

AUDIT LAW

(Official Gazette of Republic of Macedonia

No.158/10 and 135/11)

I. GENERAL PROVISIONS

Article 1

This Law shall regulate the conditions for performing audit of legal entities that practise an activity in the Republic of Macedonia.

Article 2

The provisions of this Law shall apply to statutory and contractual audit engagements performed in the Republic of Macedonia.

Article 3

The provisions of the Company Law relating to audit matters shall apply to all issues not established in this Law.

Definitions

Article 4

Certain terms and abbreviations used in this Law shall have the following meaning:

1. “Audit” shall be an independent examination of financial statements or consolidated reports and of financial information for the purpose of expressing an opinion regarding their trustworthiness, objectivity and compliance with the established framework for financial reporting;

2. “Statutory audit” shall be a compulsory examination of financial statements or consolidated reports and other information, performed on the basis of the law in agreement with the IFAC International Standards on Auditing, as follows:

a) financial statements of companies established by law, for the purpose of expressing an opinion on their trustworthiness, objectivity and compliance with the established framework for financial reporting, and

b) financial information prepared in accordance with suitable criteria, for the purpose of expressing an opinion on the financial information;

3. “Contractual audit” shall be an optional examination of financial statements, performed on the basis of a contract in accordance with the IFAC International Standards on Auditing, for the purpose of expressing an opinion regarding their trustworthiness, objectivity and compliance with the established framework for financial reporting, whereby the entities that are not parties to the audit contract shall rely on the financial statements and the audit report prepared pursuant to these standards;

4. “Auditee” shall be a legal entity whose financial statements are subject to auditing in accordance with the Company Law;

5. “Related entities” shall be entities that are related to the auditee by economic, financial or other types of interest;

6. “Auditor” shall be a natural person who holds an auditor certificate;

7. “Audit firm” shall be a trade company that is registered and performs audits in accordance with this Law and the Company Law;

8. “Certified auditor – sole proprietor” shall be a natural person registered in accordance with this Law and the Company Law who holds a certificate for certified auditor;
9. “Auditor certificate” shall be a certificate issued by the Institute of Certified Auditors of the Republic of Macedonia to persons who have passed the auditor examination;
10. “Certified auditor licence” shall be a licence issued by the Audit Promotion and Supervision Council;
11. “Certified auditor” shall be an auditor who holds a licence for performing auditing;
12. “The Audit Promotion and Supervision Council” shall be an independent regulatory body with public authorisations;
13. “Confidential information” shall be any information classified with a secrecy degree in accordance with the Law on Classified Information by the Institute of Certified Auditors of the Republic of Macedonia and the Minister of Finance and which, as such, is unavailable to the public;
14. “Disciplinary proceedings” shall be proceedings undertaken for establishing the auditor’s liability for violations of this Law, bylaws proceeding from it and the IFAC Code of Ethics for Professional Accountants adopted by the Institute of Certified Auditors of the Republic of Macedonia;
15. “The Institute of Certified Auditors of the Republic of Macedonia” shall be a professional chamber association of certified auditors;
16. “IFAC” shall be the International Federation of Accountants;
17. “ISA” shall be the International Standards on Auditing;
18. “IFRS” shall be the International Financial Reporting Standards;
19. “Legal entity of public interest” shall be a joint-stock company with special notification obligations in accordance with the Securities Law;
20. “Group auditor” shall be a certified auditor – sole proprietor or an audit firm performing statutory audit of consolidated accounts, and
21. “Audit Board” shall be a management body within a legal entity of public interest.

Article 5

Auditing may be carried out by audit firms or a certified auditor - sole proprietor under conditions and in a manner established in this Law or the Company Law.

II. AUDIT PROMOTION AND SUPERVISION COUNCIL

Status of the Audit Promotion and Supervision Council

Article 6

(1) For the purposes of promotion and supervision of auditing, the Government of the Republic of Macedonia shall, at the proposal of the Minister of Finance, establish an Audit Promotion and Supervision Council (hereinafter referred to as: the Council) as an independent and autonomous regulatory body with public authorisations established in this Law.

(2) The Council shall acquire the capacity of a legal entity by being registered in the Legal Entity Registry kept in the Central Registry of the Republic of Macedonia.

(3) The headquarters of the Council shall be in Skopje.

(4) The Council shall be accountable for its work before the Government of the Republic of Macedonia.

Council Statute

Article 7

(1) The Council shall adopt a Statute, approved by the Government of the Republic of Macedonia, regulating the internal organisation, administration and management, act adoption procedures, the manner of and conditions for employment in the Council, as well as other issues of importance for the functioning of the Council.

(2) Any bylaws for the adoption of which this Law authorises the Council shall be published in the Official Gazette of the Republic of Macedonia.

Council Duties

Article 8

(1) Subject of supervision by the Council shall be the Institute of Certified Auditors of the Republic of Macedonia, all audit firms and certified auditors – sole proprietors.

