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*Annual Report
of Activities in
2013*

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The Accounting and Auditing Institute (ICAC)
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INTRODUCTION

The Accounting and Auditing Institute (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 pursuit of its stated objectives. The revised text of the Accounts Auditing Law, approved by Royal Legislative Decree 1/2011 of 1 July, and the implementing regulations thereof, Royal Decree 1517/2011 of 31 October, regulate the Institute's legal nature.

In accordance with Article 2 of Royal Decree 302/1989 of 17 March, which approves the by-laws and the organic structure of the Accounting and Auditing Institute, the following are functions of the Institute:

- a) Performing technical work and proposing a General Accounting Plan adapted to the Directives of the European Union and the Laws regulating these matters, in addition to approving the adaptations of this plan to the different sectors of economic activity.
- b) Establishing the development criteria of those points of the General Accounting Plan and of the sector adaptations thereof that are deemed appropriate for the correct application of standards, which will be published in the Institute's Official Journal.
- c) Continuously perfecting and updating accounting plans and accounts 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 Union or with changes in the fields of accounting and accounts auditing.
- d) Ensuring control and discipline the practice of accounts auditing regulated in Law 19/1988 of 12 July and of the auditors themselves by conducting technical monitoring of accounts audits and taking the disciplinary measures applicable to auditors and audit firms as regulated in Chapter 3 of the aforementioned Law.
- e) Establishing an Official Register of Auditors, authorising the recording in the same of auditors and auditing firms, creating and maintaining the Institute's Official Journal, determining the basic rules to be followed for the professional competency exams given by professional corporations of public law (in addition to approving the respective calls to exams) and controlling, monitoring and keeping the bonds that must be established by auditors.
- f) Approving and publishing the technical auditing standards prepared by the public law corporations representing those who perform accounts 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 so by the Accounting and Auditing Institute.

- g) Performing and promoting research, studies, documentation, distribution and publications intended to develop and improve accounting standards and the accounts auditing activity.
- h) Working with international bodies to provide technical coordination and cooperation on accounting and accounts auditing matters, particularly EU bodies, and domestic bodies such as public law corporations or research associations.

To fulfil these functions, representatives of the Institute, in accordance with the corresponding bodies of the Ministry of Foreign Affairs, will attend the meetings that may be called by commissions or task forces of which Spain forms a part that specialise in these matters and that belong to international governmental organisations.

The governing bodies of ICAC are: The Chairman, 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 Accounting and Auditing Institute, therefore exercising the powers vested in them by the Accounts Auditing Law and determined in the Institute's by-laws. The Chairman is responsible for:

1. Acting as the Institute's legal representative.
2. Chairing the Institute's Consulting Committee (now the Accounts Auditing 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.
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 Auditing Law 19/1988 of 12 July 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 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 Auditing Institute, who will perform the functions of Secretary of said committee, will attend the Audit Committee sessions, with the right to be heard but having 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 in accounting matters 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 it is formed, together with the Chairperson, by a representative from each one of the other centres, bodies and institutions that are responsible for regulating accounting matters within the financial system: the Bank of Spain, the 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 having no vote. Also sitting on the Accounting Board and attending with the right to be heard but having no 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.
- Sub-Directorate General of Accounting Technique and Standardisation.
- Sub-Directorate General of Technical Auditing Standards.
- Sub-Directorate General of Technical Control.

Within the scope of the 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 functions and functions of an administrative nature in general, as well as organising and maintaining the Official Register of Auditors and publishing the Official 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 audit firms. It periodically publishes an updated list of registered auditors, listing their names and business addresses as well as the following information for members that are legal entities:

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

This information will have to be completed pursuant to the provisions set forth in the revised text of the Accounts Auditing Law approved by Legislative Royal Decree 1/2011 of 1 July and the new Accounts Auditing Regulation approved by Royal Decree 1517/2011 of 30 October, which implements said revised text (Article 79 of the Regulation).

The Sub-Directorate General of Accounting Technique and Standardisation is responsible for: Preparing and proposing a General Accounting Plan that complies with the directives of the European Economic Community; adapting the Plan to the different sectors of economic activity; analysing and proposing the laws in which the accounting principles are established, as well as 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 perfecting of accounts auditors performed by public law firms that represent accounts auditors and accounting experts or, in a supplementary manner, by the Institute itself; submitting to the Institute's Chairman the procedures that the Directorate is responsible for regarding the standardisation of theoretical training courses that should be followed to be able to exercise the accounts auditing activity (by means of registration in the ROAC), and those who comply with the requirements for the purposes of exemption from the qualification examination for the aforementioned access, in addition to the recognition of the centres that are authorised to impart continuing education activities and approval of those courses offered by certain institutions; analysing the technical, ethical and internal quality assurance regulations for accounts auditing of the auditors prepared by public law firms, so that they are in accordance with the general principles and practices commonly admitted in the Member States of the European Union, therefore proposing to the Chairman that they be published in the Institute's Official Journal, in addition to requiring that these firms draw up, adapt or revise their technical auditing standards; the preparation, adaptation or revision of these standards when the aforementioned professional firms do not comply with the requirement; investigation, by the personnel in the Directorate, of the disciplinary cases for breaches regarding accounts auditing referred to in section 2 of Chapter 4 of the revised text of the Accounts Auditing Law approved by Legislative Royal Decree 1/2011 of 1 July, and disciplinary cases because of a breach of the obligation to deposit annual accounts in the business registry, referred to in Chapter 6 of Legislative Royal Decree 1/2010 of 2 July, whereby the revised text of the Corporate Enterprises Act is approved, in addition to submitting to the Chairman of the Institute the proposal to resolve the case and other acts for which the Directorate is responsible; and the issuing and drawing up of regulatory proposals on accounts accounting, in addition to studying and answering queries raised in relation to this topic.

The Sub-Directorate General of Technical Control is responsible for: Exercising the powers that the Accounts Auditing Law gives the Accounting and Auditing Institute on technical monitoring, 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 that constitute a breach of the Accounts Auditing Law or technical auditing standards. Similarly, Article 28 of the revised text establishes, as monitoring of the activity and in addition to technical monitoring or investigations, the performance of external quality assurance controls or periodic inspections of accounts auditors and of audit firms for the purpose of reviewing their internal quality assurance systems and formulating requests for improvement.

The ICAC may entrust the quality assurance function to firms that represent the auditors or to third parties. In both cases, ICAC employees are responsible for supervising and managing the quality control work.

The aforementioned administrative structure is responsible for the following matters:

- Accounting standards.
- Auditing standards.
- Regulation in Accounts Auditing.
- Control of Auditing Activities (technical control and quality control).
- Disciplinary Activities.
- Managing resources and the Official Register of Public Auditors (ROAC).

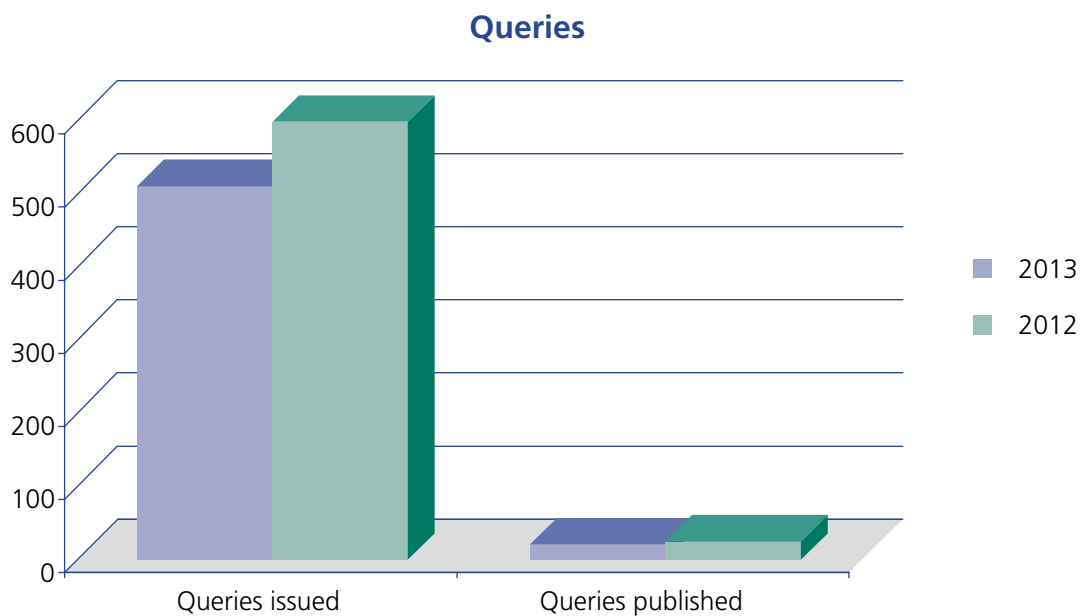
The activities developed by the different ICAC sub-directorates in 2013 are reported in the following sections.

