



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

Annual Activity

Report 2024

Annual Activity

Report 2024

2024. Annual Activity Report

**Accounting and Auditing Institute (Instituto de Contabilidad y
Auditoría de Cuentas - ICAC)**

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Sections

Letter of Presentation	10
Executive Summary	12
SECTION 1 Introduction	17
SECTION 2 Accounting Area	21
SECTION 3 Audit Area	38
 SECTION 4 Account Deposit	69
SECTION 5 Organisation and Management of ICAC	72
SECTION 6 Communication with citizens	86
SECTION 7 Events in 2024 in which the ICAC has participated	89

Table of Contents

Letter of presentation from the President of the ICAC	10
Executive Summary of the Annual Activity Report 2024	12
1 Introduction	18
1.1 The Accounting and Auditing Institute	18
1.2 Strategy	19
1.3 Governing Bodies	19
1.4 Organisational Structure	20
2 Accounting Area	22
2.1 Introduction	22
2.2 Regulatory Activity	24
2.3 Responding to Queries	26
2.4 International Activity	28
2.5 Corporate Reporting Council, Accounting Advisory Committee and Sustainability Advisory Committee	33
2.6 Sustainability Information	34
2.7 Collaboration with other Organisations and Institutions	36
3 Audit Area	39
3.1 Introduction	39
3.2 The Audits Sector in Spain	39
3.3 Regulations on Auditing	42
3.4 Oversight: Investigations and Inspections	45
3.5 Disciplinary Activities in the Field of Auditing	57
3.6 Audit Independence Criteria, Sustainability Guidelines and Published Disclosures	61
3.7 Responding to Queries	62
3.8 International Activity	63
3.9 The Audit Committee	68
4 Account Deposit	70
4.1 Obtaining the Number of Non-Compliant Entities from the Lists Received from the Commercial Registers	70

4.2	Disciplinary Actions	70
4.3	Responding to queries	71
5	Organisation and Management of ICAC	73
5.1	Organisational Structure	73
5.2	Human Resources and Offices	76
5.3	Information and Communication Technologies (ICT)	79
5.4	Economic and Financial Management	81
5.5	Contracting	83
5.6	Research and Dissemination Activities	83
6	Communication with citizens	87
6.1	Complaints and Suggestions	87
6.2	Claims	87
6.3	Transparency Portal	87
6.4	Queries and Reports Issued	87
7	Events in 2024 in which the ICAC has participated	89

List of Graphs and Tables

TABLE 1	The evolution of queries in 2024-2022	26
TABLE 2	Mandatory reports (2022-2024)	36
TABLE 3	Auditors and Audit Firms registered in the ROAC (Official Registry of Account Auditors)	40
TABLE 4	Admissions and withdrawals in 2024	40
TABLE 5	Requests and queries processed at the ROAC (Official Registry of Account Auditors)	40
TABLE 6	ROAC (Official Registry of Account Auditors) examination dates 2019-2024	41
TABLE 7	Regulatory actions in auditing in 2024 and 2023	43
TABLE 8	Quantitative summary of supervisory activities carried out in 2024	46
TABLE 9	Auditor inspections in 2023 and 2024	47
TABLE 10	Total engagements inspected in the years 2023 and 2024	48
TABLE 11	Elements of the quality control system	49
TABLE 12	Requests made during the inspection of audit engagements	55
TABLE 13	Investigations and verifications in 2024	56
TABLE 14	Breaches included in the disciplinary proceedings resolved in the area of auditing in 2024-2023	58
TABLE 15	ISAs not complied with in 2024-2023	59
TABLE 16	Proceedings resolved in 2024-2023	60
TABLE 17	Fines imposed in 2024	61
TABLE 18	Reports on appeals issued in 2024-2023	61
TABLE 19	Queries processed in 2022, 2023 and 2024	62

TABLE 20	Reports on appeals in 2023 and 2024	70
TABLE 21	ICAC at staff at the end of 2024	77
TABLE 22	ICAC staff at end of 2024	77
TABLE 23	ICAC fees and collection in 2024 (euros)	82
TABLE 24	ICAC expenditure in 2024	82
TABLE 25	Summary of procedures	88
GRAPH 1	Organisational chart of the Accounting and Auditing Institute	20
GRAPH 2	Types of oversight actions	45
GRAPH 3	Compliance with the Control Plan	47
GRAPH 4	Elements of the internal quality control system of auditors and audit firms	48
GRAPH 5	Breaches and penalties in 2024	58
GRAPH 6	ISAs not complied with by series	60
GRAPH 7	Proceedings related to audits of PIE and non-PIE in 2024	60
GRAPH 8	Organisational Chart of the General Secretariat	73
GRAPH 9	Organisational Chart of the General Subdirectorate of Standardisation and Accounting Technique	74
GRAPH 10	Organisational Chart of the General Subdirectorate for Technical Standards on Audit	75
GRAPH 11	Organisational Chart of the General Subdirectorate of Technical Control	76

Letter of presentation

from the President of the ICAC

Santiago Durán Domínguez

President of the Accounting
and Auditing Institute
Madrid 2025



This activity report summarises the activities conducted by the Accounting and Auditing Institute (ICAC) during the year 2024.

Firstly, the ICAC has made a significant effort with regard to the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the Law on Capital Companies, and the Law on Auditing. This draft law was finally submitted by the Government to the Spanish Parliament on 29th October 2024.

This future law will undoubtedly transform corporate reporting on environmental, social and governance issues by means of a standardised reporting framework and verification subject to public oversight. In both aspects, the ICAC will play a fundamental role, thus reinforcing its importance as a key element in ensuring the reliability of corporate reporting in Spain.

ICAC staff have worked intensively not only on the entire drafting process, but also on other aspects that go beyond the Draft Law and which are essential for the successful future implementation of this framework for corporate sustainability reporting. In this regard, it is worth highlighting the work performed at an international level in the European Financial Reporting Advisory Group (EFRAG), throughout the process of drawing up the European Sustainability Reporting Standards (ESRS), and in the Committee of European Auditing Oversight Bodies (CEAOB), in the work on the Guidance Documents for c.

For this future implementation of the complete sustainability reporting framework at local level, the preliminary work carried out by the ICAC in 2024 have focused on the draft standards that will create the framework for sustainability information assurance, in particular the draft assurance standard published in December, as well as the technical developments necessary to create a register of assurance service providers, which will be the basis for conducting oversight actions on those in charge of sustainability information assurance.

The area of sustainability has entailed a considerable increase in the organisation's workload of the Institute. Even so, it has continued with the activities related to the rest of the powers attributed to it, maintaining the pace of previous years, and this has only been pos-

sible thanks to the extraordinary commitment and dedication of the staff, as the increased demands derived from the sustainability information have not been accompanied by an increase in available resources.

Within the audit area, it is important to highlight the continued growth of the auditing sector, which may be seen in the increased turnover referred to in the report, which is close to 1,000 million euros and over 72,000 audit reports. Auditing is a necessary tool to ensure the reliability of financial information and, of course, consistent and professional public oversight is necessary to ensuring this reliability. In this regard, ICAC teams have continued to steadily increase the number of supervisory actions, which reached 317 in 2024 (compared to 303 in the previous year), including 15 inspections which, as we know, are the key instrument to ensuring the continuous improvement of the sector through requirements and recommendations which guarantee a correct implementation of the quality control framework within audit firms.

And, while it should not be the objective of supervisory action, it is important to bear in mind the need for a disciplinary regime to act as the ultimate guarantee of proper compliance with the framework for all who perform a regulated function. In this regard, the number of disciplinary proceedings in the area of auditing has been maintained in 2024.

This continued increase in supervisory activity has much to do with the optimisation of resources that has taken place throughout the agency, ranging from more consistent planning of activities to the development and implementation of technological tools, as well as the establishment of procedures to ensure adequate oversight of the activities. It is clear that the future challenge will be the integration of Artificial Intelligence as a mechanism to help and support all the organisation's activities, but without losing sight of fundamental control over its use.

With regard to accounting standardisation, the intense work of interpreting has continued in the field of accounting, and the number of queries resolved has risen significantly, but there are also tasks related to dissemination and collaboration with the universities and other relevant actors to facilitate the knowledge and dissemination of accounting, which is essential to ensure consistent corporate information.

All those who work in the field of corporate reporting must be aware that accounting is the language of corporate reporting and, therefore, a knowledge of accounting is essential. This requires, on the one hand, an effort to raise awareness regarding its importance, but also that the professionals working in this field do not neglect their training or the necessary upskilling.

After five years of heading the ICAC, I feel it is the right time to end this section by thanking all those who have been a part of the changes implemented during this time. I thank the organisation's staff for their dedication and commitment, as well as all those with whom we come in contact with in relation to the supervisory and regulatory activity. It is clear that there has been a significant change in the sector, in the public perception of auditing, in the regulatory framework, and in the ICAC itself, and this progress has only been possible thanks to the collaboration, dedication and firm commitment of all persons involved.

Executive Summary

of the Annual Activity Report 2024

Accounting and Sustainability Reporting

In 2024, the ICAC continued to work on accounting harmonisation in Spain, centred on guaranteeing a regulatory framework that ensures the comparability, transparency and reliability of financial information. Through the General Subdirectorate of Standardisation and Accounting Technique, the ICAC has conducted activities at the national level, focusing on the preparation, updating and application of accounting standards, and at the international level, working on the consistency of European and international accounting standards.

A significant aspect of the work performed each year by the Institute is providing answers to accounting queries, clarifying specific situations and providing guidance on the correct interpretation and application of the rules, thus promoting uniformity in the preparation of annual accounts.

In parallel to the accounting activity, the ICAC has assumed a key role in establishing the national regulatory framework for sustainability reporting, given its growing importance in European and international corporate reporting.

This work has resulted in the transposition of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14th December 2022 on sustainability reporting by companies. Since the start of the negotiations regarding this text in the Council of the European Union, the ICAC has been the body appointed by the Ministry of Economy, Trade and Business as the expert representative of the Spanish delegation. Following the approval of the Directive in December 2022, the ICAC has been working intensively to adapt this regulation to the Spanish legal framework. At the end of 2024, the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the revised text of the Law on Capital Companies and Law 22/2015, of 20 July, on Auditing, having been published in the Official Gazette of the Spanish Parliament on 15th November 2024.

In terms of regulatory activity, it is worth mentioning the work performed this year for the transposition of the Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups. The ICAC has prepared the Draft of the Law amending the criteria for determining the size of companies or groups with regard to corporate information and, during 2024, this text has been submitted to the Preliminary Public Consultation and Public Hearing procedures, and is still pending approval.

At the international level, it is important to highlight the ICAC's participation in EFRAG (European Financial Reporting Advisory Group), where it is represented both in the financial

reporting pillar and in the sustainability reporting pillar, and actively contributes to defining European positions with regard to corporate reporting, thus ensuring that Spain is duly represented in debates and decisions at the European level.

One of EFRAG's major recent achievements has been the creation of the European Sustainability Reporting Standards (ESRS), the first version of which was approved in 2023, to be applied when formulating sustainability reporting for companies subject to the application of Directive (EU) 2022/2464. During 2024, EFRAG has made progress in developing sector-based standards and specific standards for small and medium-sized enterprises (SMEs), both for listed SMEs and voluntary standards for unlisted SMEs.

The Sustainability Advisory Committee, created in 2022 to advise the ICAC's Corporate Reporting Council on sustainability reporting, has continued to consolidate its position as a key body in the integration of sustainability in corporate reporting. This Committee constitutes a support mechanism to define the Spanish position on sustainability information and to transfer it correctly in the EFRAG collaboration and participation process, both from the point of view of regulation and implementation of the ESRS, thus gathering the opinions of stakeholders at the national level. The ICAC has appropriately reflected these views in its comment letters issued in response to EFRAG's public consultations in 2024 on the various milestones of its process for setting sustainability standards, including public consultations on draft standards for listed SMEs and voluntary standards for unlisted SMEs.

In the area of financial reporting, the ICAC continues to participate in EFRAG's quarterly meetings with European national standard setters, within the framework of the Consultative Forum of Standard Setters (EFRAG CFSS) and has contributed with comment letters, both in the public consultation phase of draft IASB standards or amendments to IASB standards, and in the advisory phase of the adoption of such standards, interpretations or amendments by EFRAG - in its capacity as technical advisor to the Committee.

Finally, the ICAC has also participated in international accounting and sustainability standard setter forums, in the annual meeting held by the IFRS Foundation with the participation of the IASB (International Accounting Standards Board) and the ISSB (International Sustainability Standards Board), as well as in global platforms such as the United Nations, promoting the interests of Spain and Europe in the creation of accounting and sustainability standards at the international level.

Auditing

In 2024, the update to the Technical Auditing Standards was published, the result of adapting the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, the result of adapting 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, by adapting the one published together with these International Standards for their application in Spain.

Of the rest of the actions related to the regulation of auditing, once again there were numerous queries related to specific aspects of the application of the auditing regulations, the obligation to file financial statements, and the applicable penalty regime. With regard to supervisory activities, the review of inspection and investigation activities remains a priority, with the primary goal of increasing the number of quality inspections conducted each year, based on two fundamental pillars: on one hand, improving the planning of supervisory activities and their scope, with a risk-based approach; and, on the other hand, the progressive incorporation of artificial intelligence technologies for information analysis. In 2024, the

number of investigations and verifications increased compared to the previous year, while the number of inspections remained the same.

Within these control activities, the areas for improvement identified in 2024 are generally the same as those identified in previous years. Among the actions carried out it is shown that, although the number of requests for improvement in the first inspections continues to be very high, this number is significantly reduced in cases where several inspection cycles have been conducted on the same firm. This demonstrates the preventive effect of the inspections and the efforts made by the firms to improve audit quality. This effort may also be seen in the follow-up of recommendations made in 2024 regarding requests for improvement included in the inspection reports of auditors who do not audit public interest entities. The area of independence continues to be noteworthy, as it is essential that auditors continue to focus on regulatory compliance in this respect, and the first reviews of the new components foreseen in ISQM-1 have been conducted, more specifically in terms of the risk assessment process. However, no significant number of deficiencies have been observed, demonstrating the effort made by auditors to adapt to the requirements of the new standard.

Moreover, the risk-based supervision model continues to be essential to the planning of the ICAC's actions, favouring the efficiency of control activities and reinforcing the preventive nature of supervision, with better and more efficient use of the information reported by auditors to the ICAC and other available information. Additionally, work continued this year on the preparation of the *Economic and Financial Gazette on Audit Oversight Assistance*, whose contents have been progressively adapted, being eminently theoretical in nature, in an attempt to highlight the impact of major macroeconomic variables in the field of auditing. It is expected that the contents of this Gazette will continue to evolve along these lines in future editions.

In addition to the above, the ICAC continues to prioritise activities that contribute to improving transparency and facilitating compliance by auditors and audit firms. However, during 2024, it was not deemed necessary to publish supervisory expectations regarding any aspect of audits that could be considered relevant due to the economic context.

In relation to the international area, the report highlights the main activities performed in the international forums in which the Institute is a participant, through the Committee of European Auditing Oversight Bodies (CEAOB) and IFIAR (International Forum of Independent Audit Regulators).

In 2024, the Institute has collaborated with the Ministry of Economy, Trade and Business in preparing the draft of the law for the transposition of the Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups.

In relation to the international area, the report highlights the main activities performed in the international forums in which the Institute is a participant, 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 the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements (amendment of ISA 240), and on the draft derived from the new approach to the definitions of listed entity and public interest entity (PIE). Also the preparation of a technical note for the European Commission in relation to the application of the International Standard on Sustainability Assurance (ISSA 5000), which sets out the general requirements for

sustainability information assurance, with a view to assessing its adoption within the European Union.

It should also be noted that in 2024, the ICAC fulfilled the third year of its mandate as leader of the CEAOB Market Monitoring Sub-Group. As a result of the work of this group, the third market report on audit services in the European Union¹, covering the period 2019 to 2021, jointly prepared by the European Commission and CEAOB, was published on 5th March 2024. Additionally, the sub-group has already commenced data collection for the period between 2022 and 2024, which is necessary in order to prepare the fourth EU audit service market report.

Assurance of Sustainability Reporting

In 2024, work continued on the Draft Law on Corporate Sustainability Reporting which amends the Commercial Code, the revised text of the Law on Capital Companies and the Law on Auditing. 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 the sustainability information presentation and assurance and which involves the amendment of the Commercial Code, of the revised text of the Law on Capital Companies, approved by Royal Legislative Decree 1/2010, of 2nd July, and Law 22/2015, of 20th July, on Audits.

Following the opinion issued by the Council of State, the amendment of the Regulation Implementing Law 22/2015, of 20th July, on Audits, approved by Royal Decree 2/2021, of 12th January, has been separated from its processing.

The Draft Law was sent to the Spanish Parliament for parliamentary processing on 29th October and was published in the Official Gazette of the Spanish Parliament on 15th November.

Also during the year 2024, the ICAC has worked together with the representative bodies of auditors and representatives of independent assurance service providers on preparing a technical standard for the assurance of sustainability reporting, together with its glossary of terms and a technical standard on the relationship between assurance service providers, standards that may be approved once the Corporate Sustainability Reporting Law enters into force.

Economic Management and Organisation

2024 has been a year of continuity as regards the process of updating the Institute's economic and financial management processes and internal organisation.

With regard to economic and financial management, work has continued, on one hand, on verifying the annual activity declarations for 2021 and 2022 made by auditors and audit firms in relation to the ICAC fee for the control and oversight of the audit of financial statements, with the result of the corresponding debt claims, surcharges for late payments, penalties, and also communication of discrepancy of data due to possible undue income. In total, 1,300 cases have been opened. On the other hand, its procedures continue to be digitalised,

¹ Available [HERE](#)

with the launch of two new procedures in the Institute's E-Office related to debt claims and the notification of discrepancies in data due to possible refunds of undue income.

With regard to internal organisation, the Institute's efforts to attract talent are noteworthy, with 13 civil servants from various bodies having joined the staff over the course of 2024 (19% of the total number of civil servants on staff as of December 2024), as well as continuity and improvement in occupational hazard prevention (expanding medical services and psychosocial assessments) in order to ensure a more sustainable working environment that involving better overall well-being of all employees.

With regard to the management and maintenance of the Official Register of Auditors, services continue to be provided to auditors and audit firms, increasing the efficiency of the management of each application. In 2024, more than 450 queries were answered, more than 650 certificates were processed and more than 4,200 procedures were initiated and completed during the year.

