An Examination of the Emergence and the Development of Professional Accountancy in Developing Countries: the Case of Libya

Anis Alnafati Zras

BAcc. University of Tripoli- Libya
MSc. University of Essex - UK

The thesis is submitted in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy of the University of Portsmouth

Portsmouth Business School
October 2015
Abstract

Many accounting researchers in recent decades have come to realise the importance of recognising that accounting is more than a purely technical phenomenon divorced from the wider context in which it operates. Accounting should be viewed as a social practice intertwined with the social, political and economic environments in which it is functioning. Previous studies have established that the emergence and the development of the accountancy profession in former colonised countries did not always follow the same track as in developed countries for many reasons. Therefore, the need for further research in the context of Libya is justifiable as previous studies of the Libyan accountancy profession have generally ignored the influence of socio-political and historical factors.

The primary aim of this thesis is to examine the emergence and the development of professional accountancy in the context of Libya during three different periods: the colonial eras (1551-1951), post-independence (1951-1969) and in the aftermath of the military coup (1969-2003). The secondary aim of this research is to investigate the conditions of possibility which lead towards the emergence of the accountancy profession in Libya, and link the outcomes of professionalization endeavours to the wider social context in which they occurred.

To achieve the objectives of this research, this study relies on the ideas of power and knowledge relations introduced by Michel Foucault. Foucault’s ideas provide a better understanding of the emergence and the development of the accountancy profession, as ‘events’ and ‘discourses’ are central to understanding the emergence and the functioning of particular phenomena. Foucault explored how disciplinary knowledge functioned and how power was exercised. Thus, the professional body is viewed as a body of knowledge which emerged as a result of power relations.

The study explores the multiple discourses which led to the emergence of the accountancy profession. The auditing profession started to emerge during the British administration which indicates that the British contributed to the evolution of the accountancy profession in Libya. The findings of this research provide an alternative view to the professionalization process in Libya. Also the findings of this research suggest that the accountancy profession was emerged and developed through banks during the 1950s and not through oil companies. Finally, the emergence of the Libyan Association of Auditors and Accountants LAAA is the outcome of the interplay between individuals (Libyan accountants) and institutions (the RCC and the FM) after the military coup in 1969.

Keywords: Accounting history, history of the accountancy profession, professional accountancy in Libya.
Declaration

Whilst registered as a candidate for the above degree, I have not been registered for any other research award. The results and conclusions embodied in this thesis are the work of the named candidate and have not been submitted for any other academic award.

Word Count: 78,118 Words

Anis Alnafati Zras

Signature: Anis

Date: 30/10/2015
# Table of Contents

Abstract .......................................................................................................................... I

Declaration ..................................................................................................................... II

Table of Contents .......................................................................................................... III

List of Tables ............................................................................................................... VIII

List of Figures .............................................................................................................. IX

List of Abbreviation and Acronym .............................................................................. X

Acknowledgments ....................................................................................................... XII

Dedication ..................................................................................................................... XIII

Chapter 1: Introduction ............................................................................................... 1

1.1 Background to the Research Issue ................................................................. 1

1.2 Research Aims ................................................................................................. 7

1.3 Research Approach ......................................................................................... 10

1.4 The Significance and Contribution of the Proposed Research .................. 14

1.5 Structure of the Thesis .................................................................................... 17

1.6 Conclusion ...................................................................................................... 23

Chapter 2: Literature Review ..................................................................................... 25

2.1 Introduction .................................................................................................. 25

2.2 The Sociological Perspective on Professions ............................................ 26

2.2.1 Conventional Approaches ...................................................................... 27

2.2.2 The Interactionist Approaches .............................................................. 30

2.2.3 Critical Approaches .............................................................................. 33

2.2.3.1 The Neo-Weberian Perspective ....................................................... 33

2.2.3.2 The Marxian Perspective ................................................................ 38

2.2.3.3 The Foucauldian Perspective ......................................................... 41

2.3 Former Studies Carried out on the Emergence and Development of the Accountancy Profession in Developed and Developing Countries .............. 46
2.3.1 Studies Conducted on the Emergence and the Development of the Accountancy Profession in Developed Countries ........................................47

2.3.2 Studies Conducted on the Emergence and the Development of the Accountancy Profession in Developing Countries ........................................66

2.3.3 Earlier Studies Conducted on the Development of the Libyan Accountancy Profession ....................................................................................78

2.4 Adopting a Foucauldian Approach to Examine the Emergence and the Development of Professional Accountancy in Libya ........................................86

2.5 Conclusion .................................................................................................................................................89

Chapter 3: Theoretical and Methodological Framework .................................................................91

3.1 Introduction ..............................................................................................................................................91

3.2 Alternative Schools of Thought on Accounting Research ............................................................92

3.2.1 Mainstream Accounting Research .................................................................................................93

3.2.2 Interpretive Accounting Research ..................................................................................................95

3.2.3 Critical Accounting Research .........................................................................................................97

3.3 The Contextualisation of Accounting ..................................................................................................99

3.4 The New Accounting History ...........................................................................................................100

3.5 Michel Foucault (a Historian of the Present) ....................................................................................105

3.6 Archaeology Approach .........................................................................................................................110

3.7 Genealogical Approach ......................................................................................................................114

3.8 Foucauldian Approach and Accounting Studies .............................................................................120

3.9 The Framework to Understand the Emergence and the Development of the Professional Accountancy in Libya ........................................................................127

3.10 Data Collection Methods ..................................................................................................................130

3.10.1 Secondary Data (Documents and Archive) ..................................................................................131

3.10.2 Semi-Structured Interviews ........................................................................................................133

3.10.3 Oral History ................................................................................................................................135

3.11 Conclusion .............................................................................................................................................138
Chapter 4: The Evolution of the Libyan Accountancy Profession and its Colonial Heritage (1551-1951) ........................................................................................................ 139

4.1 Introduction ........................................................................................................ 139

4.2 The Status of Accounting during the Ottoman Empire ................................. 143

4.3 The Status of Accounting during the Italian Occupation .............................. 154

4.4 The Status of the Accounting Profession during the British Administration Period ......................................................................................................................... 166

4.4.1 The Adventure of the Barclays Bank (Dominion, Colonial and Overseas) in Libya ........................................................................................................ 168

4.4.2 The Establishment of the Administrative Council in Tripolitania. 172

4.4.3 The Banking Proclamation No. 211 of 1950 ............................................. 173

4.4.4 The Re-opening of the Italian Banks in Libya ........................................ 178

4.5 Conclusion ........................................................................................................ 181

Chapter 5: The Development of the Libyan Accountancy Profession under the Monarchy Regime (1951-1969) .................................................................................. 184

5.1 Introduction ........................................................................................................ 184

5.2 The Political System during the Monarchy Regime ....................................... 185

5.3 The Libyan Economic, Business and Social environment .......................... 189

5.4 The Establishment of the Libyan National Bank and the Libyan Currency Law ....................................................................................................................... 199

5.5 The Development of the Libyan Regulations and Laws under the Monarchy System .............................................................................................................. 202

5.5.1 The Libyan Commercial Code ................................................................. 203

5.5.2 The Development of the Libyan Tax Law .................................................. 205

5.5.2.1 The Tax Law No. 21 of 1968 ................................................................. 206

5.5.3 The Emergence of the Libyan Petroleum Law No. 25 of 1955..... 209

5.6 The Development of Accounting Education during the Monarchy Regime ..................................................................................................................... 210

