

Based on Articles 13, 14 and 26 from the Statute of the Institute of Certified Auditors of the Republic of Macedonia, and Article 12, paragraph 1, line 10 from the Law on Audit, acting on a proposal by the Management Board, the Assembly of the Institute at the session held on the 20.12.2008 adopted the

RULEBOOK ON THE MANNER AND PROCEDURE OF DETERMINING VIOLATIONS AND DISCIPLINARY MEASURES FOR ICARM MEMBERS

GENERAL PROVISIONS

Article 1

Based on the provisions of the Statute of the Institute of certified auditors of the Republic of Macedonia – Skopje (hereinafter referred to as: the Statute), the ethic rules have to be prescribed with special regulation. This Rulebook closely regulates the rules that are aimed to assist the members of the Institute of Certified Auditors of the Republic of Macedonia – Skopje (hereinafter referred to as: the Institute) to adhere to the ethical norms and rules of conduct during auditing. The Rulebook also defines the procedures which are related to the violation of ethical and disciplinary rules.

The auditors work is determined by:

- The Law on Audit, published in the Official Gazette of the Republic of Macedonia;
- The Statute of the Institute, published on the Institute's web site;
- IFAC International Standards on Auditing, published in the Official Gazette of the Republic of Macedonia;
- Rulebook on accounting, published in the Official Gazette of the Republic of Macedonia;
- IFAC Provisions of the Code of Ethics for professional accountants, published in the Official Gazette of the Republic of Macedonia;
- Relevant professional and moral standards, which are expected to follow.

Definitions

Член 2

Certified auditor is a physical entity that has a certificate for a certified auditor and he is registered in the Institute of certified auditors.

Audit company is a trade company which is registered and carries out audit in accordance with the Audit law and the Law on trade companies.

Certified auditor – sole trader is a physical entity registered in accordance with the Audit law and the Law on trade companies and which has a certificate for a certified auditor.

Candidate for certified auditor is a physical entity that meets the conditions for sitting the exam for certified auditor, outlined in Articles 20 of the Audit law.

Subject to procedure is an auditor, audit company or certified auditor – sole trader, against which an ethical procedure has been initiated.

Subject of audit is a legal entity whose financial statements are subject to audit, in accordance with Article 478 of the Law on trade companies;

Audit activities are those which are defined in points 1,2 and 3 of Article 4 of the Audit Law.

Other professional services are other activities which can be carried out by the auditor:

- 1) Bookkeeping or other services related to accounting documentation, annual accounts or annual consolidated accounts of the entity who is subject to audit;
- 2) Preparation and implementation of financial information systems;
- 3) Internal audit services as an external contactor.

Offer. Communication with the client in order to provide an offer for audit and/or other professional services and response to the client's requests.

Publicity of the membership in the Institute

Informing the general public about the data related to certified auditors and audit companies and certified auditors – sole traders, in accordance with Article 23 of the Audit law and Article 6 of the Institute's Statute.

Advertisement

A factual and objective communication made in writing or verbally in front of persons who are independent of one another, not qualifying the services of others - even indirectly - and concerning the services offered by the auditor, with the purpose of securing an engagement.

Objective

Unbiased and free of conflicts of interest.

Associated entities are entities that are associated with the audit subject economically, financially or through other interest, in accordance with Article 4 of the Audit Law.

Relatives

The certified auditor who is married, in direct relation or indirect relation, or is related through adoption, custody or tutelage with the certified representative, member of the Managerial board or the Supervisory board of the entity which is subject to audit.

Costs incurred during ethical procedures are regarded as all the costs that can be related to the ethical procedures.

Accounting is the accounting and compilation of annual accounts and financial statements as it is regulated with Article 469 of the Law on trade companies.

Active participation is performing other professional services in a way that the auditor performs management task(s) for his client or makes management decisions, and when the auditor or the audit company or the certified auditor-sole trader or their employee performs the bookkeeping of the audited company.

Subjects of the ethics rules

Article 3

The ethics rules apply specifically to the members of the Institute.

ETHICAL AND DISCIPLINARY VIOLATIONS AND MEASURES

Article 4

The auditor commits ethical violation if:

- He fails to meet his obligation which derives from the execution of his auditing activities;
- His conduct is not in accordance with Part B of the IFAC Code of Ethics for professional accountants;
- He fails through negligence, lack of professionalism or immoral intentions to perform the auditing activities in accordance with legal requirements or standards;
- Violated the rules of conflict of interest in terms which are determined by a legal act, in terms of his activity or choice.

Article 5

The auditor violates a disciplinary measure if:

- He fails to adhere to the International Auditing Standards IAS and the IFAC Code of ethics for professional accountants;
- He fails to cooperate in an ethics procedure initiated by the INSTITUTE;
- He violates the laws of the Republic of Macedonia which apply to certified auditors or are related to financial obligations and responsibilities;
- He is convicted of a violation of a legal regulation which would deem him unfit to practice in the profession; and
- He fails to pay the annual membership fee within the deadline determined by the Assembly of the INSTITUTE.

Ethical and disciplinary measures

Article 6

When determining the ethical measures, the alleviating and aggravating circumstances, particularly the weight and frequency of violation of obligations, the degree of negligence and premeditation and incurred damage. It will also take into consideration whether the incurred damage, directly or indirectly undermines the reputation and social status of the Institute and the profession, and whether that is the case, the degree to which it is undermined will also be determined.

The INSTITUTE can implement the following disciplinary measures:

- caution;
- temporary exclusion from the Institute's membership of audit companies or certified auditor-sole trader;
- permanent exclusion from the Institute's membership of audit companies or certified auditor-sole trader.

Termination of membership in the Institute

Article 7

The following represents the basis for termination of the membership with the Institute:

- failure to pay the membership fee within the deadline determined by a decision of the Assembly of the INSTITUTE;
- failure to attend training of at least 40 hours annually within the framework of Continuous Professional Development intended to advance the knowledge in the field of

- accounting and audit, organized by the Institute in accordance with the Programme approved by the Minister of finance;
- conviction of a criminal act which would deem the person as unfit for membership in the Institute;
 - judicial decision to retract the certificate.

The Assembly of the Institute approves all permanent terminations of membership. The temporary termination of membership as well as its renewal is approved by the Management board, based on a proposal by the Disciplinary Committee.

Period of validity of ethical and disciplinary measures

Article 8

The adverse legal consequences related to the ethical and disciplinary measures are valid in a period of three years after the decision has been made.

RULES OF CONDUCT IN THE AUDIT PROFESSION

General principles

Article 9

The auditor is an independent person that during his auditing activities, is not allowed to work according to or under the influence of his director or employer, he can only be advised or instructed on theoretical and professional issues only.

The auditor cannot participate in activities that represent a threat to the formulation of an independent auditor's opinion, as well as in those that can be a threat to the completion of obligations or the activities that may limit the auditor's objectivity or independence and subsequently influence his professional convictions. If the auditor, aside from practicing auditing, provides other services for his client, he has to be careful as to not undertake responsibilities on management level during the provision of those professional services, and not to make any decisions on management level which fall under the competency of the management body.

The auditor, the auditing company or the certified auditor – sole trader is not allowed to accept an engagement for which he lacks in sufficient knowledge and practical experience or even if he's not in a position to provide the necessary knowledge and experience through the participation of an expert.

The auditor, audit company or the certified auditor – sole trader, is obligated to carry out the audit in accordance with the applicable mandatory standards in a documented manner. The auditor should attend the necessary number of training hours which are outlined in Article 21 of the Audit Law.

During the period of his engagement, the auditor should monitor the client's activities and collect information regarding the key events of the entity.

The auditor has to elaborate his position before his clients with professional arguments in an objective, clear and polite manner.

The auditor should be objective and useful and his practice has to be in accordance with the legal prescriptions which are applicable to the relevant activities and at the same time, he has to meet the obligations outlined in the contracts.

The auditor should inform the Institute if criminal charges are pressed against him. He has to identify the competent institutions and the number of the judicial case. If an official

complaint is submitted against the auditor as a result of premeditated violation for which there is 3 year prison sentence, in extremely justified instances, the Ethics Committee can suggest temporary exclusion of the auditor's membership in the Institute, until the criminal procedures have been concluded. If the auditor is found as not guilty of the charges, the temporary exclusion of membership expires on the day on which the ruling is concluded.

The auditor should put his registration number from the Register of certified auditors kept by the Institute on the audit reports which are delivered to the client, and the audit company and the auditor – sole trader should put their registration numbers from the Register of audit companies and certified auditor – sole trader, which is also kept by the Institute.

The auditor, audit company and certified auditor – sole trader are obligated to submit data determined by the Statute and other sub-legal acts of the Institute, or in accordance with any decisions made by the Management Board of the Institute.

The auditor, audit company and certified auditor – sole trader should cooperate with the Disciplinary Committee during the compliancy review with ethical rules.

The auditor, audit company and certified auditor – sole trader should cooperate or assist the auditors carrying out quality control of audit services.

Independence

Article 10

The auditor should fully and objectively carry out his work. The auditor should avoid the situations that can threaten his independence. In his auditing activities, the auditor must not become dependent on his client.

During the auditing activities, the auditor becomes dependent if he audits in:

- An audit company which is a shareholder, investor or founder of the entity that is subject to the audit;
- An audit company, legal entity which is a shareholder, investor or founder of that audit company;
- An audit company, legal entity which is a shareholder, investor in an audit company whose founder is at the same time the founder of the entity.

Or in the situations outlined below:

- The certified auditor who is a shareholder, investor, partner or founder of the entity which is subject to his audit;
- Certified auditor who has been a legal representative, member of the Management Board and the Supervisory board of the entity and has participated in the bookkeeping and preparation of the financial and tax statements of the that is the subject of the audit during the year when the entity's financial statements have been subject to audit;
- The certified auditor who is married, in direct relation or indirect relation, or is related through adoption, custody or tutelage with the certified representative, member of the Managerial board or the Supervisory board of the entity which is subject to audit;
- The certified auditor who is a partner or employee or a servant of the entity that is subject to the audit; and
- The certified auditor or audit company that has direct or indirect business relationship or financial interest in the entity which is subject to the audit or in any of its servants, members of management shareholders.

Moreover:

- When the company requests legal or contracted audit, then the owner or the co owner of the company, members of management bodies, the management body or any other member that has the right to represent the company or its employees cannot perform the audit services which are defined in the Statute of the Institute of the aforementioned company or their auditor. The ban is imposed even if the candidate for certified auditor was one of the above mentioned persons in the company which is subject to the audit in the last three years.
- Audit cannot be performed by a person that, in the last three years has participated in the ownership of the company at which he will perform audit, or if during the same period, the person has actively participated in the bookkeeping of the company at which he will perform the audit.
- The persons that have participated in the control of the economic organisation which will be subject to audit, as tax inspectors, accountant, customs officer, quality control on behalf of the Institute, or has been employed in the supervisory bodies or government institutions, cannot be appointed as an auditor in a period of three years.
- The auditor cannot perform auditing activities for budget users (primarily the local self-government), their institutions and companies of the auditor has been employed in that budget institutions for the last three years. The representatives of the local self-government or committee members (civil servants) are not allowed to perform auditing activities in that particular local self-government, institution or the association where they hold a position.

If the audit remuneration is determined by the client's decision-making body (General assembly, assembly of shareholders, etc.) or by the decision-maker, auditor, audit company or the certified auditor-sole trader, only a contract can be agreed upon which does not differ from the approved amount. It is not allowed to accept conditions outlined in the contract that relate the remuneration with the content of the auditing report. Aside from the agreed remuneration, the auditor cannot accept any other additional financial assistance that would represent value higher than the usual value.

In terms of the partial tasks in performing audit at the entity in question, the audit company or the certified auditor – sole trader, cannot appoint or use a company or the person that performs accounting services for the same client.

Conflict of interest

Article 11

The auditor will not agree to perform audit services for clients where the auditor has relatives, business relationships, any types of holdings or employment status. The auditor company or the certified auditor – sole trader will not agree to perform auditing services for clients with which he has business relationships, any types of holdings or if his managers (members of management bodies, members of supervisory bodies) have relatives among those responsible for governance (management bodies, members of supervisory bodies in the company (client)).

It is in conflict with the auditing activities if the book-keeping or an active involvement in the book-keeping is performed by the auditor, the auditor's relative, or a company in the interest sphere of the audit firm or the above listed persons for the same client and for the same period

There shouldn't be any business cooperation between the auditor, the audit company or the certified auditor – sole trader and the client, unless it refers to services which can be carried out by the auditor and are defined as other professional services in the above outlined text of this Rulebook.

When performing auditing activities at the entity, the certified auditor – sole trader or the audit company cannot simultaneously provide the above mentioned professional services because it violates the independence of the auditor and represents conflict of interest.

The auditor employed by the company that is part of the consolidation, cannot perform auditing in any other company that is part of the same consolidation.

The auditor's close relatives and the close relatives of the audit firm's senior executive officers (members of the board of directors, managing director, member of the supervisory board etc.) may not be debtors or creditors of the audited company or of the audited company's senior executive officer(s); the persons/entities mentioned above may not be one another's guarantors.

The auditor and the audit firm may not perform auditing activities at an audit firm that performs auditing for the auditor or the audit firm. Following the termination of the auditing assignment, this prohibition will prevail for three years after the last audited year.

The auditor cannot be a member of the supervisory board where the auditor or responsible persons in the company are related to him or where the auditing services are carried out by an auditor that is employed by the same audit company. After accepting an employment post, the terms and conditions for impropriety should be reviewed and if the prescriptions in the Statute of the Institute would allow the auditor to accept that employment post.

The auditor and the audit firm or the certified auditor – sole trader may not perform audit at a company where the auditor or any member or employee or any person employed in any way by the audit firm - including their close relatives, too - are considered to be senior executive officers (directors, managing directors, members of the supervisory board, etc.) of the company to be audited according to the relevant rules.

Advertisements, offers

Article 12

Advertisements and offers may not contain persuasive texts and comparisons with other auditors or audit firms. It is prohibited to refer to personal contacts and to evoke excessive expectations in any other way. The advertisement may not contain any information on the remuneration. The speed and the professional quality of the auditing service should not be praised in a manner that other auditors' identical or similar services could be recognised.

The auditors who are the authors of a publication published in a trade magazine or newspaper may identify the audit firm he works for and may indicate his positions in social associations or public bodies next to his name. It is prohibited to indicate any further information related to the services provided by that company.

It is prohibited to organise any events with the expressed purpose of recruiting clients. Auditors and audit firms and certified auditors – sole traders may advertise themselves at events and conferences where they may describe their experiences gathered in their work and may express their opinion on professional issues, but in doing so they shall refrain from advertising and praising themselves in a manner that other auditors' identical or similar services could be recognised.

Behaviour towards clients

Article 13

In the course of his professional services, the auditor shall behave in a way that is worthy of his profession, and in a firm, open and straightforward manner.

In the course of performing his work, the auditor shall have the professional skills that are sufficient - beyond the knowledge of Standards - for obtaining thorough information on the company to be audited and for assessing risk factors.

In the relation maintained with the client - in the case of different opinions - the information provided has to be confirmed in the form of written communication, too, in addition to the verbal information.

The auditor is responsible for the audit even if he employs another auditor or auditor candidate, an expert of a different profession or any other person for the completion of the audit.

Confidentiality

Article 14

The auditor, the audit firm and the certified auditor – sole trader, shall treat all the information obtained in the course of the audit in a confidential way. The auditor shall be subject to the confidentiality obligation from the time when the information or data that constitutes confidential information is given to him with the intention of giving him an assignment, irrespective of the fact whether or not the assignment is realised.

The professional confidentiality covers all the information the auditor obtained in the course of his auditing activities or pursuing his profession. The confidentiality obligation stands without a limitation in time even after the relationship between the auditor and the client terminates.

In addition to the auditor, all the persons participating in the audit and those employees of the audit firm who learn facts qualifying as auditing secrets shall also be subject to the confidentiality obligation. The person subject to the confidentiality obligation shall keep the auditing secrets from everybody.

The confidentiality obligation also means that the auditor, the audit firm and the certified auditor – sole trader may not use the information obtained in the course of providing the professional services to his/its own benefit or to the benefit of third parties and shall also avoid an appearance of such use.

Unless the law stipulates otherwise, exemption from the auditor's confidentiality obligation may be given only by the client and only in writing. The auditor may not depart from this provision in either civil or administrative or criminal procedures.

It is not considered to be a violation of the confidentiality obligation when data are supplied within the frames of the quality control system operated by the Institute, or in ethic procedures carried out by the ethic committee of the Institute, to the extent required by the ethic procedures, and when the auditing working documents are provided to the Institute employees who are commissioned to carry out the quality control.

The auditor shall respect other auditors' confidentiality obligation, shall not obtain any information illegally, and shall not use such information for any purpose.

The auditor may transfer the confidential information if the client gave his consent in writing. When obtaining such consent, the interests of the third party shall also be considered.

Cooperation between auditors

Article 15

It is a general requirement that auditors maintain a fair and friendly relationship with one another.

Auditors who get in touch with each other in the course of their auditing activities shall willingly support each other's work and shall provide the necessary information to each other. The requested professional advice or opinion should not be denied without good reason. The auditors may not provide misleading information. Confidentiality is an obligation in the exchange of professional experiences between auditors, too.

In order to acquire, the auditor may not use methods that are not allowed. Such a method may be if the auditor, audit company or the certified auditor – sole trader makes an offer with a fee lower than the fee of the auditor who has a valid contract after learning the amount of the fee from the company as an intimate information prior to making the offer, or presents the auditor or audit firm applying for the same assignment (applicant) in an unfavourable light.

Whenever a new auditor, audit company or certified auditor – sole trader is appointed or elected, the auditor should collect information at and about the company to be audited from the previous auditor. Prior to requesting information, the newly appointed or elected auditor or audit company shall obtain the written exemption from the confidentiality obligation from the company to be audited in respect of the previous auditor, and shall endeavour to discover the reason why the principal wishes to appoint a different auditor. In such cases, the previous auditor shall co-operate with the new auditor.

For three years after the termination of the auditor's employment, membership or assignment at the audit firm, it is not allowed for the auditor to secure or attempt to secure assignments of the auditor's former employer that are still valid under the original contract, for himself or for his company. The only exception is when he receives a written permission from his former employer, director or company to do so.

When auditing the consolidated annual report, if the audit is not performed by the same auditor or audit firm (e.g. different auditors were appointed for auditing the parent company and the subsidiary), it is reasonable to record the relationship between auditors in writing. The parent company's auditor shall propose this to the principal, and this should be documented.

ETHICAL PROCEDURES

General provisions

Competence and jurisdiction

Article 16

The Institute exercises its ethic powers over auditors who are members of the Institute from the moment of initiating the ethic procedures.

An ethic procedure may be initiated by anybody. Members of the Institute, members of the management board and members of the Institute's committees are obliged to initiate ethic procedures if they assume that the rules of ethics have been violated based on what they have learned in the course of pursuing their activities arising out of their office.

If an ethics procedure is initiated for the President of the Institute, then the vice-president will assume the function and competencies of the President of the Institute.

The ethic liability shall be evaluated on the basis of the legal regulations, the IFAC Code of Ethics published in the Official Gazette of the Republic of Macedonia and the Institute's regulations valid at the time of committing the ethic offence, and based on other decisions of various bodies of the Institute. If the rules in force at the time of evaluating the offence allow for a less stringent evaluation, these rules shall apply.

The persons who participate in the implementation of the ethic procedures against members of the Institute are bound by confidentiality. In the case of violating their confidentiality obligation, they shall be liable in accordance with the legislation applicable to them.

The Disciplinary committee may propose implementation of ethic procedure only on the basis of complaints made under the initiator's real name and address, and on the basis of decisions passed by the Institute and its bodies and committees formed in accordance with the Statute, as well as on the basis decisions by the Disciplinary committee and based on information obtained in the course of checking compliance with rules of ethics.

Upon the proposal of the Disciplinary committee, the Management Board orders the ethic procedure in writing, indicating the ethic offence and the evidence proving it, the place and the date of the ethics hearing, of which the members of the Institute are notified in timely manner.

The proposal for initiating the ethics proceedings shall be rejected also if:

- a) the complaint is evidently without grounds,
- b) accountability for ethic purposes ceased to exist for other reasons,
- c) the contents of the complaint have already been adjudged with final and enforceable effect

The person that has initiated the proceedings may submit an appeal to the Management Board against the decision rejecting the ethic procedure within 15 days of receiving the decision.

The auditor has the right to look at the documents and the right to receive copies of those documents at the official premises of the Institute at any time. The minutes taken on discussions and votes, the proposed decisions and documents containing state secrets or service secrets may not offered for inspection. It is not possible to deny access to documents that form the basis of the decisions, or making a copy of them by claiming that they represent professional secrets.

The hearings in the ethic procedures are not public and may be attended only by the member of the Institute subject to the proceedings, and any persons whose presence is necessary for any stage of the decision making process of the Committee, but only for the necessary period, in addition to the members of the Disciplinary committee and the person taking the minutes.

The Members of the Institute subject to ethic proceedings may present their defence in writing 8 days prior to the hearing and verbally no later than during the ethic hearing.

Deadlines specified in days do not include the date of communication or delivery (starting date). If the last day of the deadline is a day that the law considers to be a holiday or, on which the Institute does not work, the deadline will expire on the next working day. Petitions sent by post are considered submitted on the date on which they are mailed. The

consequences of failing to meet the deadline may not be applied if the petition was mailed as a registered letter on the last date of the deadline at the latest.

If the subject to the procedure fails to meet the deadline through a fault not of their own, or failed to attend the hearing before the Disciplinary committee to evaluate the violation of ethic rules, he may submit a written explanation, which will be evaluated by the Disciplinary committee. The written justification may be submitted within 8 calendar days of the last date of the deadline that he failed to meet. If the person was informed belatedly about the deadline or the above mentioned objective reasons/obstacles were eliminated at a later date, the deadline will commence on the date when the person is informed about it or on which the reasons/obstacle ceases to exist. If the Disciplinary committee accepts the written explanation, it will continue the ethics procedure, and depending on the outcome of the procedure, it will be enforced, changed or revoked. The decision rejecting the written explanation may be appealed only if the appeal has the purpose of providing an explanation for failure to meet the deadline for appeals.

Persons implementing the rules of ethics

Article 17

First instance: the Disciplinary Committee of the Institute.

Second instance: Management Board of the Institute.

Third instance: Assembly of the Institute

Members of the Disciplinary Committee and the Management Board of the Institute are elected by the Institute's assembly of delegates for a period of 3 years.

The following persons will be exempt from the implementation of the ethics rules (reasons for the exemption from ethics proceedings):

- close relatives of the member that is the subject of the procedure,
- Persons who are witnesses or experts in the procedure itself, or whose witness statements in this capacity may become necessary in the course of the procedure,
- Persons that may not be expected to form an impartial opinion on the case for other reasons,

At the beginning of the procedure, the parties concerned shall submit a report the reasons due to which they should be exempt from the procedure, to the president of the Disciplinary Committee in the procedure of the first instance and to the Management board of the Institute in the procedure of the second instance.

Provisions applicable to exemptions from proceedings shall also apply to the person taking the minutes.

The subject to the ethics procedure may file a complaint related to partiality against certain members of the Disciplinary Committee, and members of the Management board of the Institute. After hearing the person concerned, the Disciplinary Committee and Management board of the Institute will pass a resolution on whether or not they accept the exemption from the procedure. The person submitting the complaint for exemption from the proceedings may not participate in passing the resolution.

If the Disciplinary Committee or the Management Board accepts the objection related to partiality, the person concerned will be exempt from the implementation of the ethic procedure.

First instance

Article 18

The Disciplinary Committee initiates the proceedings based on a report of the Quality Control Committee of auditing services or based on a filed complaint related to ethical issues. The president of the Disciplinary Committee agrees on the place and time of the hearing. The date for the ethics hearing has to be set in a space of at least 8 days so that there will be 8 working days available between the date of the hearing and the receipt of the notification sent to the subject to the procedure.

The president of the Disciplinary Committee will gather the witnesses and may request further evidence, using experts where necessary.

The subject will be informed of the initiated proceedings as well as the reasons behind it.

If the subject to the procedure fails to attend despite a regular notification and has not provided an explanation for his absence in advance, the hearing may be held in his absence. If the notification returns from the permanent residence or office address of the subject to the procedure with the sign "unknown", the notification shall be repeated.

The Disciplinary Committee is responsible for the implementation of the ethics hearing.

The hearing will be chaired by the president of the Disciplinary Committee or a member of that Committee appointed by its president.

During the hearing, minutes need to be taken, and the person taking the minutes will produce the document containing the minutes within 8 days, and will sign it. The minutes will be confirmed by the present members of the Disciplinary Committee. The president of the committee may order the production of a sound recording instead of taking minutes, in that case the relevant employee of the Institute will produce the minutes on the basis of the sound recording.

The Disciplinary Committee will listen to the subject to the procedure, and if necessary, the person who proposed the proceedings, the witnesses and the experts.

The Disciplinary Committee during the hearing may conclude that additional documents are necessary, after which it will delay the hearing. The date of the following hearing will be additionally determined.

On the conclusion of the evidence procedure, the Disciplinary Committee will vote in a closed session, first of all on whether or not there has been a violation of ethics. If there has been such a violation, the Disciplinary Committee will present its proposal for a disciplinary measure. The Disciplinary Committee will decide on the proposal by a means of vote.

If the auditor fails to pay the Institute for his membership, he will be temporarily excluded from the membership, in accordance with a decision made by the Management Board acting on a proposal by the Disciplinary Committee. (Note for the MB: if the Statute is amended so that it doesn't have to be reviewed at the Assembly sessions).

Proposed decisions

Article 19

The Disciplinary Committee submits a proposed decision to the Management Board in writing in a period of 15 days from the day on which the proposed decision was passed.

The proposed decision will consist of an operative part and a detailed explanation. The operative part shall contain the personal data of the subject to the procedure, the ethic penalty imposed and an indication whether the decision may be appealed, and if that is the case, who may lodge the appeal against to whom, within what deadline and where. The detailed explanation of the decision shall contain the legal facts, the factual and legal conclusions drawn from the legal facts, and the calculation of the costs of the ethic procedure.

(Note to MB: consult a lawyer).

The proposed decisions are signed by the President of the Disciplinary Committee.

Second instance

Article 20

The proposed decisions are final and enforceable from the day on which they were adopted at the Management board session, apart from the cases involving permanent exclusion from membership.

The proposals and documents which are related to the subject are presented to the Management Board of the Institute for decision-making purposes.

In its decision, the Management Board can:

- a) May confirm the proposed decision for disciplinary measure, it can reject it or may modify it, or
- b) May instruct the Ethic Committee to conduct a new procedure.

The decision shall be revoked if there has been a violation of procedural rules in the procedure of the first instance. In its decision, Management board decides who will bear the costs incurred during the procedure. If the Management board decides to cease the proceedings, the Institute will bear the costs

The president of the Management board will submit the decisions passed by the Management board to the Disciplinary Committee, to the person who initiated the proceedings, the subject of the proceedings and the employer or audit firm of the auditor within 8 days.

The issues which are not regulated separately particularly concerning the minutes, the procedure of the second instance will be governed by the rules of the procedure of the first instance as appropriate.

The costs have to be transferred to the Institute's bank account.

The final decisions are signed by the president of the Management board and they are submitted to the subject.

The final decisions on implemented disciplinary measures are recorded in the Institute's documentation and are published in the paper and on the Institute's web site, and if it is a case of termination, the name is also published.

Third instance

Article 21

In cases when the proposed decision is related to permanent exclusion from membership, the final decision is approved by the Assembly of the Institute, by recommendation of the Management board of the Institute.

The president of the Institute submits the decisions passed by the Assembly to the Disciplinary, the person that has initiated the proceedings, the subject of the proceedings and the employer or the audit company of the auditor, in a period of 8 days.

Complaints

Article 22

The members of the Institute can lodge a complaint to the Minister of finance regarding the implemented measures in accordance with this Rulebook, in a period of 30 days from the day on which the information was received, and no later than 6 months from the day of the decision. Before lodging the complaint, the member of the Institute has to inform the Management board about lodging the complaint.

The Institute should be informed about any kind of decision made by the Minister of finance regarding the lodged complaint.

In cases when the disciplinary measure is related to the exclusion from membership, the auditor may not perform auditing activities, in accordance with Article 16 from the Audit law, until the Minister of finance makes a final decision concerning the subject's complaint.

The subject may initiate court proceedings against the decision made by the Minister of finance.

DISCIPLINARY MEASURES

Article 23

The rules of the ethics proceedings should also be implemented to the proceedings on disciplinary violations.

CONCLUDING PROVISIONS

Article 24

This Rulebook will be enforced on the day on which it will be passed at the session of the Assembly of the Institute for certified auditors of the Republic of Macedonia, and with prior approval by the Minister of finance.

Antonio Veljanov,

President of ICARM