

# New challenges of the IFAC International Code of Ethics. The case of the Republic of North Macedonia

## Nowe wyzwania dla Międzynarodowego kodeksu etycznego IFAC. Przypadek Republiki Północnej Macedonii

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### Abstract

**Purpose:** The main purpose of the paper is to provide empirical evidence on certified auditors' perceptions in the Republic of North Macedonia (RNM) about the new IFAC International Code of Ethics for Professional Accountants.

**Methodology/approach:** A survey was conducted by distributing a questionnaire to the certified auditors in RNM, and the answers were then analyzed.


**Findings:** The results indicate that the observance of the Code of Ethics affects the quality of audit engagements in domestic practice. The majority of practitioners believe that the fundamental principles are sufficiently clearly elaborated and can provide an appropriate basis for ethical conduct. The principle of objectivity is most exposed to threats, while the most common threat is familiarity. Safeguards created by the profession, the law, and regulations are more effective in addressing threats. Finally, practitioners agree that the innovations brought by the new Code of Ethics represent a significant benefit to the auditors' mission to preserve and strengthen their independence.


**Research implications/limitations:** The research provides empirical evidence of ethical behavior in domestic audit practice, but no similar research has been done before to make a comparative analysis.

**Originality/value:** This research is the first of this type in RNM and fills the research gap in the field of ethical behavior in the domestic audit practice.

**Keywords:** Code of Ethics, International Federation of Accountants, Principles of Ethical Behavior, Threats to Fundamental Principles, Safeguards.

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## Streszczenie

**Cel:** Głównym celem artykułu jest pozyskanie informacji na temat postrzegania przez biegłych rewidentów w Republice Północnej Macedonii nowego Międzynarodowego kodeksu etyki zawodowych księgowych IFAC.

**Metodologia/podejście:** Aby osiągnąć powyższy cel, przeprowadzono badanie ankietowe wśród biegłych rewidentów w Republice Macedonii Północnej. Cel badania jest realizowany poprzez analizę odpowiedzi na pytania.

**Ustalenia:** Wyniki badań wskazują, że przestrzeganie Kodeksu etyki wpływa na jakość zleceń badania sprawozdań finansowych w praktyce krajowej. Większość praktyków uważa, że podstawowe zasady są dostatecznie jasno opracowane i mogą stanowić właściwą podstawę etycznego postępowania. Najbardziej narażona na zagrożenia jest zasada obiektywizmu, a najczęstszym zagrożeniem jest zasada znajomości. Zabezpieczenia stworzone przez profesję, prawo i regulacje są bardziej skuteczne w przeciwdziałaniu zagrożeniom. Wreszcie, praktycy zgadzają się, że zmiany wprowadzone przez nowy Kodeks etyki stanowią znaczącą korzyść dla realizacji misji biegłych rewidentów, polegającej na zachowaniu i wzmocnieniu ich niezależności.

**Implikacje/ograniczenia badań:** Badanie dostarcza empirycznych dowodów na temat zachowań etycznych w krajowej praktyce audytorskiej. Wcześniej nie przeprowadzono podobnych badań w celu dokonania analizy porównawczej.

**Oryginalność/wartość:** Niniejsze badanie jest pierwszym tego typu w Republice Macedonii Północnej i wypełnia lukę badawczą w dziedzinie zachowań etycznych w krajowej praktyce audytorskiej.

**Słowa kluczowe:** Kodeks etyki, Międzynarodowa Federacja Księgowych, zasady etycznego postępowania, zagrożenia dla podstawowych zasad, zabezpieczenia.