5.7 The Birth of a Postcolonial Accountancy Profession .................................. 213
5.7.1 The First Attempt to Localise the Accountancy Profession in Libya under the Monarchy System ................................................................. 217

5.8 Conclusion ............................................................................................................. 218


6.1 Introduction ............................................................................................................. 221

6.2 The Political System Post-September Coup (1969-2003) ................................. 222

6.3 The Development of Libyan Economy during Gaddafi’s Regime ................. 230

6.4 The Development of the Libyan Commercial Code and the Tax Law after the September Coup ............................................................ 237

  6.4.1 The Development of the Libyan Commercial Code .............................. 237

  6.4.2 The Development of the Libyan Tax Law ........................................... 238

  6.4.2.1 The Tax Law No. 64 of 1973 ......................................................... 239

6.5 The Establishment of the Libyan Professional Accountancy Body .......... 242

  6.5.1 The Libyan Association of Accountants and Auditors (LAAA) ......... 244

  6.5.1.1 Registration as a Chartered Accountant in Libya ....................... 254

6.6 The Lockerbie Crisis and its Implications on the Libyan Economy ....... 257

  6.6.1 The Lifting of the UN Sanctions ......................................................... 258

6.7 Libyan Accounting Education and Academic Research ......................... 259

6.8 Conclusion ............................................................................................................. 263

Chapter 7: Summary and Discussion of the Research Findings ..................... 266

7.1 Introduction ............................................................................................................. 266

7.2 The Emergence of Accounting Practices during the Colonisation Periods ............................................................................................................. 266

7.3 The Shift from Sovereign Power to Disciplinary Power under the Monarchy Regime ......................................................................................... 272

7.4 The Birth of the Professional Body and the Interplay between the Sovereign Power and Disciplinary Power after the Military Coup ......................... 277

7.5 Conclusion ............................................................................................................. 281
Chapter 8: Conclusion and Reflection ................................................................. 283
8.1 Introduction ................................................................................................. 283
8.2 Summary ..................................................................................................... 283
8.3 Contribution to Knowledge ................................................................. 285
8.4 Reflections .................................................................................................. 291
  8.4.1 Limitations of the Study ................................................................. 292
  8.4.2 Further Research .................................................................................. 293
8.5 Conclusion .................................................................................................. 295
Appendices ......................................................................................................... 297
Appendix 1: The first picture shows the Bank of Rome building surrounded by British military vehicles and the second picture shows the opening of the Barclays Bank ................................................................. 297
Appendix 2: The British military currency ...................................................... 299
Appendix 3: The Banking Proclamation No. 211 of 1950 .............................. 300
Appendix 3: A letter from the Barclays bank in Alexandria (local head office) to Tripoli branch and a list of bank’s auditors ......................................................... 312
Appendix 4: Proclamation No. 212, the Press Law ........................................ 314
Appendix 5: The Libyan Currency Law No. 4 of 1951 and its amendment ...... 322
Appendix 6: The Law No. 30 of 1955, establishing the National Bank of Libya. ......................................................................................................................... 328
Appendix 7: The Libyan branches of Barclays bank DCO audit report produced in 1968 and Signed by two foreign accounting firms and the consolidated balance sheet ................................................................. 344
Bibliography ....................................................................................................... 362
Archival documents ........................................................................................... 383
List of Tables

Table 1-1: The three episodes of the development of the accountancy profession in Libya .................................................................................................................................................. 15

Table 3-1: Participants’ information .......................................................................................................................................................................................... 135

Table 4-1: The tithe collected in sterling pound in Tripolitania (1894-1902) .......................... 147

Table 4-2: The Werko tax collected in piasters in Tripolitania (1894-1902) ................................. 149

Table 4-3: The spending on education in comparison to the total expenditure in sterling pound during 1894 and 1898 ................................................................................................................................................. 152

Table 4-4: Summary of the Italian Government on public expenditures in Libya from 1913 to 1942 in thousand liras .......................................................................................................................................................... 158

Table 4-5: The 1923 Italian tax law ........................................................................................................ 163

Table 4-6: Libyan imports and exports during 1945 and 1950 (in Libyan pound in thousands) .......................................................................................................................... 171

Table 5-1: Oil exports during 1961 and 1968 .................................................................................. 195

Table 5-2: The external trade and its impact on the trade balance ................................................. 196

Table 5-3: The income tax rates during 1960 ................................................................................. 206

Table 5-4: The general tax rates during 1968 ............................................................................... 208

Table 5-5: The corporation tax rate for audited profit only .............................................................. 208

Table 6-1: Libyan GDP by the industrial sectors 1970–1999 .......................................................... 233

Table 6-2 Registered members in the LAAA record in 2002 ........................................................ 248
List of Figures

Figure 1-1: The structure of the thesis ..............................................................18

Figure 2-1: Strategies of regulation situated in relation to dominant models of social order .................................................................60

Figure 4-1: Map of Libya.............................................................................143

Figure 5-1: Number of establishments newly registered in the commercial Register between 1963 and 1969.................................................................197

Figure 5-2 Number of students in faculty of economics and commerce in the University of Libya during 1957-58 and 1970-71 .........................................................211

Figure 6-1: The authority of the people ..........................................................228

Figure 6-2: Educational and experience options for professional membership with the LAAA.....................................................................................256

Figure 7-1 The emergence of the Libyan accountancy professional body ..........279
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAEA</td>
<td>Association of Accountants in East Africa</td>
</tr>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>ANAN</td>
<td>Association of National Accountants of Nigeria</td>
</tr>
<tr>
<td>BCB</td>
<td>Banking Control Board</td>
</tr>
<tr>
<td>BEA</td>
<td>British Eighth Army</td>
</tr>
<tr>
<td>BGA</td>
<td>Barclays Group Archives</td>
</tr>
<tr>
<td>BMA</td>
<td>British Military Administration</td>
</tr>
<tr>
<td>BP</td>
<td>Banking Proclamation</td>
</tr>
<tr>
<td>BPCs</td>
<td>Basic Popular Congresses</td>
</tr>
<tr>
<td>CACPA</td>
<td>Chinese Association of Certified Public Auditors</td>
</tr>
<tr>
<td>CFA</td>
<td>Controller of the Finance and Accounts</td>
</tr>
<tr>
<td>CICPA</td>
<td>Chinese Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>CIMA</td>
<td>Chartered Institute of Management Accountants</td>
</tr>
<tr>
<td>CIOT</td>
<td>Chartered Institute of Taxation</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>GPC</td>
<td>General People’s Congress</td>
</tr>
<tr>
<td>IA</td>
<td>Institutes of Accountants</td>
</tr>
<tr>
<td>IASC</td>
<td>International Accounting Standards Committee</td>
</tr>
<tr>
<td>IASs</td>
<td>International Accounting Standards</td>
</tr>
<tr>
<td>ICAC</td>
<td>Institute of Chartered Accountants of the Caribbean</td>
</tr>
<tr>
<td>ICAJ</td>
<td>Institute of Chartered Accountants of Jamaica</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>ICAN</td>
<td>Institute of Chartered Accountants of Nigeria</td>
</tr>
<tr>
<td>ICASL</td>
<td>Institute of Chartered Accountants of Sri Lanka</td>
</tr>
<tr>
<td>ICATT</td>
<td>Institute of Chartered Accountants of Trinidad and Tobago</td>
</tr>
<tr>
<td>IPC</td>
<td>Institute of Public Control</td>
</tr>
<tr>
<td>KAAA</td>
<td>the Kuwait Association of Accountants and Auditors</td>
</tr>
<tr>
<td>LAAA</td>
<td>Libyan Association of Auditors and Accountants</td>
</tr>
<tr>
<td>LAB</td>
<td>Libyan Auditing Bureau</td>
</tr>
<tr>
<td>LCC</td>
<td>Libyan Commercial Code</td>
</tr>
<tr>
<td>LIJCHS</td>
<td>Libyan Jihad Centre for Historical Studies</td>
</tr>
<tr>
<td>MF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>NA</td>
<td>National Archives</td>
</tr>
<tr>
<td>NLB</td>
<td>National Libyan Bank</td>
</tr>
<tr>
<td>RCC</td>
<td>Revolutionary Command Council</td>
</tr>
<tr>
<td>SAB</td>
<td>State Accounting Bureau</td>
</tr>
<tr>
<td>SAE</td>
<td>Society of Accountants in Edinburgh</td>
</tr>
<tr>
<td>T&amp;T</td>
<td>Trinidad and Tobago</td>
</tr>
<tr>
<td>TUT</td>
<td>Third Universal Theory</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNSC</td>
<td>United Nations Security Council</td>
</tr>
</tbody>
</table>
Acknowledgments

