



**i/c/a/c/** Instituto de Contabilidad y  
Auditoría de Cuentas

# Annual Activity

## Report 2023





Annual Activity Report 2023

**Accounting and Auditing Institute**

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Sections



Letter of presentation	10
Executive summary	13
SECTION 1 Introduction	19
SECTION 2 Accounting Area	23
SECTION 3 Audit Area	39
SECTION 4 Account Deposit	69
SECTION 5 Organisation and Management of ICAC	72
SECTION 6 Events in 2023 in which the ICAC has participated	86
SECTION 7 Communication with citizens	95

# Table of contents

Letter of presentation from the President of the ICAC	10
Executive summary of the Annual Activity Report 2023	13
1 Introduction	19
1.1 The Accounting and Auditing Institute	19
1.2 Strategy	20
1.3 Governing Bodies	20
1.4 Organic Structure	21
2 Accounting Area	23
2.1 Introduction	23
2.2 Regulatory Activity	25
2.3 Attending to queries	25
2.4 International Activity	28
2.5 Corporate Information Council, Accounting Advisory Committee and Sustainability Advisory Committee	33
2.6 Sustainability Reporting	35
2.7 Collaboration with other Agencies and Institutions	36
3 Audit Area	39
3.1 Introduction	39
3.2 The Audit Sector in Spain	39
3.3 Audit Regulation	42
3.4 Activity Control: Investigations and Inspections	45
3.5 Disciplinary Activities	57
3.6 Interpretation Criteria and Guidelines Published	60
3.7 Attending to queries	61
3.8 International Activity	62
3.9 The Audit Committee	66
4 Account Deposit	69
4.1 Obtaining the number of non-compliant entities from the lists received from the Commercial Registers	69
4.2 Disciplinary Actions	69
4.3 Resolution of queries	70

5	Organisation and Management of ICAC	72
5.1	Organisational Structure	72
5.2	Human Resources and Official	75
5.3	Information and Communications Technologies (ICT)	78
5.4	Economic-Financial Management	80
5.5	Contracting	82
5.6	Research and Dissemination Activities	82
6	Events in 2023 in which the ICAC has participated	86
6.1	Conference: "Sustainability: Transparency and Social Responsibility of Companies"	86
6.2	Annual Meeting of IFIAR Standards Coordination Working Group	86
6.3	Commemorative Event for the 50th anniversary of the General Accounting Plan	88
7	Communication with citizens	95
7.1	Complaints and Suggestions	95
7.2	Claims	95
7.3	Transparency Website	95
7.4	Consultations and reports issued	95

# Index of tables and charts

TABLE 1	The evolution of queries in the period 2021-2023	26
TABLE 2	Mandatory reports (2021-2023)	36
TABLE 3	Auditors and Audit firms registered in the ROAC	40
TABLE 4	Admissions and withdrawals in 2023	40
TABLE 5	Distribution of entities reporting to the ICAC in 2023	40
TABLE 6	Requests and queries processed in ROAC	41
TABLE 7	Audit Fees	41
TABLE 8	Regulatory actions on auditing in 2022 and 2023	43
TABLE 9	Summary of the number of control activities carried out in 2023	46
TABLE 10	Inspections of auditors in 2022 and 2023	47
TABLE 11	Total engagements inspected in the years 2022 and 2023	48
TABLE 12	Elements of the quality control system	49
TABLE 13	Requirements made in the inspection of audit engagements	54
TABLE 14	Investigation and verification actions in the financial year 2023	55
TABLE 15	Infringements included in the sanctioning proceedings resolved in the area of auditing in the financial year 2023-2022	57
TABLE 16	ISA not complied with during the financial year 2023-2022	58
TABLE 17	Cases resolved in the financial year 2023-2022	59
TABLE 18	Fines imposed in 2023	60
TABLE 19	Appeal reports during the financial year 2023-2022	60
TABLE 20	Queries processed in the years 2021, 2022 and 2023	61
TABLE 21	Appeals report in the financial year 2022 and 2023	69

TABLE 22	ICAC staff at the close of the financial year 2023	75
TABLE 23	Civil servant staff at the close of the financial year 2023	76
TABLE 24	ICAC fees and earnings in the year 2023	81
TABLE 25	ICAC expenditure during the financial year 2023	81
TABLE 26	Summary of Procedures	96
CHART 1	Organisation chart of the Accounting and Auditing Institute	21
CHART 2	Types of oversight actions	45
CHART 3	Compliance with the Control Plan	47
CHART 4	Elements of the internal quality control system of auditors and audit firms	48
CHART 5	Infractions and cases sanctioned in 2023	57
CHART 6	Non-compliant ISA by series	59
CHART 7	Files related to PIE and Non-PIE audit engagements in the year 2023	59
CHART 8	Organisation chart of the General Secretariat	72
CHART 9	Organisation chart of the General Subdirectorate of Standardization and Accounting Technique	73
CHART 10	Organisation chart of the General Subdirectorate of Technical Standards on Audit	73
CHART 11	Organisation chart of the General Subdirectorate of Technical Control	75

# Letter of presentation

## *from the President of the ICAC*

**Santiago Durán Domínguez**

*President of the Accounting and Auditing Institute*

Madrid 2024

The year 2023 will remain in the memory of all of us who have a direct link with the Accounting and Auditing Institute (ICAC) because it is the year in which we celebrate the 50th anniversary of the first General Accounting Plan and the 35th anniversary of the creation of the ICAC, which took up the torch of the Accounting Planning Institute, created in 1976 and whose main purpose was to adapt the General Accounting Plan of 1973 to the economic sectors that required it.

This General Accounting Plan, published in the BOE of 2 April 1973, was the starting point for accounting standardization in Spain. When discussing it, it is essential to highlight the significant role played by its driving force, Carlos Cubillo Valverde, who, in addition to chairing the Accounting Planning Institute, was the first president of the ICAC.

The Accounting Planning Institute was born as the organization in charge of the accounting standardization. The subsequent entry of Spain into the European Economic Community made it necessary to transpose the different accounting and audit directives, creating a new regulatory framework which included the Law 19/1988 on Auditing, of 12 July.

Also, the Law on Auditing of 1988 eliminated the Accounting Planning Institute. Its competences were taken by the ICAC, created by this law. Hence, the ICAC was born in 1988 as the accounting regulator and supervisor of the audit activity.

Coinciding with the 35th anniversary of its creation and the 50th anniversary of the first General Accounting Plan, several actions have been carried out to give it the recognition it deserves. Thus, a commemorative book has been published in 2023, the 50th anniversary of the General Accounting Plan: The development of financial information in Spain (1973-2023), which is an overview of the impact of this standard from different points of view and an acknowledgement of the authority and relevance that this accounting and financial reporting standard has achieved for companies, public administrations, financial supervisors and for the education system in Spain. In addition, a commemorative event was organised at the Ateneo de Madrid on 27 November in the presence of the First Vice-President of the Spanish Government, Nadia María Calviño Santamaría.

Another very important activity carried out during the previous year was the collaboration of the ICAC with the Ministry of Economic Affairs and Digital Transformation in the success of the event "Sustainability: Transparency and Social Responsibility of Companies", which took place in March and whose objective was to disseminate the requirements derived from the Directive on corporate sustainability reporting approved in 2022.



However, the purpose of disseminating corporate information has not diverted us from fulfilling the organisation's objectives, which are mainly linked to ensuring the highest quality of corporate reporting in Spain. This can be seen in the results of the activities carried out during 2023 and included in this report.

In particular, the intensive interpretative work continued in the area of accounting, with a significant increase in the number of queries resolved, in particular on the application of the Ninth Registration and Valuation Standard.

In the area of corporate sustainability reporting, the ICAC has assumed responsibility for the preparation of the standard transposing the Directive (EU) 2022/2464 of the European Parliament and of the Council, of 14 December 2022. In this way, the ICAC prepared the draft of the law regulating the framework for corporate reporting on environmental, social and governance issues, and in 2023 the public hearing phase was completed following the approval of the text in the first round of the Council of Ministers.

ICAC also continued to participate in the various Boards of the European Financial Reporting Advisory Group (EFRAG). In particular, this year it is worth highlighting the intense work carried out in the sustainability pillar to comply with the mandate that the EFRAG received from the European Commission to become the issuer of the European Sustainability Reporting Standards (ESRS), which were finally approved in the form of a delegated act last July.

In the field of auditing, corporate sustainability reporting is also having a significant impact. This Directive plans for a verification model analogous to that of auditing, and this has consequences for the ICAC activity from a regulatory point of view and in the very near future in supervisory activity.

These new tasks are added to the work already being carried out, which during 2023 has been reflected from a regulatory point of view in such significant issues as the publication of the Technical Standard on Auditing, the result of the adaptation of the International Standard on Auditing for application in Spain: ISA-ES 600 (revised), Special Considerations Audits of Group Financial Statements (including the work of component auditors).

The year 2023 marked the definitive consolidation of a supervisory practice that has made it possible to achieve a very significant number of supervisory actions, especially if we take into account the means available. In addition, the positive impact of the increase in the number of inspections can also be seen, as the number of requirements is decreasing in those cases where several inspection cycles have been completed. This highlights the positive effect of having a consistent supervisor as a mechanism to ensure the improvement of audit quality, which is an essential aspect to enhancing confidence in corporate reporting in Spain.

In a globalised economic environment, monitoring at the local level must be complemented by coordination at the international level. For this reason, the ICAC's work at international level is fundamental and is reflected in the field of auditing through its participation in the Committee of European Auditing Oversight Bodies (CEAOB) and the International Forum of Independent Audit Regulators (IFIAR).

At the ICAC we are aware of the importance of collaboration with all those affected by corporate reporting and, due to the significant regulatory changes that are taking place, we consider it essential to work on disseminating information within our scope of action, which has various manifestations including the promotion of transparency through the website and the participation of the management staff in nearly one hundred events to raise awareness of the regulatory changes that issuers and verifiers are facing.

ICAC's responsibilities and demands have increased over the years and the efforts of all its staff have made it possible to respond to them. However, after 35 years, it seems clear that ICAC must evolve and increase its resources to be able to respond to a corporate reporting framework in which aspects such as sustainability and digitalisation require different responses from regulators to guarantee the reliability of the information that is essential for Spain's economic growth.



# **Executive summary**

## *of the Annual Activity Report 2023*

### **Accounting**

In the area of corporate reporting, the ICAC's regulatory activity has focused mainly on the transposition into national law of Directive (EU) 2022/2464 of the European Parliament and of the Council, of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. This transposition process is currently underway in the context of the draft of the law regulating the framework for corporate reporting on environmental, social and governance issues, having completed the public hearing phase following the approval of the text in the first round of the Council of Ministers.

At the European level and as a continuation of the work of ICAC, which was part of the group of experts in the European Council during the negotiation of the Sustainability Directive, in representing the Spanish position, this year the Institute participated in the meetings organised by the European Commission to facilitate the work of the different Member States in the transposition of the Directive.

With regard to the regulatory activity in relation to financial reporting in 2023, work continued on the Draft Resolution of the Spanish Institute of Accounting and Auditing developing the concept of a group of companies and the rules for recording, valuation, and preparation of annual accounts to count the transactions between group companies. The objective is to specify the concept of group company, the definition of business, to complete the development of the PGC, the PGC-PYMES and the NOFCAC on transactions between group companies, and to review the numerous interpretations published by the ICAC on this matter with the aim of improving the systematics of the accounting regulations on this subject. This project is a challenge for ICAC due to its complexity and uniqueness in international comparative law, as it has not generally been addressed by other national regulatory frameworks or international standards, especially as the IASB has decided to abandon its project on business combinations under common control this year.

ICAC continues to participate intensively in international corporate reporting standard-setting forums, in particular at the European level in the different EFRAG (European Financial Reporting Advisory Group) Boards, both in the financial reporting pillar and in the sustainability reporting pillar. ICAC also participates in forums of national regulators globally, addressing the activities of both the IASB in financial matters and the recently established ISSB in sustainability matters, both of which are part of the IFRS Foundation.

Through the ICAC's international activity in accounting matters, the EU-IFRS are constantly being analysed and studied in order to make decisions to armonish national regulations with international standards. Likewise, the ICAC has an increasingly active presence in international forums, which favours participation in draft regulations from their most preliminary stages, achieving greater influence in decision-making and in the final result of these drafts.

In relation to EFRAG, during this financial year the ICAC has continued to provide both technical and financial support in the two pillars in which EFRAG operates: financial and sustainability matters. This year it is worth highlighting the intense work carried out in the

sustainability pillar to comply with the mandate of the European Commission to become the issuer of the European Sustainability Reporting Standards (ESRS), as established by the Corporate Sustainability Reporting Directive (CSRD). This Spanish support for EFRAG means that the ICAC is represented in EFRAG with voice and vote, both in the Financial Reporting Board and in the Sustainability Reporting Board. Furthermore, the ICAC is also represented on EFRAG's new Administrative Board, over and above the two previous boards, with the president of ICAC assuming the status of member of it.

The current context of corporate reporting, in which sustainability reporting has been incorporated from a new approach putting it on the same level with traditional financial reporting, has accelerated in 2023. This trend is clearly reflected in the intense regulatory activity of EFRAG, which has been surpassing the milestones set by the European institutions, and in the publication of sustainability standards by the ISSB with a twin structure to the well-known IASB.

The ICAC, aware of this paradigm shift in corporate reporting, last year promoted the creation of a support mechanism to form the Spanish position on sustainability reporting in order to be able to communicate it appropriately in the process of collaboration with EFRAG. This mechanism has taken into account the representation of all interested parties on a permanent basis in order to be able to develop its role in the future process of updating and improving, in the medium and long term, the standards already approved and those yet to be approved, as is currently done in relation to accounting and auditing standards in the ICAC Committees. For this reason, the new Sustainability Advisory Committee was created, comprising representatives of the preparers of sustainability information, Spanish supervisors using the information, representatives of the competent ministries and auditors, all of them experts in sustainability with a view to contributing to the appropriate formation of the Spanish position in Europe.

The Sustainability Advisory Committee, created by Royal Decree-Law 20/2022, of 27 December, on measures to respond to the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability, began its work this year. The creation of this new committee has led to the disappearance of the Accounting Board, which has been renamed "Corporate Reporting Board". It incorporates the functions of a governing body on financial and sustainability reporting.

## Auditing

During 2023, the Technical Standard on Auditing resulting from the adaptation of International Standards on Auditing for application in Spain, Special Considerations–Audits of Group Financial Statements (including the work of component auditors), ISA-ES 600 (Revised), was published. The updating of the Technical Standards on Auditing, resulting from the adaptation of the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, resulting from the adaptation of the International Standards on Quality Management 1 and 2 for their application in Spain (ISQM 1-ES and ISQM 2-ES) and the Glossary of Terms, resulting from the adaptation of the one published together with these International Standards for their application in Spain, have also been submitted for public information.

Of the rest of the actions related to the audit regulation, once again this year stand out, in terms of volume, the consultations on specific aspects of the application of the auditing of accounts regulations and on the obligation to file accounts and the applicable penal-

ty regime. Regarding supervisory activities, after years of modernising the organisation in the inspection and investigation areas and their procedures with the aim of increasing the number of annual actions carried out, in 2023 this modernisation initiative has been consolidated and, as a result, this year the number of inspections, investigations and verifications has achieved a significant increase compared to the starting point in 2020 which has been maintained with respect to the previous year. Within these control activities, the areas for improvement identified in 2023 are generally recurrent with respect to those identified in previous years. In the actions carried out, the number of requirements for improvement is reduced in cases where several inspection cycles have been carried out on the same firm, which shows the preventive effect of the inspections and the efforts made by the firms to improve the quality of the audits. This effort can also be seen in the follow-up of recommendations made since 2022, with regard to the requirements for improvement contained in the inspection reports. The areas of independence and the monitoring of the quality control system continue to be highlighted as areas on which auditors should particularly focus their efforts to improve the internal quality control system.

Furthermore, in 2023 work continued on the development of risk-based supervision, which aims to improve the planning of the ICAC's actions and the efficiency of control activities and to strengthen the preventive nature of supervision. During this financial year, work continued on the preparation of the Economic and Financial Bulletin to assist audit supervision and work was stepped up to improve the use of the information reported by auditors to the ICAC and other available information.

In addition to the above, the ICAC continues to prioritise activities that contribute to improving transparency and facilitating compliance of standards by auditors and audit firms. However, during the financial year 2023, it has not been considered necessary to publish of supervisory expectations on any aspects of auditing that could be considered relevant due to the economic context.

In relation to the international area, the report highlights the main activities carried out in the international forums in which the Institute participates, through the Committee of European Auditing Oversight Bodies (CEAOB) and IFIAR (International Forum of Independent Audit Regulators), notably the preparation of comment letters on the draft International Standard on Auditing 500 Audit Evidence (revising ISA 500) and on the draft standard amending ISA 570 on Going Concern, in the area of auditing standards. It also highlights the preparation of a comment letter in relation to the IAASB's project to prepare the International Standard on Sustainability Assurance (ISSA 5000), which sets out the general requirements for sustainability reporting verification work and the proposed amendments to other standards issued by IFAC.

It should also be noted that in its international activity, ICAC has continued to lead one of the CEOB sub-groups, the Market Monitoring Sub-Group, which during 2023 has completed the preparation of the Joint Report on developments in the EU market for statutory audit services to public interest entities from 2019 to 2021 which had been entrusted to it by the European Commission, in accordance with Article 27 of Regulation (EU) No 537/2014.



### **Verification of sustainability reporting**

In the regulatory field, ICAC has prepared the draft of the law regulating the framework for corporate reporting on environmental, social and governance issues for the transposition of Directive (EU) 2022/2464, of the European Parliament and of the Council of 14 December 2022, amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. This draft aims to improve the framework for the presentation and verification of sustainability reporting and involves the amendment of the Commercial Code, the revised text of the Law of Capital Companies, approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing, and its implementing regulations approved by Royal Decree 2/2021, of 12 January.

### **Financial Management and organisation**

The year 2023 was a year of celebration for the ICAC. Firstly, we have celebrated the 35th anniversary of Law 19/1988, of 12 July, on Auditing, which created the Accounting and Auditing Institute; secondly, it has been the 50th anniversary of the first General Accounting Plan of 1973, which marked the beginning of the accounting standardisation in our country.

To celebrate this last anniversary, on 27 November the ICAC organised a commemorative event in the Sala Cátedra of the Ateneo de Madrid. We had the honour of sharing the path of

the General Accounting Plan with people from the university, the Public Administration and companies, and especially with the First Vice-President and Minister of Economic Affairs and Digital Transformation, Nadia Calviño Santamaría, and the Undersecretary of the Ministry of Economic Affairs and Digital Transformation, Amparo López Senovilla.

With regard to the activities carried out by the ICAC during the year 2023, work continued on the verification of the annual activity declarations for the financial years 2020 and 2021 made by auditors and audit firms in relation to the ICAC fee for the control and supervision of the audit activity, resulting in the corresponding debt claims, surcharges for late payments, penalties, and also communication of discrepancies in data due to possible undue income. In total, more than 1,800 files have been opened.

The Official Register of Auditors (ROAC) has continued to serve auditors and audit firms by increasing its efficiency in handling each application. In this regard, the ROAC has processed 711 consultations, 604 certifications and 4,426 procedures in 2023.

In addition, during 2023 work has continued on the digitalisation of the organisation highlighting the continuity in the implementation of the procedures for the management of the tax through the Agency's website (Acceda). The result of this work has been the completion and availability at the website of procedures such as economic-administrative claims and the presentation of allegations at the website, joining those already implemented in 2022 (the refund of undue income, both at the request of a party and ex officio, due to discrepancy of data, the request for deferment/ fractionation of debt or the lodging of an appeal for reconsideration).

Finally, the ICAC's IT Unit continued to implement the lines of action of the ICAC's Digital Transformation Plan, which is aligned with the Digital Administration and Digital Public Services strategy set out in the "Plan for the Digitalisation of Public Administrations 2021- 2025".





# Introduction

# 1 Introduction

## 1.1 The Accounting and Auditing Institute

The Accounting and Auditing Institute (ICAC) is an autonomous body created by Law 19/1988, attached to the Ministry of Economy, Commerce and Business through the undersecretary, which is governed by the laws and general provisions applicable to it and, in particular, by the provisions of Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, as well as by what is specifically established in Law 22/2015, of 20 of July, on Auditing (hereinafter, LAC), in the Regulations for its development, approved by Royal Decree 2/2021 (hereinafter, RAC), and in its Statute, approved by Royal Decree 302/1989.