## Introduction

Ethics is concerned with the requirements for people's general well-being, prosperity, health, and happiness. It requires knowledge of moral principles and skills to apply them to problems and decisions (Gay, Simnett, 2007). Ethics refers to the correctness and incorrectness of actions and good and bad intentions, as well as the consequences of such actions (Smith et al., 2009). One of the main goals of auditing as a profession is to protect the public interest, and the public needs to have confidence in auditors, as apologists of the profession. In addition to following professional standards, auditors must adhere to certain ethical requirements as an integral part of the professional regulation. These ethical requirements are incorporated into the Code of Ethics for Professional Accountants, published by the International Federation of Accountants (IFAC), which is a global professional body. "Compliance with these requirements is not only germane to good conduct and professionalism in satisfying the needs of individual clients, but it is also a means to protect public interests" (Raymond, Lee, 2013). When auditors visibly apply this moral compass in their work, the users of their findings and recommendations can rely on these findings and recommendations and uphold the good

standing and reputation of the profession. For a moral compass to be effective, it is necessary that the principles and rules of conduct can be identified, recognized, accepted as mandatory guidance, and put into practice. Putting this into practice will not always be easy. It requires knowledge of the compass, as well as professional judgment (Karssing et al., 2017). The last change in the ethics regulations took place in 2018 when IFAC issued a new, revised, and restructured International Code of Ethics for Professional Accountants (including International Independence Standards). The provisions of this Code started to be applied from the middle of 2019 on a global level, while in the domestic practice (in the Republic of North Macedonia (RNM)), it is in the translation and implementation phase. The new Code has a new structure and design, and it brings major changes and innovations in many areas, so it can be said that it has been rewritten.

The IFAC International Code of Ethics is accepted as a national Code of Ethics in domestic audit practice, which means that auditors in RNM must comply with the Code. The primary goal of the research is to provide empirical evidence about auditors' perceptions, i.e., to determine the level of knowledge of the new moral compass and the readiness of the domestic auditing profession to activate it in practice. To meet this goal, a survey was conducted by distributing a questionnaire to the certified auditors in RNM. The results of the research systematize the answers of the respondents in five categories: The impact of the application of the Code of Ethics on the quality of audit engagements; The application of fundamental principles by certified auditors; Identified threats to the fundamental principles; Safeguards taken to address identified threats; Expected benefits from the application of the new IFAC International Code of Ethics.

The findings from the literature showed a positive and significant relationship between accounting ethics and audit quality (Amos et al., 2017). According to the research results, this relationship is also present in the Macedonian auditing profession. The ethical principles applicable to professional accountants represent the essence of the profession's intentions to live and act within ethics (Bulo et al., 2020). The certified auditors in RNM agree that the fundamental principles in the Code of Ethics are sufficiently clearly elaborated and that they can provide an appropriate basis for ethical behavior. The threat of familiarity is most common in domestic audit practice, while safeguards created by the profession, the law, and regulations provide the most effective threat deterrent. When using safeguards created by the accounting and audit profession example, emphasis should be placed on educational training required of auditors for entry into the profession (Ilemona, Nwite, 2021). All the changes and innovations brought by the new Code are intended to fulfill one of the basic goals of the profession, protecting the public interest. In this context, it is necessary for auditors to maintain a high level of moral conduct so that the profession does not lose credibility in the eyes of the public. The need for moral behavior equates to the need for competence, IT skills, flexibility, and innovation (Stonciuviene, Naujokaitiene, 2016).

## 1. Literature review

Professional accountants are expected to maintain a level of ethical conduct that goes beyond society's laws (Parmar, 2015) The role of the individual, in the context of ethics, can be seen in the responsibility for disclosing illegal activities in the work environment. Disclosing illegal activities is an effective way to prevent and reduce fraud and irregularities (Suryanto, 2016) Audit standards require auditors to conduct audits independent of their clients' mental attitudes (Ashbaugh, 2004) Professional accountants may be expected to perform their work in a careful, accountable, and unwavering manner. Unwavering refers to "moral courage": the courage to act morally, to do what is believed to be morally righteous. Courage bridges the gap between thinking and doing (Karssing et al., 2017).