ACCOUNTING

The activities performed by the Sub-Directorate General of Accounting Technique and Standardisation in 2013 were as follows:

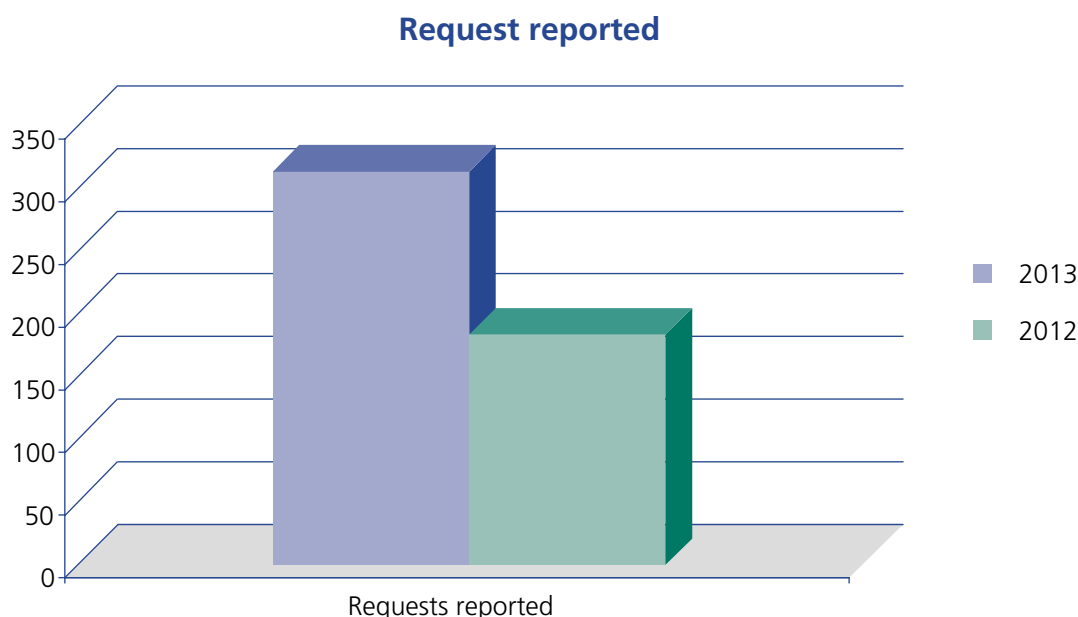
- a) Drafting of the Resolution of 1 March 2013 of the Accounting and Auditing Institute, thereby issuing recording and assessment standards of tangible fixed assets and of real estate investments.
- b) Drafting of the Resolution of 26 March 2013 of the Accounting and Auditing Institute, thereby approving the Accounting Plan of small and medium not-for-profit entities.
- c) Drafting of the Resolution of 26 March 2013 of the Accounting and Auditing Institute, thereby approving the Accounting Plan of not-for-profit entities.
- d) Drafting of the Resolution of 28 May 2013 of the Accounting and Auditing Institute, thereby issuing standards for the recording, assessment and reporting of intangible fixed assets to be included in the annual report.
- e) Drafting of the Resolution of 18 September 2013 of the Accounting and Auditing Institute, thereby issuing the standards for recording, assessment and reporting regarding asset impairment value to be included in the annual accounts.
- f) Drafting of the Resolution of 18 October 2013 of the Accounting and Auditing Institute, on the framework of financial reporting when application of the principle of an on-going concern is not adequate.
- g) Responding to queries received on the accounting processing of specific situations. Among all the queries that are resolved, those that are considered of general interest are selected for quarterly publication in this Institute's Official Journal.

QUERIES	2013	2012
Queries issued	511	599
Queries published	21	25



- h)** Preparing reports on the standards drafted by other bodies of the public administration or other public institutions. Specifically, the following reports were drafted:

REQUESTS REPORTED	2013	2012
Reports drafted	314	184



- i) The translations 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 Journal of the European Union were reviewed. This task was performed by the Translation Committee set up for this purpose.
- j) Technical coordination and cooperation with international organisations by participating in accounting work groups, specifically:
 - Attending and participating in meetings of the Accounting Regulatory Committee (ARC), chaired by the European Commission.
 - Attending and participating in quarterly meetings of the EFRAG with European accounting regulators, chaired by the EFRAG.
 - Attendance and participation in EFRAG PRC and Reference Group meetings on the EFRAG work agenda held in Brussels.
 - Attendance and participation in the proactive work group, "Separate financial statements prepared under IFRS", chaired by the EFRAG. Collaboration with the EFRAG by means of reports and letters with observations to EFRAG bulletins and observations on accounting standards and interpretations of the IASB.
 - Attendance and participation at the quarterly meetings of the ASAF held in London.
 - Attendance and participation at meetings for the approval of Directive 2013/34/EU of 26 June of the European Parliament and of the Council, on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.
 - Attendance and participation at meetings of the business task forces, held on the Council of the EU, regarding the Proposal for a Regulation of the European Parliament and of the Council, whereby a programme of the Union is instituted, designed to endorse certain activities within the scope of financial reporting and auditing during the 2014-2020 period.
 - Attendance and participation at meetings of the business task forces, held on the Council of the EU, regarding the Proposal for a Directive of the Parliament and of

- the Council, thereby amending Directive 2013/34/EU in relation to the presentation of non-financial information and information about diversity for certain large undertakings and groups.
- Participation in the meetings of the accounting experts work group (ISAR) set up by UNCTAD (UN).
 - Attendance at national accounting regulator meetings (NSS), held in Sao Paolo and Brussels organised by IFASS.
 - Attendance and participation at the global annual meeting held by the IASB in London for accounting regulators.
 - Collaboration with the IASB by means of reports and letters with observations on its proposals of accounting standards and interpretations.
- k)** Collaboration 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.
- l)** Collaboration and attendance at accounting meetings on the Higher Sports Board of the Mixed Commission for transformation of clubs into sports corporations.
- m)** Collaboration 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.
- n)** Collaboration 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.
- o)** Collaboration with the Office of the State's Inspector General in relation to the response to queries made on the accounting treatment of specific situations.
- p)** Collaboration with the Directorate General of Taxation in relation to the response to queries made on the accounting treatment of specific situations.
- q)** Collaboration with the OECD in preparing questionnaires on the regulation and fair competition of the various sectors of activity through POLECO, which acted as coordinator.
- r)** Update and subsequent review of the text for dissemination and publication of the International Financial Reporting Regulations adopted by the European Union.
- s)** Within the sphere of performing and promoting research, study, documentation, dissemination and publishing activities for the development and perfection of accounting regulations:
- t)** Five meetings of the Accounting Advisory Committee were held in 2013 (three meetings in 2012).
- u)** Five meetings of the Accounting Council were held in 2013 (three meetings in 2012).

REGULATION IN ACCOUNTS AUDITING

Specific actions performed in 2013 by the Sub-Directorate General for Technical Auditing Standards were the following:

- a) Through the Working Group on Technical Auditing Standards, coordinated by this sub-directorate and in which representatives of Corporations that represent the Institute's auditors and personnel participate, the study and review of the translated international standards on auditing (ISA) in order to adapt them to the provisions set forth in the revised text of the Accounts Auditing Law and the remainder of our regulatory framework. In this regard, in 2013 the new technical auditing standards resulting from adaptation of the ISA to our country were submitted for public information for a period of 6 months (as from the day following the publication of the ICAC Resolution of 31 January 2013 in the Official State Gazette of 14 February 2013).

Subsequently, said standards were definitively published for the entry into force thereof, after said procedure had elapsed, through the Resolution of 15 October 2013 published in the Official State Gazette of 13 November 2013.

Said standards were submitted to the consideration of the Audit Committee of the Accounting and Auditing Institute, the consultation body, in a meeting for this purpose.

- b) Subject to prior study by said Working Group, the following technical auditing standards were amended, published in the ICAC Resolutions that follow, after having been submitted to the consideration of its Audit Committee:

- 1. To be submitted to the public information process:

- The Resolution of 31 January 2013 of the Accounting and Auditing Institute, thereby submitting to public information the new Technical Auditing Standards resulting from adaptation of International Auditing Standards for the application thereof in Spain.
- The Resolution of 19 July 2013 of the Accounting and Auditing Institute, thereby publishing the amendment of the Technical Auditing Standards on application of the principle of an on-going concern.
- The Resolution of 19 July 2013 of the Accounting and Auditing Institute, thereby submitting to public information the amendment of the Internal Quality Control Standards of account auditors and auditing firms, published by the Resolution of 26 October 2011.
- The Resolution of 15 October 2013 of the Accounting and Auditing Institute, thereby submitting to public information the Technical Auditing Standard on "Auditing of a single financial statement", the result of adaptation of International Standard on Auditing 805, "Special considerations -audits of single financial statements and specific elements, accounts or items of a financial statement", for the application thereof in Spain (ISA-ES 805).
- The Resolution of 15 October 2013 of the Accounting and Auditing Institute, thereby publishing the Technical Auditing Standard on the "relationship between auditors".

2. For definitive publication and entry into force:

- The Resolution of 15 October 2013 of the Accounting and Auditing Institute, thereby publishing the new Technical Auditing Standards resulting from adaptation of International Standards on Auditing for the application thereof in Spain (ISA-ES).
 - The Resolution of 20 December 2013 of the Accounting and Auditing Institute, thereby publishing the amendment of the Technical Auditing Standard on application of the principle of an on-going concern, published by the Resolution of 31 May 1993.
 - The Resolution of 20 December 2013 of the Accounting and Auditing Institute, thereby publishing the amendment of the Internal Quality Control Standard of account auditors and auditing firms, published by the Resolution of 26 October 2011.
- c)** Drafting of reports on provisions that might or could affect the scope of the auditing activity.

In the 2013 financial year, the number of reports on regulatory proposals or projects amounted to 72.

- d)** Study and preparation of the reply to queries submitted on the interpretation and application of account auditing regulations. Among all the queries that are resolved, those that are considered of general interest are selected for quarterly publication in this Institute's Official Journal.

