Do you consider that the current financial statement audit provides adequate assurance to investors in respect of internal controls over financial reporting?

In the present regulation applicable in Spain it is determined that the internal control procedures established by the companies must be analysed by the auditor but only with the purpose to help him or her with the planning of the audit, that is to say, when the auditor analyses the internal control procedures of the company he or she is not responsible for the application of that procedures. He or she only analyses them to determine the scope of the procedures he or she is going to implement to gather enough evidence for the auditing

First of all the auditor has to understand the internal control procedures defined by the company, and then to verify the real application of those procedures.

All that in order to:

- Determine the internal control procedures that may prevent mistakes that may occur.
- Determine if the necessary procedures are established and have been followed.
- Evaluate any possible mistake or irregularity that has not been taken into account by the existing internal control system and communicate it to the company.

At the end of the evaluation, the auditor must be able to conclude whether the internal control procedures provide reasonable assurance that significant mistakes related to the financial statements can be easily detected or not.

The conclusion is that there are some guarantees for the investors that analyse the financial statements and the audit report related to them, that the auditor has evaluated the internal control procedures of the company, but with the limitation commented on the previous lines of this text, that is, that the auditor does not issue an opinion on the internal control system to say whether it is a good system or not, he or she only evaluates it and, if it is the case, recommended its improvement.

Should new disclosures related to risk management and internal control be subject to external assurance? If so, why, and should this be as part of an integrated financial statement audit as in the United States?

The risk management systems that a company has established are very important to investors when considering the decision of investing their money in that company.

Having information about the reality and adequacy of the accounting is not enough, it is also necessary to have information about the possible risks that the company is facing, to be able to evaluate the prevention mechanisms developed by the company and to grant assurance, not only to the present situation of the company, but also to its maintenance in the future.

This should be subject to external control, to assure that the theoretical risk management procedures defined by the company are applied in the day-to-day activity and are not considered as a mere declaration of principles.

If the companies are forced to issue a report on risk management and internal control, this report should be considered as an independent part of the financial statements and, as a consequence of that, the external control over the risks management systems and the internal control should be considered as an independent part of the financial statements audit.

Nowadays the financial statements audit implies for the auditor the need to analyse the procedures of internal control that the company has established, but only as a tool for establishing the planning of the audit itself, if there is a specific report on risk management and internal control, new procedures to audit that report should be established.