Professional ethics is a set of rules that guide the performance and conduct of individuals who belong to a profession and a yardstick to judge the extent of compliance and performance concerning client or public expectations (Welloff, Zultz, 2013). Professional ethics is seen as those conceptual frameworks of principles and codes of behavior that guide the conduct of members of a profession (More, Khalifa, 2010). Codes of ethics are important because they implicitly set boundaries for unethical behavior and can provide a guide to the ethical conduct of professionals in ambiguous situations (Prasad, 2012). "The growing importance of ethics within the audit profession is due to the highly resonating financial scandals which had a negative impact on the auditors. The consequence was that the auditors' integrity and morality were questioned by users of audit services (Ardelean, 2013)". As a result of changes in ethical conduct requirements, IFAC's International Ethics Standards Board for Accountants (IESBA) is constantly updating the Code of Ethics with changes and innovations dictated by business practices. The International Code of Ethics contains four Parts: Part 1 – Compliance with the Code, Fundamental Principles and Conceptual Framework; Part 2 – Professional Accountants in Business; Part 3 – Professional Accountants in Public Practice; Part 4 – International Independence Standards (IESBA, 2018). The Code contains sections that address specific topics. Some sections contain subsections that deal with specific aspects of those topics. Each section of the Code is structured, where appropriate, as follows: Introduction, Requirements, and Application Material (IESBA, 2018). The Code sets out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility, and also provides a conceptual framework that professional accountants should apply to identify, evaluate and address threats to compliance with the fundamental principles (IESBA, 2018).

In their study, to examine the distinct features of ethics of the accounting profession, Hossein and Ali (2015) revealed that "accountants and auditors should not only be qualified vocationally but should also show a high degree of honesty, rectitude in jobs and resilient to threats in professionalism". Various moral and ethical dilemmas affect the quality of service of accountants, so compliance with

ethical principles and standards is necessary for ensuring the fairness and trustworthiness of accountants (Giriraj, 2020). In his study to examine the role of professional ethics in accounting and audit, Hadi (2014) indicated that professional ethics is necessary for accounting and auditing jobs. Meanwhile, in a study of accounting ethics and firm performance, Ibidunni et al. (2018) found “a significant association between accounting ethics and the performance of accounting firm”, and they also found that “non-adherence to ethics for threats hinders independent judgment and audit firms’ performance”. The development of audit practices in compliance with well-grounded ethical values are prerequisites for enduring practice, as succumbing to threats can impede the good conduct of professionals (Bukola, Famous, 2013). Professional accountants in paid jobs face a lot of pressure from the management of their organizations to report what management wants, against the ethics of the profession (Ifeanyi, Emmanuel, 2016). The adherence to the ethics of the accounting profession enhances auditors’ independence (Oraka, Okegbe, 2015). The whole idea of ethics is that it is an action or actions of an individual or group of individuals, professionals, and business entities that could be right or wrong, judged in relation to the values and expectations of society (Hemann, Karl, 2008).

## 2. Methodology

The purpose of this research is to determine the perception of the domestic audit practice of the new International Code of Ethics for Professional Accountants. To meet this goal, a survey was chosen as the most appropriate research method due to its advantages compared to other methods, such as quick access to the target group of respondents, time, and the costs of implementation (Wright, 2005). The survey’s primary purpose was to collect information about the population that should be reliable and representative (Fricker, Schonlau, 2012). In this context, the challenge of this research method is that, in the end, the validity and reliability of the collected information should be determined, i.e., a critical review should be given (Peter, 2018).

The questionnaire was distributed to the certified auditors who are members of the Institute of Certified Auditors of the Republic of North Macedonia (hereinafter ICARM), and the answers were analyzed. They focus on the following categories: The impact of the application of the Code of Ethics on the quality of audit engagements; The application of fundamental principles by certified auditors; Identified threats to the fundamental principles; Safeguards taken to address identified threats; Expected benefits from the application of the new IFAC International Code of Ethics.