(2) The Council shall perform the following:

- provide guidelines for the Institute of Certified Auditors on matters of its competence pursuant to this Law,
- give its agreement on the Statute and the acts of the Institute of Certified Auditors of the Republic of Macedonia in relation to control and disciplinary procedures,
- carry out control over the Institute of Certified Auditors of the Republic of Macedonia in the process of implementation of control and disciplinary procedures in accordance with the advice and recommendations of the Council,
- give its agreement on the annual programme and the annual work report of the Institute of Certified Auditors,
- follow the implementation of the annual programme for audit quality control of the Institute of Certified Auditors,
- check the necessary documentation for issuing audit licences,
- check the transparency report in accordance with Article 35 of this Law,
- follow the procedure implemented by the Institute of Certified Auditors of the Republic of Macedonia for the recognition of an auditor qualification acquired abroad,
- at the request of the person fulfilling the conditions referred to in Article 25 of this Law, the Council shall issue a certified auditor licence,
- issue, at the suggestion of the Institute of Certified Auditors of the Republic of Macedonia, an auditing licence to audit firms and to certified auditors – sole proprietors fulfilling the conditions referred to in Article 25 of this Law, and
- establish cooperation with the relevant international institutions.

Composition of the Audit Promotion and Supervision Council

Article 9

(1) The Council shall consist of seven members.

(2) The Government of the Republic of Macedonia shall appoint the Council chairperson and its members. The chairperson of the Council shall be appointed by the Minister of Finance, the remaining six members being appointed by the following institutions:

- one representative of the National Bank of the Republic of Macedonia, employed in the Supervision Department,
- one representative of the Insurance Supervision Agency,
- one representative of the Securities Commission,- one representative of major business entities, and
- two certified auditors proposed by the Institute.

(3) When appointing the Council chairperson and members referred to in paragraph (2) of this Article, the principle of appropriate and equitable representation of the ethnic communities shall be adhered to.

(4) The chairperson shall manage the Council and act as its representative in its relations with third parties.

(5) The term of office of the Council chairperson and members shall be five years, with the opportunity of re-election for another term.

(6) The Council chairperson and members may be dismissed by the Government of the Republic of Macedonia before the termination of the term of office referred to in paragraph (4) of this Article only in cases of non-compliance with at least one of the conditions established in Article 12 of this Law.

(7) In case of termination of the office of the Council chairperson and members, in accordance with this Law, before the expiration of the regular term of office, another person shall be appointed in their place, whose term of office shall last by the expiration of the term of office of the person whose office has been prematurely terminated.

Conditions for Election of Council Members

Article 10

(1) A member of the Council may be elected any person fulfilling the following conditions: - to be a citizen of the Republic of Macedonia,

- to hold a university degree in Economics or Law,
- not to be an employee of the Institute of Certified Auditors of the Republic of Macedonia and not to be a member of an executive body of the Institute,
- to have a minimum of five-year work experience in the field of accounting, law, audit and finance,
- not to have been sentenced with an effective judgement for an offence against public finance, payment operations, economy and professional duty, and
- not to have been pronounced a prohibition to practise profession, activity or duty.

(2) A member of the Council may not be elected a person who:

- is the principal of a state body or a state administrative body, and
- is not holding a function in the bodies of a political party, is not a member of a management board, supervisory board or any other body within another legal entity.

(3) The Council chairperson and members shall carry out their duties as professionals and in a manner which will not jeopardise the independence and autonomy of the Council.

(4) Any form of influence over the work of the Council that might jeopardise its independence

and autonomy shall be prohibited.

Rights of the Council Chairperson, Members and Employees

Article 11

(1) The Council chairperson shall be a professional employee who receives salary for his/her work in accordance with the regulations for salaries of appointed and selected persons.

(2) Council members shall be entitled to a monthly allowance provided from the Council funds established in the annual financial plan.

(3) Administrative-technical matters related to the work of the Council shall be performed by an expert service of the Council.

(4) The funds for salaries and salary supplements of the Council chairperson and employees in the expert service, as well as the funds for the monthly allowances of its members, shall be provided from the Council funds established in the annual financial plan.

Dismissal of Council Members

Article 12

The Government of the Republic of Macedonia may, at the proposal of the Minister of Finance, dismiss the Council chairperson or a Council member before the expiration of their term of office, if they:

- personally request it;
- lose their work capacity,
- violate their obligation to protect confidential information, as referred to in Article 37 of this Law, and
- have been inexcusably absent from three consecutive Council sessions or from a total of five sessions during one year.

Competences of the Council

Article 13

The competences of the Council shall be:

- to adopt the Council Statute,
- to adopt Rules of Procedure, an annual programme, financial plan and annual report, approved by the Government of the Republic of Macedonia,
- to adopt a Tariff for issuing auditing licences to audit firms, certified auditors – sole proprietors and certified auditors, approved by the Government of the Republic of Macedonia,
- to issue an auditing licences to audit firms and certified auditors - sole proprietors,
- to encourage adherence to higher professional standards in the auditing profession,
- to follow the application of the provisions of this Law and the regulations adopted pursuant to this Law, on which basis it shall propose to the Minister of Finance the preparation of appropriate amendments,
- to follow the application of and to give its agreement on the acts of the Institute of Certified Auditors and to propose to the Institute of Certified Auditors amendments to those acts,

- to sign a cooperation memorandum with public supervision institutions from other countries, and
- to perform other matters prescribed in this Law and the Statute.

Council Decision Making

Article 14

(1) The Council shall decide in sessions.

(2) The Council may adopt decisions of its sphere of competence if the majority of the total number of its members are present on the session.

(3) The decisions of the Council shall be considered adopted if the majority of its members present on the session have voted in favour, the chairperson and members not having the option to abstain from voting.

Council Funds

Article 15

The work of the Council shall be financed from:

- the Budget of the Republic of Macedonia,
- 25% of the realised income of the Institute paid by audit firms and certified auditors – sole proprietors in the previous year,
- the contribution from issuing auditing licences to audit firms, certified auditors – sole proprietors and certified auditors, and
- other income realised in the process of performing the Council's duties.