In accordance with the aforementioned regulations, the Accounting and Auditing Institute has two main blocks of functions, on the one hand, those relating to accounting standardisation and, on the other hand, those relating to auditing of accounts.

In the area of accounting regulation, the ICAC's competences are set out in article 2 of its statute:

- The performance of technical work and the proposal of the General Accounting Plan adapted to European regulations and to the laws regulating these matters, as well as the approval of the adaptations of this Plan to the different sectors of economic activity.
- Establishing the criteria for the development of those points of the General Accounting Plan and the sectorial adaptations thereof that are deemed appropriate for the correct application of these regulations, which shall be published in the Institute's Bulletin.
- The permanent improvement and updating of accounting planning, to which end it shall propose the legislative or regulatory modifications necessary to harmonise them with the provisions of the European Union or in accordance with accounting progress.
- To carry out and promote the research, study, documentation, dissemination, and publication activities necessary for the development and improvement of accounting standardisation.
- Coordination and technical cooperation in accounting matters with international organisations, in particular with the European Union, as well as with national bodies, whether they are public law corporations, associations or dedicated to research.

In the field of auditing, in accordance with the provisions of article 46 of the LAC, the ICAC is the authority responsible for the public supervision system and, in particular, for the following functions:

- The authorisation and registration of auditors and audit firms in the Official Register of Auditors. This registration is a necessary condition for the practice of auditing in Spain, and the ROAC reports to the ICAC.
- The adoption of rules on ethics, internal quality control standards in auditing activities and technical auditing standards under the terms of this law, as well as the supervision of their proper compliance.
- The continuous training of auditors.
- Regular monitoring of the evolution of the auditing services market in the case of public interest entities.
- The disciplinary regime.
- The system of inspections and investigations.

On the other hand, Article 283 of the Consolidated Text of the law on Capital Companies confers on the ICAC the power to impose penalties in the event of non-compliance by the administrative body of the companies with the obligation to file the annual accounts within the established period.

## 1.2 Strategy

During 2023, the ICAC has continued with its mission to generate confidence and security in the economy by providing an appropriate regulatory framework to guarantee the reliability of financial information, from the point of view of its formulation (accounting) and from the point of view of its verification (auditing), acting as the main driving force for quality in the exercise of the auditing activity carried out in Spain.

Likewise, this Institute has continued during 2023 with the objective of modernising itself through the materialisation of certain specific actions, both in terms of digitalisation and in terms of accounting regulation and supervision of the exercise of the auditing activity. The ICAC's values must be borne in mind to ensure that all its activities are aimed at achieving its mission under the highest standards of behaviour of the institution and of its staff.

To perform the functions entrusted to it, the ICAC establishes its audit activity action plans on an annual basis. In the year 2023, the Control Plan was published on the ICAC's website and its main lines of actions were set out.

In compliance with the provisions of article 61 of the LAC, the ICAC publishes this Activities Report, as well as the general results and conclusions reached in the inspections of auditors' quality control systems carried out in 2023.

## 1.3 Governing Bodies

Article 106 of Royal Decree-Law 20/2022, of 27 December, on measures in response to the economic and social consequences of the war in Ukraine and support for the reconstruction of the island of La Palma and other situations of vulnerability has amended Law 22/2015, of 20 of July, on Auditing, which has given rise to a new wording of article 56.2, which states that the governing bodies of the Accounting and Auditing Institute are: the President, the Audit Committee and the Corporate Information Council. (See chart 1).



The President, with the category of General Director, is appointed by the Government, at the proposal of the Minister of Economy, Commerce and Business, and will be the legal representative of the Accounting and Auditing Institute, exercising the powers assigned to him/her by this Law and those that may be determined by regulation.

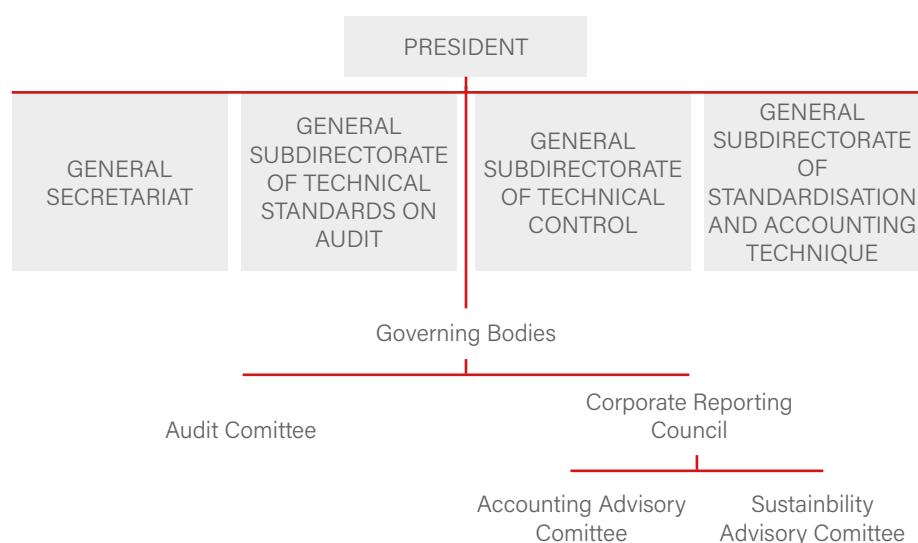
The **Audit Committee** is the body to which matters relating to the auditing of accounts must be submitted for consideration by the President.

The **Corporate Information Council** is the competent body, after hearing the Accounting Advisory Committee and the Sustainability Advisory Committee, to assess the suitability and adequacy of any regulatory proposal or interpretation of general interest in accounting matters with the Conceptual Framework for Accounting regulated in the Code of Commerce, or in matters of sustainability. It has two advisory bodies:

- The Accounting Advisory Committee is the advisory body to the Corporate Reporting Council on accounting matters.
- The Sustainability Advisory Committee is the advisory body to the Corporate Reporting Council on corporate reporting on sustainability.

## 1.4 Organic Structure

//// **CHART 1** Organisation chart of the Accounting and Auditing Institute



The competencies of each of these General Subdirectorates can be found on the ICAC website at the following **link** and in section 5.1 Organisational structure in section 5. Organisation and management of the ICAC of this Annual Activity Report.



# Accounting Area

# 2 Accounting Area

## 2.1 Introduction

This year we have celebrated the 50th anniversary of the publication of the first General Accounting Plan of 1973, which marked the beginning of the accounting standardisation in our country. Following this first version and in order to adapt to new circumstances, in particular to the requirements of the European Economic Community in 1990, and subsequently in response to the dual model generated by the obligation to use the EU-adapted International Financial Reporting Standards (EU-IFRS) in the consolidated statements of listed groups in 2007, two new plans have been prepared.

To celebrate this anniversary, the Institute has participated in different forums during the year 2023. It is worth mentioning the commemorative event that took place at the Ateneo de Madrid on 27 November, where the present and future of the PGC and the relevance of the accounting standardisation process in Spain were analysed. During the event, accompanied by authorities, experts, representatives of public and private institutions, colleagues and friends, the 50th anniversary commemorative book, *Plan General de Contabilidad. El desarrollo de la información financiera en España (1973-2023)* (*General Accounting Plan. The development of financial information in Spain 1973-2023*). Its publication, by the Institute, has benefited from the collaboration of the University of Alcalá, the coordination of José Antonio Gonzalo—professor and president of the ICAC between 2009 and 2012—and the participation of authorities, representatives of public and private institutions, as well as accounting experts; there was a total of 54 contributions. The most recurrent messages point, firstly, to the improvement that the discipline imposed by the Plan has meant for companies, not only in terms of the quality of the information provided by companies, but also in terms of rationality and control within the organisations themselves; secondly, to the evolution and changes through the different versions of the PGC have made it possible to adapt it to the economic demands of the development of markets and the opening of the Spanish economy to the outside world; and lastly, to the need to maintain the strategy of adapting accounting standards to the evolution of international standards as far as is reasonable and possible for Spanish companies.

During this financial year and with regard to national regulatory activity in the financial area, the ICAC has continued to work on the preparation of the Draft Resolution of the Spanish Accounting and Auditing Institute developing the concept of group of companies and the rules for recording, valuation and preparation of annual accounts to account for transactions between group companies. This draft is at a very advanced stage due to the significant activity carried out through the working group set up for this purpose in 2021, in which representatives of various institutions and experts of recognised prestige in accounting matters have participated.

In the area of sustainability reporting, the work on the transposition into national law of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022



amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, with regard to sustainability reporting by companies, is remarkable.

Following its publication in the *Official Journal of the European Union (OJEU)* on 16 December 2022, the new Sustainability Directive entered into force on 5 January 2023 with a transposition deadline of 18 months.

For the development of this transposition project, the ministerial department responsible for it, the Ministry of Economy, Commerce and Business, designated this Institute as the body in charge of carrying out the preparatory work for the transposition project.

To this end, a public consultation period was opened in February 2023 with the aim of gathering comments and feedback from those most affected by the new regulation.

Once the comments received had been analysed, a first draft of the text was developed, reviewed by the different ministerial departments and subsequently submitted to the Council of Ministers for approval in the first round.

Following this process, a Public Hearing period was opened in May on the text of the draft of the law regulating the framework for corporate reporting on environmental, social and governance issues. This transposition process is currently underway in the context of preparations for the parliamentary processing of the preliminary draft of the law.

In 2023, EFRAG's new role as a standard-setting body has been consolidated, providing technical advice to the European Commission through the development of draft European Sustainability Reporting Standards (ESRS) in accordance with a robust regulatory process. This function is complemented by the activity of supporting the implementation of standards. In 2023, the ICAC has continued with the commitment formalised in 2021 to also integrate into this sustainability pillar. As a result of this commitment, the ICAC is a member of its two decision-making bodies (the Financial Reporting Board and the Sustainability Reporting Board) and has continued its objective of influencing both the standard-setting process from its beginnings and its implementation.

At the end of 2022, by Royal Decree-Law 20/2022, of 27 December, on measures in response to the economic and social consequences of the war in Ukraine and support for the reconstruction of the island of La Palma and other situations of vulnerability, which reworded Article 59 of Law 22/2015, of 20 July, on Auditing, the Sustainability Advisory Committee was created. In this way, the ICAC aims to have a committee of experts to respond to the new needs arising from the growing incorporation of sustainability in corporate reporting in parallel to financial reporting. In this respect, the most important milestone is the approval of the Directive on corporate sustainability reporting developed by the European Sustainability Reporting Standards (ESRS), which are about to come into force in the Member States, including Spain, and on which the ICAC needs to seek the views of national stakeholders in order to carry out its work as a member of EFRAG, which is responsible for the development of the ESRS.

With the creation of this Committee, the former Accounting Council of the ICAC was renamed the Corporate Information Council and extends its competences to assess the suitability of any regulatory or interpretative proposal of interest in accounting matters and corporate reporting on sustainability.

The Sustainability Advisory Committee has started its work this year. It is made up of experts of recognised prestige in the field, representing both public administrations and the different sectors involved in the preparation, use, disclosure, and verification of corporate information on sustainability.

## 2.2 Regulatory Activity

Firstly, a fundamental part of the ICAC's regulatory activity is the monitoring of the draft standards published previously to assess their practical application by companies.

This monitoring was mainly carried out by receiving and answering queries from the public, in particular those about financial instruments and the recognition of revenue from ordinary activities.

In addition, in 2023 the ICAC participated in the various meetings of the working group organised and chaired by the European Commission to assist Member States in the process of transposing Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting (CSRD). The new Directive 2022/2464 of 14 December 2022 introduces important new features that have given rise to numerous questions from Member States regarding the obligated parties, the content of the sustainability reporting, the rules according to which the information must be prepared, its presentation format, the requirement for verification of this information and the regulation of the essential aspects of this verification. It should be recalled that the term "non-financial reporting" is replaced by "sustainability reporting", which includes environmental, social and governance factors.

Also, work continued in 2023 on the analysis of the Draft Resolution of the Spanish Institute of Accounting and Auditing developing the concept of a group of companies and the rules for recording, valuation, and preparation of annual accounts to account for transactions between group companies.

To this end, a working group was set up following the publication of the prior public consultation on the draft accounting standard in 2021, with the participation of representatives of various institutions and experts of recognised prestige in accounting matters, with the task of preparing a draft resolution that develops and brings together all the doctrine issued by the ICAC to date.

The aim of the draft resolution is to specify the concept of group company, the definition of business and the accounting treatment of transactions between group companies, taking international developments as a reference. All of this without prejudice to the fact that the principle of hierarchy of standards logically prevents the resolution from including solutions contrary to the criteria expressly set out in paragraph 2 of the 21st recognition and measurement standard of the Spanish General Accounting Plan.

In this way, the objective is to complete the development of the Spanish General Accounting Plan, the General Accounting Plan for SMEs and the Preparation of Consolidated Annual Accounts Standards on transactions between group companies and to review the numerous interpretations published by the ICAC on this matter with the aim of improving the systematics of accounting regulations in this area.

## 2.3 Attending to queries

Queries on the accounting treatment of specific situations are analysed and resolved by making interpretations of the standards contained in the financial reporting regulatory framework.

The evolution of queries in recent years is shown in Table 1.

/// **TABLE 1** The evolution of queries in the period 2021-2023

Queries	2023	2022	2021
Queries issued	427	382	352
Queries published	17	17	12

Regarding the matters subject to consultation, the sale of the right to deduct corporate income tax for research, development or technological innovation activities and the application of the Ninth Registration and Valuation Standard have played a leading role in the Institute's interpretative work in 2023. Likewise, the Institute answered several queries on the application of Resolution of 10 February 2021, of the Accounting and Auditing Institute which lays down rules for the recording, valuation and preparation of the annual accounts for the recognition of income from the delivery of goods and the provision of services and on the interpretation of Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 of July, on Auditing, in the areas of non-financial information and diversity.

In the 2023 financial year, the following issues have been of particular interest in terms of accounting interpretation:

- The obligation to prepare Non-Financial Information Statement (NFIS) by various types of entities.
- The accounting of the extraordinary and temporary rebate on the retail price of certain energy products and additives, approved by Royal Decree-Law 6/2022 of 29 March, adopting urgent measures within the framework of the National Response Plan to the economic and social consequences of the war in Ukraine.
- The accounting treatment of excise duty on plastic packaging.
- The accounting treatment of the sale of the right to deduct corporate income tax for research, development or technological innovation activities.

Consultations considered to be of general interest are published in the *Institute's quarterly Official Gazette*. Specifically, the following consultations were published in 2023:

- Consultation 1 of *BOICAC* number 133, March 2023: on the accounting treatment of excise duty on non-reusable plastic packaging.
- Consultation 2 of *BOICAC* number 133, March 2023: on the formulation of the non-financial information statement in an agricultural cooperative society.
- Consultation 3 of *BOICAC* number 133, March 2023: on the compensation of expenses derived from remote work.
- Consultation 1 of *BOICAC* number 134, of June 2023: on the information to be included in the annual report by cooperative societies, associations and non-profit organisations in relation to the average period of payment to suppliers.

- Consultation 2 of *BOICAC* number 134, of June 2023: on the accounting treatment of tangible assets for testing and promotion.
- Consultation 3 of *BOICAC* number 134, of June 2023: on the accounting registration of a fishing rate.
- Consultation 4 of *BOICAC* number 134, of June 2023: on the financial year in which a capital reduction must be accounted for.
- Consultation 1 of *BOICAC* number 135, of September 2023: on the contribution received by a public company.
- Consultation 2 of *BOICAC* number 135, of September 2023: 2 On the information to be included in the 2022 annual accounts due to the extraordinary and temporary discount on the final price of certain energy products, according to Royal Decree-Law 6/2022, of 29 March.
- Consultation 3 of *BOICAC* number 135, of September 2023: on the Non-Financial Information Statement in cooperative societies.
- Consultation 4 of *BOICAC* number 135, of September 2023: on debt cancellations made by founders or trustees of foundations.
- Consultation 1 of *BOICAC* number 136, of December 2023: on the temporary exception to the accounting and reporting of deferred taxes arising from the implementation of the OECD rules to combat tax base erosion.
- Consultation 2 of *BOICAC* number 136, of December 2023: on the information to be included in the report on assets and liabilities arising from contracts for the sale of goods and provision of services.
- Consultation 3 of *BOICAC* number 136, of December 2023: on the accounting treatment granted to a contract of sale by instalments.
- Consultation 4 of *BOICAC* number 136, of December 2023: on various questions related to the collection of dividends from the partner's point of view.
- Consultation 5 of *BOICAC* number 136, of December 2023: on the calculation of losses for the financial years 2020 and 2021 for the purpose of determining whether a company is in a situation of dissolution.
- Consultation 6 of *BOICAC* number 136, of December 2023: on the criterion of temporary imputation of the income obtained in an educational centre.

## 2.4 International Activity

In the field of accounting regulation, international activity is fundamental for the ICAC, given the strategy of convergence of Spanish accounting law with the international accounting standards adopted by the European Union (EU-IFRS), and also taking into account the direct application of these EU-IFRS for the preparation of the consolidated accounts of Spanish listed groups, in application of Regulation 1606/2002 of the European Parliament and of the European Council of 19 July 2002 on the application of international accounting standards.

A large part of the ICAC's international activity is carried out within EFRAG (European Financial Reporting Advisory Group) with the aim of our country contributing directly to the development and promotion of European opinions in the field of economic and financial reporting. In 2023 EFRAG has consolidated the extension of its functions with the standard-setting activity in the field of sustainability as a result of the mandate of the European Commission. Its activities are structured in two pillars: the financial reporting pillar and the sustainability reporting pillar. In this way, EFRAG maintains its role as an advisory group on financial reporting issues, while taking on the mandate set out by the European Commission in Directive on corporate sustainability reporting, which designates it as a technical advisor to the Commission in the development of European Sustainability Reporting Standards, which are the regulatory development of this Directive.

The ICAC has continued to be part of both pillars this year, fulfilling its commitment since the beginning of EFRAG's internal reform process to assume its new functions. This implies both financial support to EFRAG and the possibility to be part of the decision-making bodies of both pillars. This gives the ICAC the possibility to influence the process of creating sustainability reporting standards from the outset.

It is also worth highlighting the ICAC's significant participation in the meetings of the Accounting Regulatory Committee (ARC) and the Accounting Directive Committee (ADC), both chaired by the European Commission.

The ICAC also actively participates in the development of the IASB's (International Accounting Standards Board) standard-setting activity in two ways: by giving its direct opinion in the public consultation phases that the IASB is obliged to carry out for all its projects and, on the other hand, through the influence that EFRAG has on the IASB, which also participates in these consultation processes, defending European interests in financial reporting matters. In addition, the activity of the recently created ISSB, within the IFRS Foundation, has been monitored. This body has the task of drawing up international sustainability standards which, although they will not be applicable in Spain due to the fact that we are subject to the ESRS, may affect Spanish stakeholders due to their activity in other financial markets.

The ICAC also participates in various international forums on financial reporting, in particular in the meetings organised by IFASS (International Forum of Accounting Standard Setters), the annual conference of global accounting regulators (WSS) organised by the IASB, as well as the conferences organised by ISAR-UNTACD (International Standards of Accounting and Reporting), which is part of the United Nations (UN).

The following sections include the highlights of the ICAC's activity in the international arena.

### EFRAG

EFRAG, established in 2001, contributes to the process of developing international accounting standards and provides the EU with expert technical advice on accounting matters. There are two ways in which EFRAG assists the EU in the development of financial reporting standards. On the one hand, it provides the European perspective to the IASB at different



stages of the process of developing and revising its standards. On the other hand, it provides advice to the EU in the process of adopting the IASB's standards and interpretation through the EU Regulation. In addition, EFRAG also undertakes proactive research activities to promote the search for solutions at the international level on issues of concern in Europe. The aim is to ensure that the EU speaks with one voice on financial reporting.

EFRAG's main responsibility is precisely to convey these views in a convincing, clear, and consistent manner, after listening to all interested parties, taking into account the specific circumstances of European origin, thus participating in the accounting standard-setting process carried out by the IASB, with the legitimacy of representing the European voice.