More specifically, the questionnaire consisted of 20 questions, and it was developed using *Google Drive* before being distributed to the certified auditors. The questionnaire was first sent by e-mail to ICARM, and then ICARM, as the national professional body of auditors in RNM, distributed the questionnaire to all

certified auditors, according to the Register of Certified Auditors. According to the national law, ICARM keeps a register and has a database for all certified auditors. The questionnaire was anonymous; each respondent had an equal opportunity to access it impartially, i.e., each certified auditor had an equal chance of being drawn. In other words, simple random sampling (SRS) was used as a method in which any two groups of equal size in the frame population are equally likely to be selected.

Most of the questions are quantitative, using a Likert scale from 1 to 5 (where 1 means completely disagree and 5 means completely agree). Descriptive statistics recommended for ordinal measurement scale items include a mode or median for central tendency and frequencies for variability (Boone, Boone, 2012). After adopting an appropriate technique for data collection, the data were screened, coded, and checked for inconsistencies. Using the SPSS statistical package, a Kruskal–Wallis test was conducted to see the differences in the answers between the groups of respondents, structured according to the type of audit company (or other organization) in which they work. The Kruskal–Wallis test “is a rank-based nonparametric test that can be used to determine if there are statistically significant differences between two or more groups of an independent variable on a continuous or ordinal dependent variable” (Corder, Foreman, 2009). The parametric equivalent of the Kruskal–Wallis test is the one-way analysis of variance (ANOVA), so this test is also known as one-way ANOVA on ranks. Since it is a nonparametric method, the Kruskal–Wallis test does not assume normality, unlike the analogous one-way analysis of variance.

Furthermore, the data in the research meet the basic assumptions of this test, i.e., the variables are measured on an ordinal scale (such as a Likert scale), there are two or more categorical, independent groups (there are five groups of respondents) and there is also independence of observations, as a result of the simple random sampling method that was used, which means that there is no relationship between the observations in each group or between the groups themselves. Regarding the interpretation of the results of this test, if the p-value (Asymp. Sig.) is greater than 0.05, it means that there are no differences in the answers between the groups of respondents; conversely, if this value is less than 0.05, it means that there is a difference. The questionnaire also included multiple response questions for which multiple response analysis was performed. The analysis is performed from the aspect of total respondents.

### **3. Results and Discussion**

The research covers all certified auditors, i.e., professionals in business and public practice. The number of total certified auditors in RNM is 202, following the ICARM register published on its website (ICARM, 2021). Of this number, about 20% (around 40 certified auditors) are not active, as a result of going abroad, license suspension, retirement, etc. The number of answers to the questionnaire is 62,

which means that the response rate is 30.7% of the total number of certified auditors or 39% of the active certified auditors.

In order to test the reliability of the answers from the questionnaire, *Cronbach's alpha* coefficient was calculated. This coefficient examines the internal consistency of the data, and thus their reliability. Internal consistency describes the extent to which all the items in a test measure the same concept or construct, and hence it is connected to the inter-relatedness of the items within the test (Tavakol, Dennick, 2011). It ranges on a scale from 0 to 1, so the higher the coefficient, the greater the consistency of the data. Regarding the questionnaire, this coefficient is 0.9, indicating high internal consistency, and the data from the results are reliable for processing.

**Table 1.** Descriptive statistics of the responses

Question No.	Median	Semi-inter-quartile range	Percentiles		
			25	50	75
3. Does compliance with the Code of Ethics affect the quality of the audit engagement?	5.00	0.5	4.00	5.00	5.00
4. Do you think that the fundamental principles provided by the Code of Ethics are sufficiently clearly elaborated to provide an appropriate basis for the ethical conduct of auditors?	4.00	0.5	4.00	4.00	5.00
7. If you have faced a threat, has the Code of Ethics helped you properly address it, i.e., to identify a safeguard that will eliminate or reduce the threat to an acceptable level?	4.00	0.625	3.75	4.00	5.00
9. Which of the two types of safeguards do you think has the greater application and role in dealing with circumstances that create threats to independence (1- safeguards in the work environment; 5- safeguards created by the profession, the law, and regulation)?	5.00	2	1.00	5.00	5.00
10. Do the safeguards created by the profession, the law, and regulations adequately address threats in domestic practice?	4.00	0.5	3.00	4.00	4.00
11.1. How often do you think that Loans and Guarantees pose threats to independence in domestic practice?	2.00	1.5	1.00	2.00	4.00
11.2. How often do you think that Financial Interests pose threats to independence in domestic practice?	2.00	0.625	2.00	2.00	3.25

