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

Audit Activity

Control Plan
2025

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2025

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

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Contents

Executive Summary	5
SECTION 1 Introduction	6
SECTION 2 Purpose and Regulatory Framework of the Control of the Audit Activity	7
SECTION 3 Objectives of the Control Plan	9
SECTION 4 Scope and Coverage	11
SECTION 5 Forecasts of the Control Plan for Financial Year 2025	13
SECTION 6 Technical Means and Resources Employed	17



Executive summary

The Spanish Accounting and Auditing Institute (ICAC), an administrative Autonomous Body attached to the Ministry of Economy, Trade and Enterprise, is the authority responsible for the public oversight of audit activity. In the exercise of this responsibility, and in accordance with Act 22/2015 of 20 July on Auditing, as in previous years, the ICAC publishes on its website (www.icac.gob.es) the control activities it has planned to carry out in 2025 under its three regulated forms: investigations, verifications and inspections.

- With regard to **inspections**, based on the ICAC's available resources, it is estimated that at least six inspections of auditors who audit public-interest entities will be completed in 2025. These correspond to three of the largest audit firms and three medium-sized audit firms. Two additional inspections are expected to begin at large audit firms that audit public-interest entities, along with the launch of at least three direct inspections of medium-sized audit firms that audit public-interest entities or are considered relevant from a risk-based analysis.

In addition, the completion of 10 inspections is planned for audit firms and auditors that do not audit public-interest entities.

- With regard to investigations and verifications, it is estimated that at least 285 actions will be carried out, which will focus, in line with the actions of the last fiscal years, on the examination of audit engagements in which there are quality risk indicators, on the analysis of complaints received, on the verification of compliance with the obligation to train account auditors in their position as practicing auditors, and on the verification of the completion and publication of the annual transparency reports by the auditing companies and account auditors who audit PIEs.

During this year, priority will continue to be given to the investigation of audit engagements in which indicators suggest insufficient or inadequate resources for their performance, particularly in cases of audit firm rotation in engagements involving PIEs, where a fee reduction is detected compared with the previous contract, or in cases where there are signs that the resources employed by the auditor are not appropriate for the complexity of the audited public-interest entity.

Investigations will also be initiated where necessary if, following the analysis of complaints received, there are indications of possible offences. The estimated number of such cases is based on experience from previous years.

ICAC's actions will aim to fulfill the objectives outlined in section III of this plan, employing a long-term approach based on the competencies granted to ICAC by current legislation. This is intended to bolster confidence in economic and financial information by enhancing audit quality.

1 Introduction

The Accounting and Auditing Institute (ICAC), an autonomous administrative body attached to the Ministry of Economy, Trade and Enterprise, is the authority responsible, among other functions, for the public oversight of audit activity.

The control of statutory audit activity, in accordance with the provisions of Article 52 of Law 22/2015, of 20 July, on Auditing (hereinafter, the LAC), consists on carrying out inspections, investigations and verifications performed *ex officio* by ICAC, in accordance with available resources.

This action plan concerning the inspections and investigations is published pursuant to the provisions of Article 61 of the LAC, on transparency and publicity, and Article 91 of the Regulation implementing the Law, approved by Royal Decree 2/2021, of 12 January (hereinafter, the RLAC).

As in previous years, the Plan does not include all of the ICAC's planned activity, as it excludes, among other, the tasks carried out in relation to aspects of its audit supervisory function concerning access to the profession, the Official Register of Account Auditors, the adoption of auditing standards, disciplinary proceedings, the handling of queries, or the monitoring or development of the audit market.

2 Purpose and Regulatory Framework of the Control of the Audit Activity

Article 46 of the LAC attributes to ICAC, among other responsibilities, the one referred to the system of investigations and inspections, regulated in articles 53 and following of the LAC, in articles 90 to 104 of the RLAC, and in article 26 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter, RUE).

