

**The Infrastructure of Accounting Profession
in Egypt: Current Gaps and Future
Challenges**

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Abstract

Accounting profession plays a vital role in achieving social welfare, not through providing information that helps in decision making only, but through adding to its credibility and reliability. The accounting profession in Egypt suffers greatly from serious flaws in its infrastructure, and its value added role will not be achieved without addressing these flaws and trying to find practical solutions to them.

The objective of this working paper is to address the current gaps in the infrastructure of accounting profession in Egypt and recommending mechanisms to reduce these gaps, in order to help the accounting profession to face its future challenges and continue to play its value added role. To achieve this objective, the current gaps in the accounting profession of Egypt will be analyzed, future challenges facing the accounting profession will be highlighted and mechanisms required to reduce these gaps and help accounting professionals to face these challenges will be suggested.

1. Introduction

Accounting, like medicine, law and engineering, fulfills the requirements of a profession and accordingly, it provides its role through its contribution in the welfare of society. The accounting profession has proven internationally that it is an essential profession to stakeholders in economic and governmental units and nonprofit organizations, because it provides an added value to them and to the nation as whole, not through providing and communicating information only, but through adding to its credibility.

Concerning the accounting profession in Egypt, it is important to note that Egypt, as a code law country, is characterized by weak investor protection, legal inefficiencies and weak enforcement mechanisms. In addition, privatization and different economic and political factors have shaped the accounting profession in Egypt (Elbayoumi et al., 2019). In addition, the accounting profession in Egypt faces significant gaps across various areas, including professional, academic, organizational, behavioral, and societal domains. Professionally, there are inconsistencies and a lack of standardized regulations, which are issued by multiple bodies; Egyptian Capital Market, Central Auditing Organization and the Egyptian Accounting Profession (Hassan, 2008), which weaken the profession's effectiveness. Academically, the accounting education system is outdated and does not incorporate internet related technologies like blockchain, cloud computing and

artificial intelligence (AI), leaving students underprepared. Organizationally, there is no unified professional accountancy body, and processes for licensing accounting professionals and continuous development are inconsistent. Ethical standards are also poorly applied, leading to compromised integrity and public trust. Societally, the value of accountants is not fully appreciated, which limits their role in supporting economic growth and stability. These gaps hinder the profession's potential and its ability to contribute effectively to Egypt's economy.

Given these gaps, it is critical to address the challenges the accounting profession faces in Egypt. A strong and comprehensive infrastructure is essential to ensure that the profession can fulfill its role in supporting economic development and providing value to society.

The objective of this working paper is to present a positive and realistic academic and professional point of view concerning diagnosing the gaps of the accounting profession in the middle of the third decade of the 21st century and articulating the challenges and suggesting a comprehensive framework reduce these gaps and preparing the profession to face its future challenges in Egypt in the light of the requirements of the best professional practices related to its infrastructure.

This working paper is significant as it adopts a constructive academic and professional perspective aimed at supporting the mechanisms of the accounting profession in addressing future challenges. These efforts are based on a thorough diagnosis of current professional gaps. Additionally, the paper presents insights drawn from Egypt's extensive experience and professional practice, which spans over a quarter of a century.

To achieve the objective of this working paper, its remainder will be organized as follows: Section 2 will diagnose the current gaps of the accounting profession of Egypt. Section 3 will discuss the future challenges that the accounting profession in Egypt face. Section 4 will present a suggested comprehensive infrastructure for the accounting profession in Egypt. Section 5 will summarize the working paper and recommends future research avenues.

2. Diagnosing the Current Gaps in the Accounting Profession in Egypt

The accounting profession in Egypt faces significant structural challenges that hinder its ability to perform a meaningful value-added role. These challenges include a lack of professional experience, noncompliance with established standards, and the absence of effective oversight and disciplinary bodies (Aly et al., 2024). In order to address these gaps, it is essential to begin with the definition of a professional accountant as outlined by the International Federation of Accountants (IFAC): “A professional accountant describes a person who has expertise in the field of accountancy, achieved through **formal education** and practical experience, and who demonstrates and maintains competence, complies with a **code of ethics**, is held to a high professional standard and is subject to enforcement by a **professional accountancy organization** or other regulatory mechanism” (IFAC, 2011, p. 7). Based on this definition, we classify the existing professional gaps in Egypt into five key categories: the accounting education system in Egypt, professional standards and professional accountancy body, the license to practice the accounting profession, code of ethics and professional conduct, and finally, the stakeholders’ perception of the value-added role of the accounting profession. For each of the identified challenges, we will first present relevant best practices, followed by an analysis of the corresponding issues and gaps within the Egyptian context.