Authorisation for Pronouncing Measures to Certified Auditors

Article 16

(1) Pursuant to the measures pronounced by the Institute of Certified Auditors of the Republic of Macedonia, referred to in Article 22 of this Law, the Council may pronounce the following measures:

- a notice,
- a temporary prohibition to practise activity to a certified auditor, licensed audit firm or a licensed certified auditor – sole proprietor, and
- a permanent prohibition to practise activity to a certified auditor, audit firm or a certified auditor – sole proprietor.

(2) The manner and procedure of establishing the violations and measures referred to in paragraph (1) of this Article shall be prescribed by the Council.

(3) All measures prescribed by the Council shall be published on the web-pages of the Council and the Institute of Certified Auditors of the Republic of Macedonia.

(4) The Council shall inform the Institute of Certified Auditors of the Republic of Macedonia of all measures it has pronounced.

(5) Court proceedings may be initiated against a decision of the Council only in relation to non-fulfilment of the procedures of the pronounced measures.

AUDITORS OF THE REPUBLIC OF MACEDONIA

Institute of Certified Auditors of the Republic of Macedonia

Article 17

(1) For the purpose of promoting high professional standards and improving the quality of auditing services, certified auditors shall associate in the Institute of Certified Auditors of the Republic of Macedonia as a professional chamber association (hereinafter referred to as: the Institute).

(2) Members of the Institute shall be certified auditors, audit firms and certified auditors – sole proprietors.

(3) The Institute shall be a legal entity.

(4) The headquarters of the Institute shall be in Skopje.

(5) The Institute shall acquire the status of a legal entity by being registered in the Legal Entity Registry kept in the Central Registry of the Republic of Macedonia.

Bodies of the Institute

Article 18

(1) Bodies of the Institute shall be the Assembly, the Management Board and the chairperson.

(2) The Assembly shall be the supreme body of the Institute and it shall consist of all its members.

(3) The organisation, competences, composition, election practices, rights and duties of the bodies of the Institute shall be regulated by the Statute.

(4) Administrative-technical matters related to the work of the Institute shall be performed by an expert service of the Institute.

Competences of the Institute

Article 19

The Institute shall perform the following:

- keep a registry of certified auditors and a registry of audit firms and of certified auditors – sole proprietors,
- adopt a programme for passing an auditor exam and conduct an auditor exam,
- issue an auditor certificate,
- examine and express its opinion on requests for approving auditor qualifications acquired abroad, on the basis of the rules and procedures prescribed by the Institute of Certified Auditors,
- organise a check of knowledge in the area of the relevant legislative when approving auditor qualifications acquired abroad,
- organise and conduct continual professional education,
- follow the application of the ISA, the IFAC Code of Ethics for Professional Accountants in audit firms and certified auditors – sole proprietors,
- implement the International Standards on Auditing and the IFAC Code of Ethics for Professional Accountants,
- translate the International Financial Reporting Standards, the International Financial Reporting

Standards for small and medium-sized businesses, the International Standards on Auditing, the IFAC Code of Ethics for Professional Accountants and the International Standards on Quality Control,

- initiate a disciplinary procedure and pronounce measures to its members for violations of the ISA, the acts of the Institute and the IFAC Code of Ethics for Professional Accountants,

- conduct a quality control check of certified auditors, audit firms and certified auditors – sole proprietors for performed statutory audits at least once in six years, while the check of certified auditors, audit firms and certified auditors – sole proprietors auditing legal entities of public interest shall be performed at least once in three years,

- inform the Council of pronounced measures arising from conducted checks of audit firms and/or certified auditors – sole proprietors,

- determine the amount of the Institute membership fee for certified auditors, which enables the Institute's unobstructed functioning, as well as the amount of the membership fee for audit firms and certified auditors – sole proprietors, which is to be determined on the basis of income generated by audits and auditing services,

- authorise individuals or establish a committee for professional evaluation of the practices of audit firms and certified auditors – sole proprietors, relating to inspecting and copying any books, documents or acts in the possession of or under control of audit firms and with the objective of obtaining information from a partner or employee of the certified auditor. A certified auditor or an audit firm employee who is obliged, at the request of the Institute or a person authorised by him, to present a book, document or act, shall not, in accordance with this Law, refuse to present such book, document or act even if the auditor is of the opinion the book, document or act contains confidential information on the audittee,

- undertake activities, in accordance with the guidelines provided by the Council, which are necessary and appropriate for promoting high professional standards among audit firms and certified auditors, as well as for improving the quality of the auditing services they offer,

- adopt an annual programme and an annual report for its operations after a previously obtained agreement by the Council. The approved annual report shall be published on the Institute's web-page,

- issue a bulletin and update the information published on the Institute's web-page, and

- perform other activities in accordance with this Law.

Quality Control

Article 20

(1) Certified auditors, audit firms and certified auditors – sole proprietors shall be subject to a quality control system with the purpose of harmonisation of auditing activities with the performance of auditing procedures prescribed by the International Standards on Auditing, the IFAC Code of Ethics for Professional Accountants and the national legislation.

