

Pacesetter of Arab accounting

International firms should become more involved in the development of the Arab accounting profession, says top regional chairman
Talal Abu-Ghazaleh. Ciarán Hancock reports

IF ANYONE is going to bring the Arab accounting profession into line with the rest of the developed world in terms of education and standards, Talal Abu-Ghazaleh is the most likely candidate.

As chairman of both the Arab Society of Chartered Accountants (ASCA) and the firm which bears his name, he has been the driving force behind the movement to improve both the standing and quality of the profession in the region.

During the Third International Arab Accounting Conference, held recently in Bahrain, Abu-Ghazaleh criticised accounting firms for failing to promote change and for not being part of development in the Arab world.

"I think that it is about time that the accounting firms — and I am not just talking about the Big Six — contributed to the process of development in the Arab world," he said.

"In the US the Big Six took on the responsibility for initiating and funding a study to change accounting education in universities and schools. This is the kind of commitment I want to see by all professional firms operating in the Arab world."

Accountants have to realise that "we are not just here to render a service and make money", Abu-Ghazaleh added. "We are here to contribute to the development of the countries in which we work. In most Arab countries there is no taxation. In return for this concession, some of the money could be put back into developing the infrastructure of the profession."

At the same conference, Abu-Ghazaleh called for a seminar to be held to discuss the question of the accountability and the expectations gap.

"This is a subject that accounting firms have been handling with a great deal of shyness and inhibition. I think we should come out into the open and define where our liabilities lie. Litigation, facing major accounting firms in the developed world today, is in excess of \$20 billion.

"This is a frightening statistic, and I don't think we can shy away from this subject any longer. We need to put in place clear guidelines for the public and the courts." The ASCA plans to ask the International Federation of Accountants to define standards for the responsibility and duty of auditors.

He also believes the profession needs an "accounting dictionary" to help standardise the look of financial statements. "If you look at other industries, you will find standardised glossaries which have been issued by the recognised professional bodies," Abu-Ghazaleh said. "I think we need a dictionary which will define terminology. We need a language whereby financial statements around the world will have the same meaning."

While Abu-Ghazaleh is critical of firms for not taking a more pro-active approach in the Middle East, he does not wish to see

them barred from operating in these countries. This point of view differs from that of the former Prime Minister of Egypt, Abdul Aziz Hijazi, who accused international firms of posing a threat to the national interest (see IAB 110).

"I do not want to survive as a result of barring or restricting the Big Six. I want the firm to survive because I am as good or better than them." He said he welcomes the Big Six presence in the Middle East "because it keeps the challenge alive — which is the only way to maintain excellence. I am a very strong supporter of the free and open market without any limitation or restriction on their activities."

Abu-Ghazaleh's own firm, Talal Abu-Ghazaleh International (TAGI), was formerly a member of a Big Six network, but is now affiliated with Grant Thornton International. It formed a joint venture with Price Waterhouse in 1974, which was terminated five years later.

"We decided that the agreement had achieved its purposes for both parties," he explained. "The objective was for PW to enhance its name in the Middle East through the association, and for my firm to upgrade its professional and technical standards to international levels. Both objectives were achieved."

At the termination of the agreement with PW, the firm operated as a correspondent for Horwath & Horwath, now Horwath International, before linking up with the GTI network in 1988.

"We had been talking to a number of the Big Six," he explained. "But linking with them always involves incorporating the operation of the local firm into the international network.

GTI, he says, differs from the Big Six in that it does not dictate policy to its members. "It is more of a gathering of firms under a membership agreement where we exchange information and expertise. There is no head office in GTI which dictates policies to the member firms. It is a completely different concept. It provides us with complete independence while also giving us the technical and professional support that we need."

TAGI has 33 offices in 18 countries in the Arab world providing audit, accounting, management consulting and legal services. The firm employs more than 700 staff, including 70 partners, and has a projected fee income for year-end June 30 1993 of \$20 million.

That, according to Abu-Ghazaleh, represents a growth rate of 20 percent — one which he hopes to sustain for "at least the next five years". The firm, he said, is concentrating its expansion on increasing its legal services wing.

It already has two offices offering legal advice in Abu Dhabi and Cairo. "We are now working on operating offices in various other locations. The Arab world has entered into a boom era and there is growth in every country. I expect this to continue over the next five years."♦



Talal Abu-Ghazaleh