2.1. The Accounting Education System in Egypt

If we start with the best practices, we can note that the accounting education system should be compliant with the academic accreditation requirements. The compliance with the qualification systems should be mandatory and not optional for all academic accounting institutions. Furthermore, the commercial studies committee affiliated with the Supreme Council of Universities, must oversee the quality of accounting education in all accounting departments across Egypt. Also, the accounting education system must be regularly updated and have such updates accredited by relevant accreditation bodies, while also being subject to ongoing review by both the official academic institutions and the stakeholders who rely on its outcomes.

The accounting education system in Egypt is suffering from several problems. These problems may include the outdated accounting courses that avoid the undergraduate students from keeping pace with the international developments and updates related to the accounting profession (Wahdan et al., 2005). Also, undergraduate accounting and auditing courses typically emphasize primary topics and the application of national standards, but they often lack coverage of international standards and global best practices (Nokhal, 2013). Furthermore, the updates related to the accounting courses are inconsistent, and in most cases, updating the courses is optional and not mandatory. In addition, there are severe differences among accounting education institutions in Egypt. These differences have their negative effect on the accounting practices by accounting graduates when they are employed.

2.2. Professional Standards and Professional Accountancy Body

For the accounting profession to fulfill its value added role, it is important that recognized, well governed and updated professional standards be issued, because the updated standards will provide guidance to accountants on the appropriate use of technology while ensuring the integrity of the audit process is maintained (Igou et al., 2023). These professional standards need to be issued by a professional accountancy organization (Hassan, 2008) and should be aligned with their international counterparts and reflecting the changing dynamics of the national professional practice environment. Furthermore, an approved mechanism that is responsible for issuing guidelines, proposing solutions and ensuring the adherence to implement them should take place. Finally, there should be an established and approved process for updating, enhancing, introducing, or removing professional standards to keep pace with the corresponding developments by the International Accounting and Auditing Standards Board (IAASB).

Concerning the current status in Egypt, we can notice that the Egyptian Society for Accountants and Auditors (ESAA), founded in 1964, is responsible for developing the accounting and auditing standards and there is no monitoring of accounting and auditing practices (Elbayoumi et al., 2019). As a result, we can conclude that there is no professional organization responsible for issuing professional accounting and auditing standards and guiding professionals working in this area. On the contrary, nonprofessional entities are issuing the professional standards, which are outdated, incomplete and inaccurate in their formulation. In addition, there are severe shortcomings in the

professional standards related to non-financial assurance services in general, and electronic assurance services in particular. Finally, there are serious shortcomings in the professional standards regarding the responsibilities of the auditor.

2.3. License to Practice the Profession

Concerning the standard practices related to licensing to practice the accounting profession, it is important to note that the license offered to accountants to practice the profession should meet the qualifications requirements, with training programs being mandatory to move to the higher categories of the accounting and auditing schedule. In addition, the professional should successfully complete a series of training program during his/her registration in each category. Once the professional is licensed as an auditor for corporations, a continuous professional development system should be followed, and he/she should successfully pass theoretical and practical exams every five years as a condition for license renewal. Finally, an official system for suspension and re-licensing that is updatable and flexible should be in place.

The license to practice the accounting profession and register for the accounting and auditing schedule in Egypt is offered to professionals who are graduated from the accounting track and have experience not less than three years. The system related to licensing accountants to practice the accounting profession in Egypt is seriously flawed, as the Law No. 133 for the year 1951 is still currently used. The accountants are having superficial training programs during their early training stages, which are not sufficient to build their practical foundation and enable them to fulfill their role. In addition, the structure of the pre-licensing exam for the second category is not adequate. Furthermore, there is lack of adherence to professional development requirements and examinations for upgrading the professionals to the upper categories. Finally, there is no well-structured system for suspension and re-licensing and no commitment to professional development after the accountant is registered in the highest categories of the accounting firms and the Central Auditing Organization.

2.4. Code of Ethics and Professional Conduct

A code of ethics and professional conduct is essential for accountants in their practice of the accounting profession. The code of ethics should involve the ethical requirements that accounting professionals should meet to be registered in the general register for the accountants and auditors (www.ifac.org).