Inspections are periodic review actions carried out on auditors, aimed at assessing the effectiveness of their internal quality control system, through the verification of quality control policies and procedures (review of firm-level policies and procedures) and the review of audit engagements (review of the audit procedures applied in audit engagements). Engagements are selected based on risk criteria in order to assess compliance with the regulatory framework governing statutory audit activity.

By contrast, **investigations** focus on specific statutory audit engagements or on particular aspects of statutory audit activity, with the aim of establishing facts or circumstances that may constitute indications of non-compliance with the audit activity regulations. Investigations are carried out *ex officio* and initiated when, after analysing information obtained from different sources, it is concluded that there are possible indications of an infringement still within the limitation period.

Lastly, **verifications** are actions aimed to establishing facts or circumstances that have arisen by different channels and that may lead to the decision to initiate an inspection or investigation or, where applicable, a disciplinary proceedings. Due to their similarity, verifications are statistically grouped together investigations.

Inspections conducted in relation to auditors and audit firms that audit public-interest entities must, at a minimum, cover the aspects set out in Article 26(6) of the EU Regulation.

In general, inspections aim to verify that audit firms have implemented and maintain a quality management system. This system should provide reasonable assurance that: (i) the firm and its staff comply with their responsibilities in accordance with applicable professional standards and legal and regulatory requirements and carry out engagements in line with those standards and requirements and; (ii) that the audit reports issued by the firm or by the engagement partners are appropriate to the circumstances, in accordance with the regulatory framework.

Inspection reports reflect the outcome of the inspection actions and, among other matters, detail any deficiencies identified. Where applicable, the ICAC issues improvement require-

ments and sets a deadline for implementing the necessary improvements, after which such deficiencies must not recur.

Despite the primarily quality-improvement purpose of statutory audit inspections, where indications of an offence are identified during the inspection or where the necessary measures to correct the deficiencies observed in the course of the inspection are not taken, the disciplinary regime set out in the LAC applies.

3 Objectives of the Control Plan

The control plan is developed in alignment with the ICAC's strategic approach, defined in accordance with the powers granted to the Institute under the applicable legislation.

It should be noted that both the LAC and European legislation are intended to reinforce confidence in corporate reporting by enhancing the quality of audits. To this end, the mission of the ICAC is to foster confidence and security in the economy by providing a sound regulatory framework that ensures the reliability of corporate reporting, both in terms of its preparation (accounting and sustainability) and its verification or auditing, acting as the main driver of audit quality.

To fulfil this mission, the ICAC is guided by the principles of: **trust** (ensuring the credibility of corporate reporting through the development and interpretation of a suitable regulatory framework, and by supervising such reporting through statutory audit activity, thereby increasing the value of the audit report), **security** (for users of corporate reporting, through accounting principles and criteria that result in comparable information, and by safeguarding the reliability of that information through effective, prevention-oriented oversight), **quality** (maintaining high standards in both accounting and auditing that underpin a robust financial reporting framework, based on independent criteria supported by professional experience and technical expertise); and **value** (engaging at different levels with all economic regulatory and supervisory institutions, placing its full knowledge and experience at their disposal and in the service of the public).

Particular attention should be paid to the principle of proactive responsibility imposed on auditors, which requires them to have a robust and effective internal organisation in place to ensure compliance with their legal obligations in fulfilment of the public-interest function entrusted to them. In particular, this organisation must have policies and procedures designed to prevent and respond to any threats to independence and to ensure the quality, integrity, and rigour of the audit.

Accordingly, the ICAC's activity must be directed towards the following **long-term objectives** set on the basis of the availability of sufficient and necessary resources, with the ultimate aim of protecting the public interest represented by users of financial and economic reporting, including investors:

- To design and implement inspection and investigation plans in accordance with the objectives set out in the LAC and the applicable EU legislation.
- To develop the risk-based supervision model by leveraging available information to carry out more effective oversight.
- To promote effective compliance with the regulatory framework governing statutory audit activity. Any supervisory model must include a disciplinary regime that serves as

the final stage of the supervisory process in cases of non-compliance. The efficiency of the institute requires that only proceedings that actually involve a breach of the standards be initiated; that the detected breaches be addressed as fully as possible; that the procedures applied provide the highest possible safeguards for citizens; and that the proceedings be conducted as swiftly as possible.