This thesis would never have been completed without the kind help of so many people to whom I wish to express my sincere gratitude.

First and foremost, I would like to extend my deepest gratitude to Professor Lisa Jack, my principal supervisor, who has provided enormous support, time and excellent guidance throughout my study. I also want to thank Professor Barry Smart for his support and encouragement.

My gratitude also extends to numerous people in Libya. I am indebted to the former chairman of the Libyan Association of Accountants and Auditors (LAAA), the late Mr Mahmud Tantoush for his help; I believe that this thesis would not have been so fascinating without his contributions. Special thanks and appreciation also goes to staff and colleagues at the Portsmouth Business School for their valuable time and assistance.
Dedication

To my parents and my sisters:

Thank you all for your prayers, support, love and sacrifice.
Chapter 1

Introduction

1.1 Background to the Research Issue
Since records began, accounting has been featured. However, it wasn’t until the industrial revolution the accountancy profession took the form it has today. The history of accounting can be traced back to ancient civilisations. For example, in the Mesopotamia, scholars found records dated back more than 7,000 years. Those documents belonged to ancient Mesopotamia and contain lists of expenditures and goods received and traded. On the other hand, the development of audit systems can be also linked to the ancient Egyptians (Ezzamel, 2012). Furthermore, the Italian Luca Pacioli, who was born between 1446 and 1448 in Tuscany, became known as the Father of accounting and bookkeeping as he was the first writer to publish a work on double-entry bookkeeping, which was then developed during the medieval period in Europe (Friedlob & Plewa, 1996; Heeffer, Benedikt, Thomas, & Van, 2009; Lauwers & Willekens, 1994). Accounting practices refers to the measurement, disclosure or provision of assurance about financial information which can help different parties to take decisions within a given business environment, whilst accountancy refers to the roles of accountants who carry out accounting tasks and are bound by professional codes of practice.

Subsequently, crucial developments within accountancy started during the first half of the nineteenth century onwards, after strenuous efforts were made by accountants in the Anglo-American world. As a result accountancy formed into an organised profession. For instance, the growth of the accountancy profession in the United Kingdom was primarily a result of the commercial and legal activities of bankruptcy, insolvency and the winding up
of companies. In 1853, the local professional body in Scotland was established, the Society of Accountants in Edinburgh (SAE), and in 1880, the Institute of Chartered Accountants in England and Wales (ICAEW) was established (Walker, 1995).

Arguably, accountancy, as a practice and a profession, can be characterised as a Western technology. However, it has been spread across geographical boundaries and become one of the most globally used professions. Imperialism and colonialism are among the vital factors which contribute to the worldwide spread of accountancy. The key issue is that, in many previously colonised countries, colonisers tend to impose and apply the same regulations and practices of their mother countries, resulting in accountancy structures in most formerly colonised countries which follow the same regulations and structure of their previous colonist, even after obtaining independence. Libya is not an exception.

Thus, Libya was also influenced by the regulations and the practices which it inherited from its former colonisers. Therefore, it is important to study how the accountancy profession developed in each developing country individually, as each country followed a different path. Therefore, this research explores the emergence and the development of professional accountancy in Libya, in order to enhance our understanding of the historical events which contributed to such an emergence. This study examines the contributions made by different former colonies towards the emergence and the development of the accountancy profession in Libya. The focus of the research then is to explore the process by which the accountancy profession was organised and regulated in a ‘volatile developing economy’ like Libya, and explain how Libyan accountants managed to establish the local professional body.
Libya is a developing country which has witnessed dramatic changes in recent decades. It used to be one of the poorest nations, when all of a sudden it became one of the richest countries in the world. Libya is a producer of high quality oil and gas with low sulphur. Libya takes advantage of its location between the European market and Mediterranean countries. The country has been classified as the world’s eleventh oil producer. Therefore, Libya plays an important role in world economy (Attir and Al-Azzabi, 2002).

Historically, Libya was colonized by the Turkish from 1551 to 1911 – which included three periods of the Turkish rule - the Italians from 1911 to 1943 and the British and the French administration from 1943 to 1951. Each of these colonial powers controlled accounting affairs. Independence was declared on the 24th December 1951, by King Idris Al- Senussi, Libya’s one and only king, and from then until the end of April 1963 a federal form of government operated, after which the Unitary system was introduced. This system remained in power until the overthrow of the sovereign regime.

The development of the accountancy profession during the period after independence was mainly dominated by foreigners, with only a small number of Libyan accountants managing to obtain a licence from Ministry of Finance (MF). In addition, there were some attempts made by Libyan accountants to localise the accountancy profession in Libya during the 1960s. Thus, the achievement of political independence in the United Kingdom of Libya did not help nurture the local accountancy profession like it had in other former colonised developing countries, which managed to develop their own accountancy profession after obtaining their independence (see for e.g Poullaos, 2009; Uche, 2007).

A revolutionary movement followed on the 1st September 1969. Henceforth, the system in
Libya was completely changed and a new system based on what has become known as the Third Universal Theory (TUT) emerged. This theory is based on the Green Book\(^1\) (GB); Colonel Muammar al-Gaddafi was the originator of this book. Gaddafi claims that the GB provides solutions for the world’s problems, such as wage systems and production problems.

Moreover, during the 1970s, the Revolutionary Command Council (RCC) employed different approaches that aimed at nationalizing all private sectors and they denied international companies and the private sector the right to invest in Libya. Thereafter the Libyan Arab Republic was born and later, on the 3rd March 1977, Libya’s name was once again changed to become the Socialist People’s Libyan Arab Jamahiriya (Ahmad, 2004).