Concerning the current status in Egypt, the Syndicate of Commerce – Accountants and Auditing (SOC) is responsible for formulating the ethical requirements in Egypt. According to the world bank (2002), the code of ethics issued by the SOC doesn't align with the International Ethics Standard Board for Accountants (IESBA) code of ethics. In 2024, the Egyptian Society of Accountants and Auditors reported that it has nearly modified its code of ethics to be in line with the latest IESBA code of ethics in 2024 (www.ifac.org).

2.5. Stakeholders' Perception of the Value-Added Roles of the Profession

Finally, it is important that stakeholders, such as investors, creditors, regulators, government units and the general public, perceive that the accounting profession is a value added profession and contributes towards enhancing the credibility of accounting information and plays an essential role in decision making. The profession does far more than simply record and report financial transactions; it enhances the credibility of financial information, ensures transparency, and upholds accountability within organizations. Accurate and reliable accounting data form the foundation for informed decision-making, risk management, and strategic planning.

In Egypt, the accounting profession suffers from being not valued from the stakeholders' side. This problem may be a result from the previously mentioned gaps that are discussed in the previous sections. That is, the inadequate accounting education system, inappropriate licensing and professional development system, absence of professional accounting organization, incompleted and outdated professional standards, and absence of updated code of ethics and professional conduct. In addition, although shareholders technically have the authority to appoint or replace auditors and set their compensation, however, in reality, these decisions are often made by company management. As a result, auditors may feel that they are under pressure to align with the preferences of the

company management, which can compromise their compliance with the accounting and auditing standards (Wahdan et al., 2005).

3.Future Challenges Facing the Accounting Profession in Egypt

In this section, we will discuss the different challenges that the accounting profession in Egypt face and that may avoid it from fulfilling its value added role.

3.1. IT Developments

Information technology has transformed how data is collected, stored, processed, and shared among business stakeholders, significantly impacting the role and responsibilities of accountants (Damasiotis et al., 2015). The IT developments, such as Big Data and its analytics, Blockchain, Artificial Intelligence and Cloud Computing represent severe challenges to the accounting profession and the accountants working in this profession (Moll and Yigitbasioglu, 2019). Accountants need to be updated with these internet related technologies and developments and learn how to use them in their work (Imene and Imhanzenobe, 2020). This calls for continuous upskilling through targeted training, updated educational curricula, and professional development programs to ensure that the profession adapts effectively to the digital transformation era.

3.2. Competition in the Accounting Market

The accounting professionals are expected to face severe international market competition, which will have its implications on their market share and future revenues. Accounting professionals need to respond to the rapidly changing customer needs and problems (Schiavi et al., 2021), keep pace with the IT developments and be updated with the most recent changes in the accounting profession (Imene and Imhanzenobe, 2020). They need to be well educated and trained. In addition, continuous professional development will be a requirement for their existence in the accounting market. In addition, accounting professionals in Egypt should offer more advanced and updated non-audit services, such as the assurance on nonfinancial information, sustainability and electronic systems.

3.3. Organization of the Accounting Profession

The organization of the accounting profession in Egypt represents the biggest challenge, because the establishment of a professional organization, as the International Federation of Accountants (IFAC), the Saudi Organization for Chartered and Professional Accountants (SOCPA) and the Canadian Institute of Chartered Accountants (CICA), requires efforts and awareness and initiation from all parties related to the accounting profession, especially the Central Auditing Organization, Financial Regulatory Authority, House of Representatives, the accounting departments in the Egyptian universities, civil society organizations, the public through specialized professional awareness programs and audio, visual and print media.

4.A Suggested Comprehensive Infrastructure for the Accounting Profession in Egypt

After the discussion presented in the previous two sections, we can formulate a comprehensive infrastructure for the accounting profession in Egypt (shown in Figure 1). To formulate this infrastructure, we will follow the steps the accounting professional take in his/her work and highlight the role of the professional accountancy body and the stakeholders' perception' of the value-added role of the accounting profession.