The strategy of accounting convergence towards these standards followed in Spain at local level, based on a critical analysis of European regulations, enables this task to be tackled with solvency and contributes to enriching the debate on the new pronouncements to be adopted at international level.

Currently, EFRAG has a dual activity, as Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting designates EFRAG as a "technical advisor" to the Commission in the process of developing European sustainability reporting standards. These standards are to be mandatorily applied by companies falling under the scope of the Directive for their sustainability reporting. The first set of rules developed by EFRAG in fulfilment of the mandate received has been finally adopted and published by the European institutions in 2023 and will enter into force in 2024.

Therefore, EFRAG has an internal structure defined into two pillars: one for the development of its functions in relation to financial reporting and the other one in relation to sustainability reporting.

Both pillars have the same structure, each being governed by a Board, which is the decision-making body and is advised by a Technical Expert Group. Above both Boards is the Administrative Council, on which the ICAC also has a voice and a vote, and which is represented by the President of the ICAC. The ICAC is fully involved in the EFRAG structure described above as it has been a member of the sustainability pillar since its creation. Thus, the ICAC is a member of EFRAG's General Assembly, in which both pillars are represented, and which is the competent body to appoint EFRAG's chairperson, vice-chairperson, the chairpersons of the Boards, to approve the financial statements and budget for the coming year, and to exercise general supervision over the Boards.

As a consequence of the ICAC's participation in both pillars, the ICAC has a voting seat on each of the two EFRAG Boards, ensuring that the Spanish accounting regulator's view of the needs of users of annual accounts and the opinion of Spanish companies is taken into account in the processes of drafting and approving the accounting standards that will then be applied by European listed groups and the European sustainability reporting standards that will be applied by companies bound by the Directive.

In the sustainability pillar, EFRAG has maintained several lines of action in parallel. On the one hand, it has followed the due process for the final approval of the first set of European Sustainability Reporting Standards (ESRS). The approval by the European institutions took place in 2023 and it was a milestone of great importance for the future of corporate reporting. The first set of ESRS, which applies to all companies under the subjective scope of the Sustainability Directive (sector-agnostic), consists of twelve standards:

- ESRS 1 General Requirements.
- ESRS 2 General Disclosures
- ESRS E1 Climate change
- ESRS E2 Pollution
- ESRS E3 Water and marine resources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Resource use and circular economy
- ESRS S1 Own Workforce
- ESRS S2 Workers in the value chain
- ESRS S3 Affected communities
- ESRS S4 Consumers and end-users
- ESRS G1 Business Conduct

These standards are ambitious with regard to the objective scope of reporting (the so-called double materiality, impact and financial) and the subjective scope (the value chain in the reporting entity's business relationships beyond the classical concept of financial control). This complexity prompted the European Commission to entrust EFRAG to develop guidance on the implementation of the ESRS in order to provide guidance on the most challenging aspects of implementation. Therefore, the first guide addresses the development by preparers of the materiality analysis, which determines the issues to be reported. On the other hand, the second guide focuses on the explanation of the value chain concept that should be applied throughout the sustainability reporting process, affecting both the materiality analysis, for the detection of impacts, risks and opportunities, as well as the disclosure of metrics and objectives. Also, EFRAG has decided to create a third document containing the complete list of the latest information items deriving from the reporting requirements of the standards, in order to facilitate their implementation and future dissemination in electronic format.

In addition to the work on the first set of standards, in 2023 EFRAG has started the development of new draft standards linked to the ESRS, as foreseen in the Sustainability Directive. Firstly, the development of sector-specific ESRS has started with the elaboration of the first drafts, which are pending approval by the Sustainability Board.

In addition, EFRAG finalised work on the development of the Sustainability Reporting ESRS for SMEs and the voluntary Sustainability Reporting ESRS for SMEs not bound by the Sustainability Directive. These standards have already been approved by the Sustainability Board and are expected to be released for public consultation in early 2024.

Another major milestone for EFRAG in 2023 was the launch of its Q&A platform. Through this platform EFRAG is fulfilling its role of regulatory interpretation of the ESRS, a role it is entitled to play as the body that drafts the ESRS. Therefore, EFRAG receives, sorts and answers queries regarding the implementation of the ESRS.

It is important to highlight the ICAC's involvement in these regulatory developments, both through its participation in the Sustainability Board and its active contribution in the working groups and by issuing the corresponding comment letters.

In the area of financial reporting, the ICAC participates in the four-monthly meetings held by EFRAG with the European national accounting regulators in the Consultative Forum of Standard Setters (EFRAG CFSS). These meetings agree the specific positions that EFRAG will adopt when participating in the meetings of the IASB's Accounting Standards Advisory Forum (ASAF) as a member representing the European accounting regulators.

In parallel, the ICAC, because of its international activity, has participated and issued comment letters both on draft standards in their different phases prepared by the IASB and on the advisory reports issued by EFRAG in relation to the adoption of standards, interpretations or amendments issued by the IASB. Finally, it has participated in the discussion and voting in the ARC on the adoption in the European Union of standards and interpretations issued by the IASB.

Other relevant projects on which the ICAC has expressed a position during 2023, both with EFRAG and with the IASB, include:

- EFRAG public consultation on European Sustainability Reporting Standards (ESRS).
- EFRAG Draft Endorsement Advise "Invitation to comment – Lease Liability in a Sale and Leaseback".
- IASB Exposure draft ED/2021/9 "Non-current Liabilities with Covenants: Proposed amendments to IAS 1".
- EFRAG Draft Endorsement Advise "Non-current Liabilities with Covenants".
- IASB Exposure Draft ED/2023/1 "International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12".
- EFRAG Comment Letter IASB's ED/2023/1 "International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12".
- EFRAG Endorsement Consultation "International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12".
- EFRAG Comment Letter on ISSB/ED/2023/1 "Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates".
- IASB Exposure Draft "Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates".
- IASB Exposure Draft "Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates".
- EFRAG Comment Letter on "ISSB's Request for Information – Consultation on Agenda Priorities".
- ISSB "Request for Information – Consultation on Agenda Priorities".

- EFRAG Draft Endorsement Advise on “EFRAG Draft Endorsement Advise: Amendments to IAS 7 and IFRS 7”
- EFRAG Draft Comment Letter: IASB Request for Information – Post-implementation Review IFRS 15 Revenue from Contracts with Customers.
- IASB Request for Information – Post-implementation Review IFRS 15 Revenue from Contracts with Customers.
- EFRAG Discussion Paper “Accounting for variable consideration from a purchaser’s perspective”

### Accounting Regulatory Committee

The Accounting Regulatory Committee (ARC), chaired by the European Commission and composed of representatives of the EU countries, decides on the adoption of IFRS based on the advisory reports received from EFRAG.

The main issues discussed in 2023 were certain IASB draft standards, such as amendments to IAS 12 *Income Taxes “International Tax Reform—Pillar Two Model Rules”*, amendments to IAS 1 *Presentation of Financial Statements*, or the follow-up of the draft amendment to the Accounting Directive resulting from the revision of company size thresholds to adjust for inflation.

### Accounting Directive Committee

The Accounting Directive Committee (ADC) assists the Commission in the adoption of implementing acts provided for in Directive 2013/34/EU and in other matters related to accounting standards. It is governed by Article 50 of this Directive.

This Committee is composed of representatives of the Member States and chaired by the European Commission.

During 2023, the ICAC has attended this Committee representing Spain to discuss and establish the details and requirements related to the preparation of the Implementing Regulation that will establish a common template and electronic format for reporting in accordance with Article 48c(4) of Directive (EU) 2021/2101 of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches.

### Other activities

- Attendance and participation in the meetings organised by the International Forum of Accounting Standard Setters (IFASS) in January, April and September, which were held virtually and in person in Norwalk (United States) and London respectively. These meetings provided views and experiences from different jurisdictions on projects such as the IASB’s ongoing projects such as the Climate-related Risks in the Financial Statements project, the project on improving the statement of cash flows, updates of international standards for not-for-profit entities and for the public sector, accounting for carbon credits, the review of the application of IFRS 15, the connection between financial reporting and sustainability reporting, short-range changes to IFRS 9, and the status of regulatory development of the ESRS.

- Attendance and participation in the annual global meeting (WSS) held by the IASB in London on a face-to-face basis for accounting regulators. At these meetings the IASB provides an extensive update on the regulatory projects it is working on, and for the first time there was also an update on the work of the ISSB, a parallel body to the IASB within the IFRS Foundation dedicated to international sustainability standards. The status of the Primary Financial Statements project, the project on unlisted subsidiaries as well as the proportionality in the application of ISSB standards, IFRS S1 and IFRS S2, the integration of SASB standards into ISSB, and the prospects for international adoption of ISSB standards were updated.
- Collaboration with the IASB and EFRAG through the issuance of reports and comment letters on the IASB's and the Interpretations Committee's proposed accounting standards and interpretations and EFRAG's comments thereon.
- Follow-up to meetings of the expert working group of accountants (ISAR) within UN CTAD (UN). In 2023 the agenda of this meeting addressed key topics such as the current status of frameworks, standards, codes and prospects for further harmonisation of financial and sustainability reporting globally, the review of practical implementation and recent developments in sustainability reporting requirements, the study of how to facilitate the formalisation of micro and small enterprises: accounting and reporting requirements, financial training, access to finance and related issues and practical solutions or the promotion of gender balance in the accounting profession.
- Participation in bilateral meetings with both the Commission and other European accounting regulators.

## **2.5 Corporate Information Council, Accounting Advisory Committee and Sustainability Advisory Committee**

The Corporate Information Council is the competent body to assess the suitability and adequacy of any regulatory proposal or interpretation of general interest in the areas of accounting and sustainability, after having heard the Accounting Advisory Committee and the Sustainability Advisory Committee. During the year 2023, the Council met on 2 occasions.

The regulatory and interpretation proposals on which the Corporate Information Council has resolved during 2023 have included:

- The Preliminary Draft of Law XX/202X, of XX xxxxxx, which regulates the corporate reporting framework on environmental, social and governance issues.
- Presentation and discussion of a consultation on the temporary exception to the accounting and reporting of deferred taxes arising from the implementation of the OECD rules to combat tax base erosion.
- Presentation and discussion of a consultation on the information to be included in the report on assets and liabilities arising from contracts for the sale of goods and provision of services.
- Presentation and discussion of a consultation on the accounting treatment of the transfer of an interest in which a fixed and a variable consideration is received.

- Presentation and discussion of a consultation on the accounting treatment granted to a contract of sale by instalments
- Presentation and discussion of a consultation on various questions related to the collection of dividends from the partner's point of view.
- Presentation and discussion of a consultation on the calculation of losses for the financial years 2020 and 2021 for the purpose of determining whether a company is in a situation of dissolution.
- Presentation and discussion of a consultation on the criterion of temporary imputation of the income obtained in an educational centre.

The Accounting Advisory Committee, to fulfil with its advisory function to the Corporate Information Council, met once during 2023. This Committee is made up of accounting experts of recognised prestige in relation to economic and financial information, representing both public administrations and the different sectors involved in the preparation, use and disclosure of this information.

The regulatory and interpretation proposals on which the Accounting Advisory Committee has resolved during 2023 have included:

- Presentation and discussion of a consultation on the information to be included in the report on assets and liabilities arising from contracts for the sale of goods and provision of services.
- Presentation and discussion of a consultation on the accounting treatment of the transfer of an interest in which a fixed and a variable consideration is received.
- Presentation and discussion of a consultation on the accounting treatment granted to a contract of sale by instalments.
- Presentation and discussion of a consultation on various questions related to the collection of dividends from the partner's point of view.
- Presentation and discussion of a consultation on the calculation of losses for the financial years 2020 and 2021 for the purpose of determining whether a company is in a situation of dissolution.
- Presentation and discussion of a consultation on the temporary exception to the accounting and reporting of deferred taxes arising from the implementation of the OECD rules to combat tax base erosion.
- Presentation and discussion of a consultation on the criterion of temporary imputation of the income obtained in an educational centre.

The mission of the Sustainability Advisory Committee is to advise the Corporate Information Council on corporate information on sustainability and met once during 2023. The Sustainability Advisory Committee is made up of experts of recognised prestige in the field, representing both public administrations and the different sectors involved in the preparation, use, dissemination, and verification of this information.

The regulatory and interpretation proposals on which the Sustainability Advisory Committee has resolved during 2023 have included:

- Presentation and discussion of the draft of the delegated act of the European Commission for the adoption of the European Sustainability Reporting Standards (ESRS) subject to Public Consultation.
- Follow-up to the status of the Preliminary Draft of Law XX/202X, of XX xxxxxx, which regulates the corporate reporting framework on environmental, social and governance issues.

## 2.6 Sustainability Reporting

The Non-Financial Reporting Directive (Directive 2014/95/EU) was approved in 2014 as an amendment to the Accounting Directive (Directive 2013/34/EU), being applicable for the first time in 2018. The transposition of this Directive into Spanish law was carried out through Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 of July, on Auditing, in relation to non-financial information and diversity.

However, because of a public consultation conducted by the Commission in 2020 to assess the degree of satisfaction of Member States with the existing regulation, the Commission made a commitment to review the Non-Financial Reporting Directive as part of the *European Green Deal*.

In April 2021, the Commission published a proposal for a Directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014 as regards corporate sustainability reporting.

During the 2021 and 2022, this proposal was intensively debated by the group of company law experts within the European Council, with the ICAC participating in this debate as representative of Spain's interests in terms of the scope, content and verification of sustainability information.

Finally, on 16 December 2022, the final text of the Directive on sustainability reporting by companies was published in the *Official Journal of the European Union*. This directive must be transposed into national law by 6 July 2024, with the ICAC being responsible for its transposition.

The new features of the Directive can be summarised as follows:

- All large companies and all public interest entities, including listed SMEs (except for micro-enterprises and SMEs listed on alternative and growth markets), are obliged to do so.
- These companies must publish a sustainability report on environmental, social and governance issues, the content of which is set out in the Directive, and which must be included in the management report. This information should cover, on the one hand, the impact of the company on sustainability issues and, on the other hand, how these issues affect the company's development, performance, and position.
- The preparation of sustainability information must be carried out through the mandatory application of European standards, which are prepared by EFRAG as a technical advisor to the Commission, which will approve the different sets of standards by means of a com-



munity regulation: general, sectoral, specific for listed SMEs and exclusive standards for those unlisted SMEs that wish to prepare the sustainability report on a voluntary basis.

- The Directive also imposes a requirement for limited verification of sustainability information, with the intention to move towards reasonable verification. Such verification may be carried out either by an auditor or by an independent verification service provider.
- It establishes an obligation for subsidiaries and branches established in the territory of the European Union, whose ultimate parent company is governed by the law of a third country, to publish and make accessible a sustainability report at the group level of that ultimate parent company. This obligation will enter into force for financial years starting on or after 1 January 2028.
- The implementation of the Directive will be carried out in three tranches:
  - a. Financial years starting from January 2024, large-listed companies and parent entities of listed groups that exceed, in both cases, the average number of 500 employees during the financial year are obliged.
  - b. Financial years beginning on or after January 2025, for large companies and parent entities of large groups not included in the previous paragraph.
  - c. Financial years beginning on or after January 2026, for SMEs listed on a regulated market in the European Union, and which are not micro-enterprises, which may opt not to apply until 1 January 2028.

As can be seen, the entry into force of the Directive entails a certain complexity in two dimensions: the subjective scope and its progressive application over time. To this circumstance must be added the validity of Law 11/2018 for those entities to which the new sustainability reporting standards are not yet applicable. For these reasons, it is considered necessary to highlight that in the initial stages of this regulatory change, non-financial information statements will coexist with sustainability reporting in order to avoid a temporary break in the provision of this type of information.

## 2.7 Collaboration with other Agencies and Institutions

The ICAC's activity in relation to financial reporting includes collaboration with a wide variety of bodies and institutions, including the following in 2023:

- a. Preparation of mandatory reports on standards prepared by other public administration bodies or other public institutions (see Table 2).

//// **TABLE 2** Mandatory reports (2021-2023)

Mandatory reports	2023	2022	2021
Informed requests	187	204	185

- b. Review of the translations of various International Financial Reporting Standards issued by the IASB and adopted by the European Union through the Accounting Regulatory



Committee with a view to their publication in the Official Journal of the European Union, work carried out by the Translation Committee set up for this purpose.

- c. Collaboration with the Bank of Spain's Central Balance Sheet Data Office in the review and, where appropriate, modification of the models for filing individual and consolidated annual accounts with the Commercial Registries, in order to facilitate understanding of their content, comparability and speedy processing, storage and publication by the Commercial Register, and which are approved by the Ministry of Justice.
- d. Collaboration and assistance in accounting matters at meetings of the Higher Sports Council within Joint Commission for the transformation of clubs into sports limited companies both in football and basketball.
- e. Collaboration with the XBRL Spain association, through the appointment of a member of the General Subdirectorate of Standardisation and Accounting Technique as chairman of the PGC2007 and PGCPYMES2007 Taxonomy Subgroup and as chairman of the Taxonomy Subgroup of the Standards for the formulation of consolidated annual accounts, participating in meetings related to this matter. In 2022 a subgroup of the XBRL Spain association for information on sustainability was also created, in which the ICAC also participates through the appointment of a member of this Subdirectorate as chairman.
- f. In addition, there has been continuous collaboration with the General Comptroller of the State Administration and the General Directorate of Taxes in relation to the evacuation of queries on the accounting treatment of specific situations.



# Audit Area

# 3 Audit Area

## 3.1 Introduction

Audit activity is an essential element of the market economy system, contributing to the transparency and reliability of the economic and financial information of audited companies.

The public supervision of the activity, attributed to the ICAC, contributes to compliance with the rules governing the activity through surveillance and discipline, which reinforces confidence in this activity.

During 2023, the Institute's activity in the field of auditing has had as fundamental elements the performance of supervisory activities, as well as, from the regulatory point of view, the work necessary for the preparation of the draft of the law regulating the framework for corporate reporting on environmental, social and governance issues and its verification.

In addition, the Technical Standard on Auditing resulting from the adaptation of the International Standards on Auditing for application in Spain, Special Considerations–Audits of Group Financial Statements (including the work of component auditors), ISA-ES 600 (revised), has been published, and the update of the Technical Standards on Auditing, resulting from the adaptation of the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, resulting from the adaptation of the International Standards on Quality Management 1 and 2 for their application in Spain (ISQM 1-ES and ISQM 2-ES) and the Glossary of Terms, resulting from the adaptation of the one published together with these International Standards for their application in Spain, have been submitted for public information. In addition, the ICAC has continued to exercise all its functions as the supervisor responsible for audit activity in Spain, as well as to participate in the mechanisms for international cooperation in this supervision.

## 3.2 The Audit Sector in Spain

### ROAC: Registered auditors

Individuals or legal entities wishing to audit accounts in Spain must meet the conditions established in the audit regulations and be registered in the Official Register of Auditors (hereinafter, ROAC).

The ROAC is a public register, and its information is accessible electronically. It can be accessed via the ICAC website at <https://www.icac.gob.es/servicios-roac>.

There are a number of registered auditors who carry out the audit activity on an individual basis and others who do so through audit firms as appointed to sign audit reports on their behalf.

Specifically, taking the data contained in the ROAC, as of 31 December 2023, the existing volumes are shown in Table 3.

**//// TABLE 3** Auditors and Audit firms registered in the ROAC

Individual auditors (sole practitioners)	965
Auditors (appointed by Audit firms)	1,761
Auditors (sole practitioners and appointed by Audit firms)	925
<b>Total practising auditors</b>	<b>3,651</b>
Non-practising auditors	17,871
<b>Total auditors</b>	<b>21,522</b>
<b>Audit firms</b>	<b>1,379</b>

Also, the following admissions and withdrawals from the ROAC were made in 2023:

**//// TABLE 4** Admissions and withdrawals in 2023

	2023 ADMISSIONS	2023 WITHDRAWALS
Auditors	40	63
Audit firms	28	62

In 2023, practising auditors and audit firms reported a total of 3,130 annual declarations corresponding to forms 02 and 03, and reported a total of 69,260 audit engagements to the ICAC with the following distribution by type of entity (see table 5).