Furthermore, Libya’s economy was operating domestically based on socialist theory for a long time. In 1981, the Libyan regime took more actions against rights to maintain private practices. Subsequently, all professional occupations were abolished by the government (Ahmida, 2005). Surprisingly, the only occupation which was not affected by that law was accountancy. This raises an interesting question about how an accountant can practice accounting and auditing tasks in a country where the private sector no longer existed, and where all government owned companies were audited by the government accountancy body, which had been established during the monarchy regime: the State Accounting Bureau (SAB) established by the Law No. 31 of 1955. The SAB was affiliated to the

\(^{1}\) The Green Book is a political work written by Muammar al-Gaddafi in the 1970s. In this book Gaddafi outlines his principles of political, economic and social ideas and solutions. This book is similar to the little Red Book of China.
Ministry of Finance during its early years.

In addition, the accountancy profession in Libya has a short history of about 65 years. Auditing and accounting practices started during the 1950s when the government began issuing regulations and laws, which required businesses (mainly banks) to be audited by independent auditors. At that time auditors were required to be approved by the Banking Control Board (BCB) before being engaging in any auditing tasks. However, from the 1960s, the MF provided accountants and auditors with a temporary licence which enabled them to establish accounting and auditing firms; this licence at that time was available to everyone, regardless of the nationality of the applicant. Consequently, many foreigners came from developed countries to establish accounting firms after the discovery of oil in 1959 (Kilani, 1988).

Subsequently, it took Libya almost two decades to regulate public accountants. As of 1973, Law No. 116 was issued and marked the first time that professional accountancy in Libya had been regulated. This law enacted the establishment of the Libyan Association of Auditors and Accountants (LAAA). The main purpose of this Law was to localise the accountancy profession in Libya (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973).

During the 1980s, the military regime followed a socialist ideology and closed down all private businesses. As a result of the government favouring the public sector and denying the private sector, the demand for accounting and auditing services dwindled. Thus, accounting practices at that time consisted of simply recording expenses, because most public sector business did not seek to make profit. Many chartered accountants had to find
alternative occupations, such as becoming lecturers and working within the government sector.

Almost 10 years later, during the 1990s, the Libyan government were prompted to take different approaches, after the United Nations (UN) sanctions were imposed as a result of the Lockerbie crisis. The private sector started to play a major role in the Libyan economy and the exclusive practices of socialism started to disappear in favour of private sector business. Consequently, foreign companies established branches in Libya because the government had produced new laws to protect foreign investors. However, the Libyan accountants seemed to be less than qualified to meet this demand. Since the role of accounting had changed dramatically, some international accounting firms started opening branches to get into accounting and auditing services\(^2\).

As a response to the rapid development of international economies and the issues associated with globalisation, many developing countries increasingly sought to enhance their accounting systems, therefore justifying that the study of the development and the emergence of an accountancy profession is vital in order to show how other countries have encountered and subsequently improved the condition of their accountancy profession. The LAAA was established in 1973, yet it has failed to meet its objectives of regulating and organising the profession. Thus, giving an introduction to the problems and the issues which occurred when the profession was first introduced seems to be crucial, as Libyan professional accountancy appears to be undeveloped.

\(^2\) According to Law No. 116 article 23, regarding organising the accountancy profession, practising accounting and auditing in Libya is restricted to LAAA members only (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973).
Over the last 60 years Libya has adopted different types of economic orientations which subsequently have affected the structure of the business environment, accounting education and accounting practices. Exploring which conditions led to professional accountancy to emerge in a ‘volatile developing economy’ like Libya would contribute to improving our understanding of the accountancy profession phenomenon, by illustrating its origins and documenting the history of professional accountancy in other developing countries like Libya.

1.2 Research Aims
Previous studies have established that the emergence and the development of the accountancy profession in developing countries did not always follow the same track as in developed countries for many reasons. Thus, the forms and the outcomes of professionalization endeavours are also closely linked to the wider social context within which they occurred. Therefore, there is a need to explore the contexts of other countries in order to improve our understanding of the accountancy profession phenomenon; there are also various differences amongst developing countries. In this regard, Miller, (1994) argues that:

By 1980, the appeal to study accounting in the contexts in which it was located was given a wider social science setting. By this date, a view was emerging that a much bolder step was required. It was important that accounting be situated in its social as well as its organisational contexts (p. 5).

Therefore, Libya offers an interesting case not only due to its colonial past but also because it has not been explored yet. This lack of attention is curious given Libya’s rich history.
Thus, “… further research on accounting’s professional origins is encouraged in order to shed greater light on how accounting came to occupy its privileged position within the vocational continuum” (West, 1996, p. 94).

Subsequently, the primary aim of this research is to have a better understanding of the emergence and the development of professional accountancy in Libya, by illustrating its origin, and examining the factors which contributed to nurturing the accountancy profession in Libya. That will include an investigation of the impact of the colonisation periods on the accounting aspects and practices in Libya, and how the profession developed during the early stages after independence. In addition, the internal and external elements which have contributed to the emergence and the development of accountancy profession will be examined throughout this research.

Of course, there are other justifications for conducting this particular research, as the history of the profession should be acknowledged and documented, and since, “…the impact of colonization on the professionalization of accountants has not been widely studied” (Chua & Poullaos, 1998, p. 156). Therefore, this research adds to accounting knowledge by providing a documentary history of the emergence and the development of professional accountancy in Libya and examining the impact of the colonial regimes on the emergence and the development of the accountancy profession.

Moreover, the accounting literature does not provide a comprehensive understanding of how the accountancy profession operates in developing countries. In this regard Miller (1994) argues that:

It is not (to) suggest that the analyses of accounting within organisations are
unimportant. But it is to suggest that if we are to understand fully how particular ways of accounting have emerged, and why such significance is accorded them, we have to move beyond the boundaries of the organisation and examine the social institutional practice of accounting (p. 20).

The secondary aim of this research is to investigate the conditions of possibility which led to the emergence of the accountancy profession in Libya by bringing together historical events which have not yet been brought together. Apparently, little is known of the history of the accountancy profession, which subsequently led to inconsistencies in current knowledge regarding the professionalization process in Libya (see for e.g Ahmad & Gao, 2004; Bait-El-Mal, Smith, & Taylor, 1973; Shareia, 2014).

In addition, the history of the accountancy profession during the colonial periods has not yet been studied intensively to provide a more accurate and comprehensive story regarding the origin of the accountancy profession. Thus, the main question of this research is to answer ‘how’ an accountancy profession emerged in a country like Libya, and look at its current form. West (1996, p. 80) argues that “…studies in accounting history have the capacity to yield substantially more than a benign record of the past. Instead, accounting history is viewed as providing insights to” “…the conditions of possibilities of transformations in accounting knowledge and practice, the institutional forces that shape actions and outcomes and the rationales that set out objects and objectives of accounting (Miller, Hopper, & Laughlin, 1991, p. 395). Therefore, this thesis specifically addresses the following questions:

(a) What caused the accountancy profession to emerge in Libya and how did it
develop during the colonization periods, post-independence and under the military regime?

(b) How did the professional process occur and what are the conditions of possibility which contributed to the emergence of the accountancy profession in a country like Libya?

(c) Why did Libyan accountants fail to establish a professional body and localise the accountancy profession under the monarchy regime like other developing countries during periods post-independence?

(d) How did the social and political context after the September coup provide conditions conducive to the development of the accountancy profession which eventually contributed to the emergence of the professional accountancy body?