Likewise, in 2024, work continued on the digitalisation of the organisation, highlighting the continued implementation of new procedures through its E-Office, consolidating the partnership with the Cybersecurity Operations Centre for the management of SARA cloud security through the prevention, protection, detection, response, advice and management services offered, and finally, there has been continuity in terms of accessibility to the projects initiated in 2023, conducting in-depth and simplified audits of the portal, the Declar@ application, and the ICAC's e-office.



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, Trade and Business through the Deputy Secretary's Office. Its functions are governed by the applicable laws and general provisions and especially the provisions of Law 40/2015, of 1st October, on the Legal Regime of the Public Sector, as well as by the specific provisions of Law 22/2015, of 20th July, on Audits (hereinafter, LAC), in its Implementing Regulation, approved by Royal Decree 2/2021 (hereinafter, RAC), and in its Statutes, approved by Royal Decree 302/1989.

Pursuant to the aforesaid regulation, the Accounting and Auditing Institute has two major blocks of functions: on one hand, those related to accounting standardisation and on the other hand, those related to the auditing of financial statements.

The ICAC's powers in the area of accounting regulation are set out in Article 2 of its Statutes:

- The performance of the technical work and 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.
- Setting criteria for the implementation of those points of the General Accounting Plan and of the sectoral adaptations thereof that are deemed appropriate for the correct application of these standards, which shall be published in the *Institute's Gazette*.
- The permanent improvement and updating of accounting planning, to which end it shall propose the legislative or regulatory amendments required to bring them into line with the provisions originating from the European Union or in accordance with accounting progress itself.
- Conducting and promoting research, study, documentation, dissemination and publication activities necessary for the implement and improve accounting standardisation.
- Coordination and technical cooperation in accounting matters with International Organisations, especially with the European Union, as well as with national bodies, whether corporations governed by public law, associations or research bodies.

In the field of auditing, pursuant to the provisions of Article 46 of the LAC, the ICAC is the authority responsible for the public oversight system and, in particular, for the following functions:

- The approval and registration of auditors and audit firms in the Official Register of Auditors. This registration is compulsory for all auditors and audit firms in Spain, and the ROAC is under the ICAC.

- The adoption of ethical standards, internal quality control standards in the audit activity and technical auditing standards under the terms of this Act, as well as overseeing their proper compliance.
- The continuous training of auditors.
- Regular monitoring of the evolution of the market for audit services 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 governing bodies of companies that are required to file annual accounts within the established deadline.

1.2 Strategy

In 2024, the ICAC has continued with its mission to generate confidence and security in the economy by providing an adequate regulatory framework to guarantee the reliability of financial information, from the point of view of its preparation (accounting) and from the point of view of its verification (auditing), acting as the main driving force for quality in the exercise of auditing activities carried out in Spain.

Likewise, in 2024, this Institute has continued its goal of modernising itself through certain specific actions, both in terms of digitalisation and accounting regulation and oversight of the performance of the auditing activity. The ICAC's values must always be borne in mind in order to ensure that all its activities are aimed at achieving its mission under the highest standards of behaviour, both of the institution and its staff.

In order to carry out the functions entrusted to it, the ICAC establishes its audit activity action plans on an annual basis. In 2024, the Control Plan was published on the ICAC's website and the main lines of action to be implemented were set out.

In compliance with the provisions of Article 61 of the LAC, the Institute publishes this activity report, as well as the overall results and conclusions reached in the inspections on audit quality control systems conducted in 2024.

1.3 Governing Bodies

Article 106 of Royal Decree-Law 20/2022, of 27th 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 20th July, on Account Auditing, resulting in a new wording of Article 56.2, which states that the governing bodies of the Accounting and Auditing Institute (ICAC) are: its President, the Audit Committee, and the Corporate Reporting Council, and Article 59 (see Graph 1).

The President, in the category of Director General, is appointed by the Government, at the proposal of the Minister of Economy, Trade and Enterprise, and shall be the legal representative of the Accounting and Auditing Institute (ICAC), exercising the powers assigned to him by this Law and those that may be determined by the regulations.

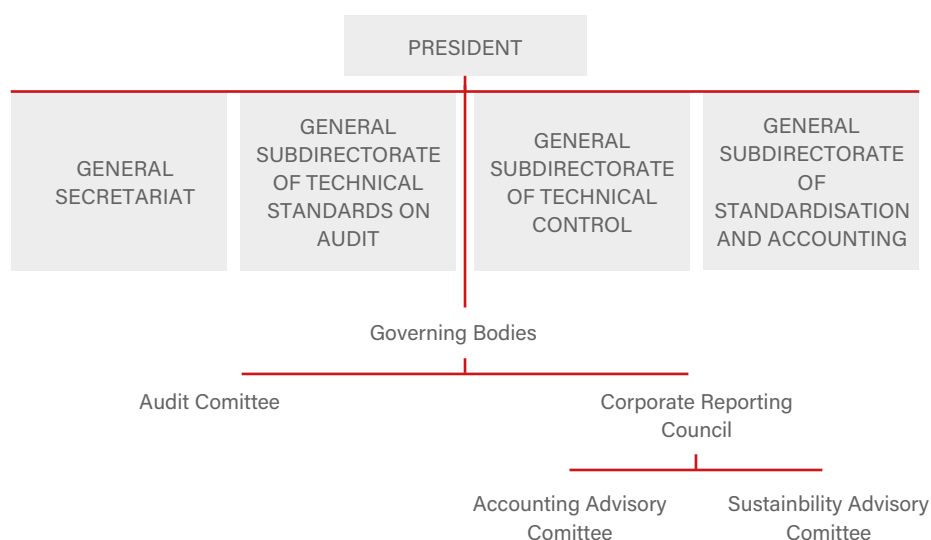
The **Audit Committee** is the body to which matters relating to the audit activity must be submitted for consideration by the President.

The **Corporate Reporting Council** is the competent body, after having heard the Accounting Advisory Committee and the Sustainability Advisory Committee, to assess the suitability and adequacy of any proposed regulation or interpretation of general interest in accounting matters with the Conceptual Accounting Framework regulated in the Commercial Code, or, as the case may be, in matters of sustainability. It has two advisory bodies:

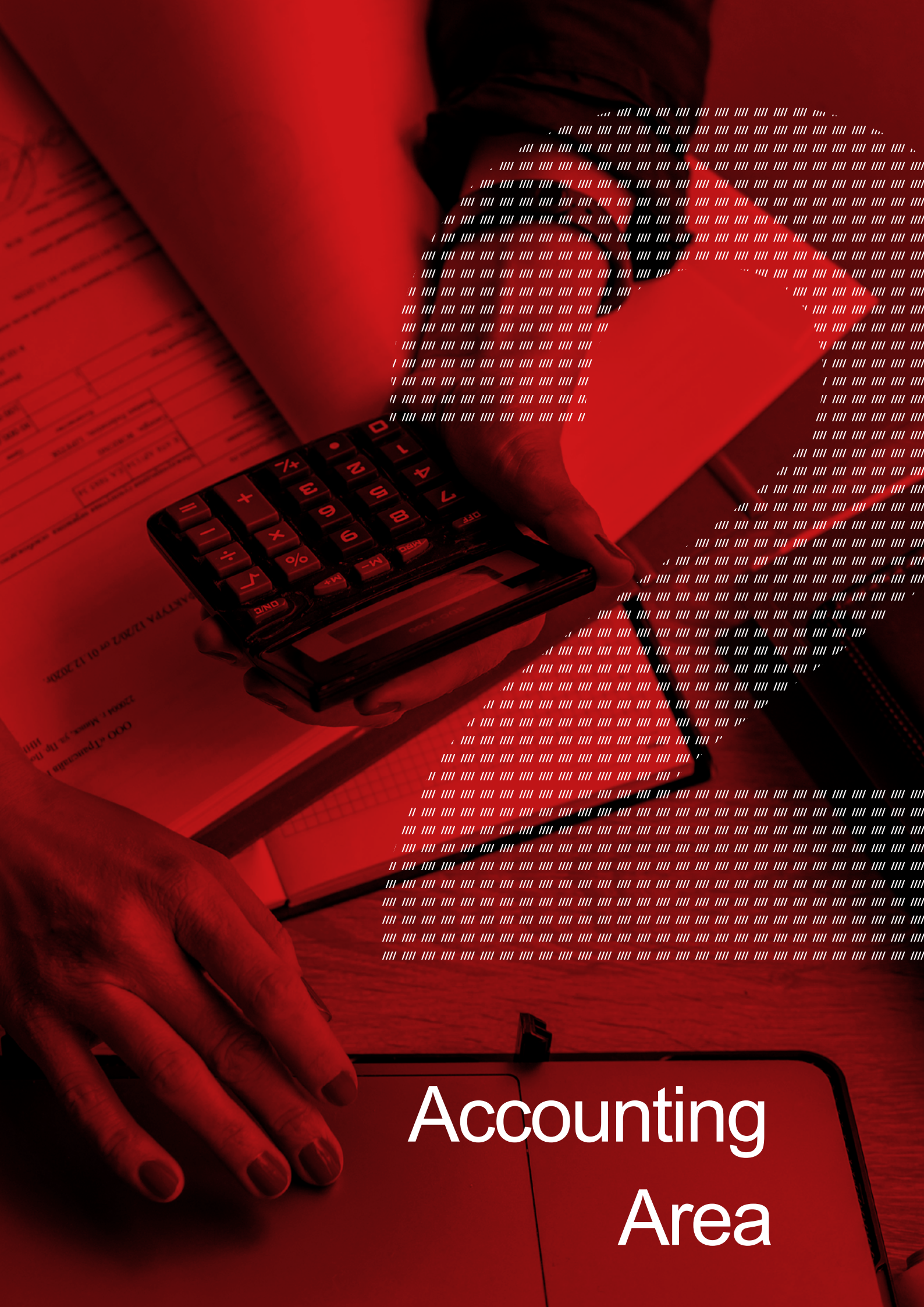
- The Accounting Advisory Committee is the advisory body to the Corporate Reporting Council on accounting.
- The Sustainability Advisory Committee is the advisory body to the Corporate Reporting Council on corporate sustainability reporting.

1.4 Organisational Structure

//// **GRAPH 1** Organisational chart of the Accounting and Auditing Institute



The responsibilities of each of these General Subdirectorates are set out in Section 5.1 Organisational Structure under Section 5. Organisation and management of ICAC, of this activity report.

A hand is holding a black calculator over a ledger. The entire image is overlaid with a semi-transparent red filter. On the right side, there are vertical columns of white binary code (0s and 1s). The ledger has some text, including 'CASH' and '12/2012'.

Accounting Area

2 Accounting Area

2.1 Introduction

In 2024, the ICAC has continued to work on accounting harmonisation in Spain, with the aim of guaranteeing the existence of a regulatory framework that facilitates the comparability, transparency and reliability of financial information. Throughout the year, the General Subdirectorate of Standardisation and Accounting Technique carries out numerous national activities related to the preparation, updating and application of accounting standards in Spain, as well as international activities aimed at studying the consistency and compatibility of European and international accounting standards.

In this regard, its activity of providing answers to queries is worth highlighting, as it helps to clarify specific situations that arise in accounting practice and offers guidance on the correct interpretation and application of accounting standards, thus ensuring consistency and uniformity in the preparation of annual accounts.

Furthermore, it should be noted that in recent years, sustainability reporting has become especially relevant, and from a secondary issue it has become an essential component of corporate transparency together with financial reporting. In this context, the ICAC plays a crucial role in establishing the national regulatory framework for sustainability reporting, and therefore much of its activity in 2024 also falls within this area.

With regard to the ICAC's regulatory activity in the area of corporate reporting, in 2024, the ICAC completed the process of transposition of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting, which at the year-end was already in parliamentary proceedings and, lastly, the continuation of the transposition process of Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups.

On the other hand, amendments have been approved for inclusion in Royal Decree 1514/2007, of 16th November, which approves the Spanish General Accounting Plan, and in Royal Decree 1159/2010, of 17th September, which approves the Standards for the Preparation of Consolidated Annual Accounts, to incorporate the mandatory temporary exception for the recognition and disclosure in the notes to the accounts of deferred taxes arising from the implementation of Law 7/2024, of 20 December, which establishes a Supplementary Tax to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups. This amendment has been made in similar terms to the exception adopted by Commission Regulation (EU) 2023/2468 of 8 November 2023 amending Regulation (EU) 2023/1803 as regards International Accounting Standard 12.

In relation to the Corporate Sustainability Reporting Directive, the ICAC participated in the drafting of the Directive from its inception in 2021 as representative of the Spanish dele-

gation to the European Council. Once the European legislation was approved in 2022, the ICAC was also designated by the Ministry of Economy, Trade and Business to transpose it to the Spanish legal system. This process began in 2022 and, at the end of 2024, it is in parliamentary proceedings, with the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the revised text of the Law on Capital Companies and Law 22/2015, of 20 July, on Auditing, having been published in the Official Gazette of the Spanish Parliament on 15th November 2024.

With regard to the transposition of the Delegated Directive on the adjustment of the size criteria for companies and groups of companies, the ICAC has prepared the Draft of the Law amending the criteria for determining the size of companies or groups in corporate reporting. In 2024, this text was submitted to the Preliminary Public Consultation and Public Hearing procedures, and is still pending approval.

Likewise, in 2024, the Sustainability Advisory Committee continued its work that was started in 2023, consolidating its role as a key body in the integration of sustainability in corporate reporting. This committee, created in 2022 through Royal Decree-Law 20/2022, continues to respond to new requirements that have arisen with the inclusion of sustainability information alongside financial information. In particular, it has maintained its support for the implementation of the European Sustainability Reporting Standards (ESRS) and has continued to seek the opinions of national stakeholders, in order to fulfil its role within EFRAG. It has met twice this year, in January and May respectively.

As a result of the creation of the Sustainability Advisory Committee, the Corporate Reporting Council, which is derived from the former Accounting Council of the ICAC, extended its competences to the assessment of regulatory proposals in both accounting and sustainability matters, in collaboration with experts from various sectors. This year it has also met on 2 occasions.

The Accounting Advisory Committee continues to advise the Corporate Reporting Council on accounting regulatory issues and it met in March and November 2024.

With regard to international activity, the ICAC's strategy in the sphere of European and international financial reporting focuses on aligning the Spanish accounting framework with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). This alignment is crucial, especially for the preparation of consolidated annual accounts by Spanish listed groups, which directly apply these standards pursuant to Regulation 1606/2002 of the European Parliament and of the Council. Furthermore, due to the increased relevance of sustainability reporting, which has become as important and necessary as financial reporting, the ICAC has also included this aspect as a fundamental part of its international activity.

A large part of the international work performed by the ICAC is concentrated on the EFRAG (European Financial Reporting Advisory Group), so that Spain may contribute to the development of European opinions on corporate reporting, both in financial and sustainability matters.

Regarding sustainability reporting, the EFRAG started to address this matter in 2021 under a mandate from the European Union. EFRAG's role as technical advisor to the Commission has been key to the development and implementation of the European Sustainability Reporting Standards (ESRS), the first set being adopted in 2023. These standards address double materiality, considering both impacts and financial reporting, and include issues

such as climate change, biodiversity, water resources, people and business conduct. In 2024, EFRAG has continued to make progress in drafting implementation guidance documents and the creation of sectoral standards, especially for high-impact sectors and financial institutions, despite there being a delay in the adoption of these standards. It has also worked on ESRS for SMEs, both mandatory and voluntary, holding public consultations and field tests to assess their feasibility and usefulness, with the goal of publishing the final results in 2025.

In the area of financial reporting, the ICAC actively participates in EFRAG's quarterly meetings with European national standard setters in the Consultative Forum of Standard Setters (EFRAG CFSS), where European positions for the IASB's Accounting Standards Advisory Forum (ASAF) are defined. Additionally, the ICAC issues comment letters on the IASB's draft standards and on EFRAG reports related to the adoption of standards, interpretations or amendments issued by the IASB.

In addition to its work with EFRAG, the ICAC actively participates in international forums such as the International Accounting Standards Board (IASB), the International Sustainability Standards Board (ISSB), and other global forums such as the United Nations (UN), promoting European interests in accounting regulation and the creation of international sustainability standards. This strategy enables the ICAC to ensure that Spain is aligned with accounting and sustainability best practices at the global level.

2.2 Regulatory Activity

The ICAC is responsible for drawing up, interpreting and updating accounting regulations in Spain, promoting their harmonisation with European and international accounting standards. This includes the issuing and implementation of the General Accounting Plan (PGC), answering queries, adapting standards to specific sectors, and promoting transparency and comparability of annual accounts. It also continuously monitors and adjusts regulations to respond to changes in the economic environment and to ensure a true and fair view of financial information.

In this regard, an essential part of the ICAC's activity is to provide answers to the queries received. It consists of issuing formal responses to technical questions raised by companies, auditors and other interested parties on the interpretation and practical application of accounting standards. These consultations help to clarify specific issues, ensuring a uniform treatment of accounting transactions and contributing to accurate and transparent financial reporting. The consultation process also contributes to the constant evolution and updating of the accounting regulatory framework by identifying possible gaps or areas requiring further refinement or adaptation.

Likewise, the ICAC's annual tasks in relation to the supervision and updating of accounting regulations in Spain include the monitoring of international standards to assess their possible incorporation into the Spanish regulatory framework, the constant review of the General Accounting Plan, the issuing of Resolutions in order to develop, clarify and complement current regulations, collaboration with national and international organisations through working groups, and analysing the economic and business environment.

As part of this activity, in 2024 it continued to work on the draft Resolution developing the concept of a group of companies and the rules for the recognition, measurement and

preparation of annual accounts to account for transactions between group companies. The goal of this project is to specify the concept of group companies, the definition of business and the accounting treatment of transactions between group companies, taking international developments as a reference, as well as to review the numerous interpretations published by the ICAC on this matter.

This work started in 2021 with the publication of the public consultation held previously and the creation of a working group with representatives from different institutions and experts of recognised prestige in the field of accounting. It has continued until now with the aim of obtaining a quality standard that clarifies, develops and complements the regulations in force, ensuring a uniform and appropriate interpretation of the concept of a group of companies and one that is suitable for the specific circumstances that arise in transactions between group companies.

The ICAC also conducts an annual analysis and review of the forms for filing individual and consolidated annual accounts at the Commercial Registers, which are published in the Official State Gazette by means of two orders of the Ministry of Justice.