During this financial year, a total of 243 account auditing queries were replied to, 23 of which were published in the Official Journal. It should be pointed out that the majority of them dealt with the obligation to continue with continuing training activities. Rendition of due observance thereof should be given for the first time in October 2013 (regarding the 12 preceding months).

- e)** Review of the translations of various International Standards on Auditing issued by the IAASB for the purpose of the subsequent adaptation thereof by a Resolution of the Accounting and Auditing Institute, a task that is developed by the Translation Committed created for this purpose.

Likewise, we participated in the meeting of the drafts on these standards published by the IAASB and submitted to consultation, in order to issue the corresponding report to be sent, whether individually or in conjunction with other competent authorities of other Member States of the European Union or countries participating in international forums (IFIAR).

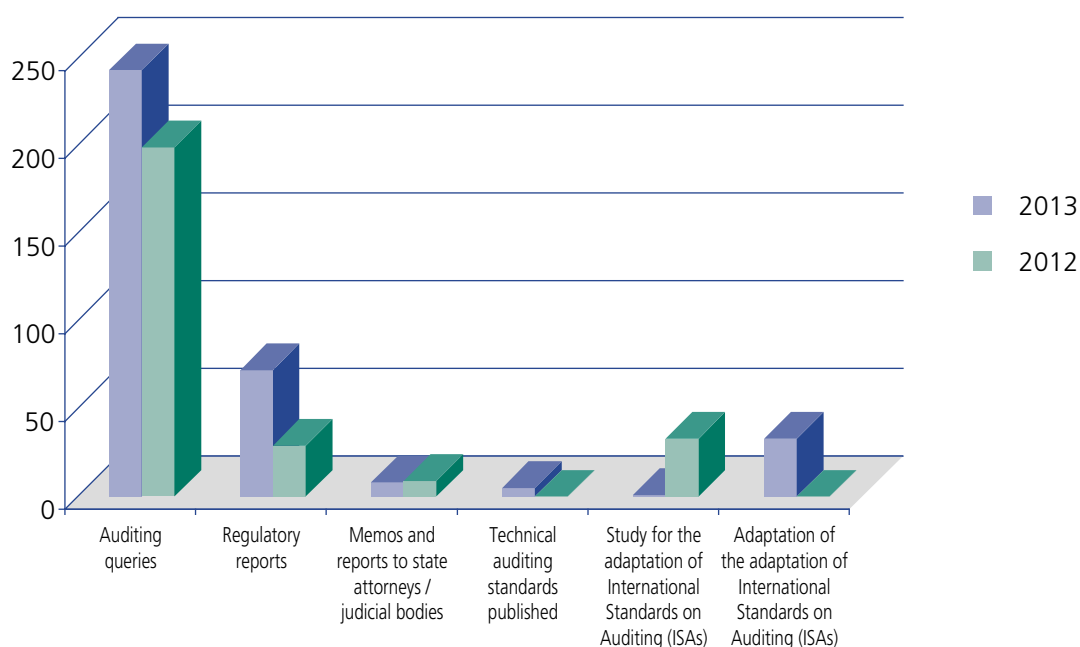
- f)** Collaboration with the OECD on preparing questionnaires on the regulation and free competition of the various sectors of activity through POLECO, which acted as coordinator.
- g)** Collaboration with the Directorate General of Registers and the Notariate regarding the treatment of specific situations.

Finally, during 2013, and in collaboration with the IT Department, work on implementing new information technologies commenced through the design and implementation of new computer applications that work together on achieving the aims sought by Law 11/2007 of 22 June, on electronic access by citizens to public services, increasing the efficacy and efficiency of administrations by means of using information technologies and simplifying administrative procedures, among other equally relevant aspects.

In brief, the specific activities carried out in 2013 were the following

REGULATION ACTIONS REGARDING AUDITING	2013	2012
Auditing queries	243	199
Regulatory reports	72	29
Memos and reports to state attorneys / judicial bodies	8	9
Technical auditing standards published	5	0
Study for the adaptation of International Standards on Auditing (ISAs)	1	33
Adaptation of the adaptation of International Standards on Auditing (ISAs)	33	0

Regulation actions regarding auditing



CONTROL OF THE ACCOUNTS AUDITING ACTIVITY

Introduction

Article 27 of the revised text of the Accounts Auditing Law (hereinafter, the TRLAC) attributes management of the public supervision system to the ICAC, therefore assigning to the ICAC, among other functions, oversight of the accounts auditing activity and international cooperation.

In accordance with the provisions set forth in Article 28 of the TRLAC, oversight of the auditing activity basically encompasses technical control actions and quality control actions carried out by the Sub-directorate General of Technical Control of the ICAC.

During 2013 the Sub-directorate General of Technical Control had 19 civil servants, including the Sub-director General and the secretary of this sub-directorate, engaged in both technical control or investigations into specific works or aspects of accounts auditing, as well as quality control inspections of accounts auditors and audit firms (hereinafter, auditors).

Technical control consists in investigating certain audits or aspects of auditing activity to determine events or circumstances that could constitute a failure of the conformity of audits in accordance with the terms of regulations on accounts auditing.

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

Audit control activities carried out in fiscal year 2013

During 2012, for the period from 1/10/2011 to 30/09/2012, a total of 62,187 auditing jobs were declared, performed by 2599 auditors and auditing companies (1199 companies and 1400 individual auditors). These declarations were taken into account for preparing the control plan corresponding to fiscal year 2013, published in BOICAC No 94 of June 2013.

Out of the total of said auditing jobs, 261 auditors declared performing 8406 jobs referring to the financial statements of public-interest entities, in accordance with the provisions set forth in Article 2.5 of the revised text of the Accounts Auditing Law and in Article 15 of the implementing regulations thereof.

Oversight of the auditing activity was been carried out either directly by the ICAC itself, to a varying extent and scope based on the characteristics of the job under review; or the ICAC supervised the quality controls performed by corporations that represent auditors, by virtue of the cooperation agreements signed on 27 February 2012. Quantitatively, said control actions during fiscal year 2013 were the following:

Control actions conducted directly by the ICAC.

These actions focus on quality control inspections, including actions on annual transparency reports, and on investigations, including specific actions on certain auditing aspects for protecting independence. They amounted to a total of 230, with the following details:

Control actions conducted directly by the ICAC	2013
Inspections	97
Investigations	98
Complaints analysed and filed	35
TOTAL	230

a) Quality control inspections.

During fiscal year 2013, the ICAC issued 15 final inspection reports corresponding to **small and medium auditors** who audit public-interest entities (hereinafter, **PIEs**). The scope of said inspections was limited to examining the theoretical internal quality control system based on the documentation provided by said auditors.

In addition, in 2013 the ICAC issued 59 final inspection reports corresponding to PIE auditors, five of which were the object of the aforementioned quality control. The scope was limited, on the one hand, to checking the obligation to publish the **annual transparency report** on the web page of the auditors, and on the other, to checking that the general structure of said report complied with the provisions set forth in Article 26 of the TRLAC. In three of the cases with deficiencies, the auditors did not publish the annual, individualised transparency report, independent from the network to which they belonged.

In 2013, the ICAC also conducted **follow-up** on 23 PIE auditors, two of whom were the object of a final report, limited to the annual transparency report about the documentation forwarded by said auditors in response to the improvement requirements made in 2011 by the ICAC and derived from inspection of the theoretical design of their internal quality control systems. As a consequence of said review, signs of deficiencies were clearly shown, which will be taken into account, to the extent possible, with the available resources and considering the risk criteria for the purpose of planning action plans for fiscal year 2014 and following years.

Regarding joint actions conducted between the ICAC and the PCAOB¹, in 2013 the inspection that had begun in 2012 continued, and in fiscal year 2013 another joint inspection commenced. At the close of 2013, the corresponding final inspection reports had not been issued.

¹ Public Company Accounting Oversight Board (PCAOB), the auditing supervisor of the United States, in accordance with the Sarbanes-Oxley Act of 2002.

b) Technical controls or investigations.

During 2013, thirty-five complaints received were analysed and filed due to a lack of signs of possible breaches of accounts auditing regulations.

Likewise, in 2013 the examination of 3 account auditing jobs was finalised (four of them corresponding to PIEs [three credit institutions and one issuer of bonds admitted to trading on official secondary securities markets]). In 29 of said auditing jobs, signs of breaches of accounts auditing regulations were detected.

In addition, in 2013 the rotation of the signing account auditor of the audit report was reviewed, in accordance with the provisions set forth in Article 19 of the TRLAC, regarding 60 auditing jobs (25 of them corresponded to PIE), thereby detecting a breach of the duty of rotation in 16 of said auditing jobs.