First, in the undergraduate stage, the accounting student in the undergraduate level should be well educated and possess strong IT knowledge and skills. This requirement necessitates the regular update of the accounting curricula and the inclusion of IT modules to equip students with the necessary competencies (Damasiotis et al., 2015). Additionally, the accounting programs and courses offered at the undergraduate level should be accredited by the national and international accreditation organizations. Also, accounting professionals need to have obligatory training during their undergraduate study and employers should support accounting students' training (Diab, 2025). This training should be monitored by their supervisors to ensure that students are benefiting from this training and to identify the gaps that may exist in their academic background and skills. Furthermore, students should sit for exams that assess their knowledge and skills, and accordingly, an evaluation of final exams should take place to ensure that they are really evaluating what students comprehend and learn. Finally, it is worth noting that instructors should have enough

knowledge to integrate information systems in the accounting and auditing curricula (Pan and Seow, 2016).

Second, after graduation stage, the accounting graduate will be seeking for jobs in the accounting market. In this stage, it is important that the educational institutions help their graduates find appropriate jobs that match their qualifications. In addition, accounting graduates should sit for exams to apply for qualified jobs. This process will provide a signal to the accounting students that only qualified students will be able to find good jobs, whether nationally or internationally. This will inturn make education institutions and graduates more committed. At the same time, the market should clearly signal the need for IT skills, such as data mining skills and IT forensic skills (Pan and Seow, 2016).

Third, during employment stage, the accounting professional should seek continuous professional development, which need to be obligatory for his/her continuation in his/her job. Accounting professionals need to invest in IT skills and tools, be conscious to cyber security, open to IT ideas and work closely with IT experts (Imene and Imhanzenobe, 2020). They should attend well developed training programs that focus on the most recent trends in the field and that enable them to acquire the needed competencies (Damasiotis et al., 2015). As for auditors, it is important for them to go through a professional process towards their licence to practice the profession. Licensing requirements should be enhanced to ensure that trainee auditors receive practical training from authorized auditing firms (Wahdan et al., 2005). Auditors need to sit for exams that assess their qualifications and skills and these exams should be developed professionally by a professional accountancy organization that aims mainly at guiding auditors and upgrading their skills. The exams that auditors sit for are expected to be mandatory for their license renewal and serious actions should be taken with those who are not committed.

Fourth, regarding the role of the professional accountancy body responsible for the accounting profession, it is worth noting that its role is important to support accountants (Pan and Seow, 2016). It is recommended that a professional accountancy body is established to guide accountants and auditors, offer training programs, raise their awareness of the most recent trends and updates related to the accounting environment. Additionally, this organization is expected to develop internship agreements between accounting education programs and auditing firms and provide regular workshops and organize seminars

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to reduce the gap between the skills desired by the accounting educators and those of the auditors (Anis, 2017). Also, the professional accountancy body is expected to issue strict rules for registering the accountants and ensuring continuous professional development, which became mandatory after the accounting profession was criticized following the major financial scandals (Paisey and Paisey, 2020). Furthermore, it is expected that the professional accountancy body issue a code of ethics and professional conduct in alignment with the international code of ethics and professional conduct and enforce it to ensure that accountants are updated and become internationally competitive. In addition, the professional accountancy body should build strong connections with its counterparts in neighboring countries to promote collaborative efforts such as shared training programs, co-development of educational materials and case studies, joint audit engagements, and peer review initiatives. These joint activities would contribute to improving performance and professional standards across the region (Farag, 2009).