*cont. tab. 1*

Question No.	Median	Semi-inter-quartile range	Percentiles		
			25	50	75
11.3. How often do you think that Business Relationships pose threats to independence in domestic practice?	4.00	1	3.00	4.00	5.00
12.4. How often do you think that Family and Personal Relationships pose threats to independence in domestic practice?	4.00	1	3.00	4.00	5.00
11.5. How often do you think that Fees pose threats to independence in domestic practice?	4.00	0.625	3.00	4.00	4.25
11.6. How often do you think that Gifts and Hospitality pose threats to independence in domestic practice?	3.00	1	2.00	3.00	4.00
11.7. How often do you think that Temporary Personnel Assignments pose threats to independence in domestic practice?	3.00	1	2.00	3.00	4.00
11.8. How often do you think that Employment with an Audit Client poses threats to independence in domestic practice?	3.00	1	2.00	3.00	4.00
11.9. How often do you think that Compensation and Evaluation Policies pose threats to independence in domestic practice?	3.00	1	2.00	3.00	4.00
11.10. How often do you think that Actual or Threatened Litigation pose threats to independence in domestic practice?	3.00	1.5	1.00	3.00	4.00
11.11. How often do you think that the Long Association of Personnel with an Audit Client (Including Partner Rotation) poses threats to independence in domestic practice?	4.00	1	3.00	4.00	5.00
11.12. How often do you think that Recent Service with an Audit Client poses threats to independence in domestic practice?	3.00	1	2.00	3.00	4.00
11.13. How often do you think that serving as a Director or Officer of an Audit Client poses a threat to independence in domestic practice?	3.00	1	2.00	3.00	4.00
13. Regarding auditors' observance of the provisions on ethical behavior, does ICARM take care of consistent observance of the Code of Ethics under its authorizations?	4.00	0.625	3.75	4.00	5.00



cont. tab. 1

Question No.	Median	Semi-inter-quartile range	Percentiles		
			25	50	75
14. In 2018, IFAC published a new, revised, and restructured International Code of Ethics for Professional Accountants, effective June 15, 2019. Do you think that the new Code addresses issues that were not clear enough in the previous version, which would facilitate auditors' judgment in specific situations?	5.00	0	5.00	5.00	5.00
15. Part of the changes in the new Code is the publication of International Independence Standards. In this context, will these standards help auditors maintain and strengthen their independence?	4.00	1	3.00	4.00	5.00
16. Another novelty that comes with the new Code is the publication of the NOCLAR (Non-Compliance with Laws and Regulations) standard. Will this standard help auditors decide where confidentiality ends, and disclosure responsibility begins?	4.00	1	3.00	4.00	5.00
17. The new Code contains strengthened provisions for independence regarding the Long association of personnel with the client. Do you think that these strengthened provisions will contribute to the greater independence of auditors?	4.00	1	3.00	4.00	5.00
18. Among other things, the new Code requires a greater degree of professional skepticism, especially for auditors in public practice. Do you think that such requirements should be extended to all auditors, which would contribute to greater trust and protection of the public interest?	4.00	0.5	4.00	4.00	5.00

Source: own elaboration.