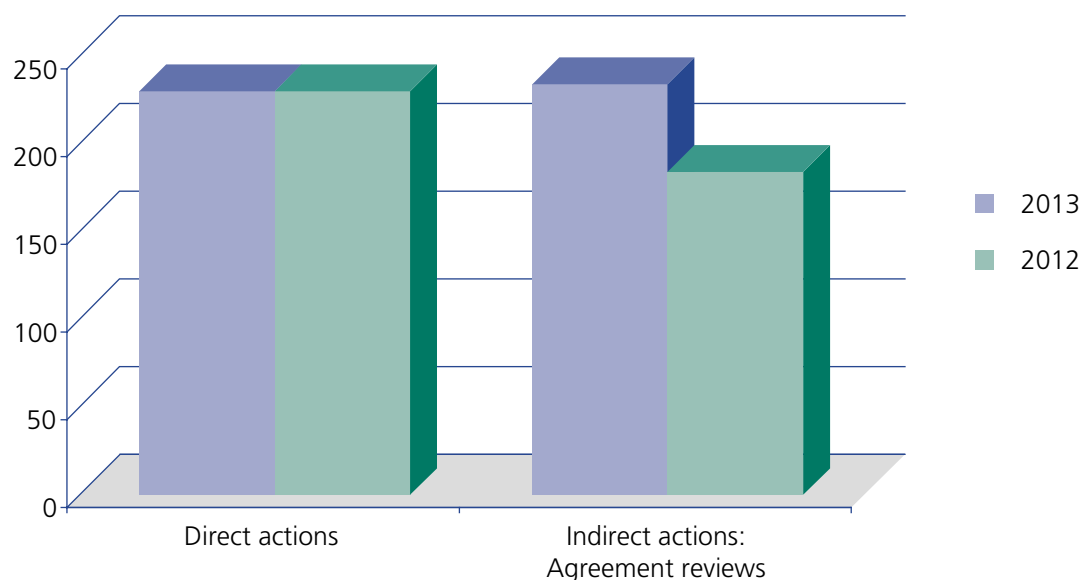
Quality control review actions conducted by virtue of cooperation agreements signed with corporations that represent auditors

In 2013, the ICAC supervised inspections conducted through corporations that represent auditors, pertaining to 117 auditors, the majority of whom are auditors of entities other than the PIEs. There were two actions, one pertaining to the implementation of the internal quality control policies and procedures of the auditors and the other pertaining to the review of specific auditing jobs, amounting to a total of 234 actions.

The following table includes the evolution of actions by the ICAC in 2013 in comparison with 2012:

OVERSIGHT ACTIONS	2013	2012
Direct actions	230	230
Indirect actions : • Agreement reviews	234	184
TOTAL	464	414

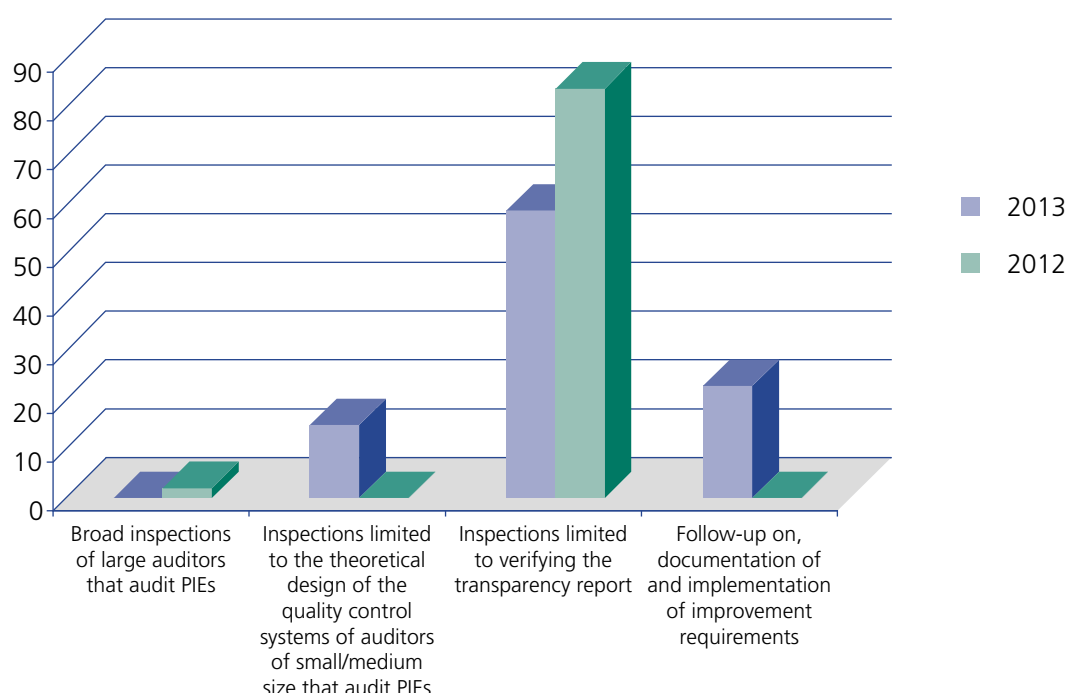
Oversight actions



QUALITY CONTROL ACTIONS	2013	2012
Broad inspections of large auditors that audit PIEs	—	2
Inspections limited to the theoretical design of the quality control systems of auditors of small/medium size that audit PIEs	15	—
Inspections limited to verifying the transparency report	59	84
Follow-up on, documentation of and implementation of improvement requirements	23	—
TOTAL	97	86

Considering the previous data, the control activity was maintained during fiscal year 2013 with respect to direct actions. However, in 2013 efforts were mainly directed at reviewing the theoretical design of the quality control system of small and medium auditors that audit PIEs, in which there was an increase with respect to indirect actions.

Quality control actions



AUDITOR TRAINING

In accordance with auditing activity regulations, the Sub-directorate General of Technical Auditing Standards is responsible for exercising the powers attributed to the Accounting and Auditing Institute pertaining to coordination and promotion of the selection, training and improvement of accounts auditors.

Access

In the exercise of such powers, the Accounting and Auditing Institute is responsible for officially approving the theoretical teaching courses required for access to the Official Register of Auditors, for recognising the teaching centres that give those courses and for approving exemption from the theoretical training courses and the first phase of access to the Official Register of Auditors. For the purpose of carrying out official approval of the theoretical training courses for access to the auditing activity, the cooperation of ANECA is used for verifying the degrees presented by universities.

During 2013, sixty files for the official approval of theoretical training programmes for access to the Official Register of Auditors were resolved, with the following details:

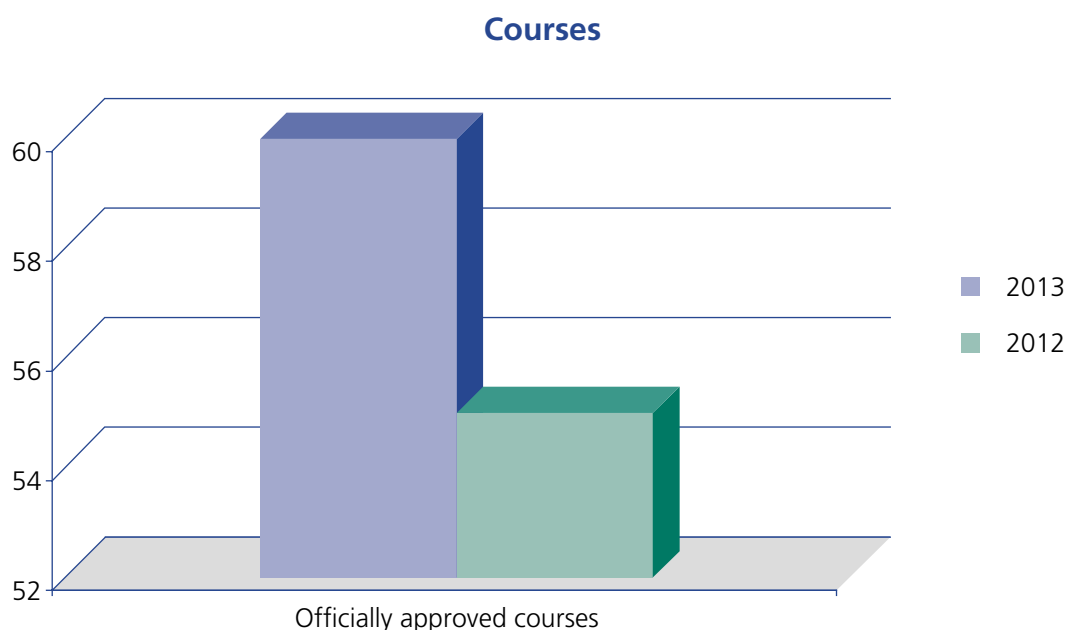
- 12 official degrees valid in the entire national territory (official university Masters Degrees), for the purposes of exemption from the first part of the ROAC access examination.

- 47 university degrees that are approved as theoretical education programmes for access to the ROAC and for the purposes of exemption by virtue of the provisions set forth in the Resolution of 12 June 2012.
- 1 theoretical education programme for access to ROAC, without providing exemption, which was approved for a corporation that represents auditors.

Within this same scope of action, official university bachelor degrees were evaluated, submitted by universities themselves for the purpose of granting generic exemption for certain subjects of theoretical training already passed to obtain said degrees. Individual requests for exemption based on official degrees were also evaluated, according to the following details:

- 17 generic exemptions for bachelor's degrees at the request of universities.
- 17 specific exemptions for official degrees from individual requests.

COURSES	2013	2012
Officially approved courses	60	55



Continuing education

In accordance with regulations, auditors must continue with and report continuing education activities, as well as provide proof thereof as from 1 October 2013 and for the period encompassed within the immediately preceding 12 months. For the purpose of this obligation, said activities must be given by recognised centres or must be individually approved, in accordance with the provisions set forth in the Resolution of 29 October 2012, thereby developing different aspects related to the continuing education obligation of auditors recorded in the Official Register of Auditors, whether they are exercising their profession or not and who provide services as employees.