(2) The quality control system shall fulfil the following criteria:

- it shall be independent from certified auditors, audit firms and certified auditors – sole proprietors that are subject to quality control,

- it shall be supervised by the Council,

- it shall have provided a manner of financing and it shall be free from any adverse influence from certified auditors, audit firms and certified auditors – sole proprietors, and

- it shall be a certified auditor independent from the auditors that are subject to control.

(3) The Institute shall adopt internal acts including the quality control system, which contains the details regarding the organisational and cadre support of the quality control of auditors.

(4) The persons responsible for quality control shall inspect the documentation and evaluate the harmonisation of the performed audit with the prescribed International Standards on Auditing, the independence requirements, the amount of the auditor allowance and the internal system for quality management of an audit firm.

(5) The date of quality control shall be determined by the Institute and the auditor shall be informed thereof within a minimum of 30 days from the initiation of the control. From the moment of notification by the termination of the quality control, certified auditors and audit firms shall not be under prohibition to perform audit in accordance with this Law.

(6) Certified auditors and audit firms shall submit to the person responsible for quality control a list of auditees whose financial statements have been subject to audit by the certified auditor or the audit firm and they shall, if requested, make available the complete documentation required by the person responsible for quality control.

(7) The person responsible for quality control shall submit a report on the performed quality control to the Commission for Quality Control of the Institute and the Council. The report on the performed quality control shall contain all identified deficiencies and recommendations relating to the mode and deadline for their removal.

Notification of Eventual Violations

Article 21

In cases where an employee of the Institute harbours a doubt about an eventual violation of this Law, the ISA, the IFAC Code of Ethics for Professional Accountants and the acts of the Institute, he/she shall inform the Council thereof.

Disciplinary Measures

Article 22

(1) The Institute of Certified Auditors may pronounce measures for violations of the ISA, the IFAC Code of Ethics for Professional Accountants and the acts of the Institute, as follows:

- a) a notice;
- b) temporary suspension of the membership in the Institute of the audit firm or the certified auditor – sole proprietor, and
- c) permanent suspension of the membership in the Institute of the audit firm or the certified auditor – sole proprietor.

(2) The manner and procedure of establishing the violations and measures referred to in paragraph (1) of this Article shall be prescribed by the Institute.

(3) All measures pronounced by the Institute shall be published in the Institute's bulletin.

(4) The Institute shall inform the Council of the pronounced measures.

(5) A complaint may be lodged with the Council against the measures referred to in paragraph (1) of this Article within 15 days.

(6) Court proceedings may be initiated against a decision of the Council.

IV. CONDITIONS FOR THE ISSUANCE OF A WORK LICENCE TO AUDIT FIRMS AND A CERTIFIED AUDITOR CERTIFICATE

Certified Auditor Licence

Article 23

(1) Statutory or contractual audits in the Republic of Macedonia may be performed only by auditors who possess a certified auditor licence and are members of the Institute.

(2) A certified auditor licence shall be issued to a person who has acquired an auditor certificate and has had experience in auditing for a minimum of three years, having spent two of which under the supervision of a certified auditor.

(3) A person devoid of the status of a certified auditor and of membership in the Institute shall not perform audit in the Republic of Macedonia and shall not identify himself/herself as a certified auditor nor use any designation or description that would leave the impression that the person is a certified auditor.

Work Licence

Article 24

(1) Audit shall be performed by an audit firm established as a trade company and by a certified auditor established as a sole proprietor under conditions and in a manner prescribed in this Law and the Company Law, if they hold an auditing licence.

(2) An auditing licence shall be issued to an audit firm if it fulfils the following conditions:

- 1) it has employed at least two certified auditors on a permanent basis;
- 2) the voting majority of the audit firm is constituted by certified auditors, and
- 3) it has an insurance policy for general liability in an amount established by the Institute.

(3) An auditing licence shall be issued to a certified auditor - sole proprietor on the condition that he/she holds a certified auditor licence.

(4) A certified auditor may establish only one audit firm.

(5) At a proposal from the Institute, the Council shall be entitled to withdraw the auditing licence for the following reasons:

- a violation of this Law, the IFAC Code of Ethics for Professional Accountants and the International Accounting Standards,
- the audit firm, i.e. the certified auditor – sole proprietor is not insured against liability for damages which may be caused when performing audit, in an amount established by the Institute, and
- if the number of certified auditors decreases under the limit laid down in this Law and the audit firm does not complement the minimum number prescribed in this Law within six months of the occurrence of the decrease.

Application for a Work Licence

Article 25

(1) The application for a licence for performing audit shall be submitted to the Council.

(2) Auditors shall submit applications for a certified auditor licence to the Council if they fulfil the following criteria:

- 1) they hold an auditor certificate;

- 2) they have an insurance policy for general liability in an amount established by the Institute;
 - 3) they are not employed or in any other way related to another employer apart from the audit firm, and
 - 4) they abide by the standards for continual professional education of the IFAC.
- (3) The auditing licence and the certified auditor licence shall be issued for an indefinite period of time.

Procedure for Acquiring an Auditor Certificate

Article 26

- (1) The person who intends to become an auditor shall submit a written application to the Institute for passing the auditor exam.
- (2) The application referred to in paragraph (1) of this Article shall contain evidence that the person fulfils the conditions referred to in Article 27 of this Law.
- (3) The auditor exam shall be conducted according to a Programme adopted by the Institute and approved by the Council.
- (4) Form and contents of the request form referred to in paragraph (1) of this Article shall be stipulated by the minister of finance.