The focus of this thesis is neither to describe the technical progression of professional accountancy in Libya nor to evaluate the organisation of the profession. Rather it is to understand the process by which professional accountancy was organised and regulated in Libya. After illustrating the research questions the following section describes the significance and contribution of the thesis.

1.3 Research Approach

The history of the accountancy profession in developing countries should be interpreted within the specific context of the given country. Thus, this study will identify a theoretical and methodological framework suitable for understanding the major events in the history of the accountancy profession within the context of Libya’s socio-political and economic environments during the aforementioned periods. Undoubtedly, the critical perspective is
capable of offering a more contextualized explanation of the history of the accountancy profession in Libya in comparison to taxonomic and interactionist approaches, as it suggests that the history of the profession needs to be studied within its socio-political context (Fleischman, Radcliffe & Shoemaker, 2003; Miller et al., 1991).

As a result, in recent decades many scholars have paid great attention to studying the emergence and the development of an accountancy profession. The majority of these studies were conducted in developed countries such as the UK and the US; some of those studies employ critical approaches to explain the emergence and the development of an accountancy profession (e.g. Chua & Poullaos, 1998; S. Walker, 1995; Willmott, 1986). On the other hand, other studies focused on developing countries and adopted critical approaches to study the emergence and the development of the accountancy profession (Ali, Haniffa, & Hudaib, 2006; Al-Motairy, 1999; Annisette, 1996; Annisette, 2000; Bakre, 2000; Irmawan, 2010; Susela, 1999; Yee, 2009).

Since the 1980s, traditional accounting history has received various criticisms from scholars for being “ahistorical” and “antiquarian” in nature (Harlan, 1989; Hopwood, 1987; Loft, 1986; Stewart, 1992). Therefore, previous accounting history studies have accumulated facts and concentrated on explaining what happened in the past, rather than providing an analysis of how and why accounting practices have developed and influenced our societies. This led many scholars to challenge the traditional accounting history and introduce the ‘new accounting history’. The aim of the ‘new accounting history’, therefore, is to separate accounting from constraints of the present, and place accounting in its organisational, social and historical contexts. So, the ‘new accounting history’ can provide
a wave of reinterpretation of the history of the accountancy profession across developed and developing countries. As a result of the widespread criticism of traditional accounting history, a number of ‘new accounting history’ approaches have emerged, such as labour process, Marxism and Foucauldian approaches. It is worth mentioning that accounting research draws its theories and methodologies from other disciplines such as political science, international political economy and sociology (Napier, 2006).

The author will adopt the Foucauldian philosophical concept to develop a better understanding of the history of the accountancy profession in Libya and move away from the ‘traditional history’, which is considered “ahistorical” and “antiquarian”. Foucault’s work inspired scholars from other disciplines, such as philosophy, history, sociology, psychology, politics, linguistics, and cultural studies. Foucault is one of the great intellectuals and he relied on two epistemological techniques - archaeology and genealogy - when analysing social phenomena. The archaeological approach focuses on the archives, statements and discursive formations, whilst the genealogical approach focuses on power/knowledge relations and the body and how these interrelate. Thus, genealogy focuses on the discourse and rules of formations within a matrix of power relations. The analysis of discourse is carried out by concentrating on specific historical conditions. Foucault explored how disciplinary knowledge functioned and how power was exercised. Knowledge for Foucault is a product of social, historical and political conditions. Foucault did not only explain how knowledge enables the exercise of power, but also showed how power itself generates a system which produces knowledge. Therefore, the professional body is viewed as a body of knowledge which emerges as a result of power relations.

In Foucault’s archaeological and genealogical accounting studies, he explained that
accounting history did not evolve to address the need for efficiency, decision-making and control. Thus, the development of accounting should be seen in the context of the development of other events and disciplines with an emphasis on the local conditions in which accounting operates. Therefore, accounting should be viewed in power/knowledge structures. Foucault focused on how disciplinary power functions and how power is exercised. Thus, the perspective of exercising power/knowledge relations has provided an analytical framework by which the author can examine and understand the emergence and the development of professional accountancy in Libya.

In order to examine the emergence and the development of professional accountancy in Libya, this research employs secondary data. This study heavily relies on archive documents. Data was collected from the following archives: the National Archives (NA), Barclays Group Archives (BGA) and Libyan Jihad Centre for Historical Studies (LJCHS). The data collected from the Barclays Group Archives (BGA) made valuable contributions towards answering the questions of this research study, especially since it is original and has not been previously analysed by any other scholars. The data comprises of official letters, memos, law projects and finalised laws.

The author also collected primary data through semi-structured interviews and using oral history techniques. Thus, the study does not rely completely on interviews. However, a number of interviews were conducted with current practitioners and academic staff. The author also used the oral history technique in order to capture a sense of the experience of previous employees. The author is fully aware that documents have revealed much more information on the emergence and the development of professional accountancy than any
other sources. However, the use of more than one source of data will corroborate each set of data and enhance the findings of this study. During the early periods of conducting this research study, the aim of this research was to conduct a genealogical analysis for the emergence and the development of professional accountancy in Libya. However, this aim has shifted to conduct a genealogical investigation instead as it will better enable understanding the conditions of the emergence of the profession by understanding the relation between power and knowledge in the context of Libya.

1.4 The Significance and Contribution of the Proposed Research
The essence of this thesis is historical. Therefore, this study seeks to examine the emergence and the development of professional accountancy in Libya, and the significance of this thesis can be justified as follows.

Firstly, this research provides an analysis of the major events leading to the emergence and the development of professional accountancy in Libya, and illustrates the obstacles which result in not having had a well-established profession until now. The history of the profession should be acknowledged. Therefore, since no study has been undertaken to examine the emergence and the development of professional accountancy in Libya, this research contributes to accounting knowledge by providing a historical backdrop of the profession in Libya with reference to the dynamic changes of its political and socio-economic environments. Thus, this study contributes to the growing literature on this topic and attempts to understand the function of the accountancy profession in other developing countries. It provides evidence on how the accountancy profession emerged in Libya, a topic that has not been addressed before.
Secondly, the absence of a comprehensive understanding of the conditions which led towards the emergence and development of the accountancy profession in developing countries illustrates the need to conduct an intensive research project, which can contribute to enhance our understanding of how other counties have established and developed their own accountancy profession within their political and socio-economic environments.

This research utilised a Foucauldian perspective, which focuses on power/knowledge relations; this has provided an analytical framework by which the author can examine professional accountancy in Libya. This research has divided the development of the accountancy profession into three episodes. The research covers a long period of Libyan history starting from 1551 (Ottoman Empire period) until 2003, when the UN Security Council voted to lift sanctions against Libya (see Table 1-1 for more details).

<table>
<thead>
<tr>
<th>Episode One</th>
<th>Episode Two</th>
<th>Episode Three</th>
</tr>
</thead>
</table>

This research study contributes to our understanding of the accountancy profession in Libya in the following ways. Firstly, this study provides a contextualise story of the emergence and the development of the accountancy profession in Libya during three different periods. All previous studies of the accountancy profession were similar in that they studied the accountancy profession within a single colonial power. However, this study offers a unique case as there are a limited number of countries which experienced different
colonial phases like Libya. In the first empirical chapter (chapter 4) the author explains the development of accounting practices during the rule of three different colonial powers, and illustrates how the emergence of auditing as a profession started under the British administration after the introduction of Banking Proclamation (BP) No. 211 in 1950, which in turn contributed to the evolution of the accountancy profession in Libya. Prior to that time, no requirement was made of business enterprises to have their financial statements scrutinised and certified by an independent auditor.