**//// TABLE 5** Distribution of entities reporting to the ICAC in 2023

Credit institutions	188
Insurance companies	358
Banking foundations, payment institutions and electronic money institutions	118
Investment services companies, collective investment undertakings and management companies	2,832
Pension funds and the management companies that administer them	1,095
Other entities not included in the above	64,669
<b>Total reported audit engagements</b>	<b>69,260</b>

The ROAC makes an important effort to provide a quality service to the auditor despite the large volume of queries and requests it receives. It is important to point out that during 2023, 711 queries were processed through the website.

In terms of applications submitted by auditors and audit firms during 2023, the ROAC issued 604 certificates and processed 4,426 modifications to data, with the breakdown set out in table 6:

//// **TABLE 6** Requests and queries processed in ROAC

Number of received and answered queries in 2023	711
Number of certificated issued at the auditor's request in 2023	604
<b>Total number of data changes processed in 2023</b>	<b>4,426</b>
Modification of Public Data	1,378
Modification of Non-Public Data	1,088
Updating of Guarantees	1,960
<b>Total 2023</b>	<b>5,741</b>

**The turnover of the sector for the period from 1 October 2022 to 30 September 2023 is shown in next table:**

//// **TABLE 7** Audit Fees

	Turnover Audit Fees 1/10/2022 to 30/09/2023	Market Share	No. of Auditors / Companies
Turnover Sole practitioners	€26,390,028.00	2.96%	710
Turnover Audit Companies	865,339,270.74	97.04%	1,188
<b>TOTAL</b>	<b>891,729,298.74</b>	<b>100.00%</b>	<b>1,898</b>

The information in this section on the auditing sector in Spain can be completed with the Report on the Situation of the Auditing of Accounts 2023 published in this website [www.icac.gob.es](http://www.icac.gob.es).

### ACCESS ROAC (examination)

The conditions for access to the ROAC, and therefore legal access to the practice of auditing, are determined in articles 8, 9 and 10 of the LAC and in Chapter II of the RLAC.

The ROAC entrance exams are held in **two phases**:

- *First phase: theoretical examination.*

Its objective is to ascertain the level of theoretical knowledge attained with respect to the subjects considered necessary to practise as an auditor.

Candidates who pass or have passed the first phase will be eligible to take the second phase.

- *Second phase: practical examination.*

The ability of candidates to apply their theoretical knowledge to the practice of auditing accounts is verified, and the examination usually consists of the resolution of one or more practical cases.

Therefore, the professional aptitude examination aims to rigorously test the candidate's ability to audit.

Those who pass this professional aptitude examination could apply for registration in the ROAC, if they fulfil the conditions for this, without prejudice to the fact that they may also apply for registration in the public law corporations representing statutory auditors, in accordance with their own statutes.

The last joint call of the General Council of Economists of Spain-Registry of Economists Auditors and the Institute of Chartered Accountants of Spain for the professional aptitude examination for authorisation by the Accounting and Auditing Institute and registration in the ROAC was made by Order ETD/479/2023, of 5 May, published in the BOE on 12 May 2023. A total of 711 applications were submitted, of which 708 were invited to take the practical exam on 18 November.

The aptitude examination is called every two years. This meant that those who were found not suitable ended up dropping out as the next exam did not take place for two years. In order to minimise it, the ICAC and the two auditors' associations have agreed to make an effort to ensure that the calls are held on an annual basis.

In the 2023 calls, changes have also been made to the examinations. The practical examination of the second phase of six hours on subjects related to the activity of auditing was transformed into two exams (blocks) of 4 hours and 2 hours respectively, about the subjects of auditing and accounting.

It is necessary to pass both blocks or exams in order to obtain authorisation. However, passing one of the two blocks will allow the candidate to retake the failed block the next time it is called. We hope this measure will encourage candidates to continue their efforts to pass.

The 2023 call produced the following results:

Of the 708 candidates called for the test on 18 November, only 626 took the test. 47% of them passed Block I (auditing) and 23% of them passed Block II (accounting).

However, it is necessary to pass both blocks in order to pass the exam, and this was achieved by more than 20% of the candidates: 126 candidates. The rest, approximately 36% of the candidates who did not pass both blocks, have consolidated Block I and will therefore only have to pass the Block II exam in 2024.

On the other hand, around 5% of the candidates have consolidated Block II and will therefore only have to pass the Block I test in 2024.

### 3.3 Audit Regulation

The actions carried out by the ICAC to regulate the auditing of accounts in 2023 were as follows:

During the 2022 financial year, regulatory work continued in the area of standards governing the activity of auditing accounts, which included the issuance of the Resolution of 17 July 2023, submitting for public information the Technical Standard on Auditing resulting from the adaptation of International Standards on Auditing for application in Spain, Special Considerations–Audits of Group Financial Statements (including the work of component auditors), ISA-ES 600 (Revised) and the issuance of the Resolution of 20 December 2023, publishing this standard.

Likewise, as part of the project to update all the technical auditing standards published to date by the Accounting and Auditing Institute as a result of the adaptation of the international standards on auditing issued by the IAASB: International Auditing and Assurance Standards Board, undertaken last year by the working group for the preparation and publi-

cation of technical audit standards and quality control standards, set up within the ICAC, the Resolution of 20 December 2023 has been issued. It submitted for public information the update of the Technical Audit Standards, resulting from the adaptation of the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, resulting from the adaptation of the International Standards on Quality Management 1 and 2 for their application in Spain (ISQM 1-ES and ISQM 2-ES) and the Glossary of Terms, resulting from the adaptation of the one published together with these International Standards for their application in Spain.

The aim of this project is to have, upon completion, a set of regulations that is fully updated to the standards issued by the IAASB to date.

### Other regulatory actions

In the regulatory area, the audit area has collaborated with other government bodies by preparing reports on draft regulations that affect or may affect the audit activity. In the financial year 2023, the number of reports issued on regulatory proposals or projects amounted to 16.

On the other hand, the ICAC has continued with its activity of reviewing certain auditing standards, in particular: review of the draft International Auditing Standard 500 (Revised) Audit Evidence, and of the ISA 570 (Revised) on Going Concern published by IAASB. They have been submitted for consultation, with a view to issuing the corresponding comment letters to be sent jointly with other competent authorities of other EU Member States (CEAOB Standards Subgroup) or countries participating in international forum (IFIAR Standards Coordination Working Group). ICAC has also prepared an additional draft of the comment letter in relation to the IAASB's project to develop a separate standard for audits of Less Complex Entities (LCE).

As well as the review of the draft of the International Standard on Sustainability Assurance (ISSA 5000), which sets out the general requirements for sustainability reporting verification work and the proposed amendments to other standards issued by IFAC.

Table 8 below graphically summarises the actions described in the previous paragraphs.

**TABLE 8** Regulatory actions on auditing in 2022 and 2023

Regulatory actions on auditing	2023	2022
Regulatory project reports	16	22
Published Technical Standards on Audit (provisional and final)	39	6
Review of draft standards submitted by the IAASB	3	1
Review of translation for possible subsequent adaptation of ISA-ES	-	1

### Auditor training. Access

In accordance with audit regulation, the General Subdirectorate of Technical Standards on Audit is responsible for the execution of the competencies attributed to the ICAC in relation to the coordination and promotion of the selection, training, and further training of auditors.

In the area of training for access to the ROAC, the ICAC is responsible for the approval of the required theoretical educational programmes and the waiver of the theoretical educational programmes required for the first phase of the examination for access to the ROAC.



During the financial year 2023, 40 cases of approval of theoretical educational programmes for access to the ROAC have been resolved (the same number as in 2022), with the following breakdown:

- 5 official qualifications valid throughout Spain (Official University Master's Degrees), and 26 requests for extension, with the effect of waiving the first part of the ROAC entrance exam.
- 4 university degrees, which are approved as theoretical educational programmes for access to the ROAC and 4 requests for extension of the approval granted.
- 1 request for extension of a programme of theoretical educational for access to the ROAC, which was approved for one of the Corporations representing auditors.

And 35 applications for partial specific dispensation in certain auditor training subjects and for the first phase of the ROAC entrance exam for candidates with university degrees were assessed and resolved, which is 133% more than in the previous year.

### Continuing training and education

As established in article 8.7 of the LAC, auditors must carry out continuous training activities and justify their compliance to the ICAC. For the purposes of this obligation, such activities must be provided by recognised centres or be individually approved, in accordance with the provisions of the Resolution of 20 December 2022, which implements various aspects related to the obligation of auditors to carry out continuous training.

In the exercise of these powers, the ICAC is responsible for granting recognition as a training centre for the provision of continuing training, the approval of activities carried out by certain institutions and the granting of an extension to auditors for compliance with the obligation to provide continuing training due to force majeure.

Public law corporations representing auditors are recognised as centres for organising and providing continuing education and training, as provided for in article 8 of the Law on Audit, without the need for prior recognition by the ICAC.

In the current financial year, recognition as centres authorised to provide continuing training was renewed for the following:

- 1 university that develop continuing education plans for auditors.
- 20 audit firms, groups of audit firms and groups of auditors united for this purpose, which provide training to their members. One grouping has been voluntarily deregistered.

In terms of admissions, 2 audit firms have started their training activity as recognised training centres in 2023 and 1 training centre has started its activity in the category "other recognised training centres".

With regard to the prior approval of continuing training activities organised by institutions or professional associations of recognised prestige or university professors, professional associations and public centres or institutions that organise conferences, congresses, symposia or meetings, or committees, commissions or working groups, 80 activities have been approved, provided by 5 different institutions, which represents 17.53% less activities approved and one less institution than in the previous year.



And 3 auditors' requests for extension of the obligation to carry out continuing training due to force majeure were processed and resolved during the year, 3 less than in the previous year.

As of 31 December 2023, a total of 24 centres have been recognised or had their authorisation renewed, compared to the 22 centres recognised as of 31 December 2022, with an increase of 2 centres recognised.

### 3.4 Activity Control: Investigations and Inspections

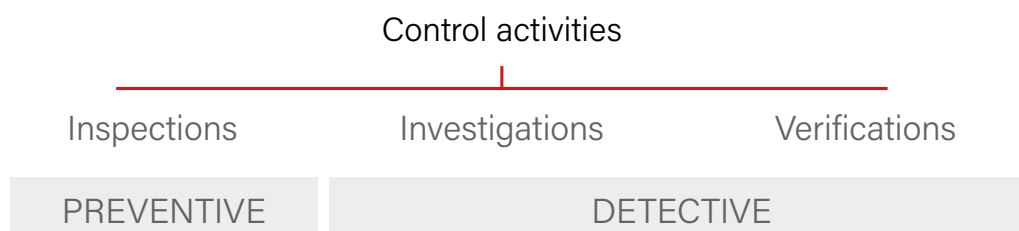
In the financial year 2023, the control of auditors' activities contributed to the public interest and to the fulfilment of the ICAC's mission, mainly through two lines of action:

- a. Maintaining a high number of supervisory activities.
- b. Promotion of the supervisor's transparency.

#### a. Increase in the number and type of oversight activities.

The Law on Audit assigns the ICAC responsibility for the system of public oversight of auditors. This system of public supervision includes three types of actions that constitute the ICAC's main mechanisms for supervising the operational activity of auditors: inspections, investigations and verifications. (See chart 2).

//// CHART 2 Types of oversight actions



**Inspections** consist of checks aimed at the periodic review of the auditors' internal quality control system and the analysis of selected audit work in order to assess the effectiveness of these systems. The inspections are preventive in nature.

The regulation establishes a system of inspections that combines a minimum frequency of inspections of auditors (which depends on the profile of the companies being audited), with the selection of auditors to be inspected based on a risk analysis. As regards minimum inspection frequency, in the case of auditors auditing public interest entities<sup>1</sup> (PIEs), the regulations establish a minimum inspection frequency of 3 or 6 years, depending on the size of the audited companies measured in terms of assets, net turnover or number of employees. The outcome of the inspections is documented in a report containing the main conclusions of the quality control and the requirements for improvement.

**Investigations** consist of verification actions on certain auditing work or aspects of the auditing activity, the purpose of which is to determine facts or circumstances that could lead to the existence of indications of possible non-compliance with the audit regulation.

<sup>1</sup> The firms listed in article 8.1 of the RAC are public interest entities.

**Verifications** are complementary actions to the previous ones, the purpose of which is to verify compliance with the auditors' obligations, the content of which does not fit into either of the two previous cases. Due to their residual nature and purpose, for statistical purposes these actions are accumulated in the computation of the investigation actions.

The oversight actions are planned with a priority focus on allocating the main part of the available resources to carrying out inspections of auditors auditing public interest entities. The rationale for this concentration of efforts lies in their greater economic relevance, in the public interest significance and, in particular, in ensuring better protection of users and investors, which will consequently result in the proper functioning of the markets. In addition, in 2023, verification actions have been initiated with respect to different aspects that have been considered at risk due to their possible effect on the quality of audit services, such as the possible lowering of fees in new engagements by auditors and audit firms that audit public interest entities.

In the performance of inspections of auditors and audit firms that audit entities other than public-interest entities, the representative bodies of the auditors have continued to collaborate in the performance of tasks considered to be purely instrumental.

Overall, the most noteworthy aspect of the inspections and investigations carried out in 2023 is the intense effort made, which has made it possible to **maintain the number of control activities carried out in previous years**, as described in Table 9.

//// **TABLE 9** Summary of the number of control activities carried out in 2023

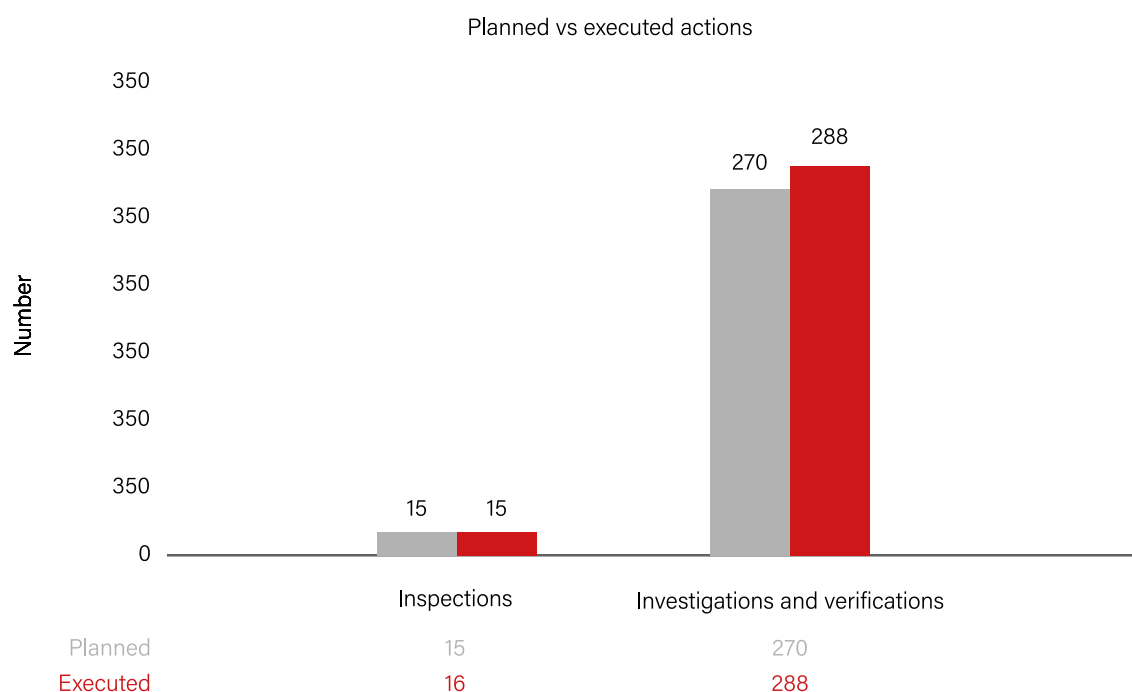
	2023	2022
Inspections	15	16
Investigations and verifications	288	286
<b>TOTAL</b>	<b>303</b>	<b>302</b>

The improvement in the level of supervisory activity in recent years has been made possible by the application of the following measures, the implementation of which began in 2020:

- **Optimisation of planning.** This measure has been applied in greater depth, anticipating the opening of inspections in order to improve auditors' response times and reduce waiting times for requests for information.
- **The use of IT tools** has made it possible to increase the productivity of supervision activities and improve their effectiveness. By way of example, with the entry into force of the RLAC, electronic communications have been used exclusively in supervisory activities since 2021. This has made it possible to streamline procedures and significantly reduce procedural timeframes.
- **Review and optimisation of internal processes and procedures.** This measure has included various actions such as the reduction in the use of diligences in inspection procedures, or the greater standardisation of supervisory procedures. During 2023, this line of action has continued to be prioritised, implementing improvements in inspection and investigation reports, and reinforcing the follow-up of recommendations made in previous years' reports.

All of this has made it possible to fully comply with the actions envisaged in the Control Plan for 2023 approved by the ICAC Audit Committee, as described in Chart 3.

//// **CHART 3** Compliance with the Control Plan



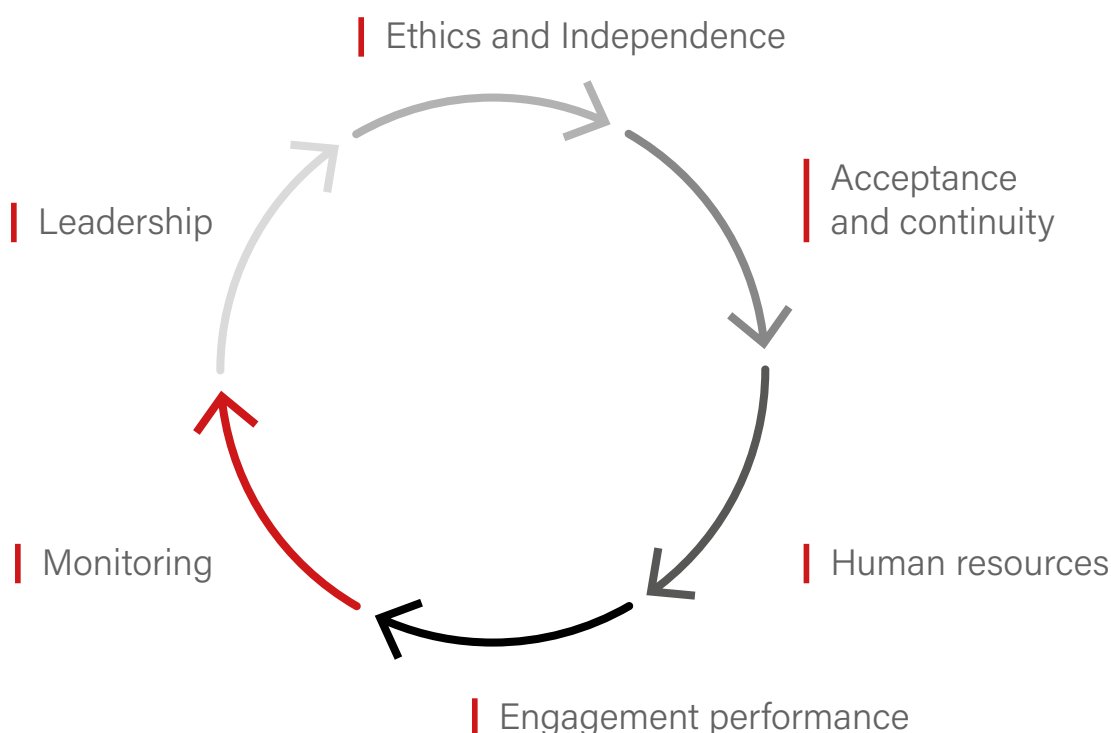
Regarding inspections of the auditors' internal quality control system, four inspections of audit firms auditing public-interest entities were completed in 2023. Auditors of public interest entities, due to the importance of the companies they audit, present a higher supervisory risk. For this reason, they are subject to higher requirements than auditors who do not audit public interest entities, and are a priority target for supervision, with more thorough inspections being carried out on them. As regards auditors that do not audit public-interest entities, eleven inspections were completed in 2023. The details of the inspections carried out in 2023 according to the type of auditor inspected and the year-on-year variation are described in table 10.

//// **TABLE 10** Inspections of auditors in 2022 and 2023

	Inspections				Total	
	On auditors auditing public interest entities		On auditors NOT auditing public interest entities		2023	2022
	2023	2022	2023	2022		
Inspections	4	6	11	10	15	16

The scope of the inspections completed in 2023 consisted, as in previous years, of the review of the auditors' internal quality control systems. Inspections of auditors of public-interest entities reviewed all elements of the quality control system. In the inspections of auditors who do not audit public interest entities, the five most relevant elements of the six that make up the quality control system were reviewed, as well as the working papers of certain areas corresponding to specific audit work (engagements). (See chart 4).