With regard to corporate sustainability reporting, in 2024 the ICAC has continued to work extensively on the implementation of the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the revised text of the Law on Capital Companies and Law 22/2015, of 20 July, on Auditing. The purpose of this draft is to transpose Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. This Directive is also known by its acronym CSRD (Corporate Sustainability Reporting Directive).

The CSRD is an EU initiative designed to improve the transparency and quality of sustainability information provided by companies. This directive was adopted in November 2022, replacing the previous Non-Financial Reporting Directive (NFRD) of 2014. The CSRD broadens the scope of companies covered and establishes the obligation to apply European Sustainability Reporting Standards (ESRS). The deadline for EU Member States to transpose the Directive into national law was set as 6th July 2024.

In Spain, the ICAC has been the body in charge of carrying out this transposition and adaptation of the CSRD. This work has involved amending key regulations such as the Commercial Code, the Law on Capital Companies and Law on Auditing, with the aim of ensuring that Spanish legislation complies with the requirements established by the European directive on sustainability and transparency.

As a result of this work, in 2023, the Preliminary Public Consultation and Public Hearing procedures were held with regard to the draft of the law, in order to obtain the public participation of citizens, organisations and associations on the aspects raised in the text. In 2023 and 2024, the ICAC participated in numerous meetings organised by the European Commission to assist Member States in the transposition of the CSRD into national law, providing answers to numerous doubts that have arisen. Work has also continued on finalising the details of the legal text, including sending it to the Council of State for issuing a report and to the various ministerial departments for their comments. Finally, the final version of the Draft Law on Corporate Sustainability Reporting approved in the second round of the Council of Ministers was sent to the Spanish Parliament and was published in the Official

Gazette of the Spanish Parliament on 15th November 2024, with approval pending as of 31st December 2024.

Additionally in 2024, the ICAC has worked on the transposition of the Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups. This Directive amends Article 3 of Directive 2013/34/EU to adjust the size criteria (turnover, volume of assets and number of employees) in order to classify companies more accurately, thus better reflecting current economic realities.

Specifically, during this financial year, the Preliminary Public Consultation, which ended on 23rd February 2024, and the Public Hearing, which ended on 7th May 2024, of the Draft Law modifying the criteria for determining the size of companies or groups in matters of corporate information have been carried out, and are still pending approval.

2.3 Responding to Queries

Every year, the ICAC analyses and provides answers to queries received regarding the accounting treatment of specific situations, making interpretations of the standards contained in the regulatory framework for financial reporting.

Through this process, the ICAC assists in resolving specific queries from companies, auditors and other professionals, ensuring that regulations are complied with in a consistent and uniform manner.

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

//// **TABLE 1** The evolution of queries in 2024-2022

Queries	2024	2023	2022
Queries issued	422	427	382
Queries published	18	17	17

With regard to the topics subject to queries, in 2024, the following issues were of especial interest in the area of accounting interpretation:

- Business combination transactions within the scope of the 19th and 21st recognition and measurement standards of the Spanish General Accounting Plan.
- Accounting of the "Digital Kit" programme.
- Queries on revenue recognition, covered by the 14th recognition and measurement standard of the General Accounting Plan and the Resolution of 10th February 2021 issuing standards for the recognition, measurement and preparation of annual accounts for the recognition of revenue from the delivery of goods and services.

- The accounting treatment of taxes on fluorinated gases.
- The obligation to prepare the Non-Financial Statement (NFS) by different types of entities.

Queries deemed to be of general interest are published in the quarterly *Official Gazette of the Institute (BOICAC)*. Specifically, the following queries were published in 2024:

- BOICAC Query 1 number 137, April 2024: On the transfer free of charge of a property by a commercial entity to a city council.
- BOICAC Query 2 number 137, April 2024: On the costs of product approvals and certifications.
- BOICAC Query 3 number 137, April 2024: On the accounting recognition of the Balearic Islands tourist tax.
- BOICAC Query 4 number 137, April 2024: On the classification of changes in the fair value of financial instruments in a holding company.
- BOICAC Query 5 number 137, April 2024: On the transfer of a shareholding for a fixed and a variable consideration.
- BOICAC Query 1 number 138, June 2024: On rental contracts in which part of the rent is replaced with the performance of work
- BOICAC Query 2 number 138, June 2024: On the indemnity clause. Clarification of Query 4 of BOICAC 106.
- BOICAC Query 3 number 138, June 2024: On the Digital Kit programme
- BOICAC Query 4 number 138, June 2024: On the cost of greenhouse gas emissions. Royal Decree 646/2020 on waste disposal by landfilling
- BOICAC Query 1 number 139, September 2024: On the accounting treatment of the amount paid between companies for the assignment of a public works contract.
- BOICAC Query 2 number 139, September 2024: On the tax rate to be applied by a company in the recognition of a tax credit when its net turnover in 2022 did not exceed EUR 1 million and it made a loss in 2023.
- BOICAC Query 3 number 139, September 2024: On the accounting recognition of income generated by a company conducting R&D&I projects.
- BOICAC Query 1 number 140, December 2024: On the accounting treatment of the excise duty on fluorinated gases after the amendment approved in 2022.
- BOICAC Query 2 number 140, December 2024: On the transfer without consideration of real estate by a subsidiary to its parent company.
- BOICAC Query 3 number 140, December 2024: On the calculation of the average number of workers in a company that participates in a Joint Arrangement (UTE).

2.4 International Activity

International activity within the field of accounting regulation plays a crucial role in the ICAC's functions, especially because of Spain's strategy to align the Spanish accounting framework with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). This alignment is key for the preparation of the consolidated annual accounts of Spanish listed groups, which directly apply these IFRS-EU, in accordance with Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The ICAC concentrates a large part of its international work on the EFRAG (European Financial Reporting Advisory Group), so that Spain may contribute to the development of European opinions on corporate reporting, both in financial and sustainability matters. Notably, as a result of a mandate received by the European Commission in 2021, EFRAG expanded its competences and split its organisational structure to operate via two pillars: the financial reporting pillar and the sustainability reporting pillar. EFRAG has thus integrated its traditional advisory role on financial issues with its new role as technical advisor to the European Commission on the development of European Sustainability Reporting Standards, in accordance with the Corporate Sustainability Reporting Directive.

Throughout 2024, the ICAC continued to actively participate in both pillars of EFRAG, fulfilling the commitments made following the internal reform of the institution. This participation involves financial support and presence in decision-making bodies, which enables the ICAC to influence the creation of corporate reporting standards from the earliest stages.

Additionally, the Institute has played a leading role in key meetings led by the European Commission, such as the Accounting Regulatory Committee (ARC) and the Accounting Directive Committee (ADC).

The ICAC has also been significantly involved with the International Accounting Standards Board (IASB) by both responding on public forums in public consultations regarding its drafts, and through EFRAG's intermediation on behalf of European interests. In parallel, it has closely followed the work of the ISSB, part of the IFRS Foundation, tasked with developing international sustainability standards. Although these rules do not apply directly in Spain because of its adherence to the ESRS, they may affect domestic stakeholders active in international financial markets.

Finally, the ICAC has maintained its presence in international financial reporting forums, attending the meetings of the IFASS (International Forum of Accounting Standard Setters), the World Standard Setters (WSS) conference organised by the IASB, and the events promoted by ISAR-UNTACD (International Standards of Accounting and Reporting), which is part of the UN.

The following sections describe the most relevant international activities carried out by the ICAC.

EFRAG

EFRAG, established in 2001, continues to play a crucial role in the development of international accounting standards and continues to provide the EU with technical expertise in this area. Its collaboration with the European Union in the regulatory process has two main

dimensions. First, EFRAG brings the European perspective to the IASB during the different phases of the developing and reviewing its standards. Secondly, EFRAG advises the EU on the process of adopting IASB standards and interpretations through EU Regulations. Over time, EFRAG has also adopted a proactive approach through research activities that seek global solutions to European problems. This participation ensures that the EU can present a unified position on financial reporting issues.

As the main body responsible for conveying these views in a clear, coherent and persuasive manner, EFRAG's work relies on listening to all stakeholders and taking into account the specific characteristics of the European context. In this way, EFRAG contributes to the accounting standardisation process led by the IASB, with the legal standing that comes from its being the representative of Europe.

Within this context, the accounting standards convergence strategy followed in Spain, which is based on a critical analysis of European regulations, allows this task to be tackled with solidity and enriches the debate on the new pronouncements adopted at international level.

Following the adoption of Directive (EU) 2022/2464 as regards corporate sustainability reporting in December 2022, EFRAG has also taken on the role of "technical advisor" to the European Commission in the process of developing European Sustainability Reporting Standards (ESRS). These standards will be mandatory for companies falling within the scope of the Directive in terms of sustainability reporting.

EFRAG therefore maintains a solid internal structure divided into two pillars: one dedicated to financial reporting and the other focused on sustainability reporting. Both pillars have a similar structure: each is governed by a Board which takes decisions and is advised by a Technical Expert Group. The Administrative Board, which oversees both pillars, is the highest body, and the ICAC has a voice and a vote on it through its President.

Thanks to the ICAC's participation in both pillars, the ICAC has representation and voting rights on each EFRAG Board, ensuring that the vision of the Spanish accounting regulator and users' requirements are adequately considered in the process of developing and adopting European accounting and sustainability standards.

In the field of sustainability, EFRAG has played a key role in the development and implementation of the European Sustainability Reporting Standards (ESRS), its first set being approved by European institutions in 2023. These standards, which must be applied by all companies within the scope of the Sustainability Directive, cover a wide range of issues related to double materiality, both in terms of impact and financial reporting. This set of ESRS consists of twelve standards ranging from general requirements and climate change reporting to biodiversity, water resources, own workforce and business conduct.

These standards are ambitious with regard to the objective scope of reporting (the so-called double materiality, both impact and financial reporting) and the subjective scope (the value chain in the reporting entity's business relationships beyond the classical concept of financial control). Given the complexity of these standards, EFRAG has been tasked by the European Commission to develop implementation guidance documents to help preparers to meet the most challenging requirements. The first guidance document focuses on the preparation of the materiality analysis, determining the relevant topics to be reported on. The second guidance document explains the value chain concept, while a third document presents a comprehensive list of information points in order to facilitate their electronic dissemination.

Continuing its role in developing new draft regulations related to the ESRS, as included in the Sustainability Directive, in 2024, EFRAG has continued to draft sector-specific ESRS, especially for high-impact sectors and financial institutions. Despite the two-year deferral for the adoption of sectoral standards announced by the Commission, EFRAG has continued to make progress in the draft guidance documents for the "Mining, Mineral Extraction and Coal" sectors, as well as the "Oil and Gas" sector, currently awaiting the approval of the Sustainability Reporting Board (SRB) to start the public consultation process. Work has also begun on other key sectors such as "Road transport", "Textiles, accessories, footwear and jewellery", and the "Financial sector".

In parallel, EFRAG has continued to draft the ESRS for SMEs, both for those required by the Sustainability Directive and for other SMEs which may provide this information on a voluntary basis. These standards were approved in 2023 by the Sustainability Reporting Board (SRB) and, on 22nd January 2024, EFRAG initiated the public consultation on the two exposure drafts. During this period, EFRAG conducted two field tests with both preparers and users to assess the feasibility, costs, challenges, benefits and usefulness of the disclosures and suggested improvements. EFRAG is currently reviewing the results of the consultation and field tests, with a view to their final publication in 2025.

Another key pillar of EFRAG's work on the regulatory interpretation of the ESRS is its Q&A platform. Through this platform, EFRAG handles, sorts and responds to queries on the implementation of the ESRS. Throughout 2024, it has published several compilations of technical explanations, the latest being published in November 2024, which includes 157 explanations and 133 questions rejected as previously answered.

It is important to highlight the ICAC's participation in these regulatory developments, both in the Sustainability Reporting Board (SRB) and in the working groups, actively contributing and issuing comment letters. The ICAC has facilitated the dissemination of these documents by unofficially translating the implementation guidance documents and compiling Q&As issued by EFRAG for increased stakeholder accessibility.

The ICAC has also issued comment letters in its monitoring of EFRAG's regulatory function. These letters were as follows:

- Comment letter on the EFRAG public consultation on the LSME ESRS (European Sustainability Reporting Standard for Listed Small and Medium Enterprises).
- Comment letter on the EFRAG public consultation on the VSME ESRS (voluntary standard for Sustainability Reporting of non-listed Small and Medium Enterprises).
- Comment letter on the EFRAG public consultation on the ESRS Implementation Guidance documents (materiality assessment implementation guidance; value chain implementation guidance; ESRS datapoints).

With regard to financial reporting, the ICAC participates in meetings held every four months by the EFRAG with European National Standard Setters in the Consultative Forum of Standard Setters (EFRAG CFSS). During these sessions, the positions that EFRAG will take when participating in the IASB's Accounting Standards Advisory Forum (ASAF) meetings, representing European standard setters, are defined.

Additionally, the ICAC issues comment letters on the IASB's draft standards on EFRAG reports related to the adoption of standards, interpretations or amendments issued by the

IASB. Some of the most relevant projects on which the ICAC has expressed its position in 2024, both to the EFRAG and the IASB, include:

- EFRAG Comment Letter IASB's ED "Climate-related and Other Uncertainties in the Financial Statements - Proposed illustrative examples".
- IASB's ED "Climate-related and Other Uncertainties in the Financial Statements - Proposed illustrative examples".
- EFRAG Comment Letter IASB's DP "Business Combinations - Disclosures, Goodwill and Impairment".
- IASB's DP "Business Combinations - Disclosures, Goodwill and Impairment".
- EFRAG Comment Letter IASB's ED "Contracts for Renewable Electricity - Proposed amendments to IFRS 9 and IFRS 7".
- IASB's ED "Contracts for Renewable Electricity - Proposed amendments to IFRS 9 and IFRS 7".
- EFRAG Comment Letter IASB's ED "Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures".
- IASB's ED "Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures".
- EFRAG Comment Letter IASB's ED "Translation to a Hyperinflationary Presentation Currency Proposed amendments to IAS 21".
- IASB's ED "Translation to a Hyperinflationary Presentation Currency Proposed amendments to IAS 21".
- EFRAG ED "EFRAG Due process procedures for the EFRAG Financial Reporting Activities".

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 advice received from the EFRAG.

The main issues discussed in 2024 have been certain IASB exposure drafts, such as IFRS 18 "Presentation and Disclosure in Primary Financial Statements", IFRS 19 "Subsidiaries without Public Accountability: Disclosures", and the report on the implementation of IFRS 17 Insurance Contracts, including analysis of synergies and differences with Solvency II.

Accounting Directive Committee

The Accounting Directive Committee (ADC) assists the European Commission in the preparation of implementing acts set out in Directive 2013/34/EU, as well as in other aspects related to accounting regulation. This Committee, regulated in Article 50 of the Directive, is made up of representatives of the Member States and chaired by the European

Commission.

In 2024, the ICAC represented Spain at the ADC meetings held in May and October. During these sessions, progress was made on the work started in 2023 related to the preparation of the Implementing Regulation laying down a common template and electronic reporting format pursuant to Article 48c(4) of Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches.

The May meeting was the third time the Committee had addressed this issue, focusing its efforts on fine-tuning the technical details. In October, the fourth and final meeting was held, where the development of the implementation act was finalised.

Other Activities

- Attendance and participation in the meetings of the International Forum of Accounting Standard Setters (IFASS) held in 2024 in Seoul (South Korea) and London. During these sessions, attendees discussed key issues in the areas of finance and sustainability, allowing for an exchange of experiences between jurisdictions. In finance, issues such as carbon credit accounting, intangible assets, power purchase agreements and the challenges of implementing standards such as IFRS 17 and IAS 37 were addressed, along with improvements in the presentation of cash flows. Regarding sustainability, discussions included the application of materiality in reporting, the interoperability of ISSB standards, the development of digital reporting and specific challenges for SMEs.
- Attendance and participation in the World Standard Setters (WSS) conference organised by the IASB in London, aimed at all standard setters all over the world. During the session, the IASB presented a detailed summary of progress on the main standard-setting projects in the financial area, highlighting issues such as IFRS 18 "Presentation and Disclosure in Financial Statements", the specific improvements proposed for provisions, the third edition of the IFRS for SMEs and the equity method, highlighting discussions on its practical application. In the area of sustainability, issues such as the implementation of IFRS S1 and IFRS S2, the connections between financial statements and sustainability disclosures, and the prospects for the international adoption of these standards were addressed.
- Attendance and participation in the 41st working group of experts (ISAR) of the UNCTAD (UN), held in November in Geneva. During the session, key issues such as progress on harmonisation and practical implementation of sustainability reporting, including aspects related to assurance and ethical considerations, were addressed. The integration of entities' financial and sustainability reporting was also discussed, highlighting the role of digitalisation in this process. The meeting also included the election of officials, the adoption of the agenda and the tentative planning of tasks for the next session.
- Participation in bilateral meetings with both the European Commission and other European standard setters, where issues to be addressed by the Commission are discussed, promoting a coordinated approach to regulatory development. Additionally, the ICAC encourages participation in projects promoted by the European Commission, for example, the recent application for participation in the Technical Support Instrument (TSI), the EU programme that provides customised technical expertise to Member States to

design and implement reforms. This collaboration will permit contributions to the design of regulatory initiatives and their adjustment to the specific requirements of the Spanish business environment.

2.5 Corporate Reporting Council, Accounting Advisory Committee and Sustainability Advisory Committee

The Corporate Reporting Council is the body in charge of assessing the suitability and adequacy of any proposed regulation or interpretation of general interest in both accounting and sustainability matters, based on the reports of the Accounting and Sustainability Advisory Committees. In 2024, the Council met on 2 occasions.

The regulatory and interpretative proposals on which the Corporate Reporting Council has issued resolutions in 2024 include:

- Draft of the Law xx/202X, of XX of XXXX, amending the size criteria for companies or groups of companies for corporate reporting purposes.
- Consultation on the accounting treatment of the transfer of a shareholding in which a fixed and a variable consideration are received.
- Presentation and discussion of the "Draft Circular amending CNMV Circular 11/2028 on accounting standards, annual accounts and statements of proprietary information of venture capital entities, CNMV Circular 4/2016 on the functions of collective investment institutions and venture capital entities depositaries, and CNMV Circular 6/2008 on the determination of the net asset value and operational aspects of collective investment institutions".
- Presentation and discussion of a query on the accounting treatment of excise duty on fluorinated gases following the amendment approved in 2022.
- Presentation and discussion of a query on the transfer without consideration of real estate by a subsidiary company to its parent company.
- Presentation and discussion of a query regarding the accounting treatment of a capital reduction with return of contributions to shareholders.
- Presentation and discussion of a query regarding the calculation of the average number of workers in a company participating in a Joint Arrangement (UTE).