Secondly, this research adds an alternative view to the debate in the accounting literature regarding the professionalization process in Libya. Scholars argue that there are no records available to show precisely how and when the accountancy profession was first established in Libya and as a result they could not document the history of the profession. On the other hand, Libyan scholars argued that the accountancy profession was developed through oil companies, while the findings of this research suggest that the accountancy profession emerged and was developed through banks during the 1950s. It is worth to mention that oil was discovered in Libya in 1959 and oil exports started during the 1960s.

Thirdly, this thesis explains the conditions which led to the emergence and the development of the accountancy profession in Libya, which include some specific economic and social events, political strategies (independence process) and governmental decisions. The findings of this research suggest that the influence of foreign accountants on the monarchy government made it impossible to establish a professional body and localise the accountancy profession after independence like other former colonised countries had managed. It took Libyan accountants 21 years to establish a professional accountancy body
and localise the accountancy profession.

Finally, this study explains how the social and political context after the September coup made it possible for the Libyan accountants to convince Gaddafi’s regime during the nationalisation period and localise the accountancy profession. The accountancy profession was regulated by the Law No. 116 of 1973, which enacted the establishment of the professional accountancy body, the LAAA. The emergence of the LAAA (a body of knowledge) was an outcome of power relations. The following section presents the structure of the thesis.

1.5 Structure of the Thesis
To achieve the above, the body of thesis is divided into eight chapters. Figure 1-1 presents the structure of the thesis.
Chapter 1 provides an introduction and a summary of the thesis, and offers background to the research and the chosen theoretical and methodological framework, as well as the data collection method. The chapter also outlines the findings of the research and the main contribution of this research study.

Chapter 2 presents the literature review. Thus, the main aim of this chapter is to outline the existing theories which comprise the sociological approaches of conventional (‘trait’ and functionalist), interactionist and critical perspectives on the profession. Secondly, the chapter provides a critical review of the related literature concerning the previous studies, on the emergence and development of the accountancy profession in developed and developing countries. Lastly, reviewing former studies that focused on Libya can meaningfully contribute to identify gaps in the profession literature. Finally, the chapter offers a justification for choosing the critical perspective to answer the research questions. The chapter proposes the more appropriate framework which will be adopted by the author, in order to investigate the emergence and the development of professional accountancy in the context of Libya, and which will help by providing a contextualized history of the emergence and the development of the professional accountancy in Libya during three different episodes, as explained above.

Chapter 3 outlines the methodological and theoretical framework adopted in this study. In the literature review chapter the author establishes that there is an increasing preference among scholars to utilise the Foucauldian perspective (power-knowledge relationship), as it provides a suitable explanation for the emergence and development of the accountancy profession. Thus, the Foucauldian perspective can be used as an analytical framework to
analyse the emergence of the accountancy profession, as suggested by the sociological literature. Therefore, chapter 3 presents a framework which will be utilised to examine the emergence and the development of professional accountancy in Libya and provides justifications for the selected methodology for this study. The chapter discusses alternative schools of thought on accounting research and debates surrounding the importance of contextualisation in accounting research. The chapter then presents a discussion regarding the ‘new’ accounting history and also introduces Michel Foucault’s ideas and methods. The chapter outlines studies which have used the Foucauldian approach in accounting research. It ends by presenting the framework necessary to understand the emergence and the development of professional accountancy in Libya and describes the data collection methods. The following three chapters present the empirical part of the thesis. This research presents a chronological development of professional accountancy in Libya with reference to the dynamic changes within its political and socio-economic environments across different periods.

Chapter 4 relies heavily on archival documents collected mainly from BGA and LJCHS. The chapter provides a historical backdrop of the influence of the colonization periods on the political and socio-economic development, accompanied with the accounting practices in Libya under these different colonial regimes. The first period starts with the Ottoman Empire; they adopted the doctrine of Islam and controlled Libya from 1551 until the invasion of the Italian army in October 1911. The Italian occupation continued until the Second World War. In late 1942, the British and French trounced the Italian army and forced them to leave the country. The British and French administrations ended after the declaration of independence on the 24th of December 1951. Thus, this chapter describes
and explains the socio-political conditions in Libya as a colonised country and illustrates major events in the early emergence of the Libyan accountancy profession by revealing the influence the colonists had on the political economy of the country. The chapter explains how accounting has been used in Libya over time. The discussion includes the conditions and factors which led the British administration in Tripolitania to recognise the accountancy profession and introduce the Banking Law.

Chapter 5 uses historical documents collected mainly from the BGA and NA. The primary data is collected through oral history techniques. The chapter describes the accountancy profession environment during the monarchy regime and extends the discussion surrounding why the Libyan accountants did not establish a professional body during the monarchy period. Libya did not establish a professional body to organise the accountancy profession after independence like other developing countries had. The discussion also covers how laws and regulations were developed and demonstrates the post-colonial professionalization process after independence. More specifically, the chapter refers to the first attempt made by the Libyan accountants to localise the accountancy profession during the monarchy regime and explains why Libyan accountants failed to achieve total control over the accountancy profession during the monarchy regime. Finally, the chapter explores the conditions and factors behind not establishing a professional body under the monarchy regime.

Chapter 6 discusses written materials such as textbooks, journals and government publications and primary data is collected through semi-structured interviews and an oral history technique. The chapter opens with an analysis of how the accountancy profession
developed under Gaddafi’s regime and, as explained previously, this research presents a chronological development of professional accountancy in Libya with reference to the dynamic changes in its political and socio-economic environments during the colonisation period, monarchy rule and under Gaddafi’s regime. This chapter offers a discussion on the accountancy profession environment after the military coup, which took place on the 1st September 1969. The chapter explains how the international auditing firms continued to monopolise the market of audit services until 1975. The chapter also covers how the Libyan accountants managed to take advantage of the nationalisation process, convince the military government and localise the accountancy profession by establishing the professional body the LAAA in 1973. The chapter also looks at the development of the Libyan commercial code and the tax law during Gaddafi’s regime. Finally, the chapter refers to the Lockerbie crisis and examines its impact on the Libyan economy, accounting practices and accounting education.

Chapter 7 presents a summary and discussion of the research findings, starting by explaining the emergence of accounting practices during the colonisation periods and what caused the auditing profession to emerge in Libya during the British administration. The chapter suggests that the banking proclamation was an important event as it was the first time in Libya’s history that businesses (banks) were required to have their accounts audited. The chapter also presents the shift from sovereign power to disciplinary power under the monarchy regime and explains why the Libyan accountants failed to establish a professional body to localise the accountancy profession under the monarchy regime. Finally, the interplay between sovereign power and disciplinary power after the military coup is also highlighted. The chapter explains the birth of the professional body the
LAAA, and it concludes that the emergence of the LAAA was the outcome of interplay between individuals (Libyan accountants) and institutions (Revolutionary Command Council and Ministry of Finance). The chapter explains that the control the Libyan government had over the LAAA made it difficult for the LAAA to establish a vigorous accountancy profession in Libya, as the LAAA’s actions had to be approved by the state.