The respondents' answers are structured according to two criteria. The first (Q1) is which type of company the auditors work for, split into five groups, i.e., the "Big-four" (17.7%), other international audit companies (25.8%), from local audit companies (22.6%), sole proprietor (24.2%), and other (9.7%). The second criterion (Q2) refers to their position, i.e., as partner (24.2%), manager (30.6%), senior (14.5%), assistant (21%), and other (9.7%). "Other" mostly consists of certified auditors who work as internal auditors, professors, or quality controllers. As mentioned

earlier, the Kruskal–Wallis test was conducted to determine if there are significant differences in the answers between the groups of respondents, structured according to the type of audit company (or other organization) in which they operate.

Regarding the first category of this research, i.e., the impact of applying the Code of Ethics on the quality of audit engagements (Q3), all auditors agree that compliance with the Code of Ethics affects the quality of the audit engagement (median 5.00). Following the Kruskal–Wallis test, there is no significant difference in the answers between the groups of respondents.

In the second category, the respondents agree that the fundamental principles provided by the Code of Ethics are sufficiently clearly elaborated to provide an appropriate basis for the ethical conduct of auditors (Q4), with a median of 4.00; the conclusion, based on the Kruskal–Wallis test, is that there is no difference between the groups.

The third category deals with identified threats to the fundamental principles. The respondents were first asked which of the fundamental principles they think is most exposed to threats (Q5). Respecting the experience of practitioners on this issue, we can conclude that the principles of objectivity (38.7%) and integrity (29%) are most exposed to threats. Other principles, i.e., professional competence and due care (9.7%), confidentiality (11.3%), and professional behavior (11.3%), are less exposed to threats, in the opinion of the practitioners. Regarding whether the practitioners have so far faced a particular threat according to the fundamental principles (Q6), the results indicate a divided opinion, i.e., half of them have faced threats (49.4%), and half have not (50.6). Furthermore, the auditors were asked which of the threats is most common in their operations (Q8). From their answers, we can conclude that the most common threat in domestic practice is the threat of familiarity (56.5%), while the least common is the threat of advocacy (8.1%). The other threats appear with a frequency that is between these two extremes.

The situations that create threats to the independence of professional accountants are numerous, but the Code systematizes them in the following categories: Loans and guarantees; Financial interests; Business relationships; Family and personal relationships; Fees; Gifts and hospitality; Temporary personnel assignments; Employment with an audit client; Compensation and evaluation policies; Actual or threatened litigation; Long association of personnel (including partner rotation); Recent service with an audit client; Serving as a director or officer of an audit client; and Provision of non-assurance services to an audit client. In relation to these situations that pose threats to independence, the practitioners were asked to assess how common each of these threats is in domestic audit practice (Q11.1–Q11.13). From the results of these questions, we can conclude that, in the opinion of practitioners, the situations that cause the most threats in domestic practice are Business relationships, Family and personal relationships, Fees, and Long association of personnel (median 4.00). On the other hand, Loans and guarantees and Financial Interests (median 2.00) are cause the fewest threats. In all sub-questions, the Kruskal–Wallis test indicates that there is no difference in the answers between the groups of respondents.

Safeguards taken to address identified threats is the fourth category to be elaborated. This category contains several questions. First, most practitioners believe that the Code of Ethics provides adequate support in addressing the identified threats in domestic audit practice (Q7), with a median of 4.00. Second, the practitioners were asked which of the two groups of safeguards has greater application and role in dealing with the circumstances that create threats (Q9). The majority of the respondents believe that the safeguards created by the profession, the law and regulations, have a greater application in addressing the identified threats (median 5.00). Third, in order to examine the effectiveness of safeguards created by the profession, the law, and regulations in domestic practice, the certified auditors were asked how much these safeguards provide adequate protection against threats (Q10). Judging by the respondents' answers, we can conclude that with a median of 4.00, this group of safeguards provides some protection from threats in domestic practice, which means that there is agreement among practitioners on this issue.