/// CHART 4 Elements of the internal quality control system of auditors and audit firms



The scope of all inspections carried out in 2023 on all types of auditors (both auditors who audit public interest entities and auditors who do not audit public interest entities) included 29 audit engagements, of which 10 were public interest entities, representing 34% of the total. The remaining 19 engagements were for non-public interest entities, as described in table 11.

/// TABLE 11 Total engagements inspected in the years 2022 and 2023

	Total engagements inspected		
	2023	2022	Variation 2022/2023
Engagements of Public Interest Entities	10	16	-38%
Engagements of NON-Public Interest Entities	19	17	12%
<b>TOTAL</b>	<b>29</b>	<b>33</b>	<b>-12%</b>

The following sections summarise the outcome of the inspections completed in 2023, and detail the main issues highlighted by the inspections, both on the firm's policies and procedures, and on the audit work.

## a.1 Inspections

### a.1.1 Inspection of quality control policies and procedures

The inspection procedures concluded with the following proportion of requirements for improvement<sup>2</sup> on the elements of the quality control system (see table 12).

/// **TABLE 12** Elements of the quality control system

Elements of the quality control system		Improvement requirements (%)
i.	Governance and Leadership	11%
ii.	Acceptance and Continuity of Client Relationships and Specific Engagements	8%
iii.	Relevant Ethical and Independence Requirements	30%
iv.	Human resources	14%
v.	Engagement Performance	16%
vi.	Compliance of the quality control system.	21%

As can be seen, as in previous years, the element of *Ethical and independence Requirements* continues to represent the largest percentage.. of requirements, accounting for 30% of the total, followed by the element of compliance of the quality control system, with 21%. These two elements account for more than 50% of the actual requirements. On the other hand, the element of acceptance and continuity of client relationships and specific engagements continues to be the element with the lowest number of requests, even lower than in previous years.

The main aspects of these requirements for improvement are highlighted below:

#### i. Governance and Leadership

#### NOTE

This element of the internal quality control system includes the establishment of policies and procedures to:

- ✓ Promote an internal culture, where quality in the performance of engagements is recognised as essential.
- ✓ Allocate responsibilities for the operation of the quality control system based on the necessary expertise, capability, and authority

In the element of *Governance and Leadership*, among the deficiencies identified in the auditor inspections, the following aspects should be highlighted due to their importance or recurrence:

2 In relation to the firm's policies and procedures, a significant deficiency is considered to exist when the implementation of the policies, procedures, tools or internal controls established by the audit firms is not appropriate to reasonably ensure compliance with the applicable requirements contained in the audit regulations, in accordance with the provisions of the Internal Quality Control Standard for auditors and audit firms published by ICAC Resolution of 26 October 2011.

- Insufficient involvement and commitment of the management and/or the person ultimately responsible for the quality control system in the design and implementation of it, as well as insufficient resources to carry out the design and operation of the quality control system in order to establish an appropriate control environment to support the achievement of the quality objectives.
- Existence of conflicts of interest (detected or potential) of certain managers or professionals in the exercise of the functions and responsibilities assigned in the quality control system.
- Non-compliance with the obligation to publish transparency reports and lack of sufficient detail in some aspects of the transparency reports.

## ii. *Acceptance and Continuity of Client Relationships and Specific Engagements*

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### NOTE

This element aims at implementing policies and procedures to obtain reasonable assurance that only audit client relationships and audit engagements are initiated or continued for which the auditor:

- ✓ Has the competence and capability to perform the engagement, including the resources and time to do so (absence of professional risk).
- ✓ Is able to comply with applicable ethical requirements, including independence requirements (no ethics and independence risk).
- ✓ Considers the integrity of the client and does not have information that would lead him to conclude that the client lacks integrity (no client risk)

In other words, it is a preventive control that should operate effectively prior to the signing of the audit engagement letter and the commencement of the audit work, and where appropriate, at renewals.

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In the element of *Acceptance and Continuance of Client Relationships and Specific Engagements*, among the deficiencies identified in the audit inspections, the following aspects should be highlighted due to their importance or recurrence:

- Inconsistencies in the timing or documentation of assessments, and lack of controls to ensure that acceptance/continuation of engagements is approved prior to the signing of audit contracts and the commencement of fieldwork at the client.
- Insufficient evidence of assessment of compliance with independence requirements.
- Lack of evidence of professional risk assessment in terms of audit team capacity, availability and adequate capacity of quality control reviewers.



### iii. *Relevant Ethical and Independence Requirements*

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#### NOTE

- ✓ The purpose of these is to implement policies and procedures to obtain reasonable assurance that both the audit firm and its staff, as well as the other persons and entities to which the requirements apply, maintain their independence, by identifying and assessing threats to independence so that it is adequately safeguarded or, if not, audit engagements are not accepted, or the audit report is not issued.

In the applicable *Relevant Ethical Requirements* element, among the deficiencies identified in the auditor inspections, the following aspects should be highlighted due to their importance or recurrence:

- Relevant shortcomings have been detected in the inspections with regard to practical compliance and the policies and procedures aimed at obtaining independence confirmations from all the professionals subject to independence restrictions.
- Need to have procedures and controls in place to adequately ensure, in all cases, both the conduct and documentation in working papers of all threat and safeguard analyses, and to ensure that engagement partners have the necessary involvement in the approval and monitoring of non-audit services.
- There are no adequate control mechanisms to ensure that fee waivers, fee caps and fee concentrations are identified and evidenced in the engagement working papers.
- Adequate procedures and policies and preventive controls are not identified to enable the professionals required by the LAC to adequately disclose their financial interests and those of their family members.
- The necessary tools for the complete determination of the independence perimeter are not available.
- The independence tools used are aligned with the network it forms for the auditor, but need to be better adapted to the specific independence requirements of national legislation.
- Non-compliance with reporting requirements to audit committees of audited companies.
- Relevant failures and non-compliance with policies and procedures in the provision of non-audit services are frequently detected in compliance testing during inspections.

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#### iv. *Human resources*

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##### NOTE

- ✓ These are intended to provide reasonable assurance that audit firms have sufficient staff with the necessary competence, capability and commitment to ethical principles to perform audit engagements in accordance with audit regulatory requirements, including remuneration policies.
- 

In the element of *Human Resources*, the deficiencies identified in the auditors' inspections are like those identified in previous years, among which the following aspects should be highlighted due to their importance or recurrence:

- Lack of formal evaluation procedures and insufficient traceability and correlation between the professional's contribution to audit quality and his or her remuneration. These circumstances are more frequently detected for Partners than for other professionals.
- No policies and procedures are identified to allow for the allocation and monitoring of Partners' workload, in particular in relation to functions in addition to engagements, such as responsibilities in the internal quality control system.
- The evaluation of auditors' performance and remuneration sometimes takes into account elements such as the overall result of the firm or the sale of non-audit services to audit clients.

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#### v. *Engagement Performance*

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##### NOTE

- ✓ The objective is to provide reasonable assurance that audit engagements carried out by audit firms are performed in accordance with the audit regulation. This element of the quality control system includes various aspects related to promoting consistency in the quality with which engagements are performed, supervisory and review responsibilities in audit teams, making the necessary consultations and implementing the resulting conclusions, quality control review of engagements of public interest entities as well as others based on risk criteria, engagement documentation, confidentiality, safe custody, integrity, accessibility and retrieval of audit engagement documentation, and retention of such documentation.
- 

In the element of *Engagement performance*, among the deficiencies identified in the auditor inspections, the following aspects should be highlighted due to their importance or recurrence:

- The need to implement tools that integrate all the guides, templates and methodological guidelines to be applied to the development of audit work.
- Adequate controls have not been identified to ensure that the review of engagements is performed by the designated person and that the all the work subject to this review is performed at the appropriate audit stages.

- Insufficient documentation of the issues reviewed and discussed, as well as the criteria and judgements that support the conclusions of quality control reviews and reference to the revised working papers.
- Establishment of procedures and controls to ensure the appropriate selection of QA reviewers in terms of competence, capability and absence of conflicts of interest.

#### vi. *Compliance of the quality control system*

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#### NOTE

- ✓ This is a control subsequent to the implementation of all other policies and procedures and the issuance of audit reports, the objective of which is to provide reasonable assurance that the quality control policies and procedures are relevant, adequate and operating effectively.
  - ✓ The monitoring of the quality control system is responsible for the ongoing evaluation of the quality control policies and procedures established by statutory auditors or audit firms, including the cyclical inspection of audit engagements, to assess the adequacy and appropriateness of their design and their operating effectiveness, and is an ex-post control of such policies and procedures.
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In the element of *Compliance of the quality control system*, among the deficiencies identified in the auditors' inspections, the following aspects should be highlighted due to their importance or recurrence:

- Existence of conflicts of interest in the professionals who perform tasks or have responsibility in the monitoring element, in relation to the rest of the responsibilities or activities they carry out.
- Lack of procedures and controls to ensure the proper selection of monitoring reviewers in terms of competence, capability and absence of conflicts of interest, and to ensure segregation of duties and necessary safeguards to ensure the highest degree of objectivity and independence in the monitoring process.
- Insufficient documentation of monitoring both of the verifications carried out and of the conclusions, even when these are satisfactory. Also of the AQR communication process and its outcome.
- Need to establish assessment criteria to determine whether deficiencies identified in the reviews of engagements constitute a deficiency, and criteria to determine whether identified deficiencies are systemic or pervasive.

#### a.1.2 *Inspection of audit engagements*

The scope of the inspections carried out included 29 audit engagements, of which 10 related to public interest entities.

The requirements for improvement contained in the inspection reports issued in 2023 do not necessarily result in disciplinary proceedings, nor do they necessarily prejudge the commis-

sion of breaches of audit regulations<sup>3</sup>, without prejudice to the initiation of the corresponding investigations and disciplinary proceedings in appropriate cases.

Nor do the requests for improvement necessarily imply the disclosure of material misstatements in the audited financial information, insofar as the purpose of the inspection is to assess the overall performance of the auditors and audit firms.

The distribution of the requirements for improvement made in the inspection of audit engagements, by technical subject of the audit, is shown in table 13.

**//// TABLE 13** Requirements made in the inspection of audit engagements

Auditing aspects	% of requirements
<b>Planning and determination of the materiality figure</b>	<b>9%</b>
Identification and assessment of risks of material misstatement	18%
Testing of controls	17%
Going Concern	2%
Substantive procedures	51%
Audit report	3%
<b>TOTAL</b>	<b>100%</b>

Among the requirements of the engagements reviewed, those relating to the appropriate identification and assessment of risks of material misstatement, to the need for appropriate testing of controls and to the review of accounting estimates in the financial information stand out due to their frequency and impact.

Without prejudice to the foregoing, the following other deficiencies identified in the inspections of engagements should also be highlighted:

- Insufficiently substantiated audit strategies, considering the risks identified and the characteristics of the auditee's financial reporting system.
- Inadequate assessments of the design of the control system, as well as deficiencies in performing and/or documenting tests of the operating effectiveness of controls.
- Insufficient professional scepticism in the assessment of the information provided by the client, and adequate documentation that the auditor has assessed whether such information is sufficiently reliable, accurate and complete, as well as sufficiently accurate and detailed.
- The audit procedures should appropriately address the assessed risks of material misstatement of assertions, in terms of their nature, timing and extent, especially in intra-group transactions and in the assessment of impairment of interests in group companies.
- In relation to the sufficiency and appropriateness of audit evidence, there is a need to improve the design and application of audit procedures.

<sup>3</sup> In particular, it does not prejudice the existence of a possible serious infringement for "non-compliance with auditing standards that could have a significant effect on the outcome of its work and, consequently, on its report", as defined in Article 73(b) of the LAC.

- In relation to the substantive procedures for each type of transaction, accounting balance and material disclosures, ensure the appropriate design of the tests and the adequacy of the procedures applied.
- Inadequate determination of statistical methodology, size and selection of sample elements.
- Inadequate documentation of the audit procedures performed and audit evidence obtained to enable an experienced auditor who has had no previous contact with the audit to gain an understanding of:
  - the nature, timing and extent of audit procedures performed in compliance with ISAs and applicable legal and regulatory requirements,
  - the results of the audit procedures performed and the audit evidence obtained,
  - the significant matters that arose in the course of the audit, the conclusions reached about those matters, and the significant professional judgements applied in reaching those conclusions.

#### a.2 Investigations and verifications

During the financial year 2023, 288 investigation and verification actions were carried out, which represents an increase of 1% compared to 2022, in line with the consolidation of the increase in the number of actions carried out in previous years. The typology of the aforementioned actions is shown in table 14.

**/// TABLE 14** Investigation and verification actions in the financial year 2023

Type of investigation/verification	No. of actions	Percentage of total actions
Investigations/complaints	56	19%
Investigations into continuing training	155	54%
Investigations on transparency	65	23%
Investigations on downward fees	8	3%
Follow-up of previous inspections	4	1%
<b>TOTAL</b>	<b>288</b>	<b>100%</b>

The 56 completed investigations/complaints are mainly related to auditors' compliance with technical audit standards in the performance of audit work, as well as to the fulfilment of their duties of independence.

On the other hand, during 2023, 155 actions were carried out to verify compliance with the minimum training requirements for practising auditors.

As regards the obligation to publish transparency reports, 65 checks were carried out in 2023 on the publication and formal content requirements of the transparency reports of statutory auditors and audit firms of public interest entities.

In addition, the verification activities started in 2022 and consisting of verifying the effective implementation of corrective measures for deficiencies detected in the inspections have continued. Specifically, the effective implementation of the corrective actions of 4 audit firms was reviewed.

Finally, in 2023, a new type of verification activity was carried out, consisting of the analysis of audit fees for new engagements for public interest entities when there has been a change of auditor, verifying whether there have been significant unjustified variations in the fees.

Specifically, checks were carried out on the fees for new audit engagements for public interest entities in 8 audit firms.

#### **b. Activities to strengthen the supervisor's transparency.**

Effective supervision requires soundness in its preventive aspect, so as not to limit supervision to the detection and correction of deficiencies, but rather to prevent them from occurring. With this objective in mind, the ICAC's line of action to strengthen the transparency of supervision has been continued.

During 2023, two new half-yearly publications of the *Economic-Financial Bulletin in Support of Audit Risk-Based Supervision* were produced. This tool is intended to help the industry to make a proper assessment of the risks that may influence the quality of auditors' work and serves to develop risk-based supervision. These risks arise both from factors internal and external to the audited companies, and from the level of maturity of the auditors' system of internal quality control.

Among the external factors that can affect financial reporting, the context of economic and financial activity is a key element that any modern supervisory system must take into account.

The *Economic-Financial Bulletin in Support of Audit Risk-Based Supervision* strengthens and modernises the oversight system by providing it with tools that enable objective analysis of auditors' work, by focusing oversight on the areas with the most significant risks and by allocating public resources efficiently. All this ultimately improves the assurance provided by this oversight system entrusted to the ICAC and enhances confidence in the audit sector.

The *Economic-Financial Audit Oversight Support Bulletin* integrates several indicators to enrich the risk-based supervision model. Its content is constantly reviewed and updated according to its relevance for the sector.

Finally, it should be noted that in this line of transparent action by the ICAC, activities have also been pursued to disseminate practical aspects of supervision aimed at facilitating regulatory compliance, particularly in the case of smaller auditors and audit firms. In 2023, no supervisory expectations have been published on any relevant issues as in previous years, but a communication on auditors' internal organisational requirements in relation to cyber risks was published in January. In addition, the new programme (CAIM) approved at European level to guide supervisors in reviewing the risk assessment process to be performed by auditors and audit firms, in line with the new Standard on Quality Management (ISQM1-ES), was published.



### 3.5 Disciplinary Activities

The disciplinary actions carried out in 2023 consisted of the processing of administrative disciplinary proceedings for breaches in auditing matters, assisting the president in the drafting of the acts within his competence issued in these proceedings.

The **number of disciplinary proceedings** in relation to audit resolved in 2023 were 48, the same number as in 2022.

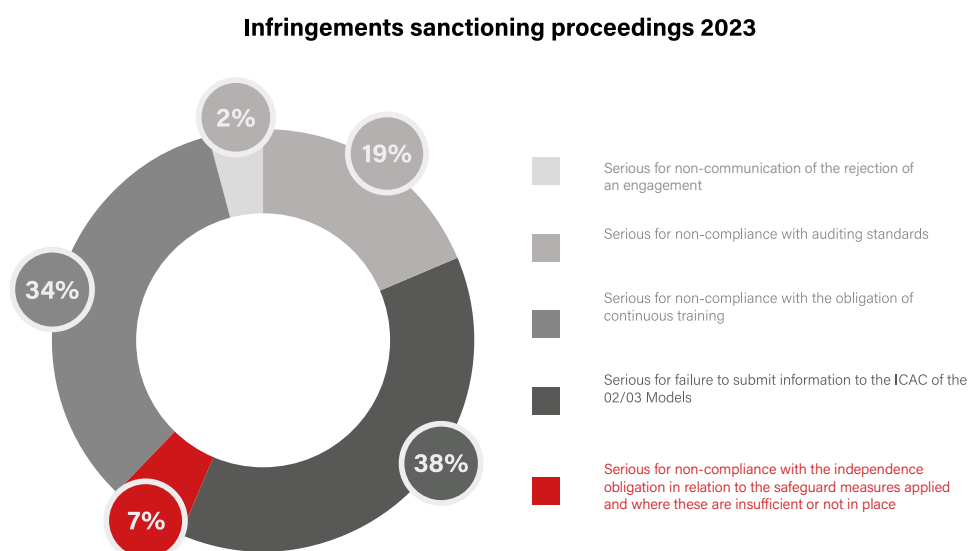
It should be noted that a decision was handed down without imposing a sanction in 6 of the 48 disciplinary proceedings resolved in auditing matters.

In the other 42 proceedings processed and resolved in auditing matters, **breaches of the audit regulations** were declared to constitute serious infringements, with the details shown in Table 15 and chart 5.

**TABLE 15** Infringements included in the sanctioning proceedings resolved in the area of auditing in the financial year 2023-2022

Infringements included in the sanctioning proceedings resolved in the area of auditing	Nº of proceedings 2023	Nº of proceedings 2022
Very serious for lack of independence	-	-
Serious for lack of independence	-	-
Serious for non-compliance with auditing standards	8	9
Serious for non-compliance with submission of information to the ICAC on Forms 02/03	16	11
Serious for non-compliance with the independence obligation in relation to the safeguard measures applied and where these are insufficient or not in place	3	1
Serious for non-compliance with the obligation of continuous training	14	17
Serious for non-communication of the rejection of an engagement	1	-
<b>TOTAL</b>	<b>42</b>	<b>38</b>

**CHART 5** Infractions and cases sanctioned in 2023



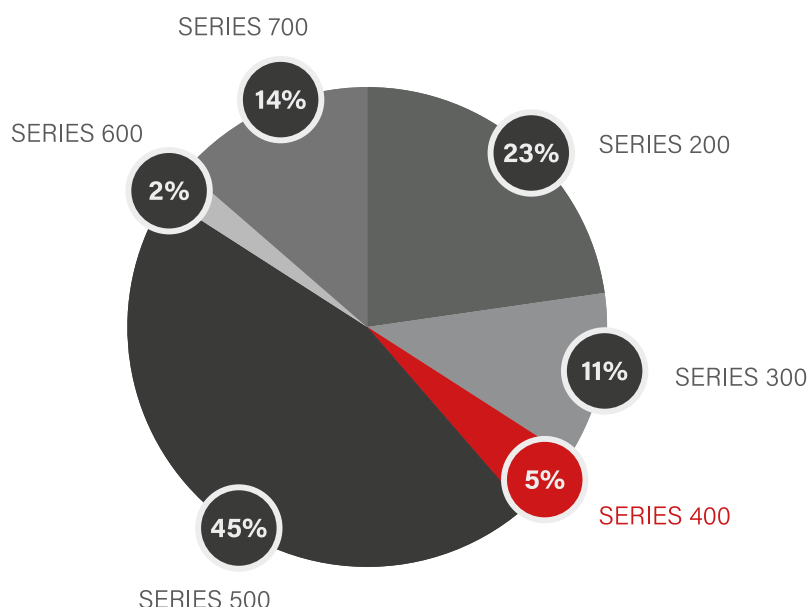
In the files processed as a result of non-compliance with auditing standards that could have a significant effect on the outcome of the audit work and, consequently, on the audit report issued (serious infringement), where penalties were imposed, the infringements essentially concerned the following international standards on auditing (see table 16 and chart 6).