Chapter 8 offers a conclusion and reflection of the thesis. The chapter also highlights the main contribution that conducting this research study made to overall knowledge. This study provides a contextualised story of the emergence and the development of the accountancy profession in Libya during three different periods. The findings of this research provide an alternative view within the debate in accounting literature regarding the professionalization process. The conditions which led to the emergence and the development of the accountancy profession in Libya have been explained. The findings of this thesis explain how the new social and political context after the September coup made it possible for the Libyan accountants to establish the professional accountancy body, the LAAA. Finally, the chapter concludes by suggesting the limitations of the research study and for further research areas.

1.6 Conclusion
This introductory chapter sought to provide a brief overview of the background of the research, research problems and the research aims. It is also offers some justifications for the research approach and emphasises the significant contribution made by conducting this particular study. The study contributes to accounting knowledge by documenting the history of the profession in Libya. It also offers an account of the professionalization process in Libya, which has not been discussed in the profession literature. This research
presents a chronological development of professional accountancy in Libya with reference to the dynamic changes in its political and socio-economic environments during the colonisation periods, monarchy rule and under the Gaddafi regime. The next chapter presents the sociological perspective on the profession and previous studies across developing and developed countries.
2.1 Introduction

In recent decades, there has been increased attention towards the importance of the accountancy profession and its influence within society in different countries. Subsequently, many scholars have conducted various studies regarding the emergence and the development of the accountancy profession, to illustrate how other countries have tackled the development of the accountancy profession within their country. However, the majority of these studies have focused on developed countries and there has been very little research in this field in developing countries. All earlier studies of the profession employed different, sometimes conflicting, methodological approaches to provide a clear definition of accounting and the accountancy profession and to illustrate how and why accountants have managed to achieve and maintain their privileged status within any given society. In order to gain better understanding of the emergence and development of the accountancy profession, a researcher has to rely upon a theory. Each theoretical perspective, however, has its limitations in terms of its capability to explain any particular phenomenon. Therefore, providing the strengths and weaknesses of each approach is an essential task towards achieving the purpose of this thesis, as it will assist the author to adopt the most appropriate theoretical theory in order to gain better understanding of the emergence and the development of the Libyan accountancy profession.

Thus, the main aim of this chapter is to discuss these theories comprising of the sociological approaches of conventional (‘trait’ and functionalist), interactionist and critical perspectives on the profession. Secondly, the chapter provides a critical review of
the related literature concerning the previous studies, on the emergence and development of accountancy profession in developed and developing countries. Lastly, reviewing former studies focused on Libya can meaningfully contribute towards identifying a gap in the accountancy profession literature.

To achieve the above, this chapter is divided into four sections. The next section offers a discussion of a combination of the sociological approaches on the profession. Section 2.3 reviews the related literature regarding earlier studies of the formation and development of the accountancy profession in developed and developing countries, including relevant studies conducted on Libya, where the gap in the literature will be clearly identified. Section 2.4 proposes the appropriate framework which will be adopted by the author in order to investigate the emergence and the development of professional accountancy within the context of Libya. This section will also provide justifications for the selected theoretical framework. The last section is dedicated to conclude the chapter.

2.2 The Sociological Perspective on Professions
Over the last few decades, studying the history of the profession has changed significantly. This change entails a pluralisation of the methodologies (i.e. conventional approaches, interactionist approaches and critical approaches) when studying the professions. Therefore, each theory has its different views, limitations and capacities (e.g. Abbott, 1988; Chua & Poullaos, 1993; Chua & Poullaos, 1998; Saks, 1983; Willmott, 1986). Consequently, choosing the appropriate theory is not a simple task. However, it is crucial to review the different sociological perspectives in order to employ the most appropriate perspective to serve the objective of this study. The following subsections briefly review alternative approaches, which had been adopted by former studies when studying the
emergence and the development of the accountancy profession.

2.2.1 Conventional Approaches
These approaches were widely used in early studies of the sociology of professions and dominated the profession literature for several decades (Johnson, 1972). Therefore, the conventional approaches, which include the ‘trait’, and the functionalist approaches (taxonomic approaches) have been widely used by scholars before the introduction of the interactionist approaches and critical approaches. The conventional ‘trait’ approach seeks to clearly define the term ‘profession’. Many scholars faced difficulties in finding a suitable definition, however, some scholars managed to provide a list of characteristics for the term ‘profession’ (Carr-Saunders & Wilson, 1933; Greenwood, 1957; Millerson, 1964).

Further clarification of the ‘trait’ approach model can be found in the work of Millerson (1964), in which he identifies, after carefully revising the sociological literature, twenty-three elements as essential features for the term ‘profession’. Unsurprisingly, there are no two authors who arrive at the same combination of elements to provide a proper definition for a profession. The most common characteristics of the professional occupation after consulting the profession literature (Millerson argued that there are no less than twenty-one authors who attempted to define the profession) were: (1) a framework of theoretical knowledge; (2) the provision of training programmes, examination and licensing; (3) a professional organisation (4) commitment to the professional code of ethics and (5) moralistic altruism services. All the mentioned elements can be classified under the ‘trait’ approach (Millerson, 1964 cited in Johnson, 1972, p.23).

According to Johnson (1972) the ‘trait’ approach is not problem-free. The ‘trait’ model
implicitly accepts that there are ‘true’ characteristics of the profession, which are considered essential elements to the profession. However, analysts could not reach a consensus as to what should be considered the ‘true’ characteristics of the profession. Over the years newer elements have been added to the trait list makes it furthermore problematic for authors to agree on one set of characteristics of the profession. Recently, sociologists of the profession also faced problems in defining the crucial traits of the profession and consider it as a difficult task (Hines, 1989).

Therefore, there is a serious weakness with this approach: “(the) ‘trait’ theory, because of its theoretical character, too easily falls into the error of accepting the professionals’ own definitions of themselves” (Johnson, 1972, p. 25). As a result, trait approaches received criticism, as these approaches do not take into consideration historical and social aspects of occupational groups (i.e. the dynamic relationships between occupational groups and society). The trait approach failed to provide a theoretical base/framework by which the professionalization process can be better understood (Kyriacou, 2000). This approach does not offer any links to social or historical developments and the conditions which had led to the establishment of occupational groups in first place (Saks, 1983).

The functionalist approach dominated profession literature prior to 1960s (Macdonald, 1995). This approach provides better explanations in terms of the social aspects of the term ‘profession’. The functionalists define a profession based on its function within a society. It is argued that some professional groups play a vital role in the society “…such as the possession of esoteric knowledge, independence, altruism and self-discipline are emphasised, and are largely unquestioned” (Willmott, 1986, p. 557). In return, they
deserve to have protection from competition and be rewarded by high levels of prestige, money and power (Bakre, 2000; Parsons, 1939; Willmott, 1986). Therefore, “…in this light, the professional association is seen to provide a functionally appropriate means of regulating the competence and conduct of those possessing the talent to undertake such socially essential and beneficial activates” (Willmott, 1986, p. 557).

Thus, the functionalist approach helps professionals explain their enjoyment of privileges, reward and status as essential to meet a society’s needs. Greenwood (1957) claims that arguably the professions exist because of society’s needs, not because of their aim to make profit and achieve high levels of prestige within a society. Perks (1993) sees professions as occupational groups who offer services, which are deemed important to society. In addition, Carr-Saunders and Wilson (1933) claim that the professions stand out amongst the most stable elements in a society.