The Accounting Advisory Committee, which advises the Corporate Reporting Council on accounting matters, met twice in 2024, in March and November. This Committee consists of prestigious accounting experts on economic and financial information, representing both public administrations and the different sectors involved in the preparation, use and dissemination of this information.

Regulatory and interpretation proposals on which the Accounting Advisory Committee has ruled in 2024 have included:

- Draft of the Law xx/202X, of XX of XXXX, amending the size criteria for companies or groups of companies for corporate reporting purposes.

- Presentation and discussion of the "Draft Circular amending CNMV Circular 11/2028 on accounting standards, annual accounts and statements of proprietary information of venture capital entities, CNMV Circular 4/2016 on the functions of collective investment institutions and venture capital entity depositaries, and CNMV Circular 6/2008 on the determination of the net asset value and operational aspects of collective investment institutions".
- Presentation and discussion of a query on the accounting treatment of excise duty on fluorinated gases following the amendment approved in 2022.
- Presentation and discussion of a query on the transfer without consideration of real estate by a subsidiary company to its parent company.
- Presentation and discussion of a query regarding the accounting treatment of a capital reduction with return of contributions to shareholders.
- Presentation and discussion of a query regarding the calculation of the average number of workers in a company participating in a Joint Arrangement (UTE)

With regard to the Sustainability Advisory Committee, the mission of this organisation is to advise the Corporate Reporting Council on corporate sustainability reporting and it met twice in 2024, in January and May. The Sustainability Advisory Committee consists of prestigious experts representing both public administrations and the different sectors involved in the preparation, use, dissemination and assurance of this information.

The regulatory and interpretation proposals on which the Sustainability Advisory Committee has ruled during 2024 include:

- Presentation and discussion of the draft implementation guidance documents for the European Sustainability Reporting Standards (ESRS) published by EFRAG:
 - Draft Materiality Assessment Implementation Guidance
 - Draft Value Chain Implementation Guidance
 - Draft EFRS "data points" Implementation Guidance (with explanatory notes)
- Presentation and discussion of the draft sustainability reporting standard for listed SMEs and the draft voluntary sustainability reporting standard for SMEs.

2.6 Sustainability Information

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, seeks to improve the framework for sustainability information presentation and assurance.

This directive replaces Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, which amended Directive 2013/34/EU and introduced for the first time the obligation to at least submit information on environmental and social issues, personnel, respect for human rights, and the fight against corruption and bribery.

In Spain, this obligation was incorporated into Spanish law through Law 11/2018, of 28th December, which amends the Commercial Code, the revised text of the Law on Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2nd July, and Law 22/2015, of 20th

July, on Auditing, in relation to non-financial information and diversity. Law 11/2018 of 28th December does not merely transpose the directive as a minimum, but defines a broader scope of application, regulates in greater detail the contents of the non-financial information statement, and requires its assurance by an independent assurance service provider, thus exercising the option provided for in the directive. It also requires non-financial reporting to be conducted in accordance with national, European or international frameworks.

However, the Commission's report dated 21 April 2021 on the review clauses of Directives 2013/34/EU of 22 June 2013, 2014/95/EU of 22 October 2014 and 2013/50/EU of 22 October 2013 and on the related adequacy check regarding the EU framework on corporate reporting, identified problems with regard to the effectiveness of Directive 2014/95/EU of 22 October 2014. In its conclusions, the report notes that many companies do not provide meaningful information on all important sustainability issues and notes the limited comparability, reliability and accessibility of the information provided, as well as its limited scope of application.

Consequently, the new Directive 2022/2464 of 14 December 2022 introduces important new developments with regard to the following issues:

- All large companies and all public interest entities, including listed SMEs (with the exception of micro-enterprises and SMEs listed on alternative and growth markets) are required to comply.
- 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 include, on one hand, the company's impact on sustainability matters and, on the other hand, how these issues affect the company's performance, results and position.
- The sustainability information must be prepared in accordance with the European standards drawn up by EFRAG as technical advisor to the Commission. The Commission will then approve the various sets of standards by means of a Community regulation: general standards, sectoral standards, specific standards for listed SMEs and exclusive standards for unlisted SMEs that wish to prepare sustainability reports on a voluntary basis.
- The Directive requires a limited sustainability information assurance, with the expectation of moving towards reasonable assurance. This assurance may be performed either by an auditor or by an independent assurance service provider.
- It establishes the requirement for subsidiaries and branches within EUR territory whose ultimate parent company is governed by third-country laws to publish and make available a sustainability report at the group level of the ultimate parent company. This obligation shall enter into force for financial years commencing on or after 1st January 2028.

In 2023, the ICAC commenced the necessary tasks to prepare a draft text for the transposition of the Directive, which requires amendments to the Commercial Code, the Law on Capital Companies, and the Law on Auditing. During this exercise, the Preliminary Public Consultation process, which ended on 4th March 2023, the approval of the text in the first round by the Council of Ministers, and the Public Hearing process, which ended on 25th May 2023, were all held. Once all relevant comments had been accepted, the text was sent to the various ministerial departments for internal approval.

The necessary procedures for the adoption of the law on the transposition have continued in the year 2024. The text was sent to the Council of State and it issued its opinion on 25th September. Finally, the final version of the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the Law on Capital Companies and Law 22/2015, of 20 July, on Auditing on Auditing, was published in the Official Gazette of the Spanish Parliament on 15th November 2024.

However, at the end of 2024, the text had not yet been approved by the Spanish Parliament. In view of the fact that, according to the European Directive, the first tranche of application for subject entities affects the information for the financial year 2024, and in the expectation of its imminent approval, the ICAC and the National Securities Market Commission (CNMV) issued a joint official statement in order to facilitate the implementation of the future Law for entities and clarifying their obligations during the financial year 2024.

2.7 Collaboration with Other Organisations and Institutions

Within regard to corporate reporting, both financial and sustainability-related, the ICAC's activity includes collaborations with a wide range of organisations and institutions, including the following in 2024:

- a) Drafting mandatory reports on standards drawn up by other Public Administration bodies or other Public Institutions (see Table 2).

//// **TABLE 2** Mandatory reports (2022-2024)

Mandatory Reports	2024	2023	2022
Informed requests	196	187	204

- b) Revising the translations of several International Financial Reporting Standards issued by the IASB and adopted by the European Union through the Accounting Regulatory Committee for publication in the Official Journal of the European Union, performed by the Translation Committee established for this purpose.
- c) Revising the translations of the European Sustainability Reporting Standards (ESRS) within the Accounting Regulatory Committee of the European Commission.
- d) 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 Registers, 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.
- e) Collaboration and assistance in accounting matters at meetings at the Higher Sports Council within the Joint Commission for the transformation of clubs into public limited sports companies, both in football and in basketball.
- f) 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.

- g) Collaboration with the Directorate General of the Treasury in drawing up the Green Book on Sustainable Finance in Spain.
- h) Ongoing 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.



Category	Amount
Category 1	1,000.00
Category 2	2,000.00
Category 3	3,500.00
Category 4	5,000.00
Category 5	8,300.00

19,800.00

Audit Area

3 Audit Area

3.1 Introduction

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

Public oversight of the activity, which is the responsibility of the ICAC, contributes to compliance with the rules governing the activity through monitoring and disciplinary activity, thus boosting confidence in the activity.

In 2024, the Institute's activity in the field of audits mainly consisted of oversight activities, as well as, from the regulatory point of view, the work required for the ongoing processing of the Draft Law on Corporate Sustainability Reporting, which amends the Commercial Code, the Law on Capital Companies and the Law on Auditing, by issuing the corresponding assessment reports on the comments received in the different proceedings.

Additionally, the update to the Technical Auditing Standards has been published, the result of adapting the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, the result of adapting 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, by adapting the one published together with these International Standards for their application in Spain. Furthermore, to facilitate the work of auditors, these standards have been published on the ICAC website in the form of a compendium, both with hyperlinks in order to navigate the contents of the standards and the glossary of terms, as well as in a downloadable format. Additionally, the ICAC has continued to exercise all its functions as the supervisor responsible for auditing activity in Spain, as well as to participate in the international cooperation mechanisms for this supervision.

3.2 The Audits Sector in Spain

ROAC: Registered Auditors

Natural or legal persons seeking to audit financial statements in Spain must meet the conditions established in the auditing regulations and be registered in the Official Register of Auditors (hereinafter, ROAC).

The ROAC is a public register and its information may be accessed online. Specifically, it may be accessed via the ICAC website at <https://www.icac.gob.es/servicios-ROAC>.

There are a number of registered auditors who perform audits in their individual capacity and others who do so through audit firms and are appointed to sign audit reports on their behalf.

Specifically, the data included in the ROAC, as of 31st December 2024 on existing number of auditors and audit firms, are listed in Table 3:

//// TABLE 3 Auditors and Audit Firms registered in the ROAC

Individual auditors (sole practitioners)	914
Auditors (appointed in Audit Firms)	1806
Auditors (sole practitioners and appointed in Audit Firms)	853
Total Practising Auditors	3,573
Non-Practising Auditors	18,026
Total Auditors	21,599
Audit Firms	1,358

Additionally, the following admissions and withdrawals were made in the ROAC in 2024:

//// TABLE 4 Admissions and withdrawals in 2024

	ADMISSIONS 2024	WITHDRAWALS 2024
Auditors	151	74
Firms	27	48

The ROAC makes an significant effort to provide high-quality services to auditors despite the large volume of queries and requests it receives. It is worth pointing out that in 2024 **474 queries** were processed via the E-Office.

In terms of applications submitted by auditors and audit firms during 2024, the ROAC issued **669 certificates** and processed **4,252 files** on data modifications, as broken down in Table 5 below:.

//// TABLE 5 Requests and queries processed at the ROAC

Number of queries received and answered in 2024	474
Number of certificates issued at the auditor's request in 2024	669
Total data modifications processed in 2024	4,252
Modification of Public Data	1,110
Modification of Non-Public Data	545
Updating of Guarantees	2,597
Total 2024	5,395

ROAC: entrance (examination)

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

The ROAC entrance examinations are held in two stages:

- First stage: theoretical examination.

Its goal is to ascertain the level of theoretical knowledge attained with regard to the subjects deemed necessary to practise as an auditor.

Candidates who pass or are exempted from this stage become eligible to sit for the second stage.

- Second stage: practical examination.

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

Therefore, the professional aptitude examination is intended to rigorously test the candidate's competence in auditing.

Candidates who pass this professional aptitude examination may apply for registration in the ROAC, if they meet the conditions set down, without prejudice to the fact that they may also apply for membership in public law bodies representing auditors, in accordance with their own statutes.

Currently, the aptitude test is held every year, and the practical examination of the second stage which lasts six hours and is on subjects related to the auditing activity is conducted in two blocks of 4 hours and 2 hours respectively, where candidates are tested on account auditing (Block I) and accounting, and other subjects related to account auditing (Block II). A passing grade is required in both blocks in order to obtain the authorisation. However, a pass in one of the two blocks allows the candidate to consolidate their result and only sit for the block not passed in the next session.

The results of the last examination sessions have been:

//// TABLE 6 ROAC examination sessions 2019-2024

Examination Sessions	2019	2021	2023	2024 ³
Called	730	658	708	655
Sat	674	575	626	558
Pass	190	200	126 ¹	98 ²

¹ 163 candidates with consolidated results in Block I having to apply in the 2024 examination session only for Block II and 7 candidates with consolidated results in Block II having to apply only for Block I in 2024.

² 93 candidates with consolidated results in Block I having to apply in the 2025 examination session only for Block II and 11 candidates with consolidated results in Block II having to apply only for Block I in 2025.

³ The number of passed candidates in these last two years (sessions 2023 and 2024) amounts to 224.

3.3 Regulations on Auditing

The ICAC's auditing regulatory activities in 2024 were as follows:

In 2024, regulatory work continued in the area of standards governing the auditing activity, including the issuance of the Resolution of 11th April 2024, publishing the update of the Technical Auditing Standards, the result of adapting the International Standards on Auditing for their application in Spain (ISA-ES), the Internal Quality Control Standards, the result of adapting 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, by adapting the one published together with these International Standards for their application in Spain. Thus, the project to update all technical auditing standards published to date by the Accounting and Auditing Institute, derived from the adaptation of the international auditing standards issued by the International Auditing and Assurance Standard Board (IAASB), which was undertaken in 2022 by the ICAC working group for the development and publication of technical auditing and quality control standards, has been completed.

This means that Spain now has a fully updated set of regulations applicable to audits of financial statements from 1st January 2024 onwards. This compendium will be updated annually in relation to the IAASB standards. The set of standards applicable to each financial year may be consulted on the website of the Accounting and Auditing Institute.

The actions taken by the ICAC in 2024 to regulate sustainability information assurance have consisted of jointly preparing, with the representative bodies of auditors and representatives of independent assurance service providers, a technical standard for sustainability reporting assurance, together with its glossary of terms and a technical standard on the relationship between assurance service providers, standards that may be approved once the Law on Corporate Sustainability Reporting enters into force.

Other regulatory actions

With regard to regulation and audits, it has collaborated with other government bodies to prepare reports on draft regulations that affect or may affect auditing activity. In 2024, the number of reports issued on regulatory proposals or drafts was 17.

It has also collaborated with the Directorate General of the Treasury on the Draft of the Law for the Digitalisation and Modernisation of the Financial Sector, which includes the amendment of the Law on Auditing to define the terms of access to information from the Official Register of Auditors via the single European access point from 10th January 2030 onwards.

In 2024, the Institute has also collaborated with the Ministry of Economy, Trade and Business to prepare the draft of the law for the transposition of the Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups. It aims to streamline corporate reporting obligations that have undergone prior public consultation and public hearing procedures.

Furthermore, the ICAC has continued its review of certain auditing standards, especially the draft International Standard on the Auditor's Responsibilities Relating to Fraud in an

Audit of Financial Statements (amendment of ISA 240) and the draft derived from the new approach to the definitions of listed entities and public interest entities (PIEs) published by the IAASB and submitted for consultation, for the purpose of issuing the corresponding comment letters to be sent jointly with other competent authorities of other EU Member States (CEAOB International Auditing Standards Sub-Group) or countries participating in international forums (IFIAR Standards Coordination Working Group).

This is in addition to the preparation of a technical note for the European Commission in relation to the application of the International Standard on Sustainability Assurance (ISSA 5000), which sets out the general requirements for sustainability information assurance, with a view to assessing its adoption within the European Union.

Table 7 below summarises the actions described in the previous paragraphs.

//// **TABLE 7** Regulatory actions in auditing in 2024 and 2023

Regulatory Actions in Auditing	2024	2023
Reports on draft regulations	17	15
Technical auditing standards issued (interim and final)	37	39
Review of draft standards submitted by the IAASB	2	1
Review of the translation for possible subsequent adaptation of the ISA-ES	2	1

Auditor Training. Access

In accordance with the regulations governing audits, the General Subdirectorate for Technical Standards on Audit is responsible for fulfilling the responsibilities attributed to the ICAC with regard to the coordination and promotion of the selection, training and further training of auditors.

In the area of training for entry into the Official Register of Auditors (ROAC), the ICAC is responsible for approving the required theoretical training programmes and for waiving the theoretical training programmes and the first stage of the ROAC entrance examination.

In 2024, 40 cases for the approval of theoretical teaching programmes for entry into the ROAC have been completed, the same number as in 2023, with the following details:

- 4 official qualifications valid throughout Spain (Official University Master's Degrees) have been recognised and the recognition of another 31 has been renewed, thus waiving the first stage of the ROAC entrance exam.
- The recognition of 4 university degrees has been renewed.
- The recognition of one of the representative bodies of auditors has been renewed.

2 applications from the same university for partial generic exemption in certain auditor training subjects and from the first stage of the ROAC entrance examination, for university

degree holders, and 23 individual applications for partial specific exemption were assessed and resolved, which is 28.57% less than in the previous year.

Continuous Training

Pursuant to Article 8.7 of the LAC, auditors must conduct continuous training activities and provide proof of their compliance to the ICAC. For the purposes of this compliance, such activities must be provided by accredited centres or be individually approved, pursuant to the provisions of the Resolution of 20th December 2022, which implements various aspects related to the requirement of auditors to undertake continuing education.

In this regard, the ICAC is responsible for the recognition of training centres providing continuing education, the approval of activities performed by certain institutions, and granting extensions due to force majeure to auditors so they may fulfil this obligation of continuing education.

Representative bodies of auditors are recognised centres for organising and providing continuing education and training without the need for prior recognition by the ICAC, as provided for in Article 8 of the Law on Auditing,

This year, 24 centres have renewed their recognition as authorised continuous training centres:

- 1 university with a continuous training plan for auditors.
- 1 centre in the category of "other recognised training centres".
- 22 audit firms, groupings of audit firms and groups of auditors united for this purpose, which provide training to their members.

With regard to the prior recognition of continuing training activities organised by prestigious professional institutions or associations or by university professors, professional associations and public centres or institutions that organise conferences, congresses, sessions or meetings, or committees, commissions or working groups, 74 activities by 5 different institutions have been approved, which represents a 7.5% decrease in the number of activities approved compared to the previous year.

Finally, 1 request by an auditor for an extension of the time in which to undertake continuous training due to force majeure was processed and resolved during the year, 2 fewer than in the previous year.

3.4 Oversight: Investigations and Inspections

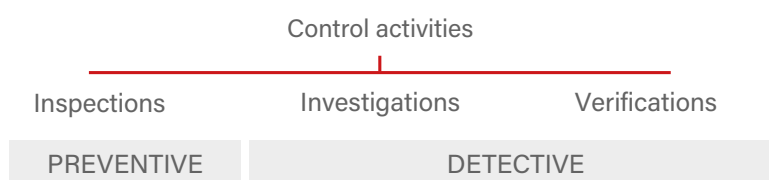
In 2024, the oversight of audit activity contributed to the public interest and to fulfilling the ICAC's mission through two main lines of action:

- a. Improved planning of supervisory activities and their scope.
- b. Activities for greater transparency in supervision.

A. Improved planning of supervisory activities and their scope

The Law on Auditing assigns to the ICAC the responsibility of public oversight over auditors. This public oversight system involves three types of actions that constitute the ICAC's main mechanisms for supervising auditors and their operations: inspections, investigations and verifications (see Graph 2).