//// **TABLE 16** ISA not complied with during the financial year 2023-2022

Non-compliant ISA		Nº of proceedings 2023	Nº of proceedings 2022
ISA 200	"Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing"	8	-
ISA 230	"Audit Documentation"	1	1
ISA 240	"The Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements"	1	4
ISA 300	"Planning an Audit of Financial Statements"	-	1
ISA 315	"Identifying and Assessing the Risks of Material Misstatement through Knowledge of the Entity and its Environment"	1	5
ISA 320	"Materiality in Planning and Performing the Audit"	-	4
ISA 330	"The Auditor's Responses to Assessed Risks"	4	5
ISA 450	"Evaluation of Misstatements Identified during the Audit"	2	4
ISA 500	"Audit Evidence"	8	7
ISA 501	"Audit Evidence-Specific Considerations for Selected Items"	2	-
ISA 505	"External Confirmations"	3	5
ISA 520	"Analytical Procedures"	-	2
ISA 530	"Audit Sampling"	3	5
ISA 540	"Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures"	2	4
ISA 550	"Related Parties"	2	1
ISA 560	"Subsequent Events"	-	2
ISA 570	"Going Concern"	-	1
ISA 600	"Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)"	1	2
ISA 700	"Forming an Opinion and Reporting on Financial Statements"	3	4
ISA 701	"Communicating Key Audit Matters in the Independent Auditor's Report"	-	1
ISA 705	"Modified Opinion in the Independent Auditor's Report"	3	1
ISA 706	"Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report"	-	1

/// CHART 6 Non-compliant ISA by series

## Non-compliant ISA by series 2023

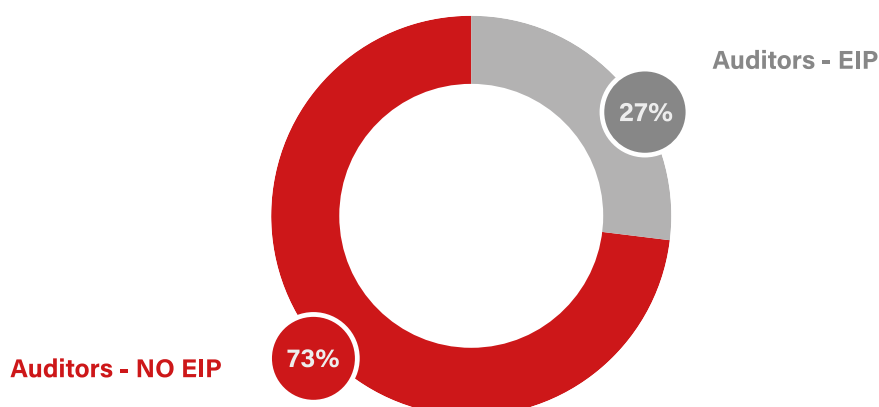


The following chart shows the breakdown of resolved cases where non-compliance with technical auditing standards that could have a significant effect on the audit work and the report issued or non-compliance with the duty of independence has been declared in relation to the number of **auditors of public interest entities (PIEs)** for which sanctioning cases have been processed, according to the data shown in Table 17 and chart 7.

/// TABLE 17 Cases resolved in the financial year 2023-2022

	2023	2022
PIE audits	3	2
Non-PIE audits	8	8

/// CHART 7 Files related to PIE and Non-PIE audit engagements in the year 2023



The fines imposed in 2023, by type of auditor sanctioned, amount to 5,536,811.38 euros (see table 18).

//// **TABLE 18** Fines imposed in 2023

Fined	Amount
Audit firms and partners	5,477,997.38
Sole practitioners	58,814
Total fines	5,536,811.38

In addition to the above, it should be noted that during the financial year 2023 the following appeal reports have been issued, filed in accordance with the provisions of article 47 of the LAC in relation to the sanctioning proceedings processed in auditing matters. (See table 19).

//// **TABLE 19** Appeal reports during the financial year 2023-2022

Appeal reports	2023	2022
Reports on appeals arising from audit files	6	5

During 2023, the National Court issued four judgements dismissing the appeals of audit firms and upholding the ICAC's sanctioning criteria.

### 3.6 Interpretation Criteria and Guidelines Published

The *ICAC Independence Technical Group* was set up in 2021. It is made up of representatives of the General Subdirectorates of Technical Standards on Audit and Technical Control and by representatives of General Council of Economists of Spain-Registry of Audit Economists and the Institute of Chartered Accountants of Spain as representative corporations of auditors. The purpose of this group is to analyse the applicable regulations regarding the obligation of independence of auditors and issue interpretation criteria to guide auditors on those issues that may arise in practice and from which interpretive doubts arise. The criteria issued will try to guarantee the practical, viable and possible application of the content of the LAC and its implementing regulation.

During the financial year 2023, as a result of the discussions within this group, two interpretation criteria have been published:

- Criteria for interpreting the rules applicable to the independence of the auditors to the components in the group audit.
- Criteria for interpreting certain aspects of the maximum duration of the audit engagement in public interest entities.

In order to contribute to the dissemination of the **guidelines published by the Committee of European Auditing Oversight Bodies** (CEAOB), the Institute published in Spanish the guidelines on the Appointment of statutory auditors or audit firms by public interest entities, with the collaboration of the representative corporations of statutory auditors, the General Council of Economists of Spain-Registry of Audit Economists and the Institute of Chartered Accountants of Spain for the translation of these guidelines.

### 3.7 Attending to queries

The ICAC's collaboration with auditors and audit firms includes the study and preparation of replies to queries on the interpretation and application of the audit regulation. Of all the queries resolved, those considered to be of general interest are selected for quarterly publication in the ICAC's *Official Bulletin*.

Table 20 shows the data on the queries processed in recent years, grouped into different matters.

//// **TABLE 20** Queries processed in the years 2021, 2022 and 2023

Queries	2023	2022	2021
<b>Queries issued</b>	<b>241</b>	<b>282</b>	<b>293</b>
1. Appointment and engagement of auditors	42	33	22
2. Official Register of Auditors	95	135	130
3. Independence regime	5	4	12
4. Audit obligation	26	15	16
5. Audit engagements and reports	9	14	9
6. Public Interest Entities	5	6	0
7. Verification of sustainability reporting	20	0	0
8. Miscellaneous	39	75	104
<b>Queries published</b>	<b>1</b>	<b>5</b>	<b>0</b>

The queries received have dealt with various aspects of the effective application of the audit regulation, the most frequent of which are as follows:

- access to the Official Register of Auditors and theoretical training, including particular requirements for auditors from a third country,
- continuing education requirements
- the independence regime
- auditor dismissal, resignation, the audit engagement and cases of replacement of auditors
- the fees for the performance of the audit and the criteria for setting such fees
- the obligation to submit the accounts of an entity to audit.
- Verification of sustainability reporting

Certain queries, considered to be of general interest, are published on the Institute's website and in the Institute's Official Bulletin in order to better disseminate the Institute's criteria. One consultation has been published in the BOICAC in 2023.

### 3.8 International Activity

International audit activity is essential for the ICAC to be able to align its supervisory practices with those of its European and global counterparts, and because cooperation between supervisors is necessary given the existence in the market of important international networks of auditors operating in multiple jurisdictions. Cooperation is also necessary for the exchange of experience in the practical implementation of European and International standards on auditing adopted by Member States. Collaboration is therefore essential, in particular in view of the need for cooperation and coordination both from a regulatory point of view and in terms of oversight activity.

In the European Union, this activity is mainly carried out through the Commission of European Auditors' Oversight Bodies (CEAOB), although participation in the Audit Regulatory Committee (AuRC) is also relevant.

From a global perspective, the main participation is in the International Forum of Independent Audit Regulators (IFIAR).

International activity also includes other supervisory cooperation activities, such as colleges of competent authorities or direct collaboration with other competent authorities.

The ICAC has also participated in the meetings of the Transposition Group of the Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting, which aims to improve the framework for the presentation and verification of sustainability reporting in which the Member States have raised questions about the content of the provisions of the Directive for its correct transposition and have analysed and discussed the replies raised by the European Commission.

The most relevant aspects of international activity are referred to below.

#### CEAOB (Committee of European Audit Oversight Bodies)

CEAOB is the framework for cooperation between national audit oversight bodies at EU level. Its role is to strengthen audit oversight across the EU, which is a key objective of the EU legislation on statutory audit that entered into force on 17 June 2016. To this end, CEAOB organises cooperation between competent authorities to promote the consistent application of European statutory audit legislation, facilitate the exchange of information and advice to the Commission on matters including the technical assessment of third country oversight systems and the technical review of international standards on auditing with a view to their adoption at European level.

CEAOB is composed of representatives of EU national audit oversight bodies and the European Securities and Markets Authority (ESMA). Representatives of national audit authorities from the European Economic Area (EEA) also participate. The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) participate as observers.

The committee operates both through plenary sessions and through the following subgroups:

- **Auditing Standards Subgroup:** a working group that analyses the draft standards issued by the international issuer, the International Federation of Accountants (IFAC), through



gh the International Auditing and Assurance Standards Board (IAASB) in order to draft and follow up comment letters to be sent to the IAASB. It also carries out an analysis of the differences between the standards applicable in each Member State of the European Union and the Standards issued by IFAC, with the aim of advising the European Commission in the process, if any, of adopting the standards at European level. It also discusses issues raised by Member States with regard to European legislation governing the audit activity, as well as other European legislation that may have an impact on the audit activity or auditors.

The IAASB's work programme is discussed and inspection findings that represent a deficiency in the standards issued by the IAASB to provide information to the international issuer are analysed.

- **Inspections subgroup:** working group in which mainly experiences from inspections, audit deficiencies detected in inspections, dialogue with audit firms, inspection methodology, as well as with international auditing and ethics standard setters (IAASB and IESBA) are shared.
- **Enforcement subgroup:** European-wide working group established to prepare the report on existing investigations and sanctions practices, statistics on sanctions imposed under the new European Statutory Audit Regulation, and the template for reporting temporary and permanent withdrawal sanctions to CEA OB, in accordance with Article 30(f) of Directive 2006/43/EC, as amended by Directive 2014/56/EU of the European Parliament and of the European Council of 16 April 2014, as well as to exchange practical experience in the field of investigations.
- **Market monitoring subgroup:** a working group at European level whose purpose is to support the European Commission in its activity of monitoring developments in the audit market, in particular with regard to the preparation of the report referred to in Article 27 of Regulation 537/2014. This sub-group facilitates the monitoring of the quality and competence of the market for the provision of statutory audit services to public interest entities and contributes to the convergence and coordination of the monitoring carried out by national authorities. It should be noted that in 2022 the ICAC took on the coordination of this subgroup, which shows the ICAC's firm commitment to coordination in the international level and its vocation to collaborate in the European institutional level.

The plenary is the instrument of CEA OB in which the heads of the audit oversight authorities of the member States participate and in which decisions are formally adopted. At the plenary level, in 2023, one meeting was held online (in March) and two face-to-face meetings (in June and November).

Thematically, the most relevant aspects in which CEA OB has participated during 2023 include:

- Follow-up of the actions taken by IAASB on the issues included in the CEA OB letter sent to this international standard setter, regarding the draft ISA-ES 500 "Audit Evidence".
- Preparation of the comment letter additional draft to the IAASB's draft for the development of a separate standard for audits of Less Complex Entities (LCE).
- Preparation of a comment letter on the draft ISSA 5000, as well as follow-up of the actions taken in this respect by IAASB.

- Collaboration in the preparation of the CEAOB letter in relation to the IAASB's draft regarding revisions to ISA-ES 570 Going Concern.
- Analysis of issues raised regarding the application of certain provisions of European auditing legislation (Directive and Regulation) in matters relating to the application of Auditing Standards. The differences between the international standards issued by the IAASB and the standards adopted in the different Member States have also been discussed, as a means of advising the European Commission on their possible adoption at EU level.
- Working meetings on the different implementation processes in each Member State of the ESEF (European Single Electronic Format).
- Working meetings to improve the consistent development of the methodology for the inspection of statutory auditors and audit firms, exchange of experiences on inspection practices, as well as analysis and dialogue with the six largest European networks of audit firms on the main audit deficiencies and the actions of these networks to promote measures to reduce these deficiencies.
- Three meetings were held in 2023 to prepare the annual report on aspects of investigation and sanctioning procedures, which brings together data from the various Member States on these procedures. A webinar was also held in December to discuss among the members of the Subgroup three experiences of transposing the article of the Directive regulating sanctions in the field of auditing.
- As regards the inspections subgroup, the annual meetings of this group were held in Ljubljana and Brussels in June and October 2023, respectively. These events addressed all relevant issues to ensure better coordination and standardisation of audit control procedures at European level, to liaise with international regulatory bodies and to engage in dialogue with the European network of audit firms. Issues discussed included an update on the implementation of the International Standards on Quality Management by the firms contacted at the 2023 meetings, as well as the presentation of the results of the thematic inspection on the implementation of these standards by one of the members of the Subgroup; information on the inspection results database maintained by CEAOB and discussion on the nature of recent inspection results related to financial statement audits. There was also a panel discussion on inspections of auditors' work in relation to fraud, work continued on the adoption of the common audit inspection methodology (CAIM) in relation to IT and cybersecurity. Finally, the Task Forces in which it is organised are updated at these meetings.

#### */ Meetings of the Audit Regulatory Committee (AuRC)*

This committee is made up of the authorities with regulatory powers in auditing matters in the different EU Member States, as well as with possible aspects related to the auditors' performance with regard to fraud.

No meetings of this Committee were held during the financial year 2023.

#### */ Other actions. College of Supervisors*

The ICAC has participated in the four colleges of European competent authorities corresponding to the four largest European networks of audit firms. In these colleges, created to encourage greater cooperation between selected EU audit authorities, the main deficiencies detected in inspections by the different supervisors are shared, which allows to learn about

the supervision carried out by European counterpart supervisors similar to the ICAC and the situation of auditing in the European Union.

The conclusions of the issues analysed and the main deficiencies in the inspections are presented to the heads of the European networks at joint meetings between the colleges of supervisors and the corresponding network of audit firms with a view to adopting initiatives aimed at improving the quality of the audits carried out by the audit firms that are members of these networks, which is why participation in these meetings is essential.

Most of the issues are raised in parallel in the various colleges of competent authorities. In 2023, there has been a reorganisation of the work within the different colleges, seeking to encourage the active participation of all member countries.

Topics addressed included issues such as the impact of artificial intelligence on auditing, developments on sustainability and its impact on firms, and risk-based supervision. Work was also carried out on procedures for obtaining quality and standardised information from firms in a coordinated manner regarding the degree of implementation of the new quality management standards.

In addition to the above, other information and experiences are shared in the colleges of supervisors that the local supervisors consider to be of interest and useful to the college members, fostering critical debate on issues and areas that might require a more precise study at the European level.

## IFIAR

The International Forum of Independent Audit Regulators (IFIAR) is composed of 55 authorities from five continents, with the objective of exchanging experiences and knowledge in the field of inspections and technical auditing standards. This forum meets both in plenary sessions and in groups.

During 2023, as a member of IFIAR, the ICAC participated in global oversight coordination activities by attending the working meetings organised to foster dialogue with the six largest global audit firm networks and international audit standard setters, and to promote the changes needed to improve audit quality.

Also during 2023, IFIAR participated in the Standards Coordination Working Group (SCWG) in which, from a global perspective, comment letters on standards issued by the IAASB were drafted. In particular, it has participated in the drafting of the comment letter on the draft standard prepared by the IAASB for the revision of ISA 500 Audit Evidence and ISA 570 Going Concern and the preparation of an additional draft comment letter on the IAASB draft for the preparation of a separate standard for audits of less complex entities and the follow-up in its further processing by this international standard setter.

In 2023 the face-to-face meeting of this group was held in Madrid and was organised by the ICAC in collaboration with the Ministry. See details in section 6 Events in 2023 in which the ICAC participated in this Annual Activity Report.

The ICAC also participated in the meeting of the IFIAR investigations and sanctions group, which took place at the end of September in London, where the results of the annual survey on sanctioning procedures were analysed and criteria were shared on issues such as the treatment of quality review in sanctioning procedures and new challenges in relation to the verification of sustainability reporting.

### 3.9 The Audit Committee

In the exercise of the powers attributed to the ICAC, four meetings of the Audit Committee were held in 2023 (as in 2022), and the matters required by the applicable regulations were submitted to the Committee.

The main matters discussed at the four meetings held were:

- The Draft Law regulating the corporate reporting framework on environmental, social and governance issues for the transposition of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting, which aims to improve the framework for reporting and verification of sustainability information and which entails the amendment of the Commercial Code, the revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, on Auditing, and its implementing regulation, approved by Royal Decree 2/2021, of 12 January.
- The Resolution of the Presidency of the Accounting and Auditing Institute approving the joint call of the General Council of Economists of Spain-Registry of Economists Auditors and the Institute of Chartered Accountants of Spain for the professional aptitude examination for authorisation by the ICAC and registration in the Official Register of Auditors, and Order ETD/2023, which appoints the members of the Evaluation Commission for the registration in the Official Register of Auditors of those authorised to carry out the auditing activity in other Member States of the European Union or in third countries and establishes the fees for the examination rights.
- The Resolution of the ICAC whereby the Technical Standard on Auditing, resulting from the adaptation of International Standards on Auditing for application in Spain, *Special Considerations–Audits of Group Financial Statements (including the work of component auditors)*, ISA-ES 600 (Revised), was submitted to public consultation, and the Resolution of final publication of this standard.
- The resolution amending the Resolution of 10 February 2021 of the ICAC, which regulates the functioning and composition of the Working Group for the preparation and publication of the Technical Audit Standards and Quality Control Standards, in order to update its composition.
- The resolution amending the Resolution of 10 February 2021 of the ICAC, which regulates the functioning and composition of the Working Group for the translation of the International Standards on Auditing created by Resolution of 31 October 2008, to update its composition.
- The presentation of the auditing activity control plan for the year 2023 and the activity report for the financial year 2022.
- The report on situation of auditing in Spain 2022.
- The consultation considered of general interest for publication in the BOICAC on the interpretation of the scope of the expression “*spanish sports federations*” in Article 58.2 of Law 39/2022, of 30 December, on Sport, in order to determine whether or not it includes regional sports federations for the purposes of their consideration as public interest entities.

- The Resolution of the ICAC publishing the Technical Auditing Standard, whereby the update of Technical Standards on Auditing, resulting from the adaptation of the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, resulting from the adaptation of the International Standards on Quality Management 1 and 2 for their application in Spain (ISQM 1-ES and ISQM 2-ES) and the Glossary of Terms, resulting from the adaptation of the one published together with these International Standards for their application in Spain.
- The Resolution of the ICAC approving models 02 and 03 for information to be sent by practising auditors and auditing companies, respectively.
- The Proposed Resolutions of two sanctioning proceedings in relation to audit, which must be processed in accordance with the Regulations for the Development of the revised text of the Law on Audit, approved by Royal Decree 1517/2011, of 31 October.





# Account Deposit

# 4 Account Deposit

## 4.1 Obtaining the number of non-compliant entities from the lists received from the Commercial Registers

In accordance with the provisions of article 371 of the Commercial Register Regulations, approved by Royal Decree 1784/1996, of 19 July, during the month of February, the mercantile registers send the ICAC the list of companies that fail to comply with the obligation to file their accounts.

During the financial year 2023, all the lists have been received from the commercial registers, in a format that has enabled the overall quantification of the non-compliant companies corresponding to the financial year 2021.

In this first quantification, the data has been processed to obtain a list of the companies that actually operate in the market, obtaining a number of non-compliant companies that are active companies, highlighting that the result obtained is less than 8% of the data of the non-compliant companies. In this sense, active entities are considered to be those that are not affected by situations such as suspension of payments, bankruptcy, insolvency, closure of the register, extinction, dissolution or cancellation of social security.

## 4.2 Disciplinary Actions

The disciplinary actions carried out in 2023 by virtue of the powers assigned to the ICAC by article 283 of the revised text of the Law of Capital Companies consisted of processing administrative disciplinary proceedings for non-compliance with the obligation to deposit their annual accounts in the Commercial Register, assisting the Presidency in the preparation of the acts under his authority in such proceedings.