- Ongoing updating of the register of auditors and verifiers (ROAC). Both supervisory activity and service to the public require the continual updating of the register of auditors and verifiers, in order, on the one hand, to avoid imposing unnecessary burdens on those subject to oversight, and on the other, to ensure that only those who meet the requirements for practice are authorised to perform such activities.
- To ensure the quality and regulatory compliance of continuing professional development programmes for those under supervision, as well as of initial training programmes.
- As the body responsible for adopting the standards governing statutory audit activity and the verification of sustainability reporting, the ICAC must ensure the quality and ongoing development of those standards.
- To improve the functioning of the audit services market for public-interest entities.
- To promote the development of an international framework for the supervision of statutory audit activity that serves the public interest.
- To encourage compliance with commercial law obligations by companies in order to ensure the quality of corporate reporting.

Achieving these objectives serves to fulfil the entrusted public interest mandate, strengthening both domestic and international confidence in the reliability and quality of audits and audited financial and economic reporting in Spain, ultimately affecting the perception and credibility of the functioning of its economy. To that end, it is essential to carry out inspections with the frequency required by the applicable legislation, to shorten the inspection cycle for the largest audit firms, and to increase the number of actions in relation to auditors that audit public-interest entities, due to the greater impact of their audit engagements. In this regard, the action plan for the current year is structured in accordance with the long-term strategic objective described above, but remains subject to the availability of resources.

4 Scope and Coverage

A) Auditors and audited entities

According to the most recent available information, the number of statutory auditors registered in the Official Register of Account Auditors of the Accounting and Auditing Institute is 4,931, broken down as follows:

Type of auditor	Number
Practising individual auditors	3,573
Audit firms	1,358
Total	4,931

According to the declarations submitted by auditors in October 2024, the number of auditors who reported invoicing for audit engagements is as follows:

	Statutory auditors practising in an individual capacity	Audit firms	Total
Number of auditors who reported invoicing for audit engagements	694	1,163	1,857

The most recent available data indicate that the number of public-interest entities in Spain is 1,461, and the number of statutory auditors of public-interest entities comprises 8 individual auditors and 66 audit firms.

B) Regulation of the annual audit activity control plan

Article 91 of the RLAC sets out the criteria for the annual preparation of a control plan for statutory audit activity, in accordance with the technical and human resources available and based on the following criteria:

- a. Results or other information arising from inspection actions.
- b. Objective data resulting from the information provided to the ICAC by auditors and audit firms.
- c. Data obtained through complaints or any other type of information brought to the attention of the Institute.

With regard to the *Results or other information arising from inspection actions*, the objectives and procedures for conducting inspections must be taken into consideration. In this regard, all auditors must, on the basis of a risk analysis, be subject to inspections at intervals set by the applicable legislation.

As for the *Objective data derived from the information provided to the ICAC by auditors and audit firms*, this plan takes into account the information submitted by the auditors, with

certain indicators of potential inconsistencies being analysed in practice where they may present a risk of possible deficiencies.

Finally, the plan also takes into account the handling of information obtained *through complaints or any other type of information*, and considers the provisions set out in Article 116 of the RLAC in relation to public complaints.