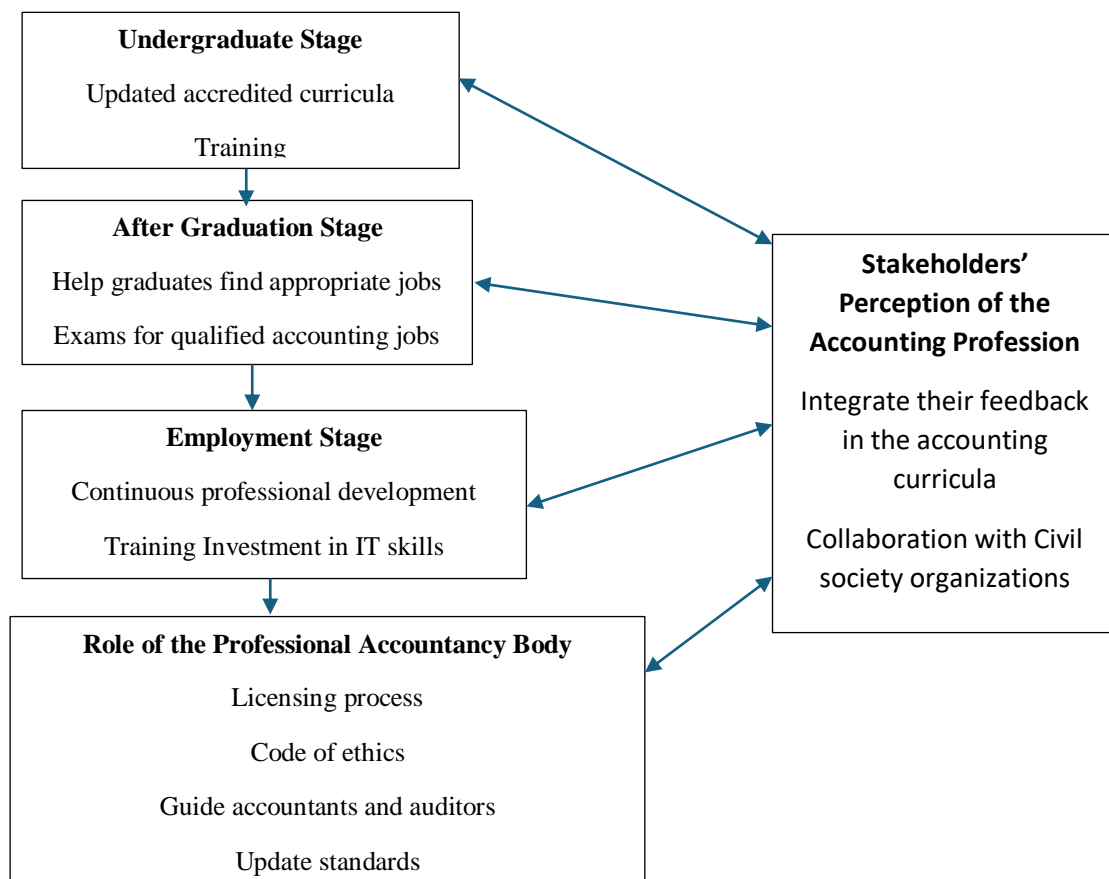


Figure (1): A Suggested Comprehensive Infrastructure for the Accounting Profession in Egypt

Finally, concerning the stakeholders' perception of the value-added role of the accounting profession, it is important to note that the stakeholders' perception is very important for the accounting profession sustainability. Stakeholders' perception is affected by the previously mentioned items and their feedback in each stage is highly important. Accordingly, it is recommended to enhance public awareness by holding sessions to educate the public and media on the critical role of accountants in ensuring financial transparency, supporting governance, and contributing to sustainable economic development. Furthermore, it is essential to encourage collaboration with civil society organizations, publish reports on the profession and updates of the standards and integrate stakeholders' feedback in the development of accounting curricula.

5. Summary and Suggested Future Research Avenues

The objective of this working paper is to address the current gaps in the infrastructure of accounting profession in Egypt and recommending mechanisms to reduce these gaps, in order to help the accounting profession face its future challenges and continue to play its value added role. Based on analyzing the current state of the accounting profession in Egypt, it was clear that the profession suffers from severe shortcomings and pitfalls, which are related to the accounting education system in Egypt, license to practice the profession, existence of professional standards, code of ethics and professional conduct and stakeholders' perception of the value-added roles of the profession. In addition, it has been noticed that the accounting profession will face future challenges related to IT development, competition in the accounting market, and organization of the accounting profession,

Building on this analysis, a comprehensive infrastructure for the accounting profession in Egypt is suggested. This infrastructure involves offering adequate accounting education system, with updated and regularly checked courses and appropriate training. Furthermore, offering adequate accounting jobs and adopting strict rules for registration, licensing and renewal of licensing for accountants and auditors. In addition, establishing a professional organization that is responsible for issuing updated code of ethics that is in alignment with international code of ethics, offering training programs and awareness sessions for accountants and auditors to ensure that they are updated with the most recent trends and updates that affect the accounting practices. Finally, enhancing stakeholders' perception of the value-

added role of the accounting profession through public awareness sessions, integrating their feedback in accounting curricula development and collaborating with civil society organizations.

Drawing on the disussion above, the following future research avenues are suggested:

- The impact of IT development on the development of accounting education in Egypt.
- The role of continuous professional development in reducing the professional accounting gap
- The role of higher education institutions in shaping the future accounting profession
- The challenges facing the accounting professionals in Egypt
- The influence of globalization and international standards on local accounting practices.

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