A total of 316 **disciplinary proceedings** were resolved in relation to the deposit of accounts, compared to 300 in 2022. The fines imposed amounted to 563,458.94 euros.

In relation to this competence, the following appeal reports have been issued during the financial year 2023, dropping with respect to the previous year, as indicated in table 21.

//// **TABLE 21** Appeals report in the financial year 2022 and 2023

Appeal reports	2023	2022
Appeal reports arising from the filing of account deposits	9	15
Resolutions of appeals against the notification of the liquidation arising from the filing of account deposits	1	4



### 4.3 Resolution of queries

During 2023, a total of 25 queries have been resolved in relation to the obligation to file the annual accounts of the entities in the corresponding Commercial Register. These queries have mainly dealt with aspects related to the sanctioning procedure and the procedure for the submission of complaints to entities in the event of non-compliance.

With regard to consultations on aspects of the sanctioning procedure, these mainly concerned the limitation period and the criteria for setting the sanction.

A photograph of a business meeting with a red color overlay. In the foreground, a person's hand holds a pen, pointing at a document titled 'SALES REPORT' which contains bar and pie charts. Another person's hand is visible, pointing at the same document. In the background, two other people are partially visible, one wearing a checkered shirt. The overall scene suggests a professional discussion or presentation.

# Organisation and Management of ICAC

# 5 Organisation and Management of ICAC

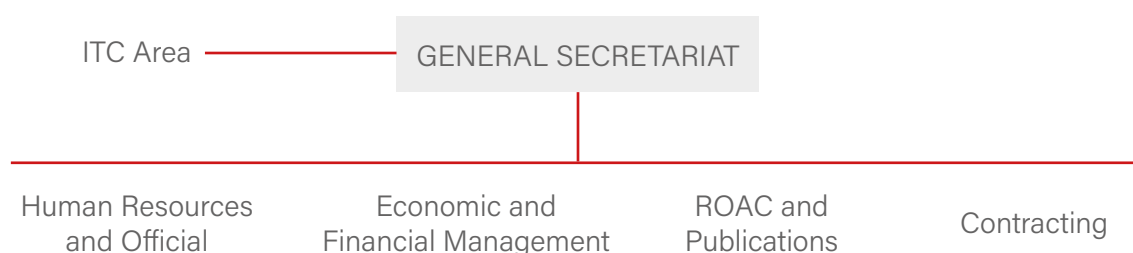
## 5.1 Organisational Structure

The ICAC is divided into four general subdirectorates: The General Secretariat, the General Subdirectorate of Standardisation and Accounting Technique, the General Subdirectorate of Technical Audit Standards and General Subdirectorate of Technical Control.

### General Secretariat

The General Secretariat is responsible for the provision of the common services of the organisation. This General Secretariat has the following departments, which are shown in chart 8.

//// **CHART 8** Organisation chart of the General Secretariat



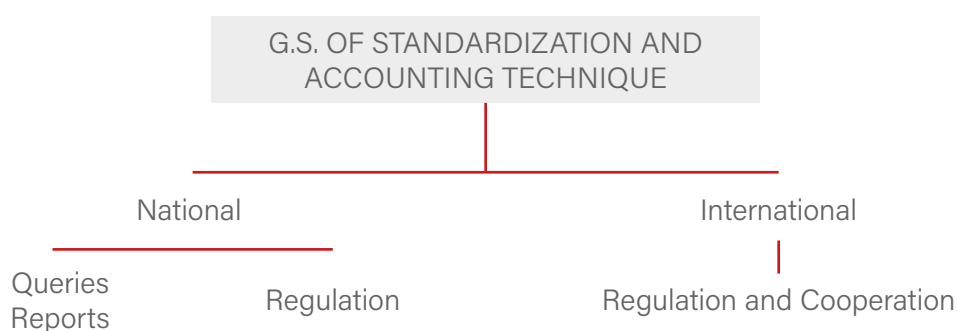
- **Human Resources Department:** responsible for all administrative tasks such as the study, proposal, and management of the Institute's personnel policy.
- **Official Services:** in charge of all internal administration functions, the management of material resources, buildings, and facilities.
- **Contracting Service:** it oversees the processing in all its phases of contracts, orders to own means, collaboration agreements, nominative subsidies and payment of quotas to international organisations, as well as all the procedures for the payment and justification of funds from the organisation's Fixed Cash Advance.
- **Economic and Financial Management Service:** in charge of the Institute's economic, accounting, and budgetary management, as well as the complete management of the collection of the fee for the control and supervision of the auditing of accounts and the fee for the issuing of certificates or documents at the request of a party and for registrations and annotations in the ROAC.
- **ROAC** (described in section 3. Audit Area, subsection 3.3. The Audit Sector in Spain, Audit Sector of this Report). The General Secretariat is responsible for its management and maintenance.

- **Publications:** Service in charge of the publication of research and dissemination activities in relation to corporate information (accounting and sustainability) and auditing.
- **ICT Area:** Unit in charge of the ICAC's digital transformation. General

### General Subdirectorate of Standardisation and Accounting Technique

It performs its functions in two interrelated areas (see chart 9).

**CHART 9** Organisation chart of the General Subdirectorate of Standardization and Accounting Technique



#### National area:

- Regulation: preparation of draft accounting regulations.
- Consultation service and preparation of reports on the correct interpretation of national accounting regulations.
- Cooperation with other institutions.
- Non-financial information.

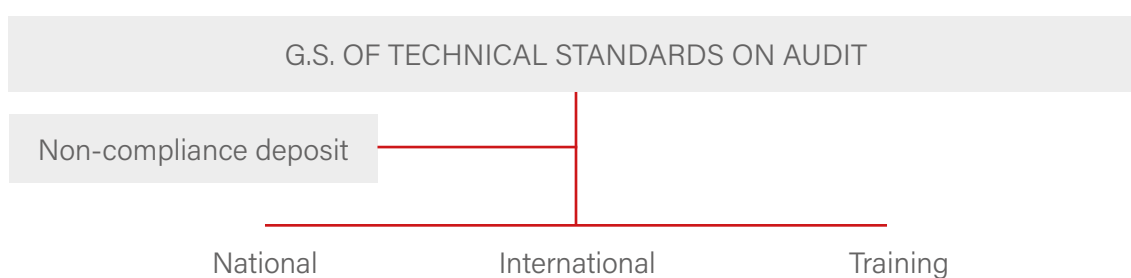
#### International area:

- European regulation: on financial and non-financial reporting.
- Projects and regulatory proposals: IASB and EFRAG.
- Cooperation with other institutions issuing accounting pronouncements.

### General Subdirectorate of Technical Standards on Audit

It carries out its functions by distinguishing the interrelated areas described in chart 10.

**CHART 10** Organisation chart of the General Subdirectorate of Technical Standards on Audit



- Deposit of accounts department, responsible for handling disciplinary proceedings for failure by companies to comply with the obligation to deposit their accounts with the relevant Commercial Register.
- Training Department:
  - ROAC access department, responsible for the approval of training courses for access to the ROAC, the preparation of resolutions granting exemption from the examination for access to the ROAC and the enforcement and publication of sanctions imposed in connection with audit.
  - Continuing Education Department, which is responsible for preparing resolutions for the recognition of centres that may organise continuing education activities, for the approval of continuing education activities and for granting extensions to this obligation in the event of force majeure.
- National area:
  - Regulatory, responsible for the preparation of legislative and regulatory amendments in the field of auditing, as well as the tasks necessary for the adoption of technical auditing standards (including the review of the translation of international standards on auditing and the debate for their subsequent adoption in Spain through adaptation to our regulations, or the debate of the technical auditing standard if it is not derived from an international standard).
  - Sanctioning proceedings, which is responsible for handling disciplinary proceedings in the field of auditing.
  - Consultations and draft standards, which is responsible for resolving consultations and drafting reports of observations on draft standards prepared by other bodies or entities.
- International area:

Responsible for the participation of the General Subdirectorate in European and international groups related to auditing, participating, among others, in the preparation of questionnaires, answering questions, making communications, preparing letters of comments on the standards issued or documents prepared by the body issuing the international standards on auditing.

### General Subdirectorate of Technical Control

Since 2020, this General Subdirectorate has been carrying out an organisational reform aimed at increasing the number of inspections, broadening the type of inspections carried out by the ICAC and improving the efficiency of the use of resources. The fundamental objective is to strengthen the preventive aspect of control activities and to improve compliance with inspection cycles. Although this reform has not yet been formalised, the creation of three internal areas or departments is planned: (see chart 10)

- Inspections area.
- The engagements and investigations area.
- Risk area.



/// CHART 11 Organisation chart of the General Subdirectorate of Technical Control



This reorganisation is in line with the configuration of the control activities over auditors performing LAC. The inspections department will be responsible for conducting inspections of auditors and ensuring compliance with inspection cycles. It will be supported by the engagement and investigations department in the review of audit engagements during inspections.

The novelty of the formal separation of the investigations and engagements area is that, in addition to carrying out engagement inspections, this area will conduct autonomous investigations on audit engagements where the level of risk warrants review. This will enable the ICAC to respond more quickly to risk situations by dedicating specific resources to risk-based oversight.

The areas of inspections and engagements and investigations will receive technical support from the risk department, whose main responsibility will be to identify the specific areas and engagements to be prioritised for inspection and investigation through the use of data analytics tools and financial information (the latter to be disclosed on a regular basis), which will allow for more precise control plans.

## 5.2 Human Resources and Official

### Human Resources

The Human Resources department is responsible for all administrative tasks such as the study, proposal and management of the Institute's personnel policy, the establishment of staff training plans and the management of social action.

At the end of 2023, the ICAC's staff, including the Chairman, was 72 people, as shown in table 22:

/// TABLE 22 ICAC staff at the close of the financial year 2023

Position Held	Male	Female
Senior management	1	0
Civil servants	21	44
Employees	2	4
<b>TOTAL</b>	<b>24</b>	<b>48</b>

The list of civil servants broken down by level and gender is shown in table 23.

//// **TABLE 23** Civil servant staff at the close of the financial year 2023

	A1	Management staff A1	A2	C1	C2
Male	7	1	9	3	1
Female	4	7	19	8	6

### Filling of civil servant posts

During 2023, a new Deputy General Director for Technical Control joined the Institute. In addition, two group A1 civil servants have joined the ICAC, one from the State Body of Insurance Inspectors and another new recruit from the Body of Information Systems and Technologies of the Spain's General State Administration.

The ICAC also recruited three civil servants from group A2 of the Technical Body of the Civil State Administration, one of whom was a new recruit, and three civil servants from group A2 of the Technical Auditing and Accounting Body, two of whom were new recruits. Lastly, a civil servant from group C2 of the General Auxiliary Administrative Body of the General State Administration, a former employee of the Institute, was promoted internally.

### Filling of employees posts

During 2023, a new employee joined the Institute from the third phase of the 2022 open and permanent transfer competition.

### Training

The training of the Institute's staff has continued during the year 2023. In particular, on-line **English** classes and training in **Occupational Risk Prevention** and Data Protection for new employees.

It is also important to highlight the collaboration provided by the **Spanish Association of Accounting and Business Administration (AECA)** to this institute in the training of staff in corporate reporting. Particularly noteworthy is the training provided in the field of sustainability under the title: **Social Environmental and Governance Criteria, and Sustainable Finance: regulation, risk management and communication of Sustainability**. In addition, certain technological courses for ICT staff and specific courses on sustainability verification have also been given.

### Social benefits

In 2023, the Social Action Plan was implemented for all civil servant and employee staff working at the ICAC, including the provision of transport and health assistance.

Also noteworthy for its social status is the support given to the Institute's staff in the form of luncheon vouchers under certain circumstances.

### Working groups

As in 2022, the ICAC continues to participate in the various working groups organised by the Ministry of Economy, Commerce and Business: Temporariness and Employment, Health and Safety, Equality, Occupational Risks, and Social Responsibility, and of course, representing



the Public Administration in the Subcopa and MGNAGE groups of the Ministry to which the body is attached.

### Remote working

In 2023, the Teleworking Plan of the ICAC within the framework of the Plan of Energy Saving and Efficiency Measures remains in force.

### Progress in Digitalisation – Technological Transformation

In this regard, the Institute is continuously improving the services provided by the management departments, progressively implementing applications that facilitate the processing of human resources processes and, in turn, respond to the new needs of opening more agile and effective communication and information channels.

In this regard, in 2023 the implementation of an EASYREDMINE service is being promoted as a channel for consultation and communication of Human Resources service incidents with the aim of improving response times, guaranteeing effective control and providing an instrument for measuring the degree of performance of the planned objectives. It is expected to be effectively implemented in the first quarter of 2024.

### Official

This service includes all the management, supervision and control activities related to the provision of security, surveillance, cleaning, conservation and maintenance services for the buildings that make up the ICAC's headquarters and for the movable property and equipment located therein; the management of the inventory of assets, requests for materials, postal and courier services, auxiliary services (orderlies), external archiving and any other similar services that may be required.

In 2023, work continued on the efficient remodelling of the premises located in Calle Moratín for the relocation and renovation of the Institute's Library Service by commissioning the Sociedad Mercantil Estatal de Gestión Inmobiliaria de Patrimonio, M.P., S.A. (SEGIPSA) with the Basic and Execution Project and the management of the administrative procedures for the beginning of the works. The works are currently awaiting the corresponding permits from Madrid City Council in order to be able to put the works out to tender in accordance with the Law on Public Sector Contracts.

Also and in order to comply with the objectives of energy saving, efficiency **and economic sustainability**, controls and evaluations have been carried out on the impact of the different measures implemented during the previous year, such as the installation of thermostats in air-conditioning systems, presence sensors, rationalisation of the switch-on and switch-off times for air conditioning, lighting, hot water, and office equipment, and replacement of the access door with a self-closing door. Paper, plastics and other consumables have also been monitored in detail.

In order to further rationalise expenditure on consumables, in 2023 work was carried out on the planning and configuration of a computer application (EASYREDMINE) for ordering office supplies and managing maintenance incidents. Its effective implementation will take place during 2024.

With regard to **occupational risk prevention**, all current documentation was reviewed and updated in 2023. This section includes the updating of prevention plans, emergency measures, risk planning and assessment/preventive activities programme, annual action report,

legislation relating to OHS, relations with the Ministry of Economy, Commerce and Business prevention service, procedures manual, annual medical check-ups, aptitude certificates, etc.

The management and organisation of the ICAC's archive and registry services continued in 2023. During 2023, **20,775 incoming records and 1,260 outgoing records** of writings and communications were made.

In 2023, the ICAC has continued to procure and replace various supplies, from electricity, gas, water and fuel to office supplies and furniture, as well as to manage hazardous waste in accordance with the environmental legislation of the Madrid region.

Special mention should be made of the commemorative ceremony for the 50th anniversary of the General Accounting Plan at the Ateneo de Madrid, where the commemorative book entitled *50 aniversario del Plan General de Contabilidad: El desarrollo de la información financiera en España (1973-2023)* (General Accounting Plan. The development of financial information in Spain 1973-2023), where the organisation was honoured to have the presence of the First Vice-President of the Government and Minister for Economic Affairs and Digital Transformation, Nadia María Calviño Santamaría. All the details of this event can be found in **section 6 Events in which the ICAC has participated** in this report.

### 5.3 Information and Communications Technologies (ICT)

The ICAC's digital transformation plan is aligned with the Digital Administration and Digital Public Services strategy set out in the *Public Administration Digitalisation Plan 2021-2025 (PD-AAPP)*. In 2023, ICAC continued to implement the lines of action initiated in 2022 and launched new lines of action.

#### Channels of administrative communication-interaction with citizens

This Institute has two active channels of communication with citizens. The website and the e-office.

In relation to the website during 2023, we have made a commitment to increase its activity through the constant publication of notices and communications. As a novelty, a new section has been included under the name of "Sustainability" for the greater dissemination of new regulations on the subject and new links have been added for the consultation of information on the professional aptitude examination for authorisation by the ICAC and registration in the Official Register of Auditors for the 2023 call.

With regard to the e-office, the Institute has worked throughout 2023 to build an increasingly functional e-office, incorporating procedures that significantly increase the efficiency and quality of procedures and services between the citizen and the ICAC.

There are currently 29 procedures grouped into 8 categories. In 2023, ICAC has implemented:

- New procedures under the Training category.
- Informer channel, to comply with the Law 2/2023 on Informers protection.

It is particularly important to highlight the work carried out during 2023 to implement a new and complex version of the Declar@ application (web platform for preparing the M01 and M02 forms, which include, respectively, the annual activity of auditors and audit firms). Specifically, this new version complies with the provisions of article 89 of the RLAC and it increases its usability by automatically incorporating the information already existing in ROAC.

## Information security

The ICAC is a member of the SGAD's Cybersecurity Operations Centre (C.O.C.S.) and all its security policies are fully aligned with its guidelines.

In order to maximise information security during 2023, the following information security services have been incorporated:

- Prevention: implementation of the CCN-CERT's ANA tool (automatic vulnerability analysis) and actions to raise awareness and train all the organisation's staff in cybersecurity. Furthermore, black box and grey box security tests have been successfully carried out.
- Protection: the migration of all servers to the SARA Next Generation cloud has been completed to increase perimeter security. Regarding the *clean mail service*, the ICAC follows the security policies of the SGAD. In addition, the connections between networks and, in particular, the internet output are continuously monitored.
- Detection: all ICAC servers and devices have an EDR system, and security events are continuously monitored.

On the other hand, as a measure to control the availability of the systems, a tool for monitoring the ICAC's servers and services has been implemented and configured.

The "WMWareSPACEOne" tool has also been implemented in all laptops, allowing management of the entire lifecycle of the device, as well as monitoring and encryption of the hard disk as a measure to increase the confidentiality of the information.

Additionally, in collaboration with the SGAD, the Institute has initiated the project to certify the ICAC systems in the ENS (National Security Framework).

Finally, the Institute constantly keeps all the security mechanisms of its IT equipment (desktops, laptops, mini-PCs, etc.) up to date.

## Automation and business intelligence

In the area of automation and business intelligence, 2023 has seen major progress in the projects initiated in 2022. In particular:

- Scorecards with the Power BI tool that allow a systematised analysis of the information requested and generated during the processing of the processes. Of particular note is the scorecard of the evolution of the 02 and 03 model presentations, which has made it possible to monitor each presentation in detail and in real time, as well as the internal "KRONOS" scorecard, which allows ICAC staff to manage attendance control by means of previously unavailable statistics.
- Knowledge database in the field of legal argumentation.

The ICAC's objective is to continue with business intelligence. That is the reason why during 2023 work has begun on the adaptations necessary to exploit the documentary information contained in the accounting, auditing, ROAC and other information sources consultations and to be able to achieve its applicability throughout the year 2024.

## Compliance with the current legislation on data protection and web accessibility

The projects started in 2022 have been continued by updating the privacy policy based on the new sets of personal data, and by responding in a timely manner to requests from the Accessibility Responsible Unit (URA) of the Ministry of Economy, Commerce and Business.

## 5.4 Economic-Financial Management

This service is in charge of all the Institute's economic, accounting and budgetary management responsibilities, as well as the complete management of the collection of the fee for the control and supervision of the auditing of accounts and the fee for the issuing of certificates or documents at the request of a party and for registrations and entries in the ROAC.

### Budgetary management and preparation of the 2024 budget

In 2023, the ICAC's preliminary draft revenue and expenditure budget for 2024 was drawn up in accordance with Order HFP/1254/2023 of 22 November, which lays down the rules for drawing up the General State Budget for 2024. As of the date of this report, the budgets for 2024 have been extended by Agreement of Council of Ministers of 27 December 2023.

The ICAC implements the Expenditure Budget Programme 493O, "Audit Accounting Regulations". This programme responds to the need to ensure maximum transparency of the economic-financial information of the company and to allow the development of all the competences attributed to the body, in particular the activities carried out as an accounting regulatory body and as a supervisory body of the activity of auditing accounts.