In the exercise of such authority, the Accounting and Auditing Institute is responsible for recognising the centres that are qualified to give continuing education activities, as well as the determined activities to be conducted by determined activities.

Universities, organisations, groups of organisations and groups of auditors have been recognised within the scope of promoting the required continuing education, and official approval has been given to the following activities, which can be counted for the purpose of the continuing education of auditors, according to the following details:

- 2 universities recognised as centres for organising the continuing education of auditors.
- 13 recognitions of organisations, groups of organisations and groups of auditors as centres for organising the continuing education of auditors.
- 40 officially approved activities, given by eight different professional institutions or associations and public centres or institutions, in accordance with the conditions set forth in Article 23 of said Resolution.

Together with those centres, it should be pointed out that the corporations that represent auditors are recognised centres, given that it is thus set forth in Article 7 of the revised text of the Accounts Auditing Law.

Likewise, 14 requests for partial exemption of the obligation to take continuing education courses for the reporting period encompassed between 1 October 2012 and 30 September 2013 were processed and resolved.

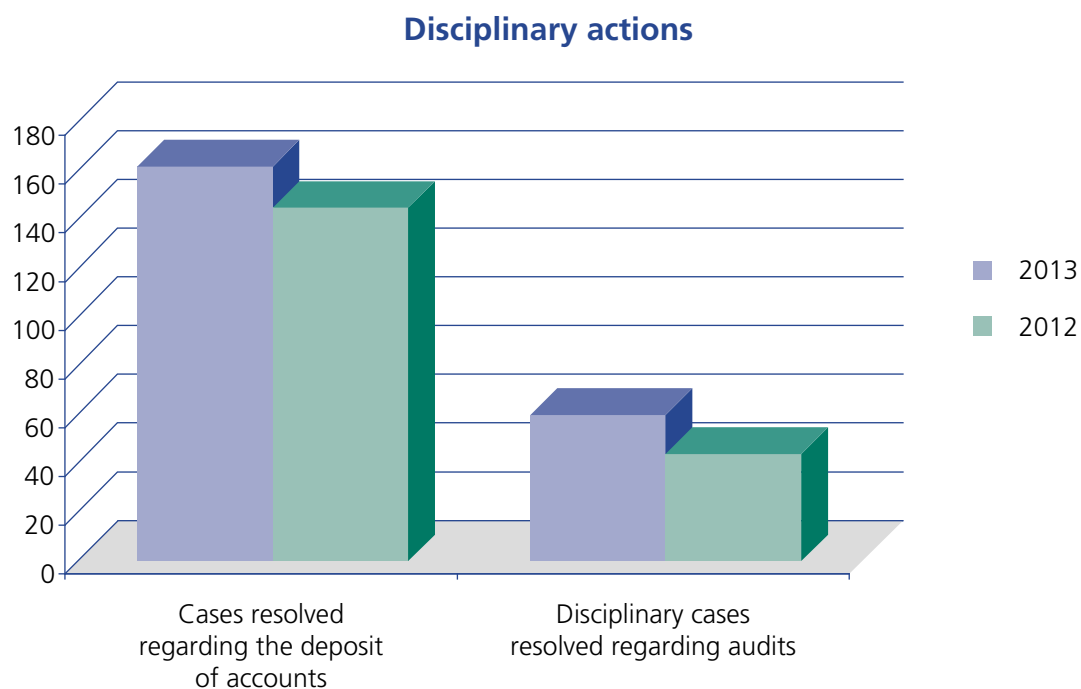
DISCIPLINARY ACTIVITIES

The following specific actions were performed in 2013 by the Sub-Directorate General of Technical Auditing Standards:

- a) Administrative penalty cases due to accounts auditing violations were processed, including the participation of 8 people from this Sub-directorate, who assisted the office of the Chairman in preparing the decisions that said office was responsible for issuing in those cases.
- b) Administrative penalty cases due to violations of the obligation to present annual accounts for deposit at the Business Register were processed, including the participation of three people from this Sub-directorate, who assisted the office of the Chairman in preparing the decisions that said office was responsible for issuing in those cases.

The number of resolved penalty cases regarding accounts auditing and the deposit of accounts increased to 60 and 162, respectively, according to the following details:

DISCIPLINARY ACTIONS	2013	2012
Cases resolved regarding the deposit of accounts	162	145
Disciplinary cases resolved regarding audits	60	44

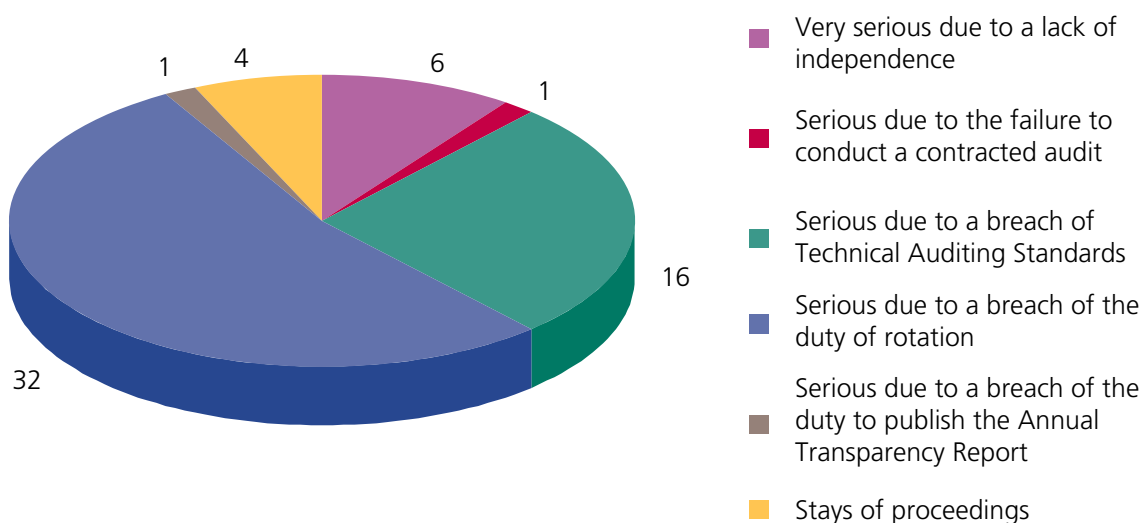


The cases that were resolved regarding accounts auditing were declared to be breaches of auditing regulations, according to the following details:

Disciplinary cases resolved regarding audits	No of cases in 2013
Very serious due to a lack of independence	6
Serious due to the failure to conduct a contracted audit	1
Serious due to a breach of Technical Auditing Standards	16
Serious due to a breach of the duty of rotation	32
Serious due to a breach of the duty to publish the Annual Transparency Report	1
Stays of proceedings (*)	4
TOTAL	60

(*) Due to death or not fulfilling the rotation parameters.

Cases 2013 year



INTERNATIONAL ACTIVITY

The Sub-Directorates General of Technical Control and Technical Auditing Standards participate jointly and on a regular basis in the international, during the year 2013, have been 30 assists to these meetings of the following organisations:

- European Union committees.
Audit Regulatory Committee (AuRC): integrated by authorities with regulatory authority regarding accounts auditing of the different Member States of the European Union. European Group of Auditors Oversight Bodies (EGAOB), Plenary meetings and EGAOB preparatory Subgroup meetings. They include the participation of authorities with regulatory authority regarding accounts auditing of the different Member States of the European Union.
- Working groups of the Council and attendance at COREPER: Participation in the process of debating the two community legislation proposals regarding accounts auditing for amending the current Directive 2006/43/EC of the European Parliament and of the Council of 7 May regarding statutory audits of annual and consolidated accounts and regarding the new Regulations that regulate the system of public interest auditors, which were presented by the Commission in November 2011. Participation was through studies, support and attendance at the meetings of the task force on the European Union Council in which debate took place.
- European Audit Inspection Group (EAIG): a working group within the scope of Europe and in which, mainly, experiences are shared regarding experiences and audit deficiencies detected in inspections and in which there is dialogue with audit firms and with issuers of international auditing and ethics standards (IAASB and IESBA).
- European Banking Group (EBG): in which several European supervisors participate, the purpose of which is to exchange experiences and inspection practices regarding audit jobs of credit institutions.
- International Forum of Independent Audit Regulators (IFIAR): with an international scope and with the objective of exchanging experiences and knowledge regarding inspections and technical auditing regulations.

Since 2012, the ICAC also forms a part of the working sub-group of the IFIAR Standards Coordination Working Group (SCWG), whose objectives include being a member of a forum in which the members of IFIAR can share experiences regarding the standards issued by standards issuing bodies, particularly including but not limited to the IAASB and the IESBA,. In this regard, the ICAC, as a member of this sub-group, has cooperated on formulating comments that the IFIAR has sent to said standards issuing bodies.

- Collegiate Associations of Regulators: founded as a result of the new structures of some European Audit Firms and with the aim of sharing information between regulatory members, as well as planning joint inspections in the near future.
- Competent authority of the United States of America (PCAOB): preparation and drafting of an addendum to the information exchange protocol that allows conducting joint inspections, signed in July 2012, the validity of which ended on 31 July 2013 and which was finally signed during July 2013. In 2013 a joint ICAC-PCAOB inspection began, in addition to the one that began in 2012.
- Cooperation with the OECD regarding application of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions: participation by the ICAC through forming a part of the delegation from the Spanish government in charge of assisting the OECD on the different phases established to verify the application of said convention: on the one hand, by forming a part of the working teams responsible for evaluating the application of said OECD Convention by Mexico; and on the other, forming a part of the working group of the Spanish government in charge of responding to the OECD survey on PMR (Product Market Regulation) indicators.