The most fundamental inadequacy of the ‘trait’ and functionalist approaches is the confusion between the essential features and the characteristics of an occupation. Both approaches seem to isolate the profession from its social and historical contexts (Saks, 1983). The major criticism of the conventional approaches is that they deliberately ignore the historical and social aspects of occupational groups and also disregard the importance of acknowledging the power struggles involved in the professionalization process (Abbott, 1988; Kyriacou, 2000). It is also reported by Abbott (1988) that the ‘trait’ and functionalist approaches do not separate amongst different occupational groups who are seeking professional status. In addition, both approaches have similar view of professions (Kyriacou, 2000).
Thus, conventional approaches have been criticised on many occasions, since they do not take into consideration the nature of the given society. Therefore, these approaches do not offer any insight into the historical and social aspects relating to the professionalization process. As a response to the criticism, interactionist and critical approaches have been developed to replace the conventional (‘trait’ and functionalist) approaches. These approaches are discussed in the following sections.

2.2.2 The Interactionist Approaches

The conventional perspectives (functionalist and ‘trait’) study the professions from a normative viewpoint (i.e. what the professions should be) (Irmawan, 2010). Over time, however, this view has changed and many scholars have paid great attention to the complexity of social organisations and the possibility that regulating the competence and serving the community might not be the only factors which led to the existence of occupational groups (Uche, 2002). In this regard, Timperley & Osbaldeston (1975) argue that:

The pursuit of status is a crucial feature of the occupational association and its membership, it could certainly be argued that the underlying or long term goal was strongly associated with economic interest-the pursuit of occupational or professional status as a mechanism for an improved economic or bargaining position. Such goals are often hidden and might possibly be denied by the occupational hierarchy, but the motivations for entry into occupational associations appear to be career related in many cases (p. 608).

This marked the beginning of the interactionist approach towards professions, where
people paid more attention to the procedure of professionalization, rather than the products of professionalization (see e.g Timperley & Osbaldeston, 1975; Uche, 2002). The interactionist approach aims to study the profession within a social process (Uche, 2002). Therefore, “…the interactionist view (of the) professionalization is primarily a function of the bargaining skills of occupational groups seeking the status of a profession” (Saks, 1983 pp. 10-11). Willmott (1986, p. 557) argues that, “…interactionism aims to studying professions as interest groups that strive to convince others of the legitimacy of their claim to professional recognition”.

Therefore, the view of professions has shifted to a more positive view (i.e. what the professions actually are) (Roth, 1974). Proponents of the interactionist perspective, thus, argue that professional groups aim to protect their group’s interests, which might be different from the interests of the wider society (Uche, 2002). However, offering special competence based on esoteric knowledge would help those groups to gain legitimacy in a society; achieving occupational credentialing can only be reached by convincing a wider society of their important role (Boreham, 1983).

Furthermore, the interactionist approach focuses on the professionalization processes not on the outcome (i.e. the product of professionalizing) (Irmawan, 2010). Instead of assuming the ‘traits’ and distinctiveness of professionals, the interactionist approach interprets the processes of professionalization, which the conventional perspectives failed to do. Thus, an interactionist perspective sees a professional body as:

A basic organisational instrument for defining and securing a respectable and valued social identity. By exploring how symbols and beliefs relevant for pursuing and
securing the claim for professional recognition are constructed and projected, the interactionist approach also exposes the presence of competing interests within professional associations. Instead of viewing them as homogeneous and integrated bodies, they are seen to comprise segments formed into coalitions, each of which seeks to further its sectional interests in response to perceived opportunities and threats (Willmott, 1986 p. 557).

Interactionists have, however, been criticised on numerous occasions. One of the main criticisms is that there is a lack of empirical evidence to back up the interactionists’ claims (Saks, 1983). On one hand, interactionists highlight the entwinement of politics in the professionalization process, which can be seen in the political skills acquired by professionals “…to gain and maintain the possession of the honorific title of ‘profession’” (Saks, 1983, p. 5). On the other hand, interactionists omit considering the structural conditions by which professional groups are considered likely to be successful or fail (Saks, 1983; Uche, 2002; Willmott, 1986).

Boreham (1983) argues that there is a need for proper understanding of the control of professional works, which have not yet been sufficiently studied. “…Firstly, the processes through which the work activities of professional occupations come to be established as legitimate derivations of ‘recognized knowledge’ and, secondly, how their development and utilization becomes organised and controlled” (Boreham, 1983, p. 695). This approach does not put emphasis on the professionalization process, neither does it focus on the outcome of professionalizing. Thus, the interactionist approach won’t be suitable to serve the purpose of this thesis.
In light of the deficiency of the interactionist approaches, other critical theories have been developed by scholars to illuminate the institutional politics of professionalization, such as neo-Weberian, Marxian and Foucauldian approaches. These critical approaches are broadly discussed in the following section.

2.2.3 Critical Approaches
The following section provides a brief description of the critical perspectives neo-Weberian, Marxian and Foucauldian and outlines their contributions to the study of the phenomenon of the profession. These theories benefit from taking socio-political aspects into consideration when studying the profession. This section will also describe the limitations of each approach.

2.2.3.1 The Neo-Weberian Perspective
The Weberian view on the profession is born of Max Weber’s ideas, taking into account his ideas of class, status groups, and party, which he used to study the profession and explain communal mobility in a modern society. Therefore, the neo-Weberian approach in terms of the profession refers to the recent studies, which attempted to apply the Weberian concept of ‘social closure’ explicitly or implicitly, to studies of professional occupations in a society (Saks, 1983). The main concept of neo-Weberian theory is the ‘social closure’ concept, here explained by Saks (1983):

The notion of closure, introduced by Weber in Economy and Society, broadly refers to the process by which given social collectivities seek to regulate market conditions in their favour, in face of actual or potential competition from outsiders, by restricting access to specific opportunities to a limited group of eligibles. Although closure in Weber's own account can take many different forms, in general terms neo-Weberian
writers on the professions tend to regard such occupations as legally privileged
groups which have managed to monopolise to a considerable degree social and
economic opportunities (pp. 5-6).

The statement above provides an explanation of what the theory actually does. Closure
type, therefore, “…focuses on how members of an interest group seek market dominance
by monopolizing social and economic opportunities and closing off opportunities to
outsiders” (Chua & Poullaos, 1998, p. 156). Thus, professionalism “…is understood as a
strategy for controlling an occupation, involving solidarity and closure which regulates the
supply of professional workers to the market” (Willmott, 1986, p. 558), which can only be
achieved by the dominance of institutions, professional organisations and other associate
occupations (Willmott, 1986). Thus, the closure of a profession is maintained through
training and qualifications (Perks, 1993).

Essentially, the primary influence of the Weberian tradition is its ability to explain the
process by which occupational groups achieve professional status and obtain special right
to control the market. It is worth mentioning here that the Weberian perspective focuses on
the early stages when examining the development of the accountancy profession (i.e. how
accountants achieved their professional status within a society) (Irmawan, 2010). From this
perspective, Willmott (1986) argues that it can be understood that the materially and
symbolically privileged status of professionals