The ICAC is 100% self-funded. The main source of funding is the income generated by two types of fees managed and collected by the ICAC, which are regulated in Title IV of the LAC:

- *ICAC fee for the control and supervision of the audit activity.*

The taxable event of this fee is the exercise of the ICAC's powers of control over the auditing of accounts in relation to the issuance of audit reports. Its regulation is developed in RD 181/2003, adapted to current needs. The amount of the fee is calculated on the basis of the volume of work declared by auditors and audit firms, as a logical correlation to the evolution of the ICAC's workload in the supervision to be carried out in accordance with this volume.

- *ICAC fee for the issuing of certificates or documents at the request of a party and for registrations and annotations in the ROAC.*

The taxable event of this fee is the exercise of the ICAC's powers in relation to the issuance of certificates or documents at the request of a party and to registrations and entries in the ROAC. The system of self-assessment and payment of this fee is implemented by Royal Decree 73/2016, of 19 February, which implements the system of self-assessment and payment of the ICAC fee for the issuance of certificates or documents at the request of a party, and for entries and annotations in the Official Register of Auditors.

The **total net income** in 2023 was included in chapter 3 "Fees, public prices and other" and amounted to 10,036,096.62 euros (see table 24).

//// **TABLE 24** ICAC fees and earnings in the year 2023

ICAC Fees 2023	Net Revenue
ICAC fee for the control and supervision of the audit activity.	9,916,540.26
ICAC fee for the issuing of certificates or documents at the request of a party and for registrations and annotations in the ROAC.	119,556.36
<b>TOTAL</b>	<b>10036096.62</b>

Expenditure recorded in 2023 amounted to a total of 7,232,516.88 euros, of which 55.22% corresponds to the execution of chapter 1 and 28.51% to the execution of chapter 2 (see table 25).

//// **TABLE 25** ICAC expenditure during the financial year 2023

Chapter I Personnel expenses	3,993,886.11
Chapter II Current expenditure on goods and services	2,061,971.99
Chapter III Financial expenditure	0
Chapter IV Current transfers	803,799.38
Chapter VI Real investments	366,122.15
Chapter VIII Financial assets	6,737.25
<b>Total net recognised obligations 2023</b>	<b>7,232,516.88</b>

Specifically, within the execution of chapter 4 (11.11% of the total executed), the following transfers deserve special mention due to the ICAC's notable presence at international level:

- To the International Forum of Independent Audit Regulators (IFIAR): 1,739,568 Japanese yen, which at the time of payment amounted to 11,549.38 euros.
- To the European Financial Reporting Advisory Group (EFRAG): 350,000 euros.

### Other management actions

In 2023, the annual accounts for the financial year 2022, which included data from the analytical accounts, were prepared and formulated and made available by the president of the ICAC to the General State Comptroller's Office via the RED application. Coa.

The analytical accounting was carried out in accordance with the new ICAC Analytical Accounting Model Customisation Report, approved on 19 January 2021 by the General State Comptroller's Office.

In 2023, as in 2022, a total of **809 accounting documents** for expenditure and/or payment were processed.

Likewise, as part of accounting management, the reports requested by the IGAE for the consolidation of the account of the General State Administration (AGE) were produced, as well as other communications required by the Budget Office.

## Management of Fees

During 2023, new tasks were carried out to check data on the ICAC's fee income.

In this regard, in 2023 the annual activity declarations for the financial year 2021 made by auditors and audit firms in relation to the ICAC fee for the control and supervision of the activity of auditing accounts continued to be verified, with the result of debt claims, surcharges for late payments, fines, and the communication of discrepancies in data due to possible undue income.

As a result of these procedures, more than **1,800 proceedings** were initiated in 2023.

As part of the development of the digitalisation of the ICAC, in 2023 the procedures for managing the fee continued to be implemented through the ICAC's e-Office. The result of this work has been the completion and availability at the e-Office of procedures such as economic-administrative claims and the submission of allegations.

## 5.5 Contracting

This service is in charge of processing all phases of contracts, engagements to its own resources, collaboration agreements, nominative subsidies and the payment of dues to international organisations, as well as all procedures for the payment and justification of funds from the ICAC's Fixed Cash Advance. According to article 3.1(c) of Law 9/2017, of 8 November, on Public Sector Contracts, the ICAC's contractual activity is subject to the provisions of this legal text.

During the 2023 financial year, this service processed more than **500 files**.

The processing of these files has been electronic, thus complying with the provisions of Law 9/2017, as well as of Law 39/2015, of 1 October, on the Common Administrative Procedure of Public Administrations and Law 40/2015, of 1 October, on the Legal Regime of the Public Sector. As an exception, paper is still used minimally for certain payment receipts paid by the fixed cash advance system, such as taxis and purchases in small shops, among others.

The tendering of all electronic contracts is carried out through the Public Sector Procurement Platform, where the files are opened. The acts of the roundtables are of a private nature and only the results of the bid opening acts are published on the platform.

Likewise, the acts of reception of contracts are carried out telematically in the case of services or intangible goods, using the Microsoft Teams® application for this purpose. The processing of the files, as well as the signatures involved in the same, are completely electronic, using the applications provided by the IGAE (Sorolla, Docelweb, Corenet) and the Portafirmas of the AGE.

## 5.6 Research and Dissemination Activities

One of the competences granted to the ICAC is the maintenance and publication of national and foreign documentation of interest in the field of corporate information (currently in accounting and sustainability) and auditing, as well as the organisation, maintenance and publication of the *Bulletin of the Accounting and Auditing Institute (BOICAC)*.

The publication of the *BOICAC* enables compliance with the LAC and other regulations governing the public oversight of the ICAC's auditing and allows any relevant aspect of corporate and auditing information to be disclosed. In 2023, as a novelty and in order to improve consultation and increase the agility of the document, the extensive regulatory texts or those

that must maintain their original format due to their official nature have begun to be inserted in PDF format within the *BOICAC* itself.

The *BOICAC* publishes the consultations addressed to this Institute by individuals, companies or public administrations whose response is of general interest.

In 2023, four *BOICAC* have been published and can be consulted in full on the ICAC website.

It should be recalled that, by Resolution of 2 July 2019, the Accounting and Auditing Institute determined its publication in electronic format with free access on the *BOICAC* website, thereby ceasing the printed edition, as well as its sale.

## STUDIES

In 2023, the ICAC continued to carry out and promote research, study, documentation, dissemination and publication activities to improve accounting and auditing standardisation in the collaboration agreement between the ICAC and the Spanish Association of University Accounting Professors (ASEPUC). As a sign of the good collaboration between both entities, on 2 October 2023, the Resolution of 25 September 2023, of the ICAC, was published in the BOE number 235, publishing the Addendum of modification and extension of the Agreement with the Spanish Association of University Accounting Professors for the development of research and dissemination in accounting and auditing matters, which will be in force until 2027.

The studies carried out by ASEPUC in 2022 and under the coordination of the ICAC were:

- *Scope of the definition of Public Interest Entities (PIEs) in other countries. Advantages and disadvantages of an expanded scope*, prepared by the research team formed by Vicente Condor López, Isabel Brusca Alijarde, José Ángel Ansón Lapeña, Pilar Blasco Burriel, Vicente Ceamanos Llorens, Alicia Costa Toda and Jorge Olmo Vera. University of Zaragoza.
- *Report on the drafts of the European Sustainability Reporting Standards for listed SMEs. Current diagnosis of sustainability disclosure of listed Spanish SMEs*, prepared by the research team formed by M.<sup>a</sup> Lourdes Arco Castro, M.<sup>a</sup> Silvia Fresneda Fuentes, M.<sup>a</sup> Victoria López Pérez and M.<sup>a</sup> Mar Miras Rodríguez. University of Seville.
- *Analysis of the assurance reports of the non-financial information statement issued in the years 2018 to 2022 and other aspects of the assurance*, prepared by the research team formed by Fernando Polo Garrido, Helena María Bolas Araya, Luis Porcuna Enguix, Milagros Bravo Sellés, Sergio Marí Vidal and Rafael Molero Prieto. Polytechnic University of Valencia

These studies are available in English and Spanish [here](#).

## OTHER PUBLICATIONS

The following publications published in 2023 are available on the ICAC website:

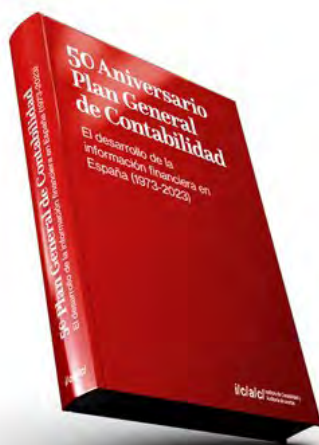
- *Access to the International Financial Reporting Standards adopted by the European Union previously published in its Official Journal (OJEU)*. This system is a novelty to what had been done in publications due to the approval of the Resolution of 8 January 2020, of the Spanish Accounting and Auditing Institute, which determines the cessation of the sale of



publications published by this Institute in paper format and establishes their publication in electronic format on the Institute's own website.

- *The report on situation of auditing in Spain 2022* (BOICAC number 133).
- *Control Plan for the audit activity 2023* (BOICAC number 133).
- *Economic-financial bulletin to support audit risk-based supervision.*
- *The audit of accounts in the United States of America: from its origin to its first legal regulation in 1896.* The text of the book was donated to the ICAC by its two authors, Emilio Gironella Masgrau and María del Carmen Barcons Vilardell, for the dissemination, editing and publication of the book's contents. This is a historical book on the auditing profession in the United States of America.

**SPECIAL MENTION** should be made of the publication of the book prepared by the ICAC under the coordination of José Antonio Gonzalo Angulo to commemorate the 50th Anniversary of the General Accounting Plan, entitled *Plan General de Contabilidad. El desarrollo de la información financiera en España (1973-2023)* (*General Accounting Plan. The development of financial information in Spain 1973-2023*).



This commemorative book is of particular relevance because of its importance and impact. More than 60 authors of the highest level have collaborated in it. They highlight the progress made over the last 50 years in the development and internationalisation of Spanish business activity, providing Spanish companies with an up-to-date and globally competitive financial information framework. The book is published on the website and can be downloaded in full or in chapters via the following link <https://www.icac.gob.es/>.

The book was presented at the ICAC event at the Sala Cátedra of the Ateneo de Madrid on 27 November 2023. All the details are in **section 6** Events in 2023 in which the ICAC participated in this Annual Activity Report.

The background of the slide features a red-tinted image of a document. On the left, a portion of a circular diagram is visible, with numbers 19, 26, and 27 marked along its circumference. A ruler is positioned diagonally across the upper left section of the image. The right side of the image shows a dense grid of text, which is mostly illegible due to the red overlay and low resolution.

# Events in 2023 in which the ICAC has participated

## 6 Events in 2023 in which the ICAC has participated

### 6.1 Conference: “Sustainability: Transparency and Social Responsibility of Companies”

The conference, inaugurated by the First Vice-President of the Government and Minister for Economic Affairs and Digital Transformation, Nadia María Calviño Santamaría, and closed by the Undersecretary for Economic Affairs and Digital Transformation, Amparo López Senovilla, took place on 27 March in the auditorium of the Ministry of Economic Affairs and Digital Transformation.

The aim of the conference was fundamentally to disseminate information on the new demands and challenges that sustainability reporting represents for the different information actors: companies, regulators, assurers and users in general.

To this end, three round tables were organised to analyse the value of sustainability and its challenges; sustainable finance; and sustainability information and its assurance. Participants at the different round tables included representatives from companies, audit firms, public institutions such as the General Directorate of the Treasury and Financial Policy, the President of the ICO, the Chairman of the EFRAG Sustainability Reporting Board and the Chairman of the ICAC.

### 6.2 Annual Meeting of IFIAR Standards Coordination Working Group

The meeting was chaired by the Financial Reporting Council (FRC) of the United Kingdom with the Canadian Public Accountability Board (CPAB) of Canada as vice-chair.

In addition, representatives of the Autoriteit Financiële Marketen (AFM) of the Netherlands, the Public Company Accounting Oversight Board (PCAOB) of the United States, the Japan Financial Services Agency (JFSA) of Japan, the Auditor Oversight Body (AOB) of Germany, the Haute Conseil du Commissariat aux Comptes (H3C) of France, the Irish Auditing and Accounting Supervisory Authority (IAASA) of Ireland, the Independent Regulatory Board for Auditors (IRBA) of South Africa, the Commissione Nazionale per la Società e la Borsa (CONSOB) of Italy, and the Australia Securities and Investments Commission (ASIC) of Australia participated.





Chair and Vice-Chair of the IFIAR Standards Coordination Working Group with members of the IESBA.

Meetings were held on 29, 30 and 31 March with the participation of representatives of the IAASB and the IESBA, and the Public Interest Oversight Board (PIOB) to discuss the draft standards that the IFAC regulatory boards were developing at that time, as well as to obtain information on the assessment made by these boards and the public interest oversight body in the process of preparing the standards, with respect to the comments provided by IFIAR on the draft standards they were preparing.



Chair and Vice-Chair of the IFIAR Standards Coordination Working Group with members of the IAASB.

The meetings with the international regulatory councils also discuss their work programme and strategy in order to be able to highlight the issues that are a priority for IFIAR regulators.

### 6.3 Commemorative Event for the 50th anniversary of the General Accounting Plan



On the occasion of the 50th anniversary of the General Accounting Plan in Spain (1973-2023), the ICAC organised a commemorative event held at the Ateneo de Madrid on 27 November and presented copies of the book *50 Aniversario del Plan General de Contabilidad. El desarrollo de la información financiera en España (1973-2023)* (General Accounting Plan. The development of financial information in Spain 1973-2023).



The ICAC is aware that the Spanish economy and society as a whole has changed radically in the field of accounting and auditing in recent decades because companies have also changed, which makes the ICAC an essential entity for bringing the Spanish market a dynamic and homogeneous financial reporting framework that is similar and therefore comparable to the framework of the major powers of our European counterparts and the rest of the world. This is a great responsibility.

That is why it was imperative to celebrate the evolution of accounting standards over the last five decades. This is the reason why 27 November 2023 will remain forever in the memory of the ICAC (called the Accounting Planning Institute from 1976 to 1989).

In November 2023 we celebrate the 50th anniversary of the first General Accounting Plan. The celebration was held in the Sala Cátedra of the Ateneo de Madrid, and its success would not have been possible if we had not been accompanied by so many institutions, colleagues and friends. From the ICAC we would like to express our most sincere thanks.



The event was opened by Amparo López Senovilla, Undersecretary of the Ministry of Economy, Commerce and Business. The event was closed by Nadia María Calviño Santamaría, First Vice-President of the Government and Minister of Economy, Trade and Enterprise.

During the day, two round tables were held with high-level participants. The first roundtable debated the role of the use of the PGC by its users, such as the Tax Agency, the Bank of Spain, the General Comptroller of the State Administration and the National Securities Market Commission, among others. The second roundtable showed the importance of the current PGC in the future and how it will interact with the new regulations that are coming, such as corporate sustainability reporting (non-financial information).







**TABLE 1:**

M.<sup>a</sup> Dolores Urrea Sandoval, Deputy Director General of Standardisation and Accounting Technique ICAC 2019-present; Florentina Ros Amorós, Deputy Director of Accounting ICAC 2004-2008; Enrique Corona Romero, Deputy Director of Accounting ICAC 1989-1994; Luis Ángel Maza, Head of the Financial Statistics Division of the Bank of Spain and Miguel Bascones Ramos, Director of the ONC of the IGAE.

**TABLE 2:**

Enrique Ortega Carballo, Deputy Director of Accounting ICAC 1995-2002; Araceli Mora Enguidanos, Professor of Accounting at the University of Valencia; Ana Torrens Borrás, Managing Partner of Deloitte; Juan Manuel Pérez Iglesias, Deputy Director of Accounting ICAC 2008-2018 and Eduardo Manso Ponce, Director of the Financial and Corporate Reporting Department of the CNMV.



In parallel, the ICAC, with the collaboration of the University of Alcalá, published a book commemorating these 50 years, which reflects on the past, present and future of the PGC. The current PGC has achieved a degree of acceptance, compliance, relevance and development that would have been difficult to achieve had it not been for the previous ones. The book has been published under the coordination of José Antonio Gonzalo Angulo Angulo (former President of the ICAC and Professor at the University of Alcalá) to celebrate the 50th Anniversary of the General Accounting Plan, the title of which is *Plan General de Contabilidad. El desarrollo de la información financiera en España (1973-2023)* (General Accounting Plan. The development of financial information in Spain 1973-2023).

This commemorative book is of particular relevance because of its importance and impact. More than 60 authors of the highest level have collaborated in it. They highlight the progress made over the last 50 years in the development and internationalisation of Spanish business activity, providing Spanish companies with an up-to-date and globally competitive financial information framework.

This 50th anniversary book is, above all, a recognition of the authority and relevance that this accounting and financial reporting standard instrument has achieved for companies, public administrations, financial supervisors and for the education system in Spain. This is why it was conceived as a combination of three different and complementary forms of recognition: institutional, professional and academic.

In the first part of the volume, public institutions, auditors' corporations and professional associations, represented by their current heads, were invited to express their views on the role that the PGC has played in their role and function. This part ends with messages from all the presidents of the ICAC and its predecessor (the IPC), whose message of recognition has been written by Carlos Cubillo Rodríguez, son of the late Carlos Cubillo Valverde.

The second part of the book is made up of contributions by well-known authors in the academic world who discuss the history, changes, problems, achievements and difficulties of the PGC. Twenty articles, written by knowledgeable experts on the content of the different plans and the internal history that explains their development, give a precise description of the most important aspects of the regulation, from controversial accounting treatments (for example, leases or financial instruments), the analysis and supervision carried out with the information of the Plan, to the communication of financial data using computer languages and technologies with a financial content.

The third and final part is the result of a competition, launched with the help of professional and academic associations, in which experts were invited to address issues related to the PGC in general, its evolution and its achievements over the years. From the contributions received, five were selected and awarded prizes, which are presented at the end of the volume as an example of the concern of academics about the history, technical content and usefulness of the PGC for teaching competencies.

The book is published on the website and can be downloaded in full or in chapters via the following link <https://www.icac.gob.es/>.



# Communication with citizens

# 7 Communication with citizens

## 7.1 Complaints and Suggestions

Without prejudice to the rights that Law 40/2015, of 1 October, on the Legal Regime of the Public Sector, recognises for citizens in article 35, in their relations with the Administration, citizens and users of auditing services may collaborate in improving the provision of the services offered by the ICAC by submitting complaints and suggestions regarding the ICAC's performance. To do so, they can submit a form through the Complaints and Suggestions Procedure available at the e-Office or at any of the general registers of the General State Administration.

During 2023, **one complaint** has been processed and resolved.

## 7.2 Claims

During the 2023 financial year, no claims have been submitted in relation to the letter of services provided by the ICAC, which the General Secretariat of the ICAC is responsible for resolving.

## 7.3 Transparency Website

Law 19/2013, of 9 December, on Transparency, Access to Public Information and Good Governance aims to extend and reinforce the transparency of public activity, regulate and guarantee the right of access to information and establish the obligations of good governance that public decision-makers must comply with. In application of this Law, the General Secretariat, in relation to activities subject to Administrative Law, in order to guarantee transparency in its activity and the citizens' right of access to public information, processed and resolved **six requests** in 2023.

## 7.4 Consultations and reports issued

The General Secretariat of the ICAC receives queries and requests for mandatory reports from other Public Administration bodies or other Public Institutions. During 2023, **43 queries** were answered, ranging in content from legal, statistical or informative issues. These queries have been sent either by Courts or Public Prosecutor's Offices, or by citizens requesting information on certain matters such as occupational risk prevention, quality in Public Administrations, CSR, SIA procedure, reduction of administrative burdens, inspection of services, among others.

A total of 162 requests were handled through the ICAC's e-office, of which 111 were received through the generic request and 40 through the Complaints and Suggestions mailbox (re-directed to the e-office as a generic request).

Likewise, in accordance with Law 2/2023 on Informers Protection, information on anti-corruption and regulatory infringements has been received. Specifically, **11 reports** were received (7 named reports and 4 anonymous reports).

Lastly, 126 queries and/or requests were received through the web-contact us, and the citizen was redirected to the corresponding channel. Table 26 shows a summary of the procedures carried out in 2023 with citizens.

//// **TABLE 26** Summary of Procedures

	Complaints and Suggestions	Claims	Transparency	Queries	Requests dealt with ACCEDA	Informer channel	Web	<b>TOTAL</b>
<b>N.º</b>	1	0	6	43	162	11	126	<b>349</b>

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Auditoría de cuentas

