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## Spanish accounting body demands external audits of local governments

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22 May 2013 by Carlos Martin Tornero

The Instituto de Censores Jurados de Cuentas de Espana (ICJCE) has tabled an amendment to the transparency draft bill, currently under discussion in the parliament, in which it urges lawmakers to make external audits compulsory for local governments.

Under the proposal of ICJCE, one of the three professional bodies in Spain, audits of municipalities with more than 5,000 inhabitants would be tendered to the private sector.

"The challenge of transparency not only affects the private sector. People, who want to know how their taxes are spent, are calling for enhanced transparency in the whole public sector," ICJCE president Rafael Cámara told The International Accounting Bulletin when interviewed for the annual Spain survey.

Cámara said auditors' experience in the private sector could make a positive contribution to maintaining more efficient public services.

"In Europe the work of external auditors has already been recognised. Some of the European Stability Mechanism's programmes to provide financial aid to member states require borrowers to be externally audited," he added.

Currently, the oversight of local governments' finances is in the hands of the Spanish Court of Audit (CA), which is seen by Spanish public opinion as overstretched and lack resources due to increased spending cuts.

"We fulfil our responsibilities in accordance with the legal deadline provided by the law. The sole exception is that of the political parties' finances - but we expect to amend that very soon," a spokesperson for the CA told IAB.

The spokesperson added there is a misconception about CA's work when it is seen as "sluggish" in its performance. "We serve an ex-post control function which starts eight to ten months once the year-end is over and the local governments submit their accounts. Besides, an audit report and the detailed financial supervision of accounts we undertake are different types of work," the spokesperson said.

Asked about the initiative promoted by the ICJCE, the spokesperson said the CA will always comply with its mandate according to the applicable laws and added: "The CA is a pioneer in transparency and we set up a public website where all local governments' accounts should be published, with which we aim at promoting higher accountability in the public sector".

### **Audit opportunities**

If ICJCE's initiative succeeds it could bring fresh business opportunities for Spanish audit firms as there are 1,314 municipalities with more than 5,000 inhabitants in Spain, without taking into account other local bodies that could also be affected by the bill.

In the context of a distressed audit market with high fee pressure and heavy discounting demands from troubled businesses, the initiative is welcomed by Spanish firm leaders.

"Municipalities must be subject to reviews and ensure their budget spending complies with public laws. So far only local governments that

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Deloitte partner responsible for audit, risk and transactions Germán de la Fuente said the proposed legislative change would open relevant business opportunities, and not just for the Big Four, but also mid-tier firms.

However, RSM Gassó managing partner Jaume Carreras said at a time when some municipalities struggle even to pay their electricity bill, any future law should be accompanied by a proper budgetary allocation to pay for external audit services.

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