

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the [Disclaimer](#) published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	Institute of Certified Auditors of Republic of Macedonia (ICARM)
<b>Original Publish Date:</b>	December 2011
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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

## **GLOSSARY**

<b>CAOARM</b>	Council for Advancement and Oversight of Auditing of Republic of Macedonia
<b>CPD</b>	Continuous Professional Development / Continuous Professional Education
<b>I&amp;D</b>	Investigation and Discipline
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IACARM</b>	Institute of Accountants and Certified Accountants of Republic of Macedonia
<b>IASB</b>	International Accounting Standards Board
<b>ICARM</b>	Institute of Certified Auditors of Republic of Macedonia
<b>IESs</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISAE</b>	International Standards on Assurance Engagements
<b>ISQC</b>	International Standard on Quality Control
<b>ISRE</b>	International Standards on Review Engagements
<b>ISRS</b>	International Standards on Related Services
<b>REPARIS</b>	Road to Europe – Program of Accounting Reform and Institutional Strengthening
<b>QA</b>	Quality Assurance
<b>SME</b>	Small and Medium Enterprises
<b>SMO</b>	Statement of Membership Obligation

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Implementing an Efficient and Effective Quality Assurance Programme which is in Line with SMO 1

*Background:*

With the Audit Law adopted on December 6, 2010 by the Assembly of the Republic of Macedonia, Council for Advancement and Oversight of Auditing was re-established as independent oversight body, Oversight Council is responsible for overseeing the activities of ICARM and all audit firms and certified auditors–sole proprietors. ICARM is responsible to conduct quality control reviews for certified auditors, audit firms and certified auditors–sole proprietors. There is no overlap in responsibilities in terms of quality assurance between Institute of Certified Auditors of Republic of Macedonia (ICARM) and the Council.

Institute of Certified Auditors of Republic of Macedonia (ICARM) has developed a Quality Assurance Program which is in-line with IFAC SMO 1 and which has incorporated International Standard on Quality Control (ISQC) 1 and International Standard on Auditing (ISA) 220, as issued in 2009. Work on program development concluded in 2009 and program operation began in November 2010 for ICARM Membership. The scope and design of the program have been developed with the assistance of external consultants (French institutes of Accountants and Auditors) and is published and freely available through the ICARM “Rulebook on Quality Control”. The general scope of the QA program is not limited to audits of listed entities, but also covers the audit of unlisted entities and other assurance (reviews) engagements. Reviews are conducted at both the firm and partner level and selections for review are based on both a risk-based and a cyclical approach – with both firms and partners being reviewed at least once every three years. For review of an audit firm, the QA Program is designed, as required by SMO 1, to obtain reasonable assurance that:

- The firm has an adequate system of quality control relating to audits of financial statements of listed entities (and of other entities or engagements that are also included in the scope of the review),
- The firm complies with that system,
- The firm and engagement teams have adhered to professional standards and regulatory and legal requirements in performing audits of financial statements selected for review.

For review of the audit partner the QA Program is designed, as required by SMO 1, to obtain reasonable assurance that:

- The partner is subject to an adequate system of Quality Control relating to audits of financial statements of listed entities (and of other entities or engagements that are included within the scope of the review),
- The partner complies with that system,
- The partner has adhered to professional standards and regulatory and legal requirements in performing audits of financial statements selected for review.

Individuals selected to participate as reviewers in Quality Assurance Program are to be independent of the member (i.e. the accountant or firm being reviewed) and the member’s clients selected for review. They must also have appropriate professional education, relevant professional experience, and specific training on performing quality assurance reviews. From 2009 to 2011, ICARM performed 29 reviews that represent 95% of audit engagements in the country. In 2012—2014, during the second cycle of quality reviews, ICARM conducted 54 reviews. In 2015 and 2016, first two years of the third cycle, ICARM conducted 39 reviews.

ICARM employed a second quality reviewer in 2012, upon decision that additional personal is needed to ensure adequate human resources considering the membership obligation.