Conditions for Taking the Auditor Exam

Article 27

- (1) In order to take the auditor exam, a person should fulfil the following conditions:
 - 1) to have a university degree in economics, law or other relevant education;
 - 2) to be fluent in the Macedonian language;
 - 3) to have no record of an effective court sentence regarding his/her work, namely:
 - a) during the effectiveness of the sentence until the day of serving the sentence and five years from the day the sentence was served in case of an effective court sentence imposing imprisonment of up to three years, and
 - b) during the effectiveness of the sentence until the day of serving the sentence and five years from the day the sentence was served in case of an effective court sentence imposing imprisonment of more than three years, and
 - 4) not to be under a prohibition to practise profession, activity or duty.
- (2) The auditor exam shall be taken before an examination committee established by the Institute, which shall determine the manner of conducting the exam.
- (3) The examination committee shall consist of four members, who are certified auditors, and a chairperson, who is a representative of the Council.
- (4) The Institute shall issue to the persons who have passed the exam an auditor certificate within 30 days from the conduction of the exam.
- (5) Should the Institute not issue an a auditor certified within the deadline set in paragraph (4) of this Article, the applicant shall have the right to submit, within three business days following the expiry of such deadline, a request to the archive office of the President of of the Institute for issuing the auditor certificate.

(6) Form and contents of the request form referred to in paragraph (5) of this Article shall be stipulated by the minister of finance.

(7) President of the Institute shall be obliged, within five business days from the day of submission of the request referred to in paragraph (5) of this Article to the archive office of the President, to issue an auditor certificate. Should the President have no archive office, such request shall be submitted to the archive office at the seat of the Institute .

(8) Should the President of the Institute not issue an auditor certificate within the deadline referred to in paragraph (7) of this Article, the applicant may inform the State Administrative Inspectorate thereof within five business days.

(9) State Administrative Inspectorate shall be obliged, within ten days from the day of receiving the notification referred to in paragraph (8) of this Article, to carry out administrative inspection at the Institute so as to determine whether the procedure is carried out pursuant to law, and shall, within three business days from the conducted administrative inspection, inform the applicant on the measures undertaken.

(10) Inspector from the State Administrative Inspectorate referred to in paragraph (9) shall, following the conducted administrative inspection pursuant to law, adopt decision obliging the President of the Institute to decide, within ten days, to issue a auditor certificate, and, within the same deadline, to inform the inspector on the measures undertaken and to submit the inspector a copy of the act upon which such decision is made.

(11) Should the President of the Institute not reach the auditor certificate within the deadline referred to in paragraph (10) of this Article, the inspector shall submit request for initiating misdemeanor procedure for misdemeanor stipulated in the Law on Administrative Inspection, and shall set additional deadline of five business days within which the President of the Institute shall decide upon the submitted request, and inform the inspector, within the same deadline, on the adopted act. Copy of the act upon which such decision is made shall be attached to the notification. The inspector shall, within three business days, inform the applicant on the measures undertaken.

(12) Should the President of the Institute not not issue the auditor certificate in the additional deadline referred to in paragraph (11) of this Article, the inspector shall, within three business days, file charges to the competent public prosecution office and inform the applicant, within the same deadline, on the measures undertaken.

(13) Should the inspector fail to act upon the notification referred to in paragraph (9) of this Article, the applicant shall, within five business days, have the right to file an objection to the archive office of the Director of the State Administrative Inspectorate. Should the Director have no archive office, such objection shall be filed to the archive office at the seat of the State Administrative Inspectorate.

(14) Director of the State Administrative Inspectorate shall be obliged, within three days from the day of receipt, to consider the objection referred to in paragraph (13) of this Article and, should he/she determine that the inspector failed to act upon the notification of the applicant pursuant to paragraphs (9) and (10) of this Article or/and failed to file charges pursuant to paragraphs (12) and (13) of this Article, he/she shall submit request for initiating misdemeanor procedure for misdemeanor stipulated in the Law on Administrative Inspection against the inspector and shall set additional deadline of five business days for the inspector to conduct administrative inspection at the Institute so as to determined whether the procedure is carried out pursuant to law and shall, within three business days from the day of the conducted administrative inspection, inform the applicant on the measures undertaken.

(15) Should the inspector fail to act in the additional deadline referred to in paragraph (14) of this Article, Director of the State Administrative Inspectorate shall file charges to the competent public prosecution office against the inspector and shall, within three business days, inform the applicant on the measures undertaken.

(16) In the case referred to in paragraph (15) of this Article, Director of the State Administrative Inspectorate shall forthwith, and within one business day at the latest, authorize another inspector to conduct the administrative inspection.

(17) In the case referred to in paragraph (16) of this Article, Director of the State Administrative Inspectorate shall, within three business days, inform the applicant on the measures undertaken.

(18) Should the Director of the State Administrative Inspectorate fail to act pursuant to paragraph (14) of this Article, the applicant may file charges to the competent public prosecution office within eight business days.

(19) Should the President of the Institute not reach decision within the deadline referred to in paragraph (12) of this Article, the applicant may initiate administrative dispute before the competent court.

(20) Procedure before the Administrative Court shall be urgent.

(21) Bylaw referred to in paragraph (6) of this Article shall be adopted within 30 days from the day this Law enters into force.

(22) Following the entry into force of the bylaw referred to in paragraph 24 of this Article, it shall forthwith, and within 24 hours at the latest, be published on the website of the Institute.”