MANAGEMENT OF RESOURCES AND THE OFFICIAL REGISTER OF AUDITORS

In addition to the aforementioned activities, the ICAC performs other activities through the office of the General Secretariat. The most noteworthy of these are described below

Maintenance of the Official Register of Auditors (ROAC).

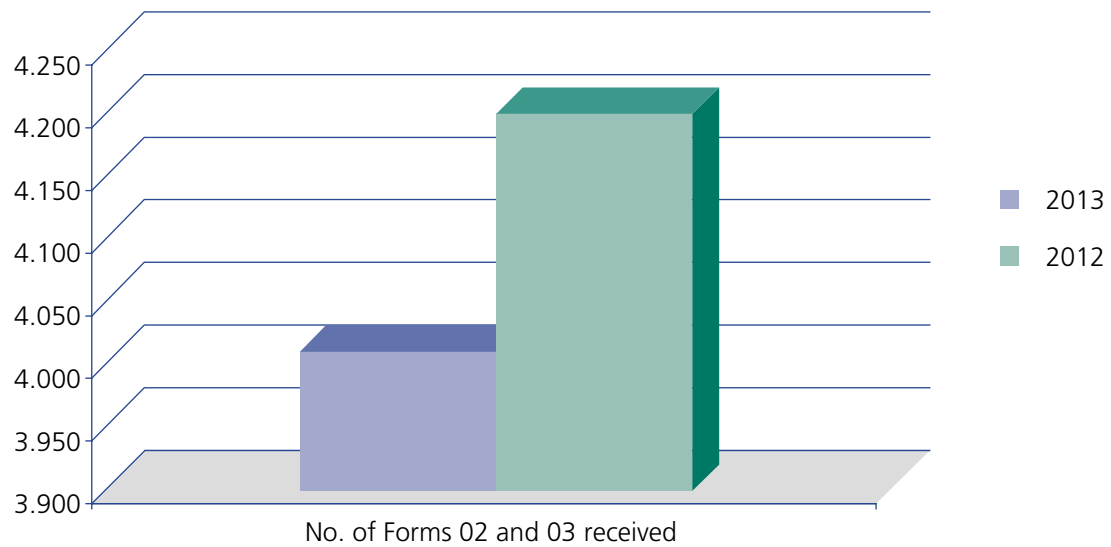
Entry into the ROAC is by means of meeting the requirements and passing the tests defined in Spanish Legislative Royal Decree 1/2011 of 1 July, whereby the revised text of the Accounts Auditing Law and implementing regulations thereof are approved, approved by Royal Decree 1517/2011 of 31 October. Only auditors who are recorded in this Register are qualified to issue official audit reports.

The ICAC performed the following activities in relation to ROAC:

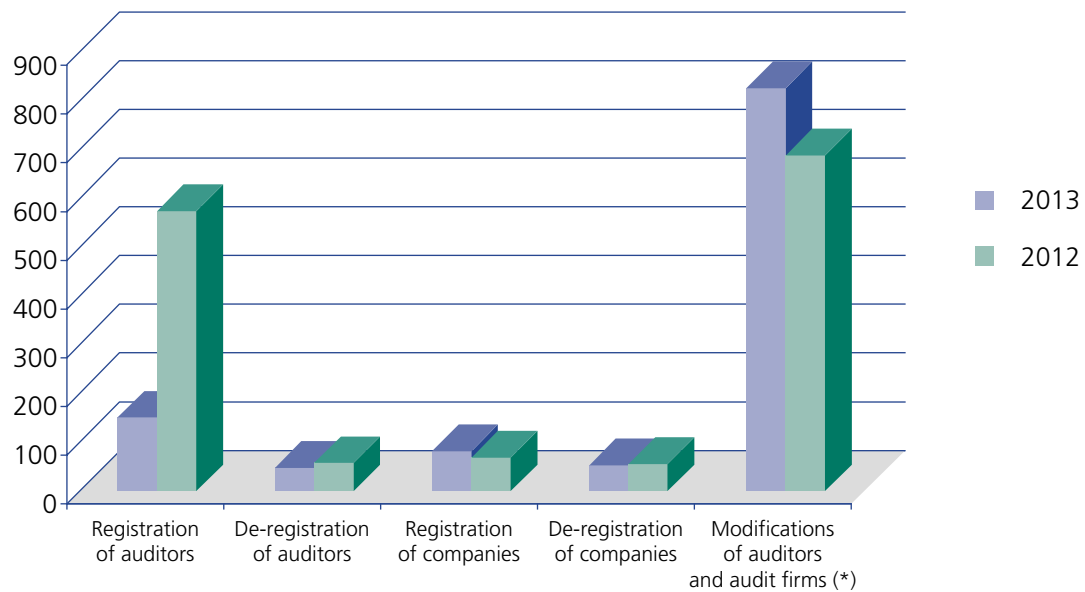
ROAC	2013	2012
No. of Forms 02 and 03 received	4,011	4,201
Modifications of auditors and audit firms (*)	827	689
Registration of auditors	151	575
De-registration of auditors	48	58
Registration of companies	82	69
De-registration of companies	53	56
Certificates issued	2,611	2,672
TASA (Art. 44 TRLAC): CROSSOVER BETWEEN FORMS 02 / 03		
Settlement proposals	568	618
Amount	258,332.37 €	296,675.51 €
Settlement proposals filed	96	104
Amount	46,740.67 €	51,886.58 €
Provisional settlements	387	512
Amount	145,018.03 €	243,233.30 €
Revenue from proposals or settlements	702	402
Amount deposited	137,365.60 €	148,876.50 €
Late payment surcharge (Art. 27 LGT)		
No. of surcharges	486	464
Amount deposited	20,385.53 €	8,036.72 €
Enforced tax collection		
Debts sent to the Spanish Inland Revenue for enforced tax collection	138	123
Amount	86,094.24 €	67,649.51 €

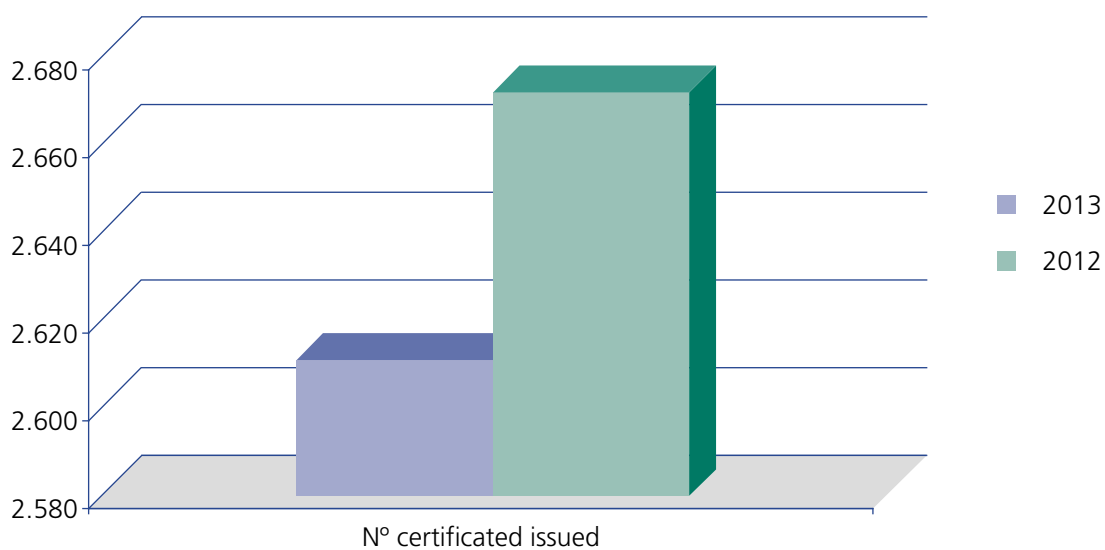
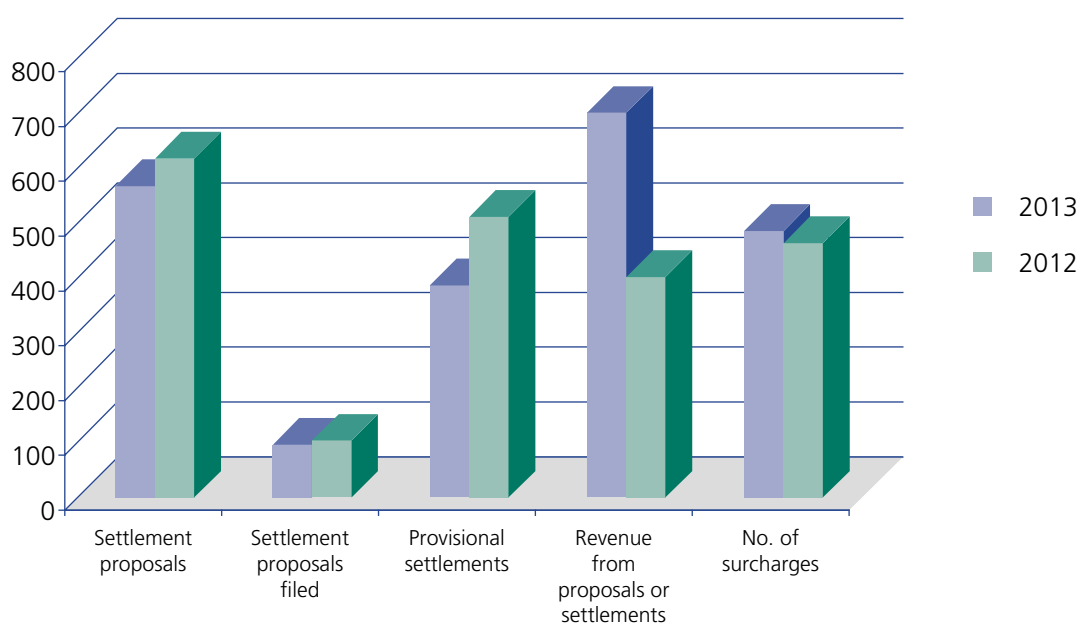
(*) Changes to the auditors' registered addresses are not reflected in the ROAC database, which means that the specific number of changes made cannot be determined.