//// **GRAPH 2** Types of oversight actions



Inspections are periodic reviews of auditors' internal quality control systems and selected audits, aimed at assessing the effectiveness of these systems. The inspections are of a preventive nature.

The regulations establish a system of inspections which combines a minimum frequency of auditor inspections (based on the profile of the companies to be 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 entities² (PIEs), the regulations establish a minimum inspection frequency of 3 or 6 years, depending on the size of the audited companies in terms of assets, net turnover, and number of employees. The results of the inspections are documented in a report containing the main findings of the quality control and all improvements required.

Investigations consist of the verification of certain audit actions or aspects of audits, in order to determine facts or circumstances that may indicate possible breaches of the regulations governing the auditing activity.

Verifications are complementary actions to the previous ones, their purpose being to verify auditors' compliance with their obligations, when the results of the previous actions are not fully satisfactory. Due to their residual nature and purpose, for statistical purposes, these proceedings are included within the investigation proceedings.

² The companies listed in Article 8.1 of the RAC are public interest entities.

When assigning available resources within the scope of oversight planning, priority is given to inspections of the audits of public interest entities by auditors. This is due to their greater economic relevance, public interest, and, especially to ensure the greater protection of users and investors, which will result in the proper functioning of the markets.

When conducting inspections of auditors and audit firms that audit entities other than public interest entities, the representative bodies of auditors have continued to collaborate in tasks deemed merely instrumental.

Overall, the most noteworthy aspect of the inspections and investigations conducted in 2024 is their intense nature, making it possible to **increase the number of oversight actions performed as opposed to previous years**, described in Table 8.

//// **TABLE 8** Quantitative summary of supervisory activities carried out in 2024

	2024	2023
Inspections	15	15
Investigations and verifications	302	288
TOTAL	317	303

The improvement in the level of supervisory activity in recent years has been possible due to the implementation of various measures, including the following:

- **Optimised planning.** Planning is an essential tool of supervisory activity, making it possible to anticipate the scheduling of inspections and thus improving auditors' response times, as well as reducing waiting times for requests for information, while maximising the work carried out by the Institute staff.
- **Use of IT tools** making it possible to enhance the productivity of monitoring activities and improve their effectiveness. For example, with the entry into force of the RLAC, electronic communications will be used exclusively in oversight activities from 2021, making it possible to streamline procedures and significantly reduce procedural timeframes. Additionally, in 2024, work began on implementing the use of various Artificial Intelligence tools, in line with the sector, in different aspects of various control activities.
- **Review and optimisation of internal processes and procedures.** This continues to be an essential measure in every year and has so far included a number of actions, such as increased reporting of findings throughout the inspection process; standardising monitoring procedures; and adjusting the scope of inspections to the risks identified. In 2024, this line of action has continued to be prioritised by implementing improvements in inspection and investigation reports, and by increasing 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 2024 Control Plan approved by the ICAC's Audit Committee, as described in Graph 3.

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

As regards inspections of the auditors' internal quality control system, five inspections of audit firms auditing public interest entities were completed in 2024. Due to the significance of the companies they audit, auditors of public interest entities are considered to pose a higher supervisory risk. For this reason, they are subject to higher requirements than auditors that do not audit public interest entities, and they are a priority target for oversight and are subject to more thorough inspections. With regard to auditors not auditing public interest entities, ten inspections were completed in 2024. The details of the 2024 inspections by the type of auditor inspected and the year-on-year variations are described in Table 9.

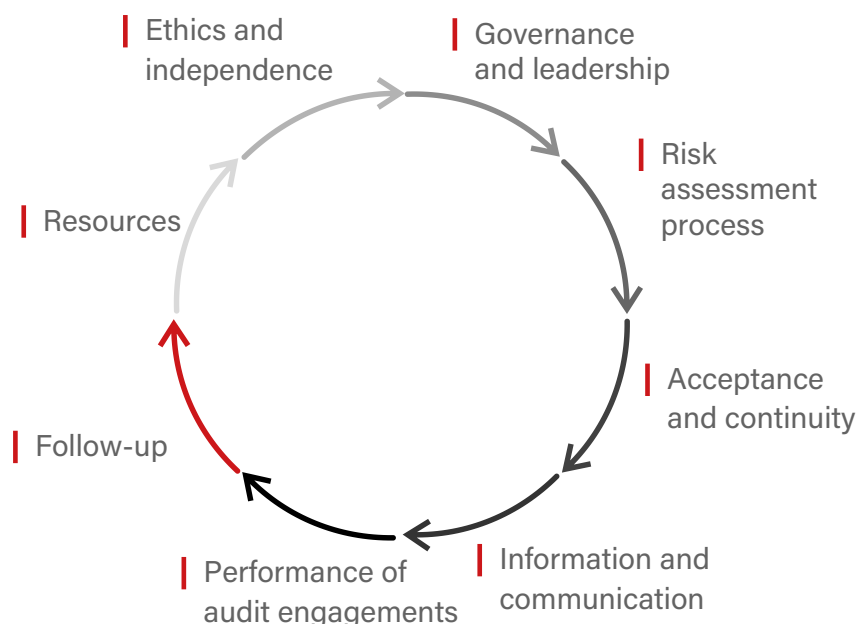
//// **TABLE 9** Auditor inspections in 2023 and 2024

	Inspections				Total	
	Auditors auditing public interest entities		Auditors NOT auditing public interest entities		2024	2023
	2024	2023	2024	2023		
Inspections	5	4	10	11	15	15

As in previous years, the scope of the inspections completed in 2024 consisted of reviewing the auditors' quality control systems. With regard to auditors of public interest entities, the inspection reviewed all elements of the quality control system, with special attention to the "audit firm risk assessment process", introduced by the new International Standards on Quality Management 1 (ISQM1), adapted for its implementation in Spain by Resolution of the Accounting and Auditing Institute dated 20th April 2022. When inspecting auditors who do not audit public interest entities, six of the eight most relevant elements comprising the quality control system were reviewed. This included, as in the case of auditors of

public interest entities, the "audit firm risk assessment process" component, as well as the working papers of certain areas corresponding to specific audits (engagements) (see Graph 4).

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



Within the scope of all inspections performed in 2024 (both auditors of public interest entities and other auditors), 42 audit engagements were included. This represents an increase of 45% over the number of audit engagements inspected in 2023, in line with the need to boost the number of tasks per inspection to increase their impact as a key factor in the overall improvement as regards clarity in audit management systems and protecting public interest. Of the 42 audit engagements inspected, 16 were of public interest entities, representing 38% of the total, while the other 26 were of non-public interest entities, as described in Table 10.

//// **TABLE 10** Total audit engagements inspected in 2023 and 2024.

	Total engagements inspected		
	2024	2023	Variation 2023-2024
Public interest entities	16	10	60%
NON-public interest entities	26	19	37%
TOTAL	42	29	45%

The following sections summarise the results of the inspections completed in 2024, and detail the main issues revealed by the inspections, both regarding the firm's policies and procedures, and the audit itself.

a.1 Inspections

a.1.1 Inspection of quality control policies and procedures

The inspection procedures have concluded with the following proportion of requests for improvement in response to the deficiencies³ detected in the elements of the quality control system (see Table 11).

//// **TABLE 11** Elements of the quality control system

Elements of the quality control system		Improvement requirements (%)
i.	Risk assessment process.	8%
ii.	Governance and leadership.	10%
iii.	Applicable ethics and independence requirements.	30%
iv.	Acceptance and continuity of client relationships and specific engagements.	15%
v.	Resources.	9%
vi.	Performance of audit engagements.	19%
vii.	Follow-up of the quality control system.	9%

As may be seen, *Ethics and Independence Requirements* continue to be the component with the highest number of requirements, accounting for 30% of the total, similar to previous years. However, requirements related to Quality Control System Monitoring have improved significantly from the previous year, from 21% to 9%. This decrease has been distributed among the rest of the components of the quality control system, of which *Risk Assessment Process* stands out at 8%, being the smallest percentage of all the elements, despite the novelty.

The main aspects of these improvement requirements are highlighted below:

i. Risk assessment process

NOTE

This component of the quality control system includes designing and implementing a risk assessment process for:

- ✓ Set the quality goals required to achieve the objectives of the quality control system.
- ✓ Identify and assess quality risks, obtaining the necessary knowledge of the conditions, facts, circumstances, actions and omissions that may affect their achievement.
- ✓ Design and implement responses to the risks identified.

³ In accordance with the International Standards for Quality Management (ISQM1-ES), there is a deficiency when: a quality objective necessary to achieve the aims of the quality control system is not established; a quality risk or combination of risks is not identified or not adequately assessed; a response or combination of responses does not reduce to an acceptably low level the likelihood that there is a quality risk because the response or responses are not adequately designed or implemented or do not operate effectively; or it is not included, or has not been adequately designed or implemented, or does not operate effectively, so that any ISQM requirement is not met.

Within the *Risk Assessment Process*, of the deficiencies identified in the auditor inspections, the following aspects are especially worth highlighting due to their importance or recurrence:

- Insufficient evidence of the quality risk assessment process, as well as of the knowledge obtained for the identification and assessment of said risks, in relation to those facts or circumstances, actions or omissions that may affect the achievement of quality objectives, or the manner and degree to which these may adversely affect such achievements.
- Lack of policies and procedures to identify information that would highlight the need for additional quality objectives, or to redefine existing quality risks or planned responses.
- Design and implementation of undefined responses with sufficient specificity as to the nature, timing and extent of the responses, as well as who is responsible for them.

ii. *Governance and leadership*

NOTE

This component of the quality control system includes setting quality objectives for:

- ✓ Promoting an internal culture, where quality in engagement is recognised as essential.
- ✓ Assign responsibilities for handling the quality control system on the basis of the necessary expertise, capability and authority.

Within *Governance and Leadership*, of the deficiencies identified in the auditor inspections, the following aspects are especially worth highlighting due to their importance or recurrence:

- Insufficient involvement and commitment of the management and/or the person ultimately responsible for the quality control system in designing and implementing the quality control system, as well as insufficient resources to suitably design and operate the quality control within an appropriate control environment in order to achieve the quality targets.
- The 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.

iii. *Applicable ethics and independence requirements*

NOTE

- ✓ Their goal is to set quality targets for reasonable assurance that both the audit firm and its staff, as well as all other persons and entities to whom the aforesaid requirements apply, maintain their independence by identifying and assessing threats to said independence so that it is adequately safeguarded or, if not, the audit engagements are not accepted or the audit report is not issued.
-

Within *Applicable Ethics and Independence Requirements*, of the deficiencies identified in the auditor inspections, the following aspects are especially worth highlighting due to their importance or recurrence:

- The policies and procedures do not provide for controls aimed at obtaining, in a timely and appropriate manner, confirmations of independence, adapted to national regulations, from all professionals subject to independence restrictions, including confirmations of independence from component auditors.
- The procedures and controls in place do not sufficiently ensure that all analyses of threats and safeguards are performed and documented in the working papers, nor do they ensure that the engagement partners have the necessary involvement in the approval and follow-up of non-audit services
- There are no adequate control mechanisms in place to ensure the identification of causes of withdrawal for fees received, limits and concentration of fees, which should be stated in the working papers of the audit engagement.
- Adequate procedures and policies, and preventive controls that enable the professionals required by the LAC to adequately disclose their financial interests, and those of their family members, are not identified.
- The tools necessary for a complete determination of the corporate structures of the audited entities subject to independence requirements are not available.
- Failures to comply with the requirements to notify audit committees of the companies audited have been noted.
- Compliance tests carried out in inspections of policies and procedures in the provision of non-audit services show significant failures and non-compliance in their implementation, and significant gaps in documentation.

iv. *Acceptance and continuity of client relationships and specific engagements*

NOTE

The purpose of this component is for the audit firm to set quality targets in order to obtain reasonable assurance that only audit client relationships and audit engagements are initiated or continued for which the auditor:

- ✓ Has the competence and ability to carry out the audit, including the resources and time required to do so (absence of professional risk).
- ✓ Can comply with applicable ethical requirements, including those of independence (absence of ethical and independence risk).
- ✓ Considers the integrity of the customer and has no information that would lead him or her to conclude that the customer lacks integrity (no customer 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, and, where appropriate, at renewals.

Within *Acceptance and continued relations with clients and specific engagements*, of the deficiencies identified in the auditor inspections, the following aspects are especially worth highlighting 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's premises.
- Insufficient evidence of the assessment of compliance with the independence requirements in the acceptance and continuity process in each work file.
- Lack of evidence of professional risk assessment of adequate capacity and availability of the audit team and quality control reviewers.

v. *Resources*

NOTE

The quality objectives in relation to the *Resources* component should provide reasonable assurance that audit firms obtain, develop, use, maintain, conserve, distribute and allocate resources appropriately:

- ✓ Have sufficient staff with the necessary competence, capability and commitment to ethical principles to perform audits in accordance with the auditing standards, including remuneration policies.
 - ✓ The technological and other resources available are sufficient to operate the audit firm's quality control system and perform audits.
-

Within *Resources*, the deficiencies identified in the auditors' inspections continue to be similar to those identified in previous years, either in terms of their importance or their recurrence:

- Lack of formal assessment 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 in partners than in other professionals.
- No policies and procedures for the allocation and monitoring of partners' workload are identified, especially in relation to functions other than engagements, such as responsibilities in the internal quality control system.
- The assessment of the 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.

VI. *Performance of audit engagements*

NOTE

- ✓ They are intended to provide reasonable assurance that audit engagements are undertaken by audit firms in accordance with the regulations governing the audit activity. This component of the quality control system includes various aspects related to the promotion of consistency in the quality with which audit engagements are undertaken; oversight and review responsibilities in audit teams; conducting necessary consultations and implementing the resulting findings; quality control review of public interest entity engagements as well as others based on risk criteria; engagement documentation; confidentiality; safe custody, integrity, accessibility and retrieval of audit engagement documentation; and the retention of audit engagement documentation.
-

Within *Performance of audit engagements*, of the deficiencies identified in the auditors' inspections, the following aspects are especially worth highlighting due to their importance or recurrence:

- Lack of tools that integrate all the guidance documents, templates and methodological orientations to be applied to the audit tasks.
- Lack of identification of adequate controls to ensure that the engagements are reviewed by the person appointed for this purpose and that all work subject to this review is performed at the appropriate audit stages.
- The procedures and controls do not ensure the proper selection of quality control reviewers in terms of competence, capability and absence of conflicts of interest.
- Documentation on the issues reviewed and discussed, as well as on the criteria and judgements supporting the conclusions of the QA reviews, and references to the reviewed working papers, are insufficient.

- Policies and procedures sometimes do not provide for controls to ensure the process of closing audit files in accordance with regulations, ensuring their proper custody, integrity and retrieval.

vii. *Monitoring and rectification of the quality control system*

NOTE

- ✓ This is a check conducted after the implementation of all other policies and procedures and the issuance of audit reports, its goal being to provide reasonable assurance that the quality control policies and procedures are relevant, adequate and operating effectively.
 - ✓ The person responsible for monitoring the quality control system is responsible for the ongoing evaluation of the quality control policies and procedures established by the auditors or audit firms, including the regular inspection of audit engagements, to assess the adequacy and appropriateness of their design and their operational effectiveness, as a post-check of said policies and procedures.
-

Within *Monitoring and Rectification of the quality control system*, of the deficiencies identified in the auditor inspections, the following aspects are especially worth highlighting due to their importance or recurrence:

- Existence of conflicts of interest in the professionals who perform tasks or are responsible for monitoring, in relation to the other responsibilities or activities they carry out.
- Lack of procedures and controls to ensure the appropriate selection of monitoring reviewers in terms of competence, capability and absence of conflicts of interest, and ensuring the necessary segregation of duties and safeguards to ensure the highest degree of objectivity and independence in the monitoring process.
- Insufficient follow-up documentation, both of the checks conducted and of the conclusions, even when these are satisfactory. This also applies to the AQR communication process and its outcome.
- Need to establish assessment criteria to determine whether deficiencies identified in audit engagement reviews constitute a deficiency, and criteria to determine whether the identified deficiencies are systemic or of a general nature.

a.1.2 *Inspection of audit engagements.*

Inspections were carried out on 42 audit engagements, of which 16 were of public interest entities.

The requests for improvement included in the inspection reports issued in 2024 do not necessarily prejudice the commission of breaches of audit regulations⁴, without prejudice to the initiation of the corresponding investigations and disciplinary proceedings, where appropriate.

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

The distribution of the requests for improvement made in the inspection of audit engagements, grouped by the technical subject of the audit, is displayed in Table 12.

//// TABLE 12 Requests made during the inspection of audit engagements

Audit aspects	% of requests
Planning and determination of the materiality figure	3%
Audit documentation	12%
Identification and assessment of risks of material misstatement	17%
Testing of controls	11%
Going concern	4%
Substantive procedures	49%
Audit report	4%
TOTAL	100%

Among the requests made for the engagements inspected, those related to the adequate identification and assessment of risks of material misstatement, the need for adequate testing of controls, and the verification of accounting estimates in the financial information stand out due to their frequency and their impact.

Notwithstanding the above, the following shortcomings identified in the engagement inspections must also be highlighted:

- Inadequately reasoned audit strategies, considering the risks identified and knowledge of the entity and its environment.
- Insufficient or inadequate assessments of the design of the control system, as well as deficiencies in the performance and/or documentation of tests of the operating effectiveness of controls.
- The need for audit procedures to respond appropriately to the assessed risks of material misstatement of the 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.

4 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.

- The need for improvement in the design and application of audit procedures with regard to the sufficiency and appropriateness of audit evidence.
- Ensuring the appropriate design of tests and the adequacy of the procedures applied in substantive procedures for each type of material transaction, account balances and material disclosures.
- Inadequate determination or insufficient justification 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 without prior contact with the audit to comprehend:
 - The nature, timing and extent of audit procedures applied 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 regarding said matters, and the significant professional judgements applied in order to reach the conclusions.

a.2 Investigations and verifications

In 2024, 302 investigations and verifications were carried out, representing an increase of 5% compared to 2023, in line with the consolidation of the increased number of actions carried out in previous years.

The scope of the ex officio control activities initiated and carried out in 2024 has been determined by different issues that have been considered risky due to their possible effect on the quality of the audit services, such as apparently insufficient fees in relation to the complexity of the engagement, or their decrease with regard to the previous auditor, the possible lack of updating of auditors not affiliated to any of the existing auditors' representative bodies, or the concentration of fees, among others.

The types of the aforementioned actions are shown in Table 13.