To examine whether the Code of Ethics adequately addresses independence threats, the practitioners were asked to assess which independence threats they consider the Code does not provide an appropriate safeguard (Q12). The results indicate that the majority of practitioners believe that the Code does not offer adequate safeguards for the following situations: Family and personal relationships (29%); Actual or threatened litigation(26%); Provision of non-assurance services to an audit client (26%). We can thus conclude, however, that the Code provides the most safeguards for Loans and guarantees (5%)and Financial interests(8%). According to the ANOVA analysis, in all previous questions in this category, there is no difference in the answers between the groups of respondents. The professional bodies of auditors must ensure practitioners' consistent compliance with the Code of Ethics. In domestic practice, as the national professional body, ICARM has that obligation. In that context, the respondents were asked whether they think that ICARM makes sure domestic practitioners consistently observe the Code of Ethics (Q13). According to the majority of respondents (median 4.00), ICARM does ensure consistent compliance with the Code of Ethics. Regarding the Kruskal–Wallis test on this question, there are differences in the answers between the groups of respondents.

The fifth and final category refers to the expected benefits of practitioners in RNM applying the new International Code of Ethics for professional accountants. The purpose of the changes in the new Code is to provide greater clarity and address issues that were not clearly elaborated in previous editions of the Code, which would facilitate the judgment of auditors in specific situations. In this context, the practitioners were asked whether they considered that the new Code of Ethics addresses issues that would meet the set goal (Q14). According to the results of the answers, the practitioners agree with this statement (median 5.00).

The following questions in this section refer to the major changes that the new Code of Ethics has brought. In relation to International Independence Standards (Q15), the practitioners believe that these standards will help them maintain and

strengthen their independence (median 4.00). Most respondents believe that the issuance of the NOCLAR standard (Q16) will help them distinguish where confidentiality ends and where the disclosure obligation begins (median 4.00). The practitioners then believe that the provisions on the Long association of personnel (Q17) will contribute to greater auditor independence (median 4.00). Most practitioners (median 4.00) believe that the provisions on professional skepticism that apply to auditors in public practice should be extended to all auditors, strengthening confidence in the profession (Q18). According to the Kruskal–Wallis test, in all questions in this category, there is no difference in the answers between the groups of respondents.

The practitioners were further asked which new or amended aspect of the new Code they consider helps auditors address certain ethical dilemmas that were not sufficiently addressed in previous versions of the Code of Ethics (Q19). Their answers focused on the following issues: International Independence Standards, the Long association of personnel, Professional Skepticism, NOCLAR, Fees, Business relationships, and Familiarity.

At the end of the questionnaire, the practitioners were asked to provide opinions and suggestions on whether, despite major changes and additions to the new Code, there are still issues or aspects regarding ethical behavior that are not sufficiently elaborated and on which attention should be given in future editions (Q20). Those who answered this question believe that in the future, attention should be paid to the following aspects: Long association of senior personnel with the audit engagement client, Professional skepticism and its application, addressing new challenges related to the COVID-19 pandemic, the new technologies, and remote work.

**Table 2.** Kruskal–Wallis test

Question No.	Chi-Square	df	Asymp. Sig.
3. Compliance With The Code	1.424	4	0.840
4. Fundamental Principles	10.507	4	0.053
7. Addressing Threat	1.816	4	0.770
9. Safeguards Application	5.738	4	0.220
10. Safeguards By The Profession Law And Regulation	0.728	4	0.948
11.1. Loans And Guarantees	0.516	4	0.972
11.2. Financial Interests	1.048	4	0.902
11.3. Business Relationships	4.258	4	0.372
11.4. Family and Personal Relationships	3.197	4	0.525
11.5. Fees	3.896	4	0.420
11.6. Gifts And Hospitality	1.371	4	0.849
11.7. Temporary Personnel Assignments	1.825	4	0.768
11.8. Employment With An Audit Client	4.129	4	0.389