Information submitted by auditors and companies

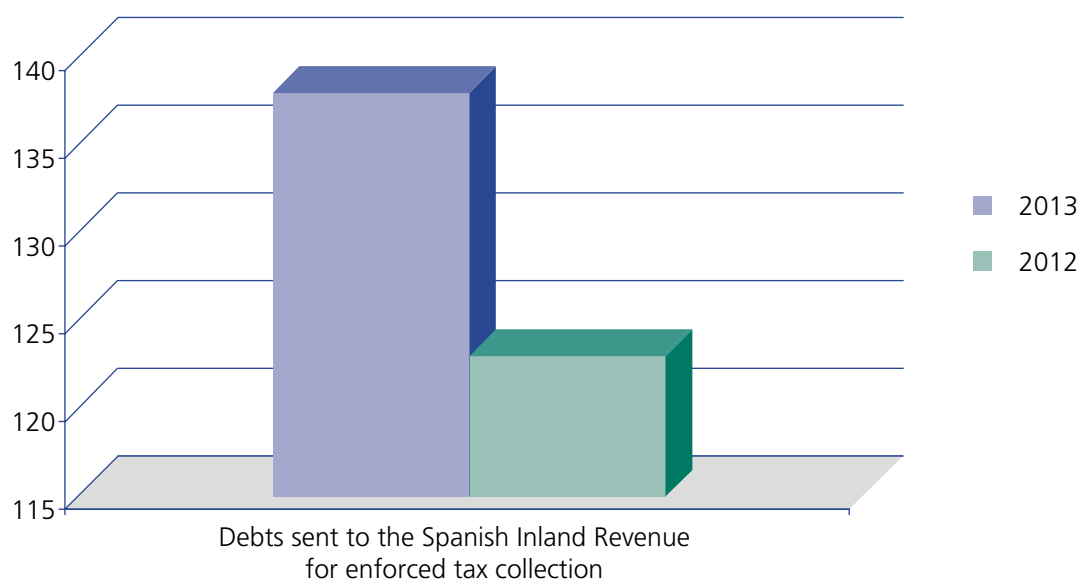


The Official Register of Auditors



Certificated issued**Rate management**

Revenue for enforced tax collection

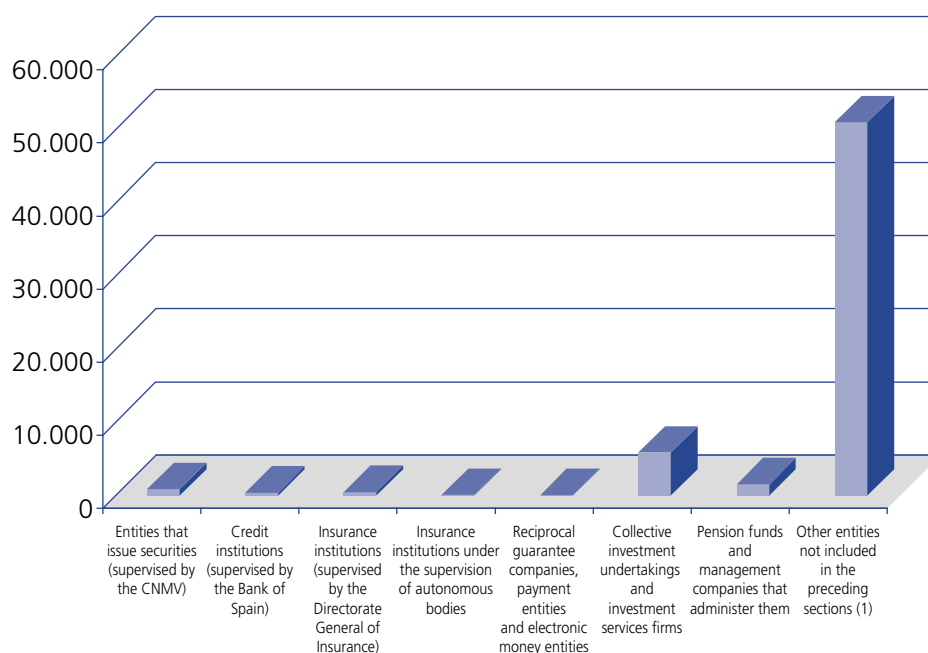


Practising auditors and auditing companies declared a total of 60,369 auditing jobs to the ROAC in 2013

The breakdown by type of audit is as follows:

AUDITING JOBS	NUMBER	%
Entities that issue securities (supervised by the CNMV)	879	1
Credit institutions (supervised by the Bank of Spain)	408	1
Insurance institutions (supervised by the Directorate General of Insurance)	469	1
Insurance institutions under the supervision of autonomous bodies	92	0
Reciprocal guarantee companies, payment entities and electronic money entities	63	0
Collective investment undertakings and investment services firms	5,857	10
Pension funds and management companies that administer them	1,545	2
Other entities not included in the preceding sections (1)	51,056	85

Audit jobs



Electronic administration

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

In accordance with the provisions set forth in Law 11/2007, on 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 their 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 legislation in force, through systems that enable obtaining such information and services in a way that is secure and easy to understand and that guarantee universal accessibility and a design that can accommodate all media, channels and environments in order to ensure that everyone can exercise their rights under equal conditions, therefore incorporating elements to guarantee accessibility by certain groups as needed. The address of the electronic website of the Accounting and Auditing Institute is: <http://icac.gob.es>

Regulatory Projects and the Audit Committee.

During this period, 19 reports of the General Secretariat were drafted, in addition to three written letters of complaints and six sessions of the Auditing Committee.

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

Regarding this aspect, the quarterly publication of the ICAC, the Official Bulletin of the Institute (BOICAC), represents the dissemination of relevant aspects regarding accounting and auditing. There is also a website with the most relevant regulatory information, as well as consultations on accounting and auditing topics published in the Institute's Journal for general information purposes.

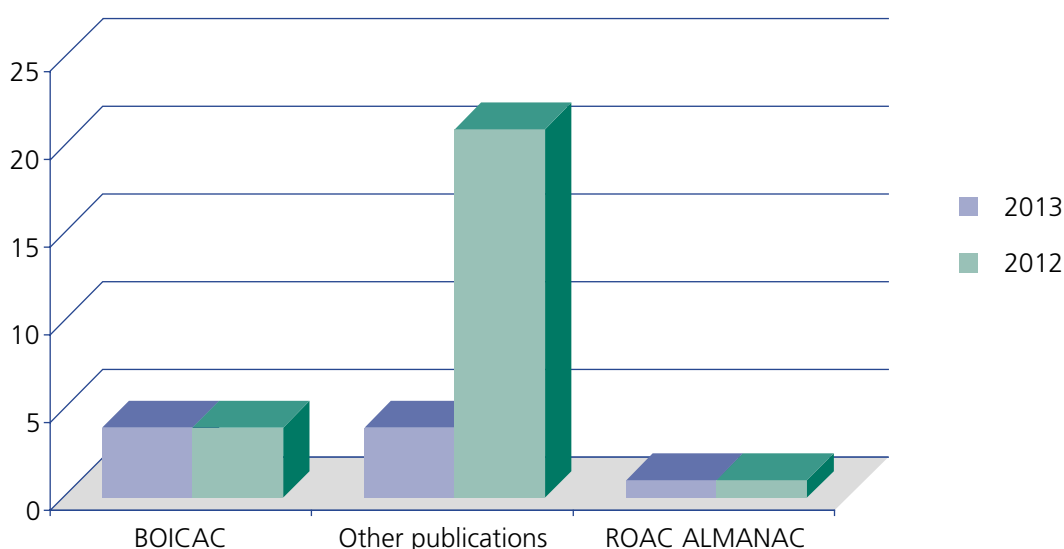
Another study published every year refers to the Auditing Situation in Spain. According to the report on the Auditing Situation in Spain in 2013, published in edition 97 of BOICAC number 97 (March 2014), the number of practising auditors was 4,229, of whom 2,542 worked as independent contractors and 2,742 worked for companies (1,060 auditors are both partners and practising auditors). The number of firms registered in the ROAC stood at 1,411.

A total of 9,927,083 hours were invoiced, 9,286,604 of which were billed by auditing firms and 640,180 by auditors working as independent contractors.