//// TABLE 13 Investigations and verifications in 2024

Type of investigation/verification	No.º actions	Percentage of total actions
Investigations / complaints	67	22%
Investigations on continuous training	162	54%
Transparency investigations	69	23%
Follow-up of previous inspections	4	1%
TOTAL	302	100%

The 67 investigations/complaints completed/resolved are mainly related to auditors' compliance with technical auditing standards in the performance of their work, as well as to the fulfilment of their duties of independence.

Additionally, 162 actions were performed in 2024 to verify compliance with the minimum training requirements for practising auditors.

As regards the obligation to publish transparency reports, 69 verifications were carried out in 2024 on the publication and formal content requirements of the transparency reports of auditors and audit firms of public interest entities.

The type of verification commenced in 2022 has also been continued, consisting of verifying the effective implementation of corrective measures to address the deficiencies detected in the inspections. In particular, verifications were performed on the effective implementation of remedial actions by 4 audit firms.

b. Activities to strengthen the supervisor's transparency

Effective supervision requires robustness in its preventive aspect, so that supervision is not limited to detecting and correcting deficiencies, but preventing them from occurring. To this end, the line of action that reinforces the transparency of the ICAC's supervision has been continued.

In 2024, two new biannual publications of the *Economic and Financial Gazette to Support Audit Risk-Based Oversight* have been prepared. This tool is intended to facilitate the industry's identification and analysis of the main risk areas in financial statements, aligning the approach with the latest macroeconomic analysis and projections, and also serving to develop risk-based oversight. Therefore, its structure and content have been thoroughly reviewed in 2024, with the aim of improving the achievement of this objective. The risks identified in the Gazette arise from both internal and external factors of the audited companies, as well as from the level of maturity of the auditors' quality control system.

Among the external factors that may affect financial reporting, economic and financial activity is a key element that must be taken into account by any modern supervisory system.

This Gazette thus aims to describe the main risk areas and to provide a valuable resource for the planning and execution of financial audits and reviews, helping decision-makers to focus their efforts on those risks that pose the greatest threat to regulatory stability and compliance in the current economic context.

Finally, it should be noted that this transparency in action of the ICAC has also been pursued through activities to disseminate practical aspects of oversight aimed at facilitating regulatory compliance, especially in the case of smaller auditors and audit firms. In 2024, no supervisory expectations have been published regarding any relevant aspect as was the case in previous years, since no such issues were detected.

3.5 Disciplinary Activities in the Field of Auditing

The disciplinary actions performed in 2024 consisted of processing administrative disciplinary proceedings for non-compliance in auditing matters, assisting the President's Office in preparing the measures within its competence issued in such proceedings.

The **number of disciplinary proceedings** in the field of auditing resolved in 2024 totalled 48, same as those in 2023.

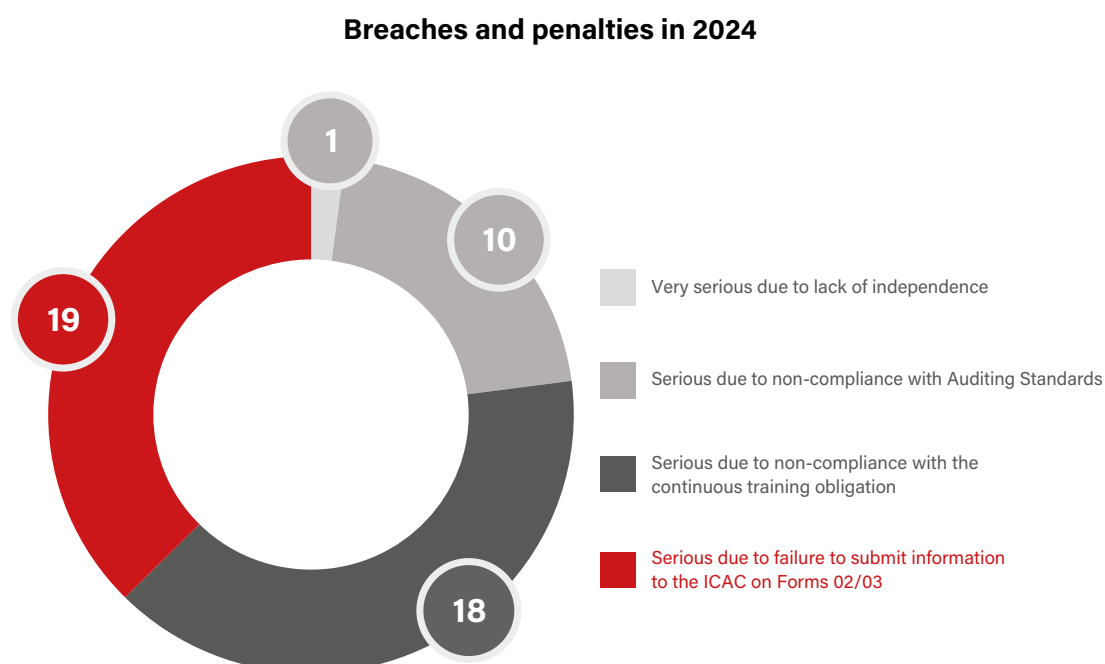
It should be noted that, in 1 of the 48 disciplinary proceedings resolved in the area of auditing, a decision was taken without imposing a penalty.

In the other 47 cases processed and resolved in the area of auditing, **non-compliance with the regulations governing auditing** constituted serious or very serious breaches, as detailed in Table 14 and Graph 5. It should be noted that the number of breaches exceeds the number of proceedings, because in one case two breaches were found to have been committed.

//// **TABLE 14** Breaches included in the disciplinary proceedings resolved in the area of auditing in 2024-2023.

Breaches included in the disciplinary proceedings resolved in the area of auditing	No. of proceedings 2024	No. of proceedings 2023
Very serious due to lack of independence	1	-
Serious due to non-compliance with Auditing Standards	10	8
Serious due to failure to submit information to the ICAC on Forms 02/03.	19	16
Serious non-compliance with the obligation of independence in relation to the safeguards implemented and when these are insufficient or not implemented.		3
Serious due to non-compliance with the continuous training obligation	18	14
Serious due to non-communication of withdrawal from the engagement		1
TOTAL	48	42

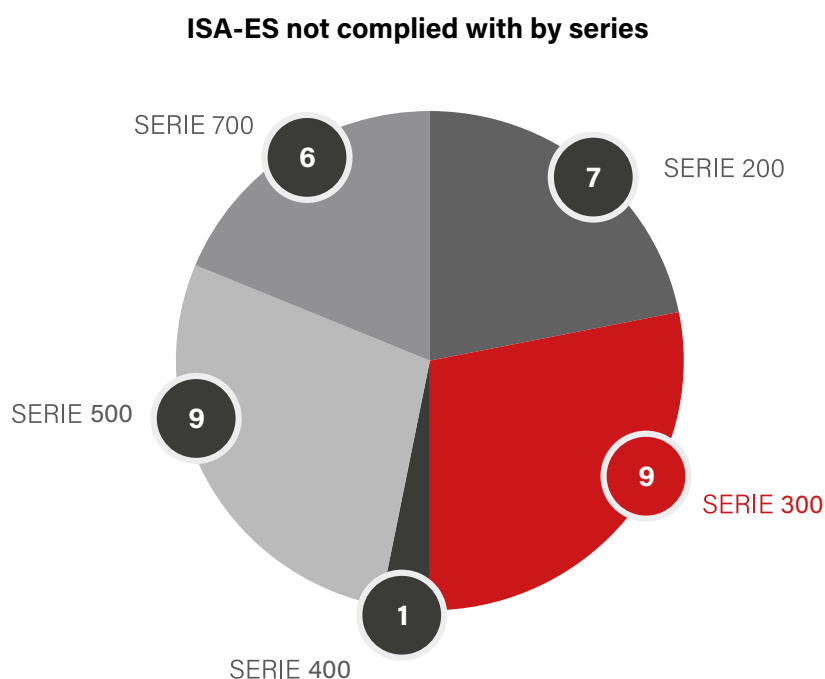
//// **GRAPH 5** Breaches and penalties in 2024.



In the proceedings for non-compliance with auditing standards that could have a material effect on the outcome of the audit and, consequently, on the audit report issued (serious breach), where penalties were imposed, the non-compliance mainly concerned the following international auditing standards (see Table 15 and Graph 6).

//// TABLE 15 ISAs not complied with in 2024-2023.

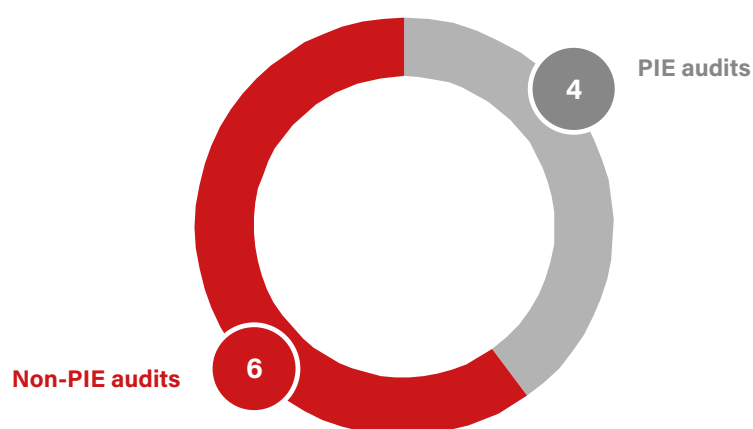
ISAs not complied with		No. of proceed- ings 2024	No. of proceed- ings 2023
ISA 200	"Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing"	4	8
ISA 230	"Audit Documentation"	1	1
ISA 240	"The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements"	2	1
ISA 300	"Planning an Audit of Financial Statements"	1	-
ISA 315	"Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and its Environment"	3	1
ISA 320	"Materiality in Planning and Performing an Audit"	2	-
ISA 330	"The Auditor's Responses to Assessed Risks"	3	4
ISA 450	"Evaluation of Misstatements Identified during the Audit"	1	2
ISA 500	"Audit Evidence"	3	8
ISA 501	"Audit Evidence – Specific Considerations for Selected Items"	-	2
ISA 505	"External Confirmations"	-	3
ISA 520	"Analytical Procedures"	1	-
ISA 530	"Audit Sampling"	2	3
ISA 540	"Auditing Accounting Estimates and Related Disclosures"	1	2
ISA 550	"Related Parties"	1	2
ISA 560	"Subsequent Events"	-	-
ISA 570	"Going Concern"	1	-
ISA 600	"Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)"	-	1
ISA 700	"Forming an Opinion and Reporting on Financial Statements"	1	3
ISA 701	"Communicating Key Audit Matters in the Independent Auditor's Report"	1	-
ISA 705	"Modifications to the Opinion in the Independent Auditor's Report"	4	3

//// **GRAPH 6** ISAs not complied with by series.

The following graph shows the breakdown of resolved cases in which non-compliance with technical auditing standards that may have a material effect on the audit and the report is issued, or non-compliance with the duty of independence, have been declared, in relation to the number of **auditors of public interest entities (PIEs)** for which disciplinary proceedings have been initiated, according to the data shown in Table 16 and Graph 7.

//// **TABLE 16** Proceedings resolved in 2024-2023.

	Year 2024	Year 2023
PIE audits	4	3
NON-PIE audits	6	8

//// **GRAPH 7** Proceedings related to audits of PIE and non-PIE in 2024

The fines imposed in 2024, by type of auditor penalised, amounted to 780,001.91 euros (see Table 17).

//// TABLE 17 Fines imposed in 2024.

Penalised	Amount
Audit firms and partners	535,252.90
Individual auditors	244,749.01
Total fines imposed	780,001.91

In addition to the above, it should be noted that in 2024 the following reports on appeals have been issued, in accordance with the provisions of Article 47 of the LAC with regard to disciplinary proceedings in auditing (see Table 18).

//// TABLE 18 Reports on appeals issued in 2024-2023.

Reports on appeals	2024	2023
Reports on Appeals arising from auditing proceedings	8	6

In 2024, the National High Court handed down six rulings, four dismissing the appeals filed, confirming the ICAC's disciplinary criterion and two upholding the appellants' claims.

3.6 Audit Independence Criteria, Sustainability Guidelines and Published Disclosures

In 2021, the *ICAC's Technical Independence Group* was established. It consists of representatives of the General Subdirectorates of Technical Standards on Audit and Technical Control, and representatives of the Register of Economist Auditors (REA) and the Institute of Sworn Public Accountants of Spain (ICJCE) as auditors' representative bodies. The purpose of this group is to analyse the applicable rules regarding auditor's obligation to remain independent, in order to provide guidelines to auditors on those practical issues and thus contribute to the best practical application of the LAC and its implementing regulation.

In 2024, as a result of discussions within this group, two criteria have been published:

- Criteria on the provision of payroll-related services of the audited entity.
- Criteria on the conditions for the disposal of financial instruments and their documentation

To contribute to the dissemination of the **guidelines issued by the Committee of European Auditing Oversight Bodies (CEAOB)**, a communication was issued in September 2024 on the publication of the guidelines on limited sustainability information assurance.

Within this context, the Spanish version has been published, and the auditors' representative bodies have collaborated with the Institute in the translation.

The ICAC has also collaborated with the National Securities Market Commission (CNMV) to prepare a joint official statement pending the transposition of the Directive into domestic law to recommend, for the purposes of assurance of the sustainability information that companies may submit for the 2024 financial year, the text of the technical assurance standard (not approved), the guidelines published by the Committee of European Auditing Oversight

Bodies, and the ISSA 5000 "General Requirements for Sustainability Assurance Engagements" should be taken into account.

3.7 Responding to Queries

The ICAC's collaboration with auditors and audit firms includes studying and drafting responses to queries regarding the interpretation and application of the audit regulations. Of all the queries answered, those deemed to be of general interest are selected for quarterly publication in the *Official Gazette* of this Institute.

Table 19 displays the data on the queries processed in recent years, grouped under different matters.

//// **TABLE 19** Queries processed in 2022, 2023 and 2024.

Queries	2024	2023	2022
Queries issued	266	241	282
1. Appointment and engagement of auditors	30	42	33
2. Official Register of Auditors	8	95	135
3. Independence regime	7	5	4
4. Obligation to submit for auditing	32	26	15
5. Audit tasks and report	8	9	14
6. Public interest entities	8	5	6
7. Sustainability information assurance	157	20	0
8. Miscellaneous	16	39	75
Queries published	0	1	5

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

- access to the Official Register of Auditors and theoretical training, including the specific requirements for auditors from a third country
- continuous training requirements
- independence regime
- auditor revocation, resignation, audit engagement and cases of auditor replacement
- audit fees and the criteria for setting them
- the duty to submit the financial statements of an entity for auditing
- assurance of sustainability information

There has been an increase in the number of queries regarding the assurance of sustainability information, referring mainly to aspects such as the status of the draft law for the

transposition of the approved directive, the requirements and conditions for carrying out the assurance on sustainability information and, in particular, the courses to be taken and the aspects relating to the examination for registration in the Official Register of the ICAC.

Certain queries which are deemed to be of general interest, are published on the Institute's website and in the Institute's *Official Gazette* for greater awareness of the Institute's criteria. In 2024 no queries were published in the *BOICAC*.

3.8 International Activity

International activity in the field of auditing is essential for the ICAC to align its supervisory practices with those of its European and global counterparts. Moreover, cooperation between oversight bodies is necessary given the presence of significant international networks of auditors operating in multiple jurisdictions within the market. There is also a need for co-operation and exchanging experiences in the practical implementation of European standards and international auditing standards adopted by Member States. Collaboration is therefore essential, especially considering the need for cooperation and coordination both from a regulatory point of view and in terms of supervisory activity.

In the European Union, this activity is mainly conducted by means of the Committee of European Auditing Oversight Bodies (CEAOB), although participation in the Audit Regulatory Committee (AuRC) is also relevant.

From a global perspective, the most important participation is within the International Forum of Independent Audit Regulators (IFIAR).

International activity also includes other cooperation activities in the area of oversight, such as associations of competent authorities or direct collaboration with other competent authorities and attendance at the annual meeting organised by the US Public Company Accounting Oversight Board (PCAOB), which in 2024, focused on enhancing audit quality. The most relevant aspects of the international activity are described 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 auditing oversight across the EU, which is a key objective of EU legislation on statutory audits which entered into force on 17th June 2016. To this end, the CEOB organises cooperation between competent authorities to promote the consistent application of European auditing standards, to facilitate the exchange of information, and to advise the Commission on matters including the technical assessment of third country oversight systems and the technical review of international auditing standards, with a view to their adoption at European level.

CEAOB consists 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) are also participants in this body. The European

Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) also participate as observers.

The Committee operates both through plenary sessions and through the following sub-groups:

- **International Auditing Standards Sub-group:** a working group which analyses draft standards issued by the international body, the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standard Board (IAASB), for the purpose of drafting and following up comment letters to be submitted to the IAASB. It also analyses 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 regarding the process that, if necessary, may be initiated for the adoption of standards at the European level. It also discusses issues raised by Member States with regard to European legislation governing audits, as well as other European legislation that may have an impact on audits or auditors.

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

The ISSA 5000 is discussed with a view to its adoption by the European Commission for implementation in Europe.

- **Inspections Sub-group:** working group mainly sharing experiences from inspections, audit deficiencies detected in inspections, dialogue with audit firms, inspection methodology among its members, as well as with international auditing and ethics standard setters (IAASB and IESBA).
- **Enforcement Sub-group:** EU-wide working group established to report on existing investigations and disciplinary practices, statistics on penalties imposed under the new European Audit Regulation, and the template for reporting temporary and final deregistration penalties to CEA OB, pursuant to 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 on investigations.
- **Market Monitoring Sub-Group:** EU-wide working group that aims to support the European Commission in monitoring the evolution of the audit market, especially 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 services market for auditing public interest entities, and contributes to the convergence and co-ordination of the monitoring conducted by national authorities. It should be noted that in 2022 the ICAC was appointed to lead this sub-group, which demonstrates the Institute's firm commitment to coordination in the international sphere and its mission to collaborate within the European institutional sphere.

The Plenary Meeting of the CEA OB is the instrument in which the heads of the audit oversight authorities of the Member States participate and where decisions are formally adopted. In 2024, one plenary meeting was held online (in March) and two face-to-face (in June and November).