5 Forecasts of the Control Plan for Financial Year 2025

A) Approach

1 Inspections

Inspections consist of the regular assessment, at least with the frequency established by law, of statutory auditors' internal quality control systems. They must include an assessment of the auditors' quality control policies and procedures, as well as a review of specific statutory audit engagements or selected parts of those engagements. Article 26 of the RUE requires, at a minimum:

- An assessment of the design of the internal quality control system of the statutory auditor or of the audit firm;
- Adequate compliance testing of procedures and a review of audit files of PIE entities in order to verify the effectiveness of the internal quality control system, for which audit files shall be selected on the basis of an analysis of the risk of a failure to carry out a statutory audit adequately;
- An evaluation of the contents of the most recent annual transparency report published by the auditors.

To this end, the Regulation requires inspections to include a review of the following internal quality control policies and procedures:

- Compliance with applicable auditing and quality control standards, and ethical and independence requirements.
- The quantity and quality of resources used, including compliance with continuing training requirements.
- Compliance with the requirements set out in Article 4 of this Regulation on the audit fees charged.

The need to increase the effectiveness of inspections makes it essential to reinforce the component relating to the number of audit engagements reviewed per inspection. This is a key factor in strengthening auditors' internal quality control systems and in safeguarding the public interest.

Furthermore, in order to maximise both the efficiency of resource use and the effectiveness of supervisory activities, the applicable regulations establish an inspection system that combines a minimum frequency (which depends on the profile of the audit firms), with a selection of auditors to be inspected based on a risk analysis. In 2025, the ICAC will con-

tinue implementing this risk-based supervision model, using the information available, with the appropriate tools and the development of relevant risk indicators.

In this regard, as highlighted in the preamble to the LAC, the particular prevalence and importance of audit engagements concerning PIEs, given their greater economic significance and importance for the public interest, justifies a greater degree of specialisation, attention and dedication on the part of the supervisor, and requires the proper organisation and efficient and effective use of available resources to ensure their appropriate performance. Accordingly, and in line with the defined strategy, it remains a priority to allocate the majority of the resources of the Subdirector General of Technical Control to inspections of auditors that audit PIEs, due to their greater economic significance and relevance to the public interest, and in particular their role in protecting users and investors and ensuring the proper functioning of the markets.

In addition, in 2025 the ICAC will continue to allocate resources to carry out inspections of statutory auditors and audit firms that audit entities non PIE entities. The aim is to improve the quality of these auditors as well, thereby contributing to the overall enhancement of audit quality across the sector in Spain, in line with the defined strategy.

During the year, inspections will also be used to support the ongoing implementation of the new requirements on internal organisation and the performance of audit engagements arising from the most recent regulatory changes. All such work will be carried out while maintaining continuous dialogue with the sector, in order to facilitate the application of the concept of "proportionality", to specify effective implementation mechanisms, and to clarify how requirements should be adapted to the different realities and circumstances of auditors.

2 Investigations and verifications

Investigations are carried out *ex officio* and initiated when, following an analysis of information obtained from various sources, it is concluded that there are possible indications of an infringement that is not time-barred. A programme of investigations is planned in accordance with the RLAC, mainly based on actions arising from risk factors identified through the analysis of information available to ICAC, including that obtained from inspections, as well as information received from third parties, particularly complaints (estimated based on experience from previous years), and substantiated requests from other public authorities or supervisory bodies.

The scope of investigations will cover specific audit engagements, specific areas or aspects of those engagements, and other specific matters related to the audit activity that must be reported to the ICAC.

Verifications, on the other hand, will comprise the actions necessary for the Accounting and Auditing Institute to determine facts or circumstances brought to its attention by any means, which may justify a decision to initiate an inspection or investigation, or where appropriate, the commencement of disciplinary proceedings.

B) Estimate of the actions to be carried out in 2025

It is estimated that at least 291 actions will be completed in 2025, broken down as follows:

Type of action	Number of actions
Inspections	PIE auditors
	6
	Non-PIE auditors
	10
Total inspections	16
Total investigations	285
Total actions	301

The 16 **inspection** actions correspond to the estimated completion in 2025 of inspections of three large audit firms and three medium-sized audit firms that audit PIEs. The remaining ten inspections relate to non PIEs auditors.