In brief, the specific actions developed in 2013 in this area in comparison with the year before were as follows:

PUBLICATIONS	2013	2012
BOICAC	4	4
Other publications	4	21
ROAC ALMANAC	1	1

Publications



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

- Resolution of the Call for the "José María Fernández Pirla" Accounting Research Projects Award (21st Edition), the "Carlos Cubillo Valverde" Award for Short Research Works on Accounting (16th Edition), the "ASEPUC" Award for Doctoral Theses (9th Edition) and the 2nd "ASEPUC" Award for Master's degree final projects (BOICAC No 94/June/2013).
- Call for the "José María Fernández Pirla" Award for Accounting Research Projects (22nd Edition), the 10th "ASEPUC" Award for Doctoral Theses, the "Carlos Cubillo Valverde" Award (17th Edition) for the best paper published in the Accounting Journal and the 2nd "ASEPUC" Award for Master's degree final projects (BOICAC No 96/December 2013).

In 2013, for the purpose of disseminating award-winning works in different years, this institution has continued to use digital support for awarded titles. These works are available online at the ICAC's web page.

Likewise, online and free access to the BOICACs is emphasised as printed copies run out.

Searches for the published information they include is also streamlined through a chronological index and an index by subject, which is available to the public at this institution's web page.

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, thereby constituting one of the largest lists of bibliographic titles in the fields of auditing and accounting

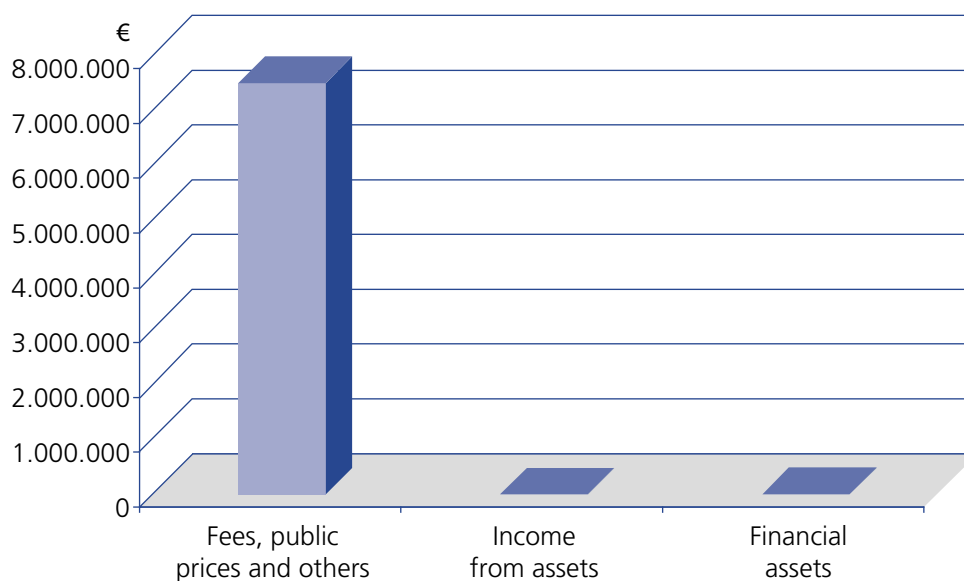
ECONOMIC-FINANCIAL INFORMATION

Economic data.

In 2013, the ICAC earned total revenue of 7,513,010.60 Euros, which is broken down in the table below:

Chapter	Implementation of revenue budget 2013	€	%
III	Fees, public prices and others	7,505,073.33	99.90
V	Income from assets	227.80	0.00
VIII	Financial assets	7,709.47	0.10
TOTAL		7,513,010.60	100.00

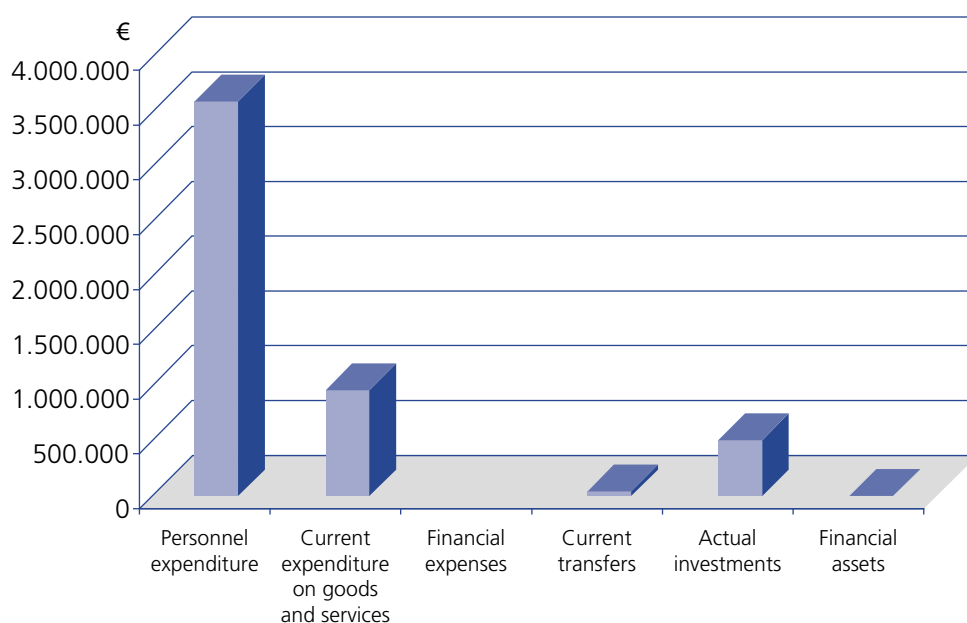
Implementation of revenue budget 2013



In 2013, recorded expenses amounted 5,124,564.02 Euros, as outlined below:

Chapter	Implementation of expense budget 2013	€	%
I	Personnel expenditure	3,559,016.73	70.23
II	Current expenditure on goods and services	966,896.31	18.87
III	Financial expenses		
IV	Current transfers	45,790.00	0.89
VI	Actual investments	509,522.16	9.94
VIII	Financial assets	3,338.82	0.07
TOTAL		5,124,564.02	100.00

Implementation of expense budget 2013



Financing sources

The main source of financing of the ICAC's budget is through the fee for issuing accounts auditing reports, in addition to revenue from sales of publications. The difference is financed with the cash flow surplus. The Institute has managed without current transfers and capital transfers as a source of financing in 2013.

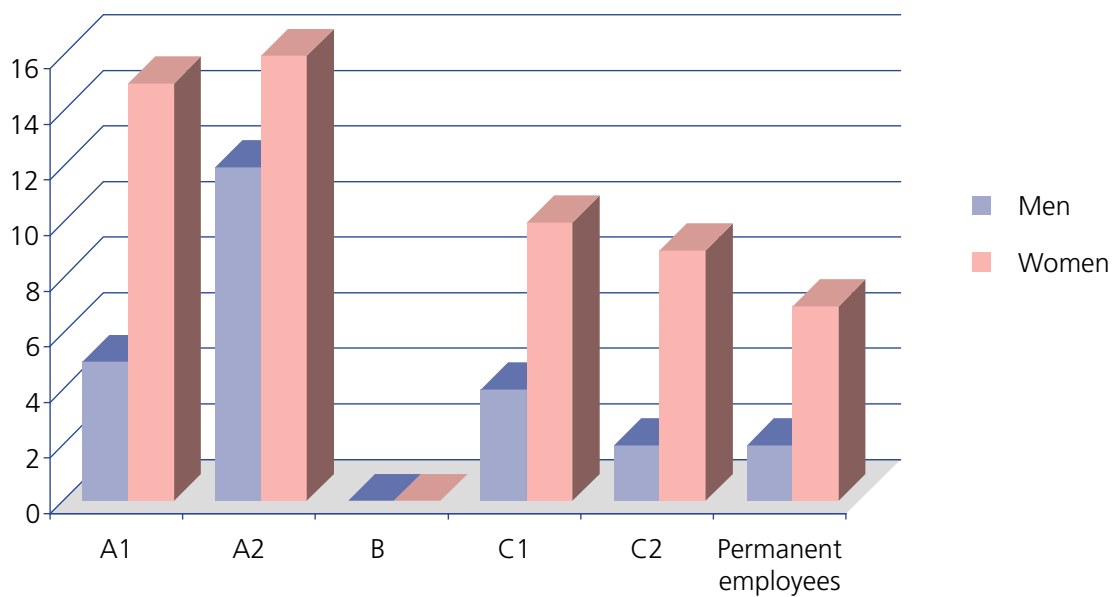
According to Article 44 of the revised text of the Accounts Auditing Law approved by Spanish Legislative Royal Decree 1/2011 of 1 July, all practising auditors and audit firms registered in the ROAC who issue audit reports must pay this fee. The revenue from these fees is considered to be the ICAC's budgetary income and is used to finance the cost of overseeing and supervising the auditing profession.

Human resources

The means used by the ICAC to carry out its functions in 2013 were the following:

TYPES OF PERSONNEL	MEN	WOMEN	TOTAL
SENIOR POSTS		1	1
OFFICE TEMPORARY PERSONNEL	0	0	0
CIVIL SERVANTS			0
Group A1	5	15	20
Group A2	12	16	28
Group B	0	0	0
Group C1	4	10	14
Group C2	2	9	11
Professional groups	0	0	0
TOTAL	23	50	73
OTHER PERSONNEL:			0
Contracted administrative employees	0	0	0
Miscellaneous personnel (1)	0	0	0
TOTAL	0	0	0
NON-STATUTORY STAFF			0
Chap. I Permanent	2	7	9
Cap. I Temporary	0	0	0
Chapter VI	0	0	0
TOTAL	2	7	9

Civil servants and employees





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