Thematically, the most relevant aspects in which CEAOB has been involved in 2024 include:

- Follow-up on the IAASB's actions regarding the issues raised in the CEAOB letter to this international standard setter on the draft joint exposure draft of ISA 330 The Auditor's Responses to Assessed Risks and ISA 520 Analytical Procedures.
- Participation in the drafting of CEAOB guidelines on sustainability reporting assurance. The ICAC actively participated in the sub-group responsible for drafting the CEAOB guidelines on sustainability reporting assurance. In order to avoid fragmentation and to promote consistent practices until the adoption of an EU-wide assurance standard, the European Commission requested the CEAOB to prepare non-binding guidelines for the limited assurance of this information. Within this context, the sub-group prepared these guidelines, publishing a draft version on the CEAOB website on 21st June 2024. In accordance with the Committee's mandate, the guidelines were submitted for public consultation for a period of one month. The ICAC published the link to the consultation on its website, encouraging people to read the document and participate in the process. A total of 62 responses were received from 17 countries and a variety of stakeholders. These contributions were managed and analysed by the sub-group, thus allowing amendments to be made to the guidelines where appropriate. The final version was adopted and published on 30th September 2024. Subsequently, the sub-group produced a summary document reflecting the main observations received during the public consultation process and the amendments made to the draft. This document, aimed at ensuring the transparency of the process, was adopted and published by the CEAOB on 28th October.
- Commencement of the project to draft a technical note for the European Commission in relation to the application of the International Standard on Sustainability Assurance (ISSA 5000), which sets out the general requirements for sustainability information assurance, with a view to assessing its adoption within the European Union.
- Collaboration in the drafting of the CEAOB letter regarding the IAASB's draft on revisions to ISA 240 (Revised) Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
- 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 were also discussed as a means of advising the European Commission on their possible adoption at EU level.
- Working meetings on the different processes of implementation in each Member State of the ESEF (European Single Electronic Format).
- Working meetings and surveys on the different implementation processes in each Member State of the standard for audits of less complex entities (LCE).
- Issues in relation to the application in Spain of the ISA 600 (Revised) (Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)).

- In 2024 the face-to-face meeting of the standards sub-group organised by HAASOB was held in Crete (Greece), and was attended by the ICAC.
- Working meetings to improve the consistent development of the inspection methodology of auditors' and audit firms', exchange experiences regarding inspection practices, as well as conduct analyses and dialogue with the six largest European networks of audit firms on the major audit deficiencies and the actions of these networks to promote measures to reduce these deficiencies.
- Eight meetings have been held over the course of 2024 to prepare the annual report on aspects of investigation and disciplinary proceedings, bringing together data from the different Member States in relation to these procedures. A webinar was also held in November to share the experiences of the German supervisory body regarding disciplinary matters among the members of the Sub-group.
- Regarding the inspections sub-group, its annual meetings were held in Riga and Chania in June and October 2024 respectively. These events addressed all relevant issues to ensure better coordination and standardisation of audit control procedures at the European level, to liaise with international standard setters, and to engage in a dialogue with the European network of audit firms. Among the issues discussed by the firms contacted at the 2024 meetings were those related to strategy, governance, sustainability and the implementation of the new quality control standards, as well as reporting on the database of inspection results maintained by the CEAOB and the results of the internal follow-up reviews carried out in the firms themselves. Finally, these meetings are updated by the heads of the *Task Forces* into which the Sub-group is divided.

/ Meetings of the Audit Regulatory Committee (AURC)

This committee is formed by the different EU member state authorities with regulatory powers in the field of auditing, as well as in possible aspects related to the auditors' performance relating to fraud.

No meetings of this Committee were held in 2024.

/ Other activities. Association of oversight bodies

The ICAC has participated in the four associations of the competent European authorities corresponding to the four largest European networks of audit firms. These associations, established to promote greater cooperation between selected EU auditing authorities, share the main vulnerabilities identified in inspections by different supervisors, thus providing an insight into the oversight carried out by the ICAC's peer bodies in other EU states and the state of auditing in the European Union.

The conclusions of the issues analysed and the main vulnerabilities in the inspections are presented to the heads of the European networks in joint meetings between the oversight bodies and the corresponding network of audit firms with a view to adopting initiatives

aimed at improving the quality of the audits conducted by audit firms that are members of these networks. Participation in these meetings is therefore essential.

Most of the issues are raised in parallel in the different bodies of the competent authorities. In 2024, the work organisation was maintained as in previous years, in order to try and encourage the widest possible participation of all member countries. The topics covered included issues such as the impact of artificial intelligence on auditing, developments in sustainability and their impact on firms, and risk-based supervision. Work has also been performed on procedures for obtaining high-quality and standardised information on the degree of implementation of the new quality control standards from audit firms in a coordinated manner.

In addition to the above, other information and experiences deemed of interest and use to members by local supervisory associations are shared in the oversight bodies, thus fostering critical debate on issues and areas that might require particular study at the European level.

IFIAR

The International Forum of Independent Audit Regulators (IFIAR) consists 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.

In 2024, as an IFIAR member, the ICAC has participated in global oversight coordination activities by attending working meetings held to foster dialogue with the six largest global audit firm networks and international audit standard setters, and to drive the changes needed to improve audit quality.

It also participated in the IFIAR Standards Coordination Working Group (SCWG) in 2024 where, from a global perspective, comment letters were drafted on standards issued by the IAASB. Specifically, it participated in the issuing comment letters on the draft standard on the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements (amendment of ISA 240 Revised), and on the draft derived from the new approach to the definitions of listed entity and public interest entity (PIE).

In 2024, the face-to-face meeting of this sub-group was held in Toronto, hosted by the PCAOB, and attended by ICAC.

3.9 The Audit Committee

Four meetings of the Audit Committee were held in 2024 (similar to 2023), in the exercise of the powers attributed to the ICAC. Two of the meetings were by written procedure with participation via e-mail, and the matters required by the applicable regulations were submitted to the Committee.

The main issues discussed at the four meetings were:

- Information on the amendment of Article 3 of the Law on Auditing arising from the Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups has been published in the Official Journal of the European Union on 21st December 2023.
- The Resolution of the Chair 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 Sworn Public Accountants of Spain for the professional examination for the authorisation of the Accounting and Auditing Institute and registration in the Official Register of Auditors.
- The Resolution of 11th April 2024, of the Accounting and Auditing Institute, publishing the update to the Technical Auditing Standards, resulting from the adaptation of the International Standards on Auditing for application in Spain (ISA-ES), the Internal Quality Control Standards, resulting from the adaptation of International Quality Management Standards 1 and 2 for application in Spain (ISQM 1-ES and ISQM 2-ES) and the Glossary of Terms, resulting from the adaptation of the glossary published together with these International Standards for application in Spain.
- The Resolution of 11th April 2024 of the Accounting and Auditing Institute amending Section Two of the Resolution of 10th February 2021 of the Accounting and Audit Institute which regulates the functioning and composition of the Working Group for the preparation and publication of the Technical Auditing Standards and Quality Control Standards.
- The presentation of the Audit Control Plan for 2024 and the activity report for 2023.
- Report on the Situation of Auditing in Spain 2023.
- The Resolution of 24th July 2024 of the Accounting and Auditing Institute, which amends Forms 02 and 03, on information to be submitted by practising auditors and audit firms respectively, approved by Resolution of 18th July 2023.
- The Resolution of 24th July 2024 of the Accounting and Auditing Institute amending Section two of the Resolution of 10th February 2021 of the Accounting and Auditing Institute, which regulates the operation and composition of the Working Group for the Translation of the International Standards on Auditing created by Resolution of 31st October 2008.
- Information on the Glossary of Terms for Technical Assurance Standards, on the Technical Standard for Sustainability Reporting Assurance, and on the Technical Standard on the relationship between assurance service providers, as well as the nature of the publication and next steps for its approval.



Account Deposit

4 Account Deposit

4.1 Obtaining the Number of Non-Compliant Entities from the Lists Received from the Commercial Registers

Pursuant to the provisions of Article 371 of the Commercial Registers Regulations, approved by Royal Decree 1784/1996, of 19th July, in February, all Commercial Registers send the ICAC a list of companies that have failed to comply with the obligation to file their financial statements.

In 2024, all Commercial Registers' lists were received in a format enabling the overall quantification of non-compliant companies for the 2022.

In this first count, the data was processed in order to generate a list of companies actually operating in the market, thereby obtaining a number of non-compliant companies that are also active companies. It should be noted that the result obtained is less than 6% of the data on non-compliant companies. In this regard, going concerns are considered to be those that are not affected by situations such as, among others, suspension of payments, bankruptcy, insolvency, closure of the Commercial Register sheet, extinction, dissolution or deregistration from the Social Security.

4.2 Disciplinary Actions

The disciplinary actions carried out in 2024 by virtue of the powers assigned to the ICAC by Article 283 of the Consolidated Text of the Law on Capital Companies consisted of processing administrative disciplinary proceedings for breaches of the obligation to file annual accounts at the Commercial Registers, assisting the President's Office in preparing the measures within its competence issued in such proceedings.

The **number of disciplinary proceedings** resolved in the area of filing financial statements amounted to a total of 434 proceedings, compared to 316 cases resolved in 2023. The fines imposed amounted to 1,086,849.12 euros.

The following reports on appeals have been issued in 2024, in relation to this competence, having decreased compared to the previous year as indicated in Table 20.

//// **TABLE 20** Reports on appeals in 2023 and 2024

Reports on appeals	2024	2023
Reports on appeals arising from the failure to file financial statements	14	9
Decisions on appeals against the settlement notification derived from the file financial statements	0	1

4.3 Responding to Queries

In 2024, a total of 20 queries were answered in relation to the obligation to file annual accounts at the corresponding Commercial Registers. These queries have mainly dealt with aspects related to the disciplinary proceedings and the procedure for submitting complaints to entities in the event of non-compliance.

With regard to queries on aspects of the disciplinary proceedings, these mainly concerned the limitation period and the criterion for setting the penalty.



Organisation and Management of ICAC

5 Organisation and Management of ICAC

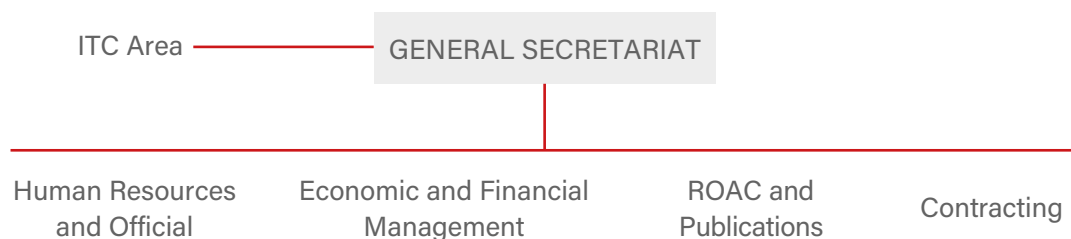
5.1 Organisational Structure

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

General Secretariat

The General Secretariat is responsible for the provision of the common services of the organisation. It has the following departments:

//// **GRAPH 8** Organisational chart of the General Secretariat



- **Human Resources Service:** the Human Resources Service is responsible for all administrative tasks such as the study, proposal and management of the Institute's personnel policy.
- **Office Service:** the Office Service is in charge of all internal functions, management of material resources, buildings, and facilities.
- **Contracting:** it is responsible for processing of all phases of contracts, orders to in-house providers, collaboration agreements, direct subsidies and payment of contributions to international organisations, as well as all procedures for the payment and justification of funds from the Organisation's Imprest Cash Fund.
- **Economic and Financial Management Service:** It is in charge of all the Institute's economic, accounting and budgetary management, as well as the complete management of the collection of fees for audit control and supervision and the fees for issuing certificates or documents at the request of a party and for entries and annotations in the ROAC.
- **Official Register of Statutory Auditors (ROAC):** the General Secretariat is in charge of its management and maintenance. The functioning of the ROAC in 2024 has been

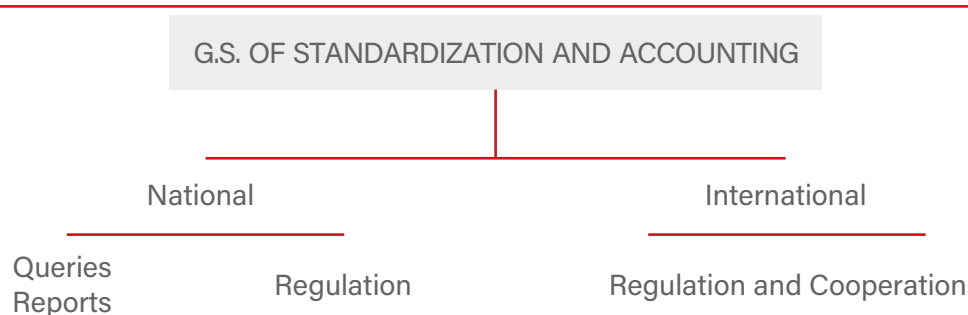
described in Section 3. Audits, Sub-Section 3.3. The Audit Sector in Spain, Audit Sector of this Report.

- **Publications:** Service responsible for the publication of research and dissemination activities on corporate reporting (accounting and sustainability) and auditing.
- **ICT Area:** Unit in charge of the digital maintenance and updating of the ICAC.

General Subdirectorate of Standardisation and Accounting Technique

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

//// **GRAPH 9** Organisational chart of the General Subdirectorate of Standardisation and Accounting Technique



National area:

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

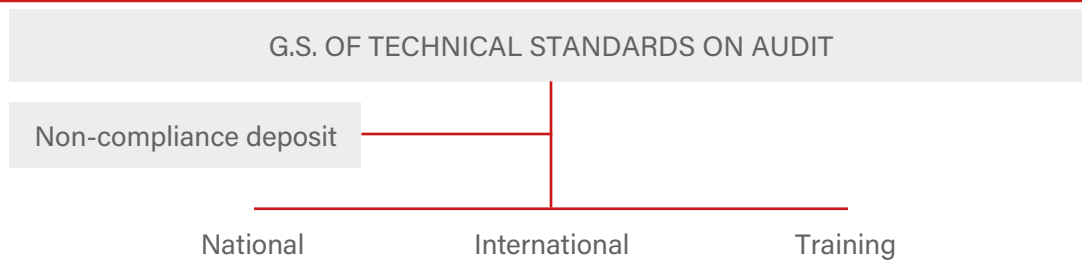
International area:

- European regulation: on financial and non-financial reporting.
- Policy drafts and proposals: IASB and EFRAG.
- Cooperation with other institutions that issue accounting decisions.

General Subdirectorate for Technical Standards on Audit

It performs its functions within these interrelated areas described in Graph 10.

//// **GRAPH 10** Organisational Chart of the General Subdirectorate for Technical Standards on Audit



Department for the filing of financial statements, in charge of disciplinary proceedings for non-compliance by companies obliged to file their financial statements in the corresponding Commercial Registers.

Training Department:

- for the approval of training courses for entrance to the ROAC, the preparation of decisions granting exemption from the ROAC entrance examination, and the enforcement and publication of penalties imposed in the field of auditing.
- the Continuous Training Department, which is in charge of issuing resolutions for the recognition of centres that may hold continuous training activities, the approval of continuous training activities, and granting of extensions to this obligation in the event of force majeure.

National area:

- regulatory, in charge of preparing legislative and regulatory amendments in the field of auditing, as well as all necessary tasks for the adoption of technical auditing standards (which includes the review of the translation of international standards of auditing and the discussion for their subsequent adoption in Spain by adapting to Spanish regulations or discussions of the technical auditing standard in the event that it is not derived from an international standard).
- disciplinary proceedings, in charge of disciplinary proceedings relating to auditing.
- queries and draft standards, in charge of answering queries and preparing comment reports on draft standards prepared by other bodies or units.

International area:

In charge of participation by the Subdirectorate in European and international groups related to auditing activities, including the preparation of questionnaires, answers to questions, communiques, preparing comment letters on the standards issued, or documents prepared by the body issuing international auditing standards.

General Subdirectorate of Technical Control

Since 2020, this Subdirectorate has undertaken an organisational reform aimed at performing more actions, increasing the type of control activities undertaken by the ICAC and making a more efficient use of resources. The main purpose is to reinforce the preventive aspect of control actions and to improve compliance with inspection cycles. Although this reform has not yet been formalised, the establishment of three internal areas or departments is envisaged (see Graph 11):

//// **GRAPH 11** Organisational chart of the General Subdirectorate of Technical Control



This reorganisation is consistent with the configuration of the LAC's control activities over auditors.

The inspections area will be responsible for conducting inspections of auditors, and for compliance with the inspection cycles. It will be supported by the audit engagements and investigations area in reviews of audits during inspections.

What is new about the formal separation of the audit engagements and investigations area is that, in addition to carrying out inspections of audit engagements, this area will conduct independent investigations of audit engagements where the level of risk warrants their review. This will allow the ICAC to respond more promptly to situations of risk by dedicating specific resources to risk-based supervision.

The inspections and audit engagements and investigations areas will be technically supported by the risks area, whose main responsibility will be to identify the specific areas and audit engagements to be prioritised in inspections and investigations, by means of data analytics tools and financial information (the latter will be disclosed periodically), which will permit a more precise preparation of control plans.

5.2 Human Resources and Official

Human Resources

The Human Resources department is in charge of all administrative tasks such as the study, proposal and management of the Institute's HR policy, the establishing staff training plans and the management of social action.

At the end of 2024, the ICAC's staff, including the President, numbered 76, as shown in Table 21:

//// **TABLE 21** ICAC at staff at the end of 2024.

Position held	Men	Woman	Total
Senior management	1	0	1
Officials	22	47	69
Employees	2	4	6
TOTAL	25	51	76

The list of civil servants broken down by level and gender is displayed in Table 22.

//// **TABLE 22** ICAC staff at end of 2024

	A1	Senior managerial and pre-manual staff A1	A2	C1	C2	Total
Men	7	1	8	4	2	22
Women	5	6	23	8	5	47
TOTAL	12	7	31	12	7	69

Provision of Civil Servant Posts

In 2024, eleven new civil servants joined the ICAC as new recruits and two civil servants from the specific examination of 15th March 2024, published in the BOE (Official State Gazette) of 25th March 2024.

Training

The Institute staff have continued to receive training in 2024. In addition to English classes, specialised technical training in corporate reporting (financial and sustainability), auditing and sustainability information assurance has been provided, as well as in cybersecurity, accessibility and data protection.

In 2024 an agreement was also signed between the ICAC and the Spanish Association of Accounting and Business Administration to promote further knowledge in the field of corporate reporting.

Social Benefits

In 2024, the Social Action Plan was implemented for all civil servants and employees working at the ICAC. The plan includes transport and healthcare support.