Continual Professional Education

Article 28

(1) Certified auditors shall attend training sessions of at least 120 hours for a period of three years, i.e. at least 30 hours a year as part of continual professional education for the purpose of improving their knowledge of accounting and auditing.

(2) The training sessions may be organised by the Institute or by another relevant accredited institution abroad.

(3) The certified auditor who does not attend training sessions or who does not provide evidence of attending the training sessions referred to in paragraph (1) of this Article shall be revoked the certified auditor licence by the Council, at the Institute’s proposal.

(4) Court proceedings may be initiated against the decision referred to in paragraph (3) of this Article.

Approval of Auditor Qualifications Acquired Abroad

Article 29

(1) Applications for approval of auditor qualifications acquired abroad shall be accepted by the Institute if the following conditions are met:

1) the qualification acquired by a person has standards which are not lower than the standards prescribed in this Law, in order for that person to qualify as an auditor, and

2) the applicant has successfully passed the exams conducted by the Institute, thereby providing evidence that he/she has the adequate knowledge of the legislative of the Republic of Macedonia relevant for performing audit.

(2) In accordance with the rules and the procedure for approving an audit qualification acquired abroad, the applicant shall submit the application and the accompanying documents to the Institute, which shall approve taking certain exams determined in the acts of the Institute.

(3) After passing the necessary exams, the applicant shall receive an auditor certificate and shall acquire the right to submit an application to the Council for obtaining a certified auditor licence, provided he/she fulfils the conditions referred to in Article 24 of this Law.

Certified Auditor Registry and Audit Firm Registry

Article 30

(1) The Institute shall keep an auditor registry, a certified auditor registry and an audit firm and certified auditor – sole proprietor registry.

(2) The certified auditor registry shall contain the following data in particular:

1) name and surname, address and registration number of the certified auditor;

2) the status of the certified auditor in the audit firm;

3) the title and headquarters of the audit firm where the certified auditor is employed;

4) date of issuance of the certified auditor licence, and

5) pronounced disciplinary measures.

(3) The audit firm and certified auditor – sole proprietor registry shall contain the following data in particular:

1) name, headquarters and registration number of the audit firm and the certified auditor – sole proprietor;

2) name, surname and address of certified auditors employed in the audit firm, i.e. of the sole proprietor;

3) name, surname and address of the founders of the audit firm;

4) name, surname and registration number of all certified auditors employed in or related in the capacity of partners or otherwise to the audit firm, i.e. to the sole proprietor;

5) the legal form of the firm;

6) the date of issuance of an auditing licence to the audit firms and the certified auditors – sole proprietors;

7) pronounced disciplinary measures, and

8) a web-page.

(4) The Institute shall make the data in the audit firm registry available to the public on the web-page of the Institute and in the Institute's bulletin.

(5) The audit firm and the certified auditor – sole proprietor shall promptly inform the Institute of all changes in relation to the registry data.

Conflict of Interests and Violation or Breach of Independence

Article 31

(1) The certified auditor shall be independent and autonomous when performing audit within the framework of his competences prescribed in this Law and in accordance with the IFAC International Standards on Auditing and the IFAC Code of Ethics for Professional Accountants.

(2) The audit firm which is designated as a statutory auditor of the auditee shall perform audit with professional integrity and independence. In case of a violation of any provision of paragraph (3) of this Article, the performed audit of the auditee shall be considered void.

(3) Audit shall not be performed by:

- 1) an audit firm which is a shareholder, depositor or founder of the auditee;
- 2) an audit firm shall not perform audit of a legal entity which is a shareholder, depositor or founder of the audit firm;
- 3) an audit firm whose founder is simulatenously a founder of the auditee;
- 4) a certified auditor and/or an audit firm owning 3% or more of the shareholder's or owner's principal of the auditee;
- 5) a certified auditor who in the year the financial statements of which are being audited was a legal representative, member of the Management or Supervisory Board of the auditee or who participated in the keeping of its business books and the preparation of its financial and tax statements;
- 6) a certified auditor who is in a marital relationship, is a direct or indirect second generation relative or is related through adoption, guardianship or tutorship with the authorised representative or the member of the Management and Supervisory Board of the auditee;
- 7) a certified auditor who is a partner, employee or official of the auditee;
- 8) a certified auditor or an audit firm having a direct or indirect business relation or financial interest with the auditee or any of their officials, management staff or shareholders, and
- 9) an audit firm that accepts evaluation for the purpose of financial reporting by the related party.

(4) When performing an audit, the certified auditor or audit firm shall not simultaneously provide the following services to the auditee:

- 1) accounting or other services related to the books of accounts, annual accounts or annual consolidated accounts of the auditee;
- 2) preparation and implementation of financial information systems;
- 3) internal audit services as an external audit performer;
- 4) participation in an economic interest, directly or indirectly, in an entity or any related entity where he/she was engaged to perform external audit;
- 5) evaluation for the purpose of financial reporting, and
- 6) other activities prescribed in the acts of the Institute.

V. AUDIT AND AUDIT REPORTING STANDARDS

Obligation to Apply Audit Standards

Article 32

(1) Audit shall be performed in accordance with the IFAC International Standards published in the Official Gazette of the Republic of Macedonia and updated on an annual basis for the purpose of their harmonisation with current standards as they are amended or adopted by the International Federation of Accountants (IFAC).

(2) The certified auditor shall be responsible for obtaining reasonable assurance that the financial statements are free from materially erroneous representation.

