOMIC-FINANCIAL INFORMATION

Economic data

In 2011, ICAC had total revenues of 6,840,327.00 euros, which is broken down in the table below:

Chapter	Execution of revenue budget 2011		%
III	Taxes, public prices and others	€ 6,834,516.56	99.915
V	Equity revenue	€ 280.80	0.004
VIII	Financial assets	€ 5,529.64	0.081
TOTAL		€ 6,840,327.00	100.000

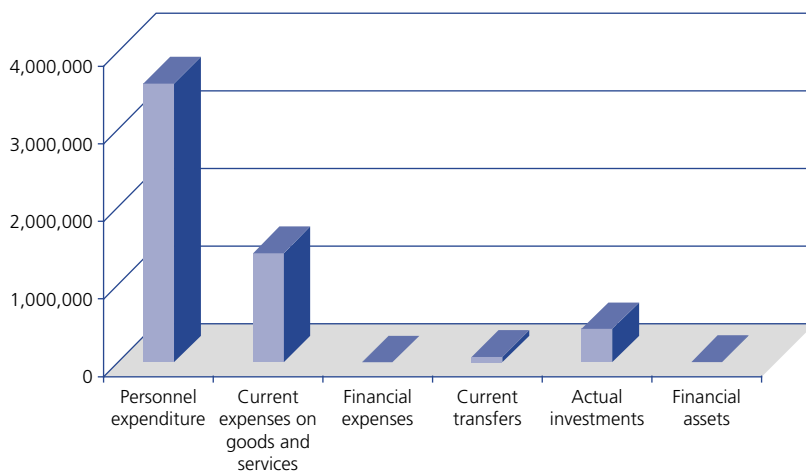
Revenue



In 2011, expenses incurred stood at a total of 5,511,649.23 euros, as detailed below:

Chapter	Execution of expenses budget 2011		%
I	Personnel expenditure	€ 3,597,143.11	65.264
II	Current expenses on goods and services	€ 1,407,606.74	25.539
III	Financial expenses	€ 178.49	0.003
IV	Current transfers	€ 71,240.00	1.293
VI	Actual investments	€ 429,643.46	7.795
VIII	Financial assets	€ 5,837.43	0.106
TOTAL		€ 5,511,649.23	100.000

Expenses



Financing sources

The main source of financing the ICAC budget is by means of the tax for issue of accounts auditing reports in addition to revenue from sales of publications; the difference is financed with the cash flow remnant. The Institute has done without capital transfers and capital as a source of financing in 2011.

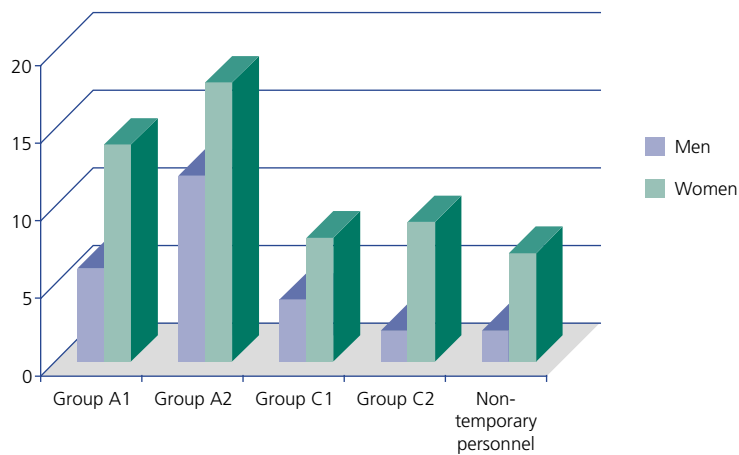
According to article 23 of Law 19/1988 of 12 July, all practicing auditors and auditing firms registered in the ROAC who issue audit reports must pay this fee. The revenues earned from these fees are considered ICAC's budgetary income and are used to finance the cost of overseeing and supervising the auditing profession.

Human resources

The means with which ICAC carried out its functions in 2011 were the following:

TYPES OF PERSONNEL	MEN	WOMEN	TOTAL
SENIOR POSTS	1	0	1
OFFICE TEMPORARY PERSONNEL	0	0	0
CIVIL SERVANTS			0
Group A1	6	14	20
Group A2	12	18	30
Group B	0	0	0
Group C1	4	8	12
Group C2	2	9	11
Professional groups	0	0	0
TOTAL	25	49	74
OTHER PERSONNEL:			0
Administrative contracted employees	0	0	0
Various personnel (1)	0	0	0
TOTAL	0	0	0
EMPLOYMENT-RELATED CONTRACTED:			0
Fixed Cap I	2	7	9
Fixed I Temporary	0	0	0
Chapter VI	0	0	0
TOTAL	2	7	9

Civil servants and employees





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