Additionally, and with a view to contributing to social welfare, the ICAC continued to provide all ICAC staff with luncheon vouchers in 2024 under certain circumstances.

Working Groups

The ICAC continues to participate in the working groups organised by the Ministry of Economy, Trade and Business: Seasonality and Employment, Health and Safety, Equality, Occupational Risks, and Social Responsibility, and of course, representing the Public Administration in the groups of the 4th Convention of the Joint Subcommittee and of the General Negotiating Committee of the General State Administration of the Ministry to which the body is attached.

Remote Working

In 2024, the Remote Working Plan of the Accounting and Auditing Institute within the framework of the Energy Saving and Efficiency Measures Plan remains in force.

Advancing in Digitalisation- Technological Transformation

In this regard, the Institute is continuously improving the services provided by the management departments, by progressively implementing applications that facilitate the processing of human resources and, at the same time, respond to the new requirements to open up more agile and effective channels of communication and information.

This culminated in the effective implementation of the EASYRED-MINE service in 2024 as a Human Resources query and communications channel in order to improve response times, guarantee effective control, and provide an instrument to measure the performance of planned objectives.

Premises

Throughout 2024, work continued on remodelling the premises located in Calle Moratín to relocate and renovate the Institute's Library Service by commissioning the public company Sociedad Mercantil Estatal de Gestión Inmobiliaria de Patrimonio, M.P., S.A. (SEGIPSA) for the Basic Design and Implementation as well as the management of all administrative procedures for the forthcoming commencement of the works. In this regard, the ICAC is awaiting the remodelling permit from the Madrid City Council in order to launch the tendering process for the works pursuant to the Public Sector Contracts Act.

Within the environmental area, work has continued on achieving a more sustainable ICAC throughout 2024. For this reason, the Institute has continued its efforts to make a more efficient use of energy and to achieve sustainable energy use by reducing energy consumption. To this end, controls and evaluations have been conducted regarding the impact of different measures implemented during the previous year, especially those related to air conditioning systems, as well as continued compliance with the efficient management of

all waste classified as hazardous, applying the provisions of the environmental legislation of the Community of Madrid.

Additionally, medical check-ups have been maintained for all staff, both regular and extraordinary (their coverage was extended in 2024), ensuring sufficient health monitoring.

With regard to occupational risk prevention in 2024, compliance with all relevant regulations has been reviewed and analysed in detail, updating all the documents in force in this area.

The management and organisation of the ICAC's archive and registry services has continued throughout 2024. In 2024, there were **1,448 incoming** and **3,158 outgoing** writings and communications.

5.3 Information and Communication Technologies (ICT)

The ICAC's Digital Transformation Plan is in line with the Digital Administration and Digital Public Services strategy set out in the Public Administration Digitalisation Plan 2021-2025 (PD-AAPP). In 2024, the lines of action that had already been started were continued and new actions initiated.

Channels of Communication and Administrative Interaction with the Public

The Agency has two active channels of communication with the public, its website and E-Office.

In 2024, it has sought to increase its web activity via the regular publication of notices and communications. Likewise, modifications have been made to the content structure and display, prompted by suggestions from the staff of different departments. This includes the creation of a new section "Submission of Queries" in the main menu, in order to give greater visibility to the means of communication between the public and the ICAC.

With regard to the E-Office, the organisation has worked throughout the year on a more functional design and development, incorporating procedures that increase the efficiency and quality of the procedures. In this sense, the E-Office includes **45 procedures** grouped into 9 categories, the last of which was implemented in 2024.

It is especially worth highlighting the work performed on the new version of the Declar@ application that records the annual activity of auditors and audit firms, whose usability has been substantially improved by importing information from the Official Register of Auditors (ROAC).

Finally, in November 2024, the ICAC set up a test platform for the management of the "Accounting and Auditing Institute fee for audit control and oversight (code 608)" with the aim of continuing to improve the service offered to auditors and audit firms. As of the date of publication of this report, the new procedure is fully operational, with a much more efficient procedure than previously for the self-assessment and payment of fees for reports issued during the fourth quarter of 2024, as of 1st January 2025. This new procedure adds additional information for better traceability of payments made.

Information security

The ICAC's systems are currently hosted in the SARA cloud, owned by the Secretariat General for Digital Administration (SGAD), as a result of the migration carried out during the previous year.

In 2024, the partnership with the SGAD's Cybersecurity Operations Centre (COCS) for SARA cloud security management has been consolidated for prevention, protection, detection, response, advice and management services. This partnership has led to improved vulnerability detection, response to security incidents and resolution planning. Along the same lines, the detection service has been reinforced, implementing the CCN-CERT's CARLA and GLORIA solutions for the detection of information leaks and log management. Additionally, the LUCIA tool has been enabled for more agile management of security incidents.

Additionally, the project to certify the ICAC's systems in the National Security Scheme has been continued. In this process, the INES and PILAR solutions have been enabled in order to assess the security status, as well as to identify, analyse and manage information system risks, and to implement security policies for improved protection of the organisation's information.

Finally, the daily tasks to constantly update all IT security mechanisms (desktops, laptops, mini PCs, etc.), including upgrading to the new Windows 11, have continued apace.

Automation and Business Intelligence

Along the lines of automation and business intelligence, significant progress has been made in the dashboards created with Power BI, thus enabling a systematic analysis of the information generated during processing.

In this regard, the following reports are especially noteworthy:

- Fee collection management: managing the payment of fees by auditors.
- Budget report: ICAC budget scorecard.
- ACCEDA Statistics: statistical report on the case files created in thee-Office.

The ICAC's strategic objective is to continue working on the information included in corporate reporting and audit queries, the Official Register of Auditors (ROAC) and other sources of information, making the necessary adjustments during the year for their future use.

Compliance with Current Legislation on Data Protection and Web Accessibility

With regard to accessibility, the projects initiated in 2023 have been continued, with in-depth and simplified audits of the portal, the Declar@ application, and the ICAC's E-Office, including additional training in this area. Additionally, the requests made by the Accessibility Unit (URA) of the Ministry of Economy, Trade and Business have been complied with in due time and form.

In the area of data protection, the DPO continued to hold meetings with all ICAC departments in order to review and optimise the records of processing activities (RoPA) and risk

analyses. Moreover, several training courses have been conducted and the code of good practice has been distributed in order to comply with the legislation in force in this area.

5.4 Economic and Financial Management

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

Budget Management and Drafting the Budget for 2025

In 2024, the ICAC's preliminary draft income and expenditure budgets for 2025 were drawn up, in compliance with Order HAC/641/2024 of 25th June, which lays down the rules for the preparation of the General State Budget for 2025. By Agreement of the Council of Ministers of 27th December 2023, it was resolved to extend the 2023 General State Budget to 2024, until the new budgets had been approved.

The ICAC implements the 493O budget programme "Accounting regulation of audits". This programme responds to the need to make its economic and financial information as transparent as possible and to enable the performance of all competences attributed to the body, especially, its activities as an accounting regulatory body and supervisory body of audits.

All ICAC's activities are fully self-funded. Its main source of funding is the income obtained through two types of fees managed and collected by this body, regulated in Title IV of the LAC:

- *ICAC fee for audit control and oversight.*

This fee is levied by the ICAC in exercise of its powers of supervision over audits in relation to the issuing of audit reports. Its regulation is implemented pursuant to RD 181/2003 and adapted to current requirements. The amount of the fee is calculated on the basis of the volume of work declared by auditors and audit firms, as logically correlated to the evolution of the ICAC's workload in the supervisions to be conducted according to said volume.

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

This fee is levied by the ICAC in exercise of its powers in the issuing of certificates or documents at the request of a party and for entries and annotations in the ROAC. The system of self-assessment and payment of this fee was implemented by RD 73/2016, of 19th February, which implements the system of self-assessment and payment of the Accounting and Auditing Institute fee for the issuing of certificates or documents at the request of a party, and for entries and annotations in the Official Register of Auditors.

The total net **revenue** in 2024 for these items has been included in chapter 3 "Fees, public prices and others" and amounted to 10,490,332.83 euros (see table).

//// TABLE 23 ICAC fees and collection in 2024 (in euros)

ICAC Fees 2024	Net collection
ICAC fees for the control and oversight of account auditing activity	10,382,542.23
ICAC fee for issuing certificates or documents at the request of a party and for entries and annotations in the ROAC	107,790.60
TOTAL	10,490,332.83

With regard to **expenses** recorded for 2024, these amount to a total of 7,229,321.09 euros, of which 59.45% corresponds to the execution of Chapter 1 and 29.32% to the execution of Chapter 2 (see table).

//// TABLE 24 ICAC expenditure in 2024.

Chapter I	Staff costs	€4,297,615.59
Chapter II	Current expenses on goods and services	€2,119,368.71
Chapter III	Financial expenses	€0
Chapter IV	Current transfers	€759,301.33
Chapter VI	Real investments	€53,035.46
Chapter VIII	Financial assets	€0.00
Total net recognised obligations 2024		€7,229,321.09

Specifically, within the execution of Chapter 4 (10.50% of the total executed), the following transfers deserve special mention due to the ICAC's notable international presence:

- To the International Forum of Independent Audit Regulators (IFIAR): 2,753,857 Japanese yen (JPY), which at the time of payment amounted to 15,841.33 euros.
- The European Financial Reporting Advisory Group (EFRAG): 350,000 euros.

Other Management Actions

In 2024, the annual accounts for the year 2023, which included cost accounting data, were prepared and made available by the ICAC President to the State Comptroller General's Office via the RED. Coa application for auditing and received a favourable opinion.

The cost accounting was carried out in accordance with the ICAC's Report on the Customisation of the Cost Accounting Model, approved on 19th January 2021 by the General Comptroller of the State Administration.

In 2024, similar to 2023, a total of **836 accounting documents** for expenses and/or payment were processed.

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

Fee Management

In 2024, the data on income from fees and the respective annual activity statements for the financial years 2021 and 2022 by auditors and audit firms in relation to the ICAC fee for audit control and oversight were verified, resulting in debt claims, late payment surcharges, penalties, and notification of data discrepancies due to possible undue income.

Several proceedings have also been launched for the refund of undue income at the request of the ICAC Fees (articles 87 and 88 of the LAC).

As a result of these procedures, nearly **1,300 cases** were opened in 2024.

On the other hand, the ICAC has continued the digitalisation of its procedures and, in this regard, in 2024, the procedures for debt claims and notification of data discrepancies for possible refunds of undue income have been launched via the E-Office of the Organisation (ACCEDDA) the Electronic Headquarters of the Agency (ACCEDA), as well as their monitoring through the Power BI management tool.

5.5 Contracting

This service is responsible for processing of all phases of contracts, orders to in-house providers, collaboration agreements, direct subsidies and payment of contributions to international organisations, as well as all procedures for the payment and justification of funds from the Organisation's Imprest Cash Fund. According to Article 3.1, letter c) of Law 9/2017, of 8th November, on Public Sector Contracts, the ICAC's contractual activity is subject to the provisions of the aforementioned legal text.

More than **500 files** were processed in 2024.

These files were processed electronically, thus complying with the provisions of Law 9/2017, as well as Law 39/2015, of 1st October, on the Common Administrative Procedure of Public Administrations and Law 40/2015, of 1st October, on the Legal Regime of the Public Sector.

All electronic contracts are tendered via the Public Procurement Platform.

5.6 Research and Dissemination Activities

One of the ICAC's responsibilities is to both publish and maintain both national and foreign documentation that is 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 Gazette of the Accounting and Auditing Institute (BOICAC).

The publication of the BOICAC is in compliance with the provisions of the Law on Auditing and other regulations governing the ICAC's public oversight of the auditing activity, and allows any relevant aspect of corporate and auditing information to be disclosed. Currently, in order to improve their searchability and to enhance the availability of the document, extensive regulatory texts or those that must remain in their original format due to their official nature, have begun to be included in PDF format within the BOICAC itself.

The BOICAC publishes the queries addressed to this body by individuals, companies, and public administrations and whose responses are of general interest.

Four BOICACs were published in 2024 and they may be consulted in full [here](#).

It should be recalled that, pursuant to the Resolution of 2nd July 2019, the Accounting and Auditing Institute decided to publish the BOICAC in open access online format on its website, thereby ceasing the publication of the printed edition, as well as its sale.

STUDIES

In 2024, the ICAC continued to conduct and promote research, study, documentation, dissemination and publication activities to improve corporate reporting and auditing in the collaboration agreement between the ICAC and the Spanish Association of University Professors of Accounting (ASEPUC). As a sign of the good collaboration between both entities, on 2nd October 2023, the Resolution of the Accounting and Audits Institute dated 25th September 2023, was published in the BOE (Official State Gazette) number 235, publishing the Addendum of modification and extension of the Agreement with the Spanish Association of University Professors of Accounting, for the development of research and dissemination in accounting and auditing, which will be in force until 2027.

The studies conducted by ASEPUC under the coordination of the ICAC in 2024 were as follows:

- The challenge of Artificial Intelligence for Auditing (launched in 2023).
- Analysis of the Draft International Standard on Auditing 240 (ISA 240 of December 2023).
- Consolidation: proposals to improve the equity method. Analysis of the IASB project on the equity method.
- Post-implementation Review of IFRS-EU 15. Analysis and monitoring of the IASB's Standards Implementation Project.
- Review of the implementation of IFRS-EU 16. Analysis and monitoring of the IASB project on the Implementation of the standard.
- Research project on the connectivity between financial and sustainability reporting. Analysis and monitoring of the project of the IASB and the work of EFRAG.
- Report on the draft European sustainability reporting standards for the oil and gas sector.
- Sustainability reporting in the mining, quarrying and coal sector. Analysis of the EFRAG PROJECT for the drafting of sector-specific ESRS.
- Sustainability verification. Analysis of the current situation of sustainability verification, and main foreseeable changes in the regulations and in the sector as a result of the transposition of the Directive, comparing the main differences between the 3000 and 5000 standards. International comparison.

- Implementation of the circular economy in corporate reporting. Company and audit perspective.

These studies are available [here](#).

OTHER PUBLICATIONS

The following works published in 2024 are available on the ICAC website:

- Access to the International Financial Reporting Standards adopted by the European Union, previously published in the Official Journal of the European Union (OJEU). This is a new step in publications approved by the Resolution of 8th January 2020, of the Accounting and Auditing Institute, ceasing the sale of print versions of works published by this Institute and publishing them in e-book format instead on the Institute's own website.
- Report on the Situation of Auditing in Spain 2023 (BOICAC number 134).
- Audit Activity Control Plan 2024 (BOICAC number 134).
- Economic and Financial Gazette to Support Audit Risk-Based Oversight.



Communication with citizens

6 Communication with citizens

6.1 Complaints and Suggestions

Without prejudice to citizens' rights recognised by Article 35 of Law 40/2015, of 1st October, on the Legal Regime of the Public Sector, in their relations with the Administration, individuals and users of corporate and auditing information may collaborate in improving the services offered by the ICAC by submitting complaints and suggestions regarding its actions. To do so, they may submit a filled-in form via the Complaints and Suggestions Procedure available at the E-Office or at any of the general registry offices of the General State Administration.

In 2024, **one complaint** was processed and resolved and **two suggestions** were received.

6.2 Claims

In 2024, no claims were filed with regard to the ICAC's services, whose resolution falls to the General Secretariat of the ICAC.

6.3 Transparency Portal

Law 19/2013, of 9th December, on Transparency, Access to Public Information and Good Governance, aims to expand and strengthen the transparency of public activity, regulate and guarantee the right of access to information, and establish the obligations of good governance to be met by public officials. In application of this law and in relation to activities subject to Administrative Law, the General Secretariat processed and resolved **two** requests in 2024, ensuring transparency in its activity and citizens' right of access to public information.

6.4 Queries and Reports Issued

The General Secretariat of the ICAC receives enquiries and requests for mandatory reports from other Public Administration bodies or other Public Institutions. In 2024, 35 queries have been answered, ranging from legal and statistical to informative questions. These queries were either submitted by Courts or Public Prosecutor's Offices, or by citizens requesting information on certain topics such as occupational risk prevention, quality in Public Administrations, CSR, Administrative Information System (SIA) procedures, reduction of administrative burdens, inspection of services, among others.

The ICAC's E-Office, handled **154 requests**, of which 126 were received through the General Query mailbox and 28 through the Complaints and Suggestions mailbox (rerouted to the e-office as a general query).

Additionally, pursuant to Law 2/2023 on Whistleblower Protection, information on regulatory and anti-corruption violations has been received. Specifically, **18 complaints** were received (4 named complaints and 14 anonymous complaints).

Finally, **9 queries** and/or requests were received through the Contact us link on the website, and the individuals were redirected to the corresponding channel.

A summary of the procedures with individuals carried out in 2024 is presented in Table 25.

//// **TABLE 25** Summary of procedures.

	Complaints and Sugges- tions	Claims	Transparency	Queries	Access Ap- plications	Whistle- blower Channel	Web- site	TOTAL
No.	3	0	2	35	154	18	9	221



ICAC Participation over the course of 2024

7 ICAC Participation over the course of 2024

In 2024, numerous representatives of the ICAC have participated in over a hundred activities at different events to explain the work of the body and the business framework of audits and corporate reporting.

This participation in national forums permits the exchange of views and experiences with supervised entities. The ICAC's participation enables major regulatory and supervisory developments to be disclosed. It also enables the main concerns of auditors with regard to the issues that concern them in performing their activity to be detected, as well as the actions developed or awaiting development at the ICAC, as regulatory and supervisory body.



15 Audit meeting, General Council of Economists-REA, Madrid



XXVI ICJE National Auditing Congress, Las Palmas de Gran Canaria, Spain.



IX Conference on Auditing and Accounting in Galicia, jointly organised by the Galician Association of the ICJCE and the Galician Council of Economists.

Participating in international forums enables views and experiences to be exchanged with other supervisors and regulators at European and international level. It provides insight into how other supervisors or regulators are regulating certain matters or conducting oversight activities. These international meetings also provide an opportunity to hear the opinions of major audit firms on issues of concern to auditors.

The ICAC would like to thank the organisers of these events for making it possible to collaborate with them in order to facilitate a better understanding of the regulatory requirements.



Event organised by the Italian Accounting Body (ICO) in Rome on the new IASB standards: IFRS 18 and IFRS 19



15th Meeting of the Inspection Sub-Group (ISG) of the CEAOB in Riga, below



IFIAR 2024 Plenary Session in Osaka

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

