

Government strengthens independence of audits

The Minister for Economic Affairs and Competition, Luis de Guindos, reported that the Council of Ministers has approved, for submission to Parliament, the Draft Law on Accounts Audits, which responds to the need to adapt Spanish law to European law. The text strengthens the transparency and supervision of the sector and according to the minister, seeks "to increase, incentivise and generate greater independence between the auditor and the auditee".

Luis de Guindos explained that the new legislation establishes the requirements to be met by auditors of public interest entities (Spanish acronym: EIP), in other words, credit institutions, insurance companies and companies that trade on the Multilateral Trading System (Spanish acronym: MAB), as well as collective investment undertakings, pension funds and mutual guarantee societies.

The new legislation strengthens the independence of these professionals. The companies in this sector will be subject to limitations when providing supplementary services to audits. "A list of 11 services that are completely incompatible is established", specified the minister. He also pointed out that family members of auditors may also not provide services that are incompatible for the audit firm so that "there is no form of conflict of interests that can affect their independence".

For the first time in Spain, Luis de Guindos announced that a maximum term of 10 years is set for audit contracts, with the aim of guaranteeing the objectivity and independence of the auditor in relation to the accounts audited.

The minister explained that the fees charged by auditors to EIPs are limited under the new legislation. In the case of services other than audits, remuneration cannot exceed, for three or more consecutive years, 70% of the average fees charged for audit services for the previous three years.

Furthermore, transparency is strengthened by requiring them to issue an additional report that must be submitted to the audit committee which, as a general requirement, all EIPs should have. The National Securities Market Commission (Spanish acronym: CNMV) shall be responsible for supervising compliance with these functions, without prejudice to the powers reserved for the Institute of Accounting and Accounts Audits of Spain (Spanish acronym: ICAC), which sees its powers increased.