(3) The report of the independent auditor shall be signed by the certified auditor – sole proprietor who has performed the audit. In cases where the audit has been performed by an audit firm, the report of the independent auditor shall be signed on behalf of the audit firm by a certified auditor employed in the audit firm and by the representative of the audit firm.

Statutory Audit of Annual or Consolidated Accounts and Financial Statements

Article 33

(1) The audit firm or certified auditor – sole proprietor shall submit an audit report on the performed audit of annual accounts and financial statements to the shareholders or partners of the auditee.

(2) The audit report shall be considered at the annual general meeting of the auditee and shall be available for control and queries by any shareholder or partner.

(3) The certified auditor shall, at any reasonable time, have the right of access to the books, accounts and vouchers of the auditee and the right to require from the management staff, officials and managers of the auditee or from the employees or entities that are in contractual relations with the auditee information and explanations that are under their control and in their sphere of knowledge and that the certified auditor considers indispensable for performing his/her duties.

(4) The auditee shall not limit the access to the necessary documentation referred to in paragraph (3) of this Article or provide false or misleading information.

(5) For a statutory audit of the auditee's consolidated accounts, the group auditor shall accept the responsibility for the audit report relating to the consolidated accounts.

(6) The auditor shall keep the complete documentation of the performed audit for a period of at least seven years starting from the date of issuing the auditor's report.

Contents of the Report of the Certified Auditor

Article 34

(1) The report of the certified auditors shall contain:

a) an introduction, identifying the annual account and the financial statements, i.e. the consolidated annual account and consolidated financial statements and the framework for financial reporting applied in their preparation;

b) a description of the scope of the audit, identifying the auditing standards in accordance with which the audit is performed;

c) the auditor's opinion, which clearly states the opinion of the certified auditor on whether the annual account and financial statements, i. e. consolidated annual account and consolidated financial statements give a truthful and objective picture in accordance with the framework for financial reporting and whether they are in accordance with the legal demands and regulations. The auditor's opinion may be an unqualified opinion, qualified opinion, unfavourable opinion or abstention from expressing an opinion if the certified auditor is unable to express his/her opinion as an auditor;

d) a reference to any questions alluded to by the certified auditor without qualifying his auditor's opinion, and

e) an opinion regarding the consistency of the annual report with the annual account and the financial statements, i.e. the consolidated annual report with the consolidated annual account and the consolidated financial statements for the same business year.

(2) The auditor's report shall be signed by the certified auditor who has performed the audit.

Transparency Report

Article 35

(1) The audit firm or the certified auditor – sole proprietor shall publish the annual transparency report at least in one public medium or on its web-page, within three months from the end of the financial year and it shall contain:

a) a description of the legal structure and ownership of the audit firm;

b) a description of the professional network and legal structural arrangements in the network where it belongs;

c) a description of the management structure of the audit firm;

d) a description of the internal quality control system of the audit firm and a statement of the authorised competent body of the audit firm on the effectivity of the functioning of the system;

e) the date on which the last check for quality verification was performed by the auditor in accordance with Article 20 of this Law;

f) a list of auditees who were audited during the previous year;

g) a statement regarding the independent operation of the audit firm confirming the existence of internal procedures for verifying the harmonisation of independence and their application;

h) a statement on the policy followed by the audit firm during the previous year;

i) financial information on the total income realised by the audit and other allowances, broken down into four categories: services of auditing annual and consolidated accounts, additional services on quality verification, tax counselling services and other non-auditing services, and

j) information on the basis upon which the fee of the certified auditor shall be calculated.

(2) The transparency report shall be signed by the representative of the audit firm.

Audit Allowance

Article 36

(1) The allowance for statutory audit shall not be under the influence of or on the basis of the provisions regulating the provision of additional services to the auditee.

(2) The allowance for statutory audit shall be clearly determined in the audit contract.

Confidentiality and Auditor Replacement

Article 37

(1) The certified auditor shall respect the confidentiality of the information obtained as a result of professional and business relations and shall not reveal the information to third parties without a special

and appropriate approval, unless he has a legal and professional right to reveal it.

(2) When the audit firm or the certified auditor – sole proprietor is being replaced, the previous audit firm or certified auditor – sole proprietor shall provide access to all relevant information for the newly appointed audit firm or certified auditor – sole proprietor regarding the auditee.

(3) The provision referred to in paragraph (1) of this Article shall apply to the former audit firm or certified auditor – sole proprietor whose engagement as auditors has terminated, in relation to that engagement.

(4) The owners and executive directors of the auditee shall have the mutual obligation to provide information, at the request of the certified auditors and the Institute.

(5) The Institute and the Council shall be assured that there are justified reasons for recalling or withdrawing the audit firms or certified auditors – sole proprietors during their engagement.

(6) The Institute shall be notified of each recalling or withdrawal of certified auditors – sole proprietors during their engagement which includes statutory audit. If the auditee is a legal entity of public interest, the notification shall also be submitted to the Council.

General Meetings of Shareholders or Partners

Article 38

Auditors shall be entitled to attend each general meeting of the auditee and receive all notifications or other correspondence related to it, to the receiving of which all shareholders or partners are entitled, to take the floor at any meeting they attend on any item of the agenda which affects them as auditors.

VI. SPECIAL PROVISIONS FOR STATUTORY AUDIT OF LEGAL ENTITIES OF PUBLIC INTEREST

Article 39

(1) Legal entities of public interest shall establish an audit board in accordance with the provisions of this Article, unless otherwise provided by another law.

