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*The need for a prominent regional certifying
industry body and Arabic translation*

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Introduction

Mr. Chairman, distinguished guests , ladies and gentlemen, I am delighted to be with you today at this IFRS & Accounting Summit. The topic I have been asked to cover is dear to my heart, and one that the Arab Society of Certified Accountants has been working towards since its inception. We are all aware of the importance of developing rigorous auditing and financial reporting standards at both the national and the international level and that to organizations such as the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB), they are fundamental to their existence.

“Protecting the public interest by developing high-quality international standards, promoting strong ethical values, encouraging quality practice and supporting the development of all sectors of the profession around the world.” (IFAC)

“To develop, in the public interest, a single set of high-quality, understandable and international financial reporting standards for general purpose financial reporting.” (IASB)

Consistency, comparability and trustworthiness in the financial reports of any organization are essential for all stakeholders, and therefore, so is the education and training for those who prepare and certify them.

An Arab Knowledge Society

What we are talking about today is not just about improving our profession and serving the public interest. It is part of a much bigger need of working towards and converting our region to an “Arab Knowledge Society”, where knowledge is the primary production resource instead of capital and labor. In such a society, it is beholden on all governments, organizations and professions to continually ask themselves the question, Where do we stand in terms of accessibility and quality with respect to our communication infrastructure, our education and our training? It is beholden on us then to ask of our profession what skills and competencies are required by our members and potential members in order to work in and help advance the knowledge society, and whether there are weaknesses in our infrastructure that create obstacles to this.

The Arab Society of Certified Accountants (ASCA)

When ASCA was founded, the phrase “Knowledge Society” had not entered the general or business language. But if you look at what it has done, that is exactly what it was trying to achieve for the Arab accounting profession. Part of its vision was to

“Provide graduates and members with the latest developments in accountancy, such as updated international standards,”

and its mission was and still is

“An Arab regional professional society dedicated to the promotion of the highest accounting, auditing and ethical standards and to capacity building through the institution of globally recognized educational and examination qualification programs”.

It is very gratifying to know that the ASCA examinations this month will be held in 15 Arab countries.

One of the first problems ASCA encountered was the lack of textbooks in Arabic that covered both the highest technical level of accounting and allied subjects and also generally accepted international accounting principles and standards. Our initial solution was to get permission to translate from English to Arabic United Kingdom workbooks, with appropriate amendments. I am glad to say that the position in regard to Arabic textbooks has improved considerably through publications by our academics, and indeed ASCA “translation” is one of the key words for this session, and its importance cannot really be overstated. If we are to use international standards, we need to have them available in our language, but we need the translation to be standardized itself so that regional variations do not emerge. Our initial success with translation encouraged us to do more, especially in regard to the need to make international standards available for our members and others in the region. Today, we are the official Arabic translators for the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the international auditing and assurance and ethics standards of the International Federation of Accountants (IFAC). We have also prepared an Arabic version of an “IFRS Workbook and Guide” by Mirza, Orrel and Holt, originally published by Wiley.

The ASCA examination curriculum, successful candidates in which can, along with appropriate practical experience, use the designation ACPA (Arab Certified Public Accountant), has of course had to be continually revised. Perhaps our most extensive revision was when the curriculum was adjusted to comply with the recommendations of the United Nations Conference on Trade and Development (UNCTAD) which, after consultations with a group of experts from professional societies in countries such as France, Canada, the United Kingdom and many others, including ASCA, published in 1999 a guideline for the qualifications of professional accountants, including a model curriculum for their technical education. The purpose for the development of

this guideline was to benefit the international community as a whole in order to promote the global harmonization of professional qualification requirements. One of the underlying concepts of the formation of ASCA was that it would seek to do this, and still does, for the Arab region. Change is continuous, and if you do not adapt to change, then you perish. What development plans does ASCA have at present?