With the amendments in September 2014, the Audit Law now includes provisions that prescribe the qualification criteria of QA inspectors that will be appointed by ICARM president starting from October 2017 and require additional transparency requirements such as the publication of individual QA reports on the website, ICARM has already communicated to CAOARM and Ministry of Finance the consequences of those provisions with a request to seriously reconsider amendments. Challenges imposed by the amendments of the Audit Law are also noted in the World Bank's Accounting and Auditing Report on the Observance of Standards and Codes (ROSC) 2014 for Macedonia.

Audit Law allows the CAOARM to request specific quality assurance inspections to be performed by ICARM,

Starting in April 2015, one CAOARM member participates in the work of ICARM's Quality Assurance Committees as a non-voting member.

In November 2015, ICARM and the French Public Accountancy Profession "Profession Comptable Libérale Française" ("PCLF") signed partnership agreement, guided by a spirit of trust, mutual respect and friendship. In the framework of this partnership, "Audit Pack for SMEs" (Pack Petites Entreprises) is provided to ICARM by PCLF, to be further adapted to the accounting standards of the country. The Audit Pack for SMEs is a set of office automation tools adapted to the ISAs developed by the CNCC, which enables auditors to facilitate the formalization of procedures to be implemented and to structure their auditing approach for Small Businesses while complying with international standards and quality control requirements. An English language Audit Pack for SMEs training program were designed and seminars were offered by the PCLF in Macedonia on implementation of this tool.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Start and Improve the Quality Program On a Continual Basis</i>					
1.	Ongoing Annually	Analyse the findings of the reviews, and determine weaknesses and strengths of the current system and where amendments may enhance the efficiency of the system. - Annual Report on Quality Reviews for 2015/2016, approved by CAOARM in October 2016 and published on ICARM web site for further information to the members.	Ongoing Annually	QA Committee	Staff + external consultants
2.	Ongoing Annually	Determine possible amendments to the program improving the efficiency of the system. - Starting from 2012, audit firms which were subject to quality reviews submit periodical status report as part of the follow up activity. - Follow up activities are included to the current amendments of the Rulebook.	Ongoing Annually	QA Committee	Staff + external consultants

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
3.	Ongoing Annually	Consider how these amendments may improve the program. - Will improve the monitoring of the audit quality and will improve annual planning activities.	Ongoing Annually	QA Committee	Staff + external consultants
4.	Q2-2012	Amend Quality Assurance Rulebook in order to reflect the findings of the previous campaign of quality assurance reviews and alignment with the amendments of the Audit Law from 2014. ICARM is undertaking another review of this rulebook and as such the status of the rulebook is 'under review.' ICARM will further reflect on the revised SMO 1 components and will consider how these may be applied to the current QA system.	Q2 2018	QA Committee	Staff + external consultants
5.	Q3-2017	Start 2017/2018 campaign for QA reviews utilizing Rulebook which will be amended as described in paragraph 4 above.	Ongoing	QA Committee	Staff + external consultants
6.	Q3-2013	External review of the ICARM Quality Assurance System in Macedonia: o Assessment of the latest Quality Control Program 2013, o Review of the tools used in the framework of inspection and compliance with ISQC1, ISAs, IFAC Code of ethics, IFRS, o Review of the experience and competencies of ICARM reviewers and supervision by the QC Commission, of the role of the Oversight Council, o Recommendations and Consideration of these recommendations by ICARM.	Q2 2014 Completed 2014	Independent external review by controller appointed by the French profession	French profession
<i>Contribute to Standard Setting</i>					
7.	Ongoing Annually	Comment on IFAC technical pronouncements and urge main stakeholders to comment also, preferably with a convergent opinion.	Ongoing	QA Committee	QA Committee + staff
<i>Publicly Disclose Information on the Functioning of the QA Program</i>					
8.	Ongoing Annually	Compute general statistics for external communication. Include these statistics in the annual report on Quality Assurance for the previous year. - Annual Report on Quality Reviews (published on ICARM web site). - Presentation for ICARM members for the results of the latest	Ongoing Annually	QA Committee	QA Committee + staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
		Annual Report on Quality Reviews.			
9.	Ongoing Annually	<p>Disclose on annual report information on Quality Assurance: the program and its objectives, the result and the key findings, and the main changes to be envisioned for the next campaign.</p> <ul style="list-style-type: none"> <li>- Annual Report on Quality Reviews (published on ICARM web site). Data are collected on a formal basis annually from all audit firms. Last update of the data completed in June 2017.</li> </ul>	Ongoing Annually	QA Committee	QA Committee + staff
<i>Organize Seminars and Formation Sessions for All Persons Involved in the Quality Assurance Process</i>					
10.	Ongoing Annually	<p>Prepare specific education material for educators: application guides, videos, case studies covering specific following topics: objectives and characteristics, the controlee and his choice, the controller and his behaviour, the manuals and process, the conclusions and the consequent actions. ICARM undertook and plans to continue to undertake:</p> <ul style="list-style-type: none"> <li>- On-site training for the controller provided by French Consortium.</li> <li>- Regional REPARIS workshops participation.</li> <li>- Annual presentation on the Quality review campaign findings and related topics (CPD event).</li> <li>- ICARM web site updating and inclusion of new materials.</li> <li>- Practical seminar "Practical implementation of ISAs" (5 days in November 2012 and 5 days in November 2013) for controlees (and controllers), supported by the French Consortium. Seminar included audit tools for performing and documenting audit procedures. Objective of the seminar - main issues from the Quality Control Reports for the reviews in 2011 and 2012.</li> <li>- Practical seminar "Audit planning and risks assessment" (2 days in December 2016). Objective of the seminar – training for practical implementation of ISAs which will assist auditors in small and medium-sized SMPs and sole proprietors to develop audit tools to be implemented in the practice for documenting of preliminary audit procedures, audit planning and identification of audit risks. Practical seminars will be also offered in 2017 as part of the CPD Programme for 2017.</li> </ul>	2012 Completed Ongoing Annually	QA Committee Education Committee	ICARM Committees + staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of ICARM Compliance Information</i>					
11.	Ongoing	Periodic review and update the responses in SMO 1. Ensure review and consideration of the revised (2012) SMO 1 on Quality Assurance and its application in th current system of QA.	Ongoing	QA Committee	General Secretary

#### Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b> 1. At a minimum, mandatory QA reviews are required for all audits of financial statements	Y			
<b>Quality Control Standards and Other Quality Control Guidance</b> 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	Y			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.		N		The 2009 ISAs and ISQC1 were translated into Macedonian and published into Official Gazette in 2010 as the applicable auditing standards.
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Y			
<b>Review Cycle</b> 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	Y			Mixed approach.
6. For cycle-based approach, quality control reviews are required to take place at least	Y			At least every three years for all audits (PIEs and non-PIEs).

Requirements	Y	N	Partially	Comments
every six years (and every three years for audits of public interest entities).				
<b>QA Review Team</b>				
7. Independence of the QA Team is assessed and documented.	Y			
8. QA Team possesses appropriate levels of expertise.	Y			
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.	Y			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Y			
<b>Corrective and Disciplinary Actions</b>				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Y			
12. QA review system is linked to the Investigation and Discipline system.	Y			
<b>Consideration of Public Oversight</b>				
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	Y			
<b>Regular Review of Implementation and Effectiveness</b>				
14. Regular reviews of implementation and effectiveness of the system are performed.	Y			

**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB  
**Action Plan Objective:** Strengthening the Procedures for an Improved Control of the Practical Experience Period due by the Future Members

*Background:*

A pre-qualification requirement of three years of relevant work experience must be attained by all future members of ICARM. This requirement must be obtained from a registered firm. The system is monitored by the Institute, which defines the rights and duties as follows:

- The Student (mentee): required to complete a professional education program with final assessment and to complete three years of experience in auditing endorsed by an audit firm;
- The Audit firm (mentor): acts as a mentoring organization to the potential member;
- The Institute: enacts program for examination for acquiring the title auditor and administers examination for acquiring the title auditor. As such, ICARM maintains and updates the student record and issues a Certificate for Auditor,
- The Oversight Council: manages the experience period. As such, Oversight Council validates the achieved experience done in business, and issues a Licence for Certified Auditor upon completion of the practical experience period.

Regarding Continuous Professional Development (CPD) and its monitoring, the Audit Law of December 2010 gives ICARM responsibility to set and enforce CPD. Certified auditors are required to complete 120 hours of CPD over a three-year period, but at least 30 hours of CPD annually.