The **investigations** that are planned to be carried out have the following breakdown:

Investigations	No. of actions
Continuing training	150
Completion and publication of transparency reports	60
Complaints	40
Statutory audit engagements	20
Validity and adequacy of the financial guarantee	10
Monitoring of previous inspections	5
Total	285

In relation to the above, the following should be noted:

- A total of 150 *ex officio* verifications are planned on compliance with the continuing education requirement during the relevant three-year cycle;
- A total of 60 *ex officio* verifications are also planned regarding the completion and publication of transparency reports. These verifications will not include the evaluation of the content of such reports through comparison with the findings of inspection procedures;
- Verification is included of compliance with Article 27 of the LAC and Article 65 of the RLAC regarding the validity and adequacy of the required financial guarantee.
- Based on past experience, approximately 40 activities are expected relating to the analysis of complaints or to investigations and verifications triggered by complaints or other requests;
- 20 activities are also planned to assess the quality of selected statutory audit engagements based on risk indicators, particularly in cases where there may be inadequate or disproportionate allocation of time and resources relative to the complexity and nature of the audited entity;

Finally, it is estimated that five follow-up activities will be carried out to monitor the improvement measures implemented by auditors and audit firms to address the deficiencies identified in their previous inspection reports.

In 2025, the ICAC will continue to conduct investigations focused on audits of PIEs, based on risk indicators such as a reduction in audit fees compared with the previous auditor, or fees that appear disproportionately low considering the complexity of the engagement.

Moreover, in 2025, the ICAC will maintain its focus on coordination with EU supervisory authorities, primarily through the Inspection Subgroup of the Committee of European Auditing Oversight Bodies (CEAOB) and the colleges of competent authorities established for certain audit firms, as well as with the International Forum of Independent Audit Regulators (IFIAR), given the positive contribution of these efforts to the strengthening of audit supervision and its alignment with international supervisory standards, and, ultimately, to the reliability of audited financial and economic information.

In this regard, in 2025, the ICAC will continue to chair the Market Monitoring Sub-Group. As a result of the work carried out by this group, the European Commission has published the third report on the European Union market for statutory audit services, (https://finance.ec.europa.eu/news/commission-publishes-third-report-eu-market-statutory-audit-services-2024-03-05_en), prepared jointly by the European Commission and CEOAB. The subgroup plans to begin work in 2025 on gathering data for the period 2022 to 2024, which will be used to prepare the fourth report on the European Union market for statutory audit services.

Separately, within the framework of CEOAB, a database has been developed compiling the deficiencies identified by European supervisory authorities during inspections of the largest European audit networks. The objective is to maintain a dialogue with the European representatives of these networks to identify the root causes of the deficiencies and to promote improvements in the internal quality control systems of local audit firms, and thereby enhance the quality of statutory audit engagements.

The ICAC also participates in the Colleges of Competent Supervisory Authorities of EU Member States, which are set up to coordinate the supervision of the largest European audit networks. Within these Colleges, the key deficiencies identified in inspections are presented to the leaders of the European networks, and those networks then adopt initiatives aimed at improving the quality of the audits carried out by member audit firms.

Participation in international forums is considered highly relevant, as they provide an effective and practical mechanism for exchanging information. This contributes to the robustness of audit supervision in Spain, which in turn improves audit quality and the reliability of audited information, and enhances the protection of stakeholders involved in decision-making processes in Spain. Nevertheless, the degree of involvement is subject to the resources available and the strategy defined.

6 Technical Means and Resources Employed

As in previous years, the means and resources to be used in carrying out supervisory activities will consist primarily of those of the Accounting and Auditing Institute (ICAC), including both material and human resources. However, this does not preclude the use of other external resources that may be assigned to ICAC's activities, as permitted under the applicable legislation. Strengthening technological capabilities remains a priority in order to enhance the depth and efficiency of the ICAC's activities.

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