Arab Certified Accounting Technician (ACAT)

Looking to the future, ASCA has identified two gaps which need to be filled. The first relates to a very important group of people without whom we would not be able to provide our professional services. They are most commonly referred to throughout the world as accounting technicians, and they hold many positions in professional practice, industry and commerce as well as the public sector. The accounting technician is a qualification in its own right, but for a variety of circumstances – e.g., lack of entry-level degree qualification, lack of freedom of movement, especially in our region; many such people have been prohibited from taking professional qualifications such as CPA, ACCA, ACPA, etc. Yet they deserve recognition and should be welcomed into our profession. ASCA is going to introduce a technician qualification – the Arab Certified Accounting Technician – holders of which will become members of ASCA, provided they have the necessary practical experience requirements, and will also be able to use the designatory letters ACAT. The examinations will be online so as to permit the widest possible access. It will also be recognized as an entry qualification for the ACPA examinations of ASCA so that those who wish to try for the full professional qualification will have the opportunity to do so.

I am delighted to tell you that Part 1 of the ACAT qualification will be an Arabic version of the current Certificate in Business Accounting that is offered by one of the leading UK accounting bodies, the Chartered Institute of Management Accountants (CIMA). The Arabic version of this certificate will also be endorsed by CIMA, giving it and its holders a credible international qualification.

Islamic Finance

The second major development is related to the ever increasingly important subject of Islamic finance. There is no need to tell this audience how important it is now for all countries in the world, with, of course, a special significance to our region. It has been estimated that in the next five years, the use of the Islamic financial instrument – sukuks – for the Middle East and Southeast Asia alone will be \$750 billion. All of our accountants and trainees and indeed those who are involved in the financial sector need to learn much more about this and give it much more consideration. For a variety of reasons, we decided that ASCA was not the place for it at this time. However, our Board was delighted when, with its full support, the Talal Abu-Ghazaleh Organization (TAG-Org) signed an agreement with the UK Chartered Institute of Management Accountants (CIMA) to offer a jointly branded Arabic version of the CIMA online teaching and examination program, the “Certificate in Islamic Finance”. This will be available, at latest, by the beginning of 2009,

and plans are already being made to upgrade both versions to a “Diploma in Islamic Finance”.

Quo Vadis, or Where Do We Go from Here?

Much has been done in our region by ASCA and other accounting societies for the countries within which they operate. However, much more needs to be done, and if we are to participate and compete in the global economy, then we need to do so on a regional basis and join with each other to achieve this. When talking about translation, I referred to both the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC). Translating their standards into Arabic so that we can look at the best international practice is important, but even more important is the application of their standards in our region. Take financial reporting standards – the two most influential world bodies are the International Accounting Standards Board along with the USA Financial Accounting Standards Board. These two bodies have been and are continuing to work towards convergence of both sets of standards so that a single set of standards will be globally applicable. There is little doubt that they will succeed as both see the need for this to be achieved. There needs to be serious consideration given to the requirements for all listed companies and other appropriate entities. We are proud people and especially proud of the countries to which we belong, but that should not blind us to the need for adopting international standards and not necessarily reinventing/adapting those for our own particular country every time a new or revised standard comes along. The time to participate, and let our voice be heard, is when the standards are being prepared.

Of course, some countries do require listed companies to comply with International Financial Reporting Standards, and the auditor has to check that this is the case, but this is not universal within the region, and in my opinion it should be. The position with the International Assurance and Auditing Standards of the International Federation of Accountants is no better; indeed, I suspect it is even less so. The Forum of Firms is a network of international accounting firms which perform audits of financial statements that are or may be used across national boundaries. It conducts its business through its executive arm, the Transnational Audit Committee (TAC), which is also a committee of the International Federation of Accountants (IFAC). Its goal is to promote consistency and high-quality standards of financial reporting and auditing. Currently, it has only 18 full members which include all of the major international auditing firms, all of whom have to implement a globally coordinated quality assurance program and adhere to the auditing and ethical standards of IFAC. I would like to see a regional requirement for more audit firms to comply with such standards, even if their audits are not transnational.

These aspirations for regional and international financial reporting and auditing standards will only be achieved if all of the interested parties, such as governments, accounting societies and, very importantly, the major accounting firms, work together, preferably with the guidance and help of both IASB and IFAC. While the accounting firms are competitors in the

marketplace, there is no reason why they should not work together to achieve, in the public interest, a higher standard of financial reporting, auditing and professional education in our region. Let us do so.