Regarding examination for auditors, the Audit Law of December 2013 reinstates new concept for administration of the examination. Provisions of this law are applicable after one year of the effective date, i.e. January 2015. This activity is closely related to the mandate of the Oversight Council, which was established on January 26, 2012. While there are difficulties in the implementation of the amendments in the Audit Law, ICARM continues to conduct exams for candidates registered for the examination as of December 2014. As detailed in the 2014 [Report on the Observance of Standards and Codes \(ROSC\)—Accounting and Auditing: Republic of Macedonia](#), difficulties arise due to the law being rather detailed and constrictive. For example, there is a strict timeframe to pass the exam. ICARM has communicated these issues to the MoF in written form and has requested a meeting with the MoF in order to begin working with them to change some of these requirements within the law.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Reinforcement of CPD Monitoring</i>					
12.	Q2-2013	Prepare detailed CPD handbook for use by Institute members, emphasizing the control exercised over members by the Institute.	Q2-2014 Completed 2016	President	General Secretary
13.	Q3-2013	Reinforce the link with discipline obligation.	Ongoing	Education Committee/ Disciplinary Committee	General Secretary

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Comment on IAESB Pronouncements</i>					
14.	Ongoing	Comment on exposure drafts and other documents published by IAESB. Additionally, ICARM will review the revised SMO 2 for any additional obligations which this may entail.	Ongoing	Education Committee	General Secretary
<i>Maintaining Ongoing Processes</i>					
15.	Ongoing	Continue to support implementation of internal education requirements with respect of initial formation and CPD programs. For example, the Institute of Certified Auditors of the Republic of Macedonia and the University American College Skopje signed an agreement on academic cooperation.	Ongoing	General Secretary	General Secretary
<i>Review of ICARM Compliance Information</i>					
16.	Ongoing	Periodic review and update to SMO 2 responses.	Ongoing	President	General Secretary

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Translation and Implementation of IAASB International Audit Standards and other Related Literature

*Background:*

According to the Audit Law, International Standards on Auditing (ISAs) and other relevant IFAC pronouncements as translated and published in the Official Gazette of the Republic of Macedonia are obligatory for all audits.

According to the Trade Companies Law, the following entities are subject to statutory audit: (1) large and medium size entities organized as joint-stock companies; (2) listed companies, and (3) large and medium size entities organized as limited liability companies.

The Clarified ISAs issued by IAASB, International Standards on Review Engagements (ISREs), International Standards on Related Services (ISRSs), and International Standards on Assurance Engagements (ISAEs)) have been translated into Macedonian language. Official standards in Macedonia are IAASB Pronouncements 2009 adopted and published by the Ministry of Finance. ICARM approved the translation of those standards.

According to the Audit Law, ICARM is responsible to translate and publish the Macedonian version of ISAs and other relevant IFAC pronouncements in the Official Gazette of the Republic of Macedonia, as well as to promote and monitor their implementation and enforcement. However, all literature maintains a high cost which could be reduced by active co-operation with other institutes in the Balkan area in order to converge to the same version of the audit standard, allowing consistent audit reports.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ensure Regional Consistency of the Standards</i>					
17.	Ongoing	Discuss with other institutes of the region the interest of having the standards. - In 2011/2012, this was undertaken through Regional REPARIS events. These are excellent platform for professional organizations from the region to discuss issues of mutual interest and negotiate possible future cooperation. Activity will be furthered during attendance of other conferences. - Participates with local CPD lectures, ICARM members, in Train-The-Trainers workshops organized by the World Bank Centre for Financial Reporting under the EU-REPARIS and STAREP programs, intended to assist in delivering effective financial reporting training for audit practitioners.	Ongoing	Audit Standards Committee	General Secretary

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Translation of ISAs and Other IAASB Publications</i>					
18.	Ongoing	<p>Translation of new standards and amendment of existing ones. Timely publication and incorporation into education programs. ICARM furthered this action through:</p> <ul style="list-style-type: none"> <li>- ICARM produced a CD with Macedonian official translation of IAASB Pronouncements 2009, and distributed to ICARM members.</li> <li>- New standards and amendments of existing ones were not yet translated and published. Update of ISAs is expected in the following period and is considered a priority for September 2017. This activity is included in the Annual and Financial Plan for 2017.</li> <li>- However, new standards and amendments of existing ones are included in the ICARM Annual CPD Programme.</li> </ul>	Ongoing	Audit Standards Committee	General Secretary
<i>Enforcement of IAASB Standards</i>					
19.	Ongoing	<p>Development of teaching materials for both initial education and CPD. Organization of seminars and conferences to provide educational opportunities. ICARM furthered this action through:</p> <ul style="list-style-type: none"> <li>- Annual CPD Programmes were undertaken and updates provided to the ICARM web site. <ul style="list-style-type: none"> <li>o Practical seminar "Audit planning and risks assessment" (2 days in December 2016). Objective of the seminar – training for practical implementation of ISAs which will assist auditors in small and medium-sized SMPs and sole proprietors to develop audit tools to be implemented in the practice for documenting of preliminary audit procedures, audit planning and identification of audit risks. Practical seminars will be also offered in 2017 as part of the CPD Programme for 2017.</li> </ul> </li> <li>- In 2012, ICARM signed a three year contract with BPP for further update of materials.</li> <li>- Creation of teaching materials for initial education based on BPP Learning Media books. Seminars for initial education were rarely organized small number of interested candidates. However, candidates attend CPD events, covering exam-related topics which also include many practical examples, as well as seminars on practical implementation of ISAs.</li> </ul>	Ongoing	Audit Standards Committee	General Secretary

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Comment on IAASB Pronouncements</i>					
20.	Ongoing	Comment on exposure drafts and other documents published by IAASB. - ICARM did not participate with comments in 2011-2016, but intends to do so going forward.	Ongoing	President	General Secretary
<i>Maintaining Ongoing Processes</i>					
21.	Ongoing	Continue support to implementation of internal education requirements with respect of Internal audit standards and other assurance standards.	Ongoing	General Secretary	General Secretary
<i>Review of ICARM Compliance Information</i>					
22.	Ongoing	Periodic review and update the responses to SMO 3 section.	Ongoing	President	General Secretary

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Promoting and Implementing IESBA Code of Ethics

*Background:*

The IESBA’s Code of Ethics has been adopted in accordance with the Audit Law. IESBA’s Code of Ethics for Professional Accountants, (version 2009) was published in the Official Gazette of the Republic of Macedonia by the Ministry of Finance. ICARM approved the translation and it is published on the official ICARM web site.

Under the current Audit Law, ICARM is responsible to translate and publish the Macedonian version of the Code of Ethics in the Official Gazette of the Republic of Macedonia, as well as to promote and monitor its implementation. It exists as an important need and demand for education and training. An important volume of education material must be created and distributed to members and other stakeholders. A crucial point for focus of efforts will be on the application of ethics in practice.

The IESBA’s Code of Ethics as published in the Official Gazette is also mandatory requirement for accountants as responsibility of IACA in accordance with Law on Accounting Services. The IACA is not yet fully operational; ICARM is working to sign an agreement with the IACA in order to cooperate on several regulatory aspects.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Translation of Code of Ethics and other IESBA Pronouncements</i>					
23.	Ongoing	<p>Translation of new standards, amendments, interpretation of existing ones timely published and incorporated in education programs.</p> <ul style="list-style-type: none"> <li>- ICARM produced a CD with Macedonian official translation of IAASB Pronouncements and IFAC Code of Ethics, and distributed to ICARM members.</li> <li>- Annual CPD Programmes include annual updates of the IFAC Code of Ethics. CPD includes updates and practical application of the Code. <ul style="list-style-type: none"> <li>o In December 2016, ICARM offered a CPD seminar on NOCLAR and plans to continue offering courses on NOCLAR throughout 2017.</li> </ul> </li> <li>- Translation of the new amendments of the Code of Ethics will be undertaken after the translation of the latest ISA due to resource constraints. All ICARM members receive latest updates from IFAC in English, however.</li> </ul>	Ongoing	Disciplinary Committee and Education, Training and Publications Committee	General Secretary

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Enforcement of IESBA Standards</i>					
24.	Ongoing	Elaboration of teaching material for both initial formation and CPD. Organization of seminars and conferences. This was achieved through: <ul style="list-style-type: none"> <li>- Development of annual CPD Programmes and updating of ICARM web site.</li> <li>- Creation of teaching materials for initial education based on BPP Learning Media books and local experts. Seminars for initial education were not organized due to small number of candidates. However, candidates are allowed to attend CPD events covering this topic.</li> </ul>	Ongoing	Disciplinary Committee and Education, Training and Publications Committee	General Secretary
<i>Comment on IESBA Pronouncements</i>					
25.	Ongoing	Comment exposure draft and other documents published by IESBA. <ul style="list-style-type: none"> <li>- ICARM did not participate with comments in 2011-2015, but will strive to do so going forward.</li> </ul>	Ongoing	Disciplinary Committee	General Secretary
<i>Maintaining Ongoing Processes</i>					
26.	Ongoing	Continue to support implementation of internal education requirements with respect of internal audit standards and other assurance standards.	Ongoing	Disciplinary Committee	General Secretary
<i>Review of ICARM Compliance Information</i>					
27.	Ongoing	Periodic review and update of SMO 4 responses.	Ongoing	Disciplinary Committee	General Secretary

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Assist Ministry of Finance in Implementing IPSAS

*Background:*

International Public Sector Accounting Standards (IPSASs) have been adopted by Macedonian Government in 2002 with the Law on Accountancy of the Budget and Budget Beneficiaries. In 2005, Macedonian translation of Cash Basis IPSAS was published in the Official Gazette by the Ministry of Finance.

According to the legal framework, IPSASs are not in the scope of responsibilities of ICARM.

In considering the new regulatory and operating environment with establishment of IACA, and after considering requirements of SMO 5, the IACA would have more relevant role in promoting the adoption of accrual-basis IPSAS and subsequent implementation. ICARM could consider building awareness of the adopted standards through ICARM CPD Program and ICARM will work to provide support to the government as necessary (and within the scope of their remit) in order to promote the adoption and implementation of IPSAS.

To keep members up to date and for their information, ICARM regularly informs its members of all new, proposed and revised IPSAS and other pronouncements issued by IPSASB through electronic distribution of IFAC bulletins and newsletters.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Lend Support as Necessary and Permitted to the Adoption and Implementation of IPSASs</i>					
28.	Q1 2012	Provide support as necessary and permitted to the government as it works to adopt and implement IPSASs.	Ongoing	Accounting Standards Committee	General Secretary
<i>Review of ICARM Compliance Information</i>					
29.	Ongoing	Periodic review and update the responses to SMO 5 section.	Ongoing	President	General Secretary

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Reinforce the Rules and the Procedures for the Issues of Investigation and Discipline

*Background:*

Article 19 of the Audit Law states that ICARM shall initiate disciplinary procedures and enforce measures against members for violations of: (a) ISAs, (b) Acts of the Institute, and (c) violations of the IESBA’s Code of Ethics. Complaints are received by the Disciplinary Committee – a body which is elected by the Institute for 2 years. The Disciplinary Committee recommends initiation of the proceedings, implements a full hearing and disciplinary procedure, and votes on a proposal of disciplinary measures when there is a violation of ethics. Final sanctions are approved by the Managerial Board.

Discipline matters are included in the ICARM 2014 Rulebook which is provided in a publicly available manner on the ICARM website. Due to frequent changes in legislation, ICARM is presently conducting another review of its I&D Rulebook (the previous review was done in 2012). ICARM will further reflect on the revised SMO 6 components and will consider how these may be applied to the current system of Investigation and Discipline.

The primary objective of the present review is alignment with the amendments of the Audit Law adopted in 2014 and the new ICARM Bylaw, but will also reconsider the notions of independence of the members of the Disciplinary Committee as well as enhance the protection of the rights of defendants in cases of I&D. Additionally, this review aims to describe more precisely the procedures to be followed with respect to discipline and sanctions matters.

This activity is closely related with the mandate of the Oversight Council, which was established on January 26th, 2012.

According to the measures imposed by ICARM, the Council may impose the following measures:

- Temporary revocation of the licence of the certified auditor, audit company or certified auditor – sole proprietor, and
- Permanent revocation of the licence of the certified auditor, audit company or certified auditor – sole proprietor.

Under the Audit Law, the Oversight Council, where necessary, has the right to request ICARM to conduct control over the work of a certified auditor, audit company or certified auditor – sole proprietor. As of 2014, the Council's role and responsibilities in the area of I&D are being deliberated on.

In the period 2015-2017, ICARM has opened 10 disciplinary procedures. In the same period, imposed were the following disciplinary measures: Warning for two audit firms, Temporary suspensions from ICARM memberships for a period of 6 months for 2 audit forms, and disciplinary procedures for three audit firms were closed due to conclusion that there were no any disciplinary offences.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Prepare New Rule Book</i>					
30.	Q3-2012	Draft rules for inclusion in the ICARM Rulebook - The ICARM 2014 Rulebook is under review as of 2017 due to the new changes and amendments to the Audit Law and the new ICARM Bylaws.	Q1-2013 Completed Ongoing	Disciplinary Committee	General Secretary
31.	Q1-2015	Obtain approval and edit finalized and approved rules.	Q4-2017	President	General Secretary

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Discipline Teaching</i>					
32.	Ongoing	Undertake continual measure of the effective application of the rules during the medium-term. Review revised SMO 6 for new aspects and to ensure inclusion in planning and development of I&D system.	Ongoing	Disciplinary Committee	General Secretary
<i>Further Review</i>					
33.	Ongoing	Include knowledge of I&D system, structure and functions as part of the pre-qualification and CPD syllabus.	Ongoing	Disciplinary Committee	General Secretary

### Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b>				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y			Audit Law and ICARM Rulebooks are published on the ICARM web site.
<b>Initiation of Proceedings</b>				
3. Both a “complaints-based” and an “information-based” approach are adopted.	Y			
4. Link with the results of QA reviews has been established.	Y			
<b>Investigative Process</b>				
5. A committee or similar body exists for performing investigations.	Y			ICARM Disciplinary Committee. Disciplinary Committee recommends to the Managerial Board whether there are basis to open procedure and proposes measures.

Requirements	Y	N	Partially	Comments
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y			
<b>Disciplinary Process</b> 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y			Managerial Board initiates disciplinary procedures and imposes disciplinary measures on recommendation of the Disciplinary Committee.
8. Members of the committee/entity include professional accountants as well as non-accountants.			P	Members of the Disciplinary Committee are 5 certified auditors, ICARM members, not all in public practice. Members of the Managerial Board are 9 certified auditors, ICARM members, currently all from public practice, which is not requirement and depends on the elections. Experts, lawyers and other specialists may be included if needed, as also stated in the Rulebook.
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y			
<b>Sanctions</b> 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	Y			ICARM may impose the following disciplinary measures: public warning, fines, temporary exclusion and permanent exclusion from membership. Based on the measures imposed by ICARM, the Council may impose the following measures: – Temporary revocation of the licence of the certified auditor, audit company or certified auditor – sole proprietor, and – Permanent revocation of the licence of the certified auditor, audit company or certified auditor – sole proprietor.
<b>Rights of Representation and Appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and	Y			Appeals for disciplinary measures imposed by ICARM are submitted to the Oversight Council.

Requirements	Y	N	Partially	Comments
investigative committee.				
<b>Administrative Processes</b>				
12. Timeframe targets for disposal of all cases are set.	Y			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Y			
14. Records of investigations and disciplinary processes are established.	Y			
<b>Public Interest Considerations</b>				
15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Y			
16. A process for the independent review of complaints on which there was no follow-up is established.	Y			
17. The results of the investigative and disciplinary proceedings are made available to the public.	Y			ICARM maintains registers in which the imposed disciplinary measures are included. Registers are published on ICARM web site.
<b>Liaison with Outside Bodies</b>				
18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	Y			
<b>Regular Review of Implementation and Effectiveness</b>				
19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	Y			

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Implement and Promote the Use of IFRSs

*Background:*

The Trade Company Law requires use of IFRS as accounting standards. Medium and large size entities are obliged to use Macedonian translations of IFRS, and small and micro entities IFRS for SMEs. The standards must be translated and published in the Official Gazette of the Republic of Macedonia to be officially valid for application and updated annually to reflect changes in the standards as published by IASB.

Official standards in Macedonia are adopted and published by the Ministry of Finance.

IFRS (as issued by IASB) as translated in 2009, and IFRS for SMEs represent the set of accounting standards to be applied by all entities preparing general purpose financial information. The latest translation of IFRS was conducted in December 2009 for application by all medium and large size entities, banks, non-bank financial institutions and insurance companies. IFRS for SMEs were published in August 2011 for mandatory use by all small and micro entities from 2012 onwards. The translations were published without any changes or amendments and translations were approved by ICARM.

With the Law on Accounting Services published in the Official Gazette of the Republic of Macedonia n° 95/2012, a new Professional Association should be established, i.e. Institute of Accountants and Certified Accountants of the Republic of Macedonia (IACARM). This law mandates that IACARM shall be responsible for translation, implementation, and promotion of IFRSs and IFRS for SMEs. Consequently, ICARM is no longer responsible for translating IFRS and IFRS for SMEs. In November 2012, IACA was established as legal entity and started with initial activities in 2016.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Translation and Promotion of IFRSs</i>					
35.	Ongoing	Familiarize members with IFRSs through seminars, conferences, workshops and other educational material (case studies, e-learning, dedicated website...). ICARM: <ul style="list-style-type: none"> <li>- Ensures that annual CPD Programmes include IFRS updates. Materials are published on the ICARM web site.</li> <li>- Produced a CD with Macedonian official translation of IFRS 2009 and distributed to ICARM members.</li> <li>- General agreement for cooperation with IACA is signed in October 2017, which is base for collaborating with IACA to help facilitate more recent translations of the IFRS.</li> </ul>	Ongoing	Education, Training and Publications Committee	General Secretary

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ensuring that IFRS-related issues are included into CPD</i>					
36.	Ongoing	Arrange specific sessions for educators about the theory and application of IFRSs. ICARM: <ul style="list-style-type: none"> <li>- Participates with local CPD lectures, ICARM members, in Train-The-Trainers workshops organized by the World Bank Centre for Financial Reporting under the EU-REPARIS and STAREP programs, intended to assist in delivering effective financial reporting training for audit practitioners.</li> </ul>	Ongoing	Education, Training and Publications Committee	General Secretary
37.	Ongoing	Include compulsory training sessions on IFRSs as part of the CPD program. ICARM: <ul style="list-style-type: none"> <li>- Ensures that annual CPD Programmes include IFRS updates. Materials are published on the ICARM website.</li> <li>- CPD Programme for 2016 included 18 hours for IFRSs and IFRS updates, including IFRS for SMEs.</li> </ul>	Ongoing	Education, Training and Publications Committee	General Secretary
<i>Contribution to Standard Setting</i>					
38.	Ongoing	Prepare and submit comments on technical pronouncements and urge main stakeholders to comment also, preferably with a convergent opinion. ICARM has not participated with comments yet, but intends to do so going forward.	Ongoing	Accounting Standards Committee	General Secretary
<i>Review of ICARM Compliance Information</i>					
39.	Ongoing	Periodic review and update the responses to the SMO 7 section.	Ongoing	Accounting Standards Committee	General Secretary

INSTITUTE OF CERTIFIED AUDITORS OF THE  
REPUBLIC OF MACEDONIA

ИНСТИТУТ НА ОВЛАСТЕНИ РЕВИЗОРИ НА  
РЕПУБЛИКА МАКЕДОНИЈА

Бр. 0202-378/06  
21.12. 2017 год.  
СКОПЈЕ

Date 21.12.2017

Name Borislav Atanasovski

Title President

Company Institute of Certified Auditors of Republic of Macedonia

Address str. 11 Oktomvri no.52A/1-3, 1000 Skopje, Republic of Macedonia

Email gensec@iorrm.org.mk

Dear Ms. Prinsloo,

**Subject: Letter to Confirm Institutional Support for the SMO Action Plan**

This letter is to confirm that the leadership of the Institute of Certified Auditors of Republic of Macedonia (ICARM) has reviewed the information contained in the SMO Action Plan prepared by ICARM as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the ICARM, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

Borislav Atanasovski, President  
Institute of Certified Auditors of Republic of Macedonia  
21.12.2017