(2) The audit board shall consist of at least five members.

(3) The majority of the members of the audit board shall be elected from the members of the supervisory board, at least one of them being independent and knowledgeable of accounting or audit.

(4) The audit board shall perform the following:

- follow the statutory audit of financial statements,
- follow the harmonisation of the legal entity of public interest with the regulations related to accounting standards and financial statements,
- follow the process of auditing the legal entity of public interest and evaluate the work of the audit firm or the certified auditor – sole proprietor,
- propose an audit firm, and
- follow the work and evaluate the efficiency of the internal audit and the risk management systems.

(5) Audit firms performing statutory audit of legal entities of public interest shall submit a written statement to the auditee's audit board in which:

a) the audit firm confirms its independence from the legal entity of public interest which is being audited;

b) the audit firm reveals all additional non-audit services it provides to the legal entity of public interest in addition to the statutory audit, and

c) the audit firm and the audit board examine any threats to the auditor's independence, as well as the protective mechanisms against those threats.

(6) The audit firms referred to in paragraph (5) of this Article shall inform the audit board of the key issues arising from the statutory audit, placing special emphasis on issues related to the material weakness of the internal control of the legal entity of public interest regarding financial notification.

Article 40

(1) A certified auditor may perform statutory audit of the financial statements of a legal entity of public interest for a period of at most seven consecutive financial years. After the designated period the licenced certified auditor may not perform audit of the financial statements of that legal entity of public interest for the duration of two years from the date of the termination of his/her term of office.

(2) The provisions referred to in paragraph (1) of this Article shall apply to a licenced certified auditor who is individually responsible for performing statutory audit of the financial statements of a legal entity of public interest if the statutory audit contract of the legal entity of public interest concerned has been concluded by the audit firm.

(3) The certified auditor referred to in paragraphs (1) and (2) of this Article may not be a member of an administrative or management body of the legal entity of public interest concerned for the duration of two years from the date of the termination of his/her term of office.

Article 41

Certain laws and regulations relating to a legal entity of public interest may contain stricter regulations than those prescribed in this Law regarding certified auditors and audit firms employed to perform statutory audits of a legal entity of public interest.

VII. MISDEMEANOUR PROVISIONS

Article 42

(1) An audit firm shall be fined for a violation with a charge in the amount of 3.000 to 6.000 euro in denar equivalent if:

1) it performs statutory or contractual audits without being a licenced auditor and an Institute member (Article 23);

2) it does not publish the annual transparency report (Article 35), and

3) it does not apply the IFAC International Standards on Auditing (Article 32).

(2) In addition to the fine referred to in paragraph (1) of this Article, the audit firm shall be pronounced a misdemeanour sanction – prohibition to practise profession for the duration of one to three years.

(3) The responsible person of the audit firm shall also be fined with a charge for the violation referred to in paragraph (1) of this Article in the amount of 500 to 1.000 euro in denar equivalent.

(4) In addition to the fine referred to in paragraph (3) of this Article, the responsible person of the audit firm shall be pronounced a misdemeanour sanction – prohibition to practise profession, activity or

duty for the duration of one to three years.

Article 43

(1) A certified auditor – sole proprietor shall be fined for a violation with a charge in the amount of 2.000 to 4.000 euro in denar equivalent if he:

1) performs statutory or contractual audits without being a licenced auditor and an Institute member (Article 23);

2) does not publish the annual transparency report (Article 35), and

3) does not apply the IFAC International Standards on Auditing published in the Official Gazette of the Republic of Macedonia (Article 32).

(2) In addition to the fine referred to in paragraph (1) of this Article, the certified auditor – sole proprietor shall be pronounced a misdemeanour sanction – prohibition to practise profession, activity or duty for the duration of one to three years.

Article 44

A certified auditor shall be fined for a violation with a charge in the amount of 500 to 1.000 euro in denar equivalent if he:

1) performs statutory or contractual audits without being a certified auditor and an Institute member (Article 23);

2) does not apply the IFAC International Standards on Auditing (Article 32), and

3) does not provide confidentiality of the data and findings in relation to the performed audit (Article 37).

Article 45

The misdemeanour sanctions prescribed in this Law shall be pronounced by a competent court.

VIII. TRANSITIONAL AND FINAL PROVISIONS

Article 46

(1) The Council shall commence its work with the appointment of its chairperson and members by the Government of the Republic of Macedonia, within 60 days from the entry into force of this Law.

(2) By the time the Council commences its work, the matters from its sphere of competence shall be performed by the Ministry of Finance.

Article 47

The Institute of Certified Auditors shall continue performing the matters of its competence in accordance with this Law.

Article 48

Audit firms and certified auditors – sole proprietors shall harmonise their work with the regulations of this Law within six months from the date of entry into force of this Law.

Article 49

At the request of persons who have acquired a certified auditor certificate by the date of entry into

force of this Law, they shall be issued a certified auditor licence by the Council.

Article 50

The procedures for taking the certified auditor exam and for acquiring a work licence by audit firms and certified auditors – sole proprietors shall be performed according to the regulations that had been valid by the date of entry into force of this Law, within one year at the latest from the date of entry into force of this Law.

Article 51

With the entry into force of this Law, the Audit Law (Official Gazette of the Republic of Macedonia, No. 79/2005 and 103/2008) shall cease to be valid.

Article 52

This Law shall enter into force on the eighth day from the date of its publication in the Official Gazette of the Republic of Macedonia.