cont. tab. 2

Question No.	Chi-Square	df	Asymp. Sig.
11.9. Compensation And Evaluation Policies	0.739	4	0.946
11.10. Actual Or Threatened Litigation	3.844	4	0.428
11.11. Long Association Of Personnel with an Audit Client	1.490	4	0.828
11.12. Recent Service with An Audit Client	4.215	4	0.378
11.13. Serving As A Director Or Officer ofan Audit Client	2.677	4	0.613
13. ICARM Monitoring	9.562	4	0.048
14.New Code Addressing Issues	4.647	4	0.325
15. International Independence Standards	4.878	4	0.300
16. NOCLAR	3.539	4	0.472
17. Long Term Relationship	4.883	4	0.300
18. Professional Skepticism	2.072	4	0.723

Source: own elaboration.

## Conclusion

The IFAC Code of Ethics is widely accepted among professional organizations in the world of auditing practice. In that context, organizations in countries where the dominant religion is Christianity are more likely to adopt the IFAC Code of Ethics rather than draw up their own code of ethics (Pike, Aroztegi, 2014). The Republic of North Macedonia is among those countries that do not have their own national Code of Ethics and have adopted the IFAC Code in their domestic auditing profession. This paper provides empirical evidence of the perception of certified auditors in RNM on the application of the new IFAC International Code of Ethics. The new challenges posed by the IFAC International Code of Ethics are positively perceived by domestic practitioners, i.e., they believe that the changes in the new Code will help them in their mission to maintain and strengthen public confidence in the auditing profession, as well as protect the public interest.

The aim of this research was achieved by analyzing the answers to questions that are dominantly focused on the five categories mentioned above. First, the majority of practitioners believe that the application of the Code of Ethics has an impact on the quality of engagements. Second, the fundamental principles contained in the Code of Ethics are sufficiently clearly elaborated and can provide an appropriate basis for the ethical behavior of auditors. Third, half of the practitioners have faced a threat to the fundamental principles. Thus, they believe that the principle of objectivity is most exposed to threats in the domestic practice; the most common threat is familiarity.

Regarding the imposed threats to independence, the situation that causes the most threats is the long association of personnel. On the other hand, loans and

guarantees are situations that cause the least threats. Forth, the safeguards created by the profession, the law, and regulations are more effective in addressing identified threats than safeguards created in the work environment. Regarding situations that pose threats to independence, the practitioners believe that the Code of Ethics offers the least safeguards for family and personal relationships while it offers the most safeguards for loans and guarantees. ICARM manages to meet its obligation, i.e., ensuring certified auditors' consistent compliance with the provisions of the Code.

Fifth, the practitioners believe that, in general, they will benefit from all key changes in the new IFAC Code. Recommendations for aspects to be addressed in future editions of the Code of Ethics relate to the long association of senior personnel with the client in the audit engagement, professional skepticism, and its application, addressing the new challenges related to operating during the COVID-19 pandemic, the use of new technologies, and remote work.

This paper provides new insights into the ethical conduct of auditors in the domestic audit practice. More specifically, the paper provides empirical evidence of the perception of domestic practitioners regarding key segments of the IFAC International Code of Ethics. The results of the research provide a certain overview of the practice of ethics that can be useful for practitioners, especially for ICARM, as a guide for future actions aimed at raising awareness and the importance of ethics in domestic auditing practice. However, the research faces some limitations. There is a research gap in the literature dealing with the ethical behavior of auditors in domestic practice, due to which it is not possible to make a comparative analysis about the level of compliance with the provisions of the Code of Ethics. Additionally, the latest edition of the Code has not yet been translated into Macedonian, which may be an obstacle for practitioners who do not have adequate knowledge of English to get acquainted with its content in more detail. Finally, as pioneering research in RNM, this study did not consider an in-depth, comprehensive statistical analysis, which would provide more concrete and concise results in terms of practitioners' compliance with the provisions of the Code. In this constellation of circumstances, this paper contributes to the literature by expanding the current knowledge and understanding of the perception of the application of ethical requirements of the IFAC Code of Ethics in the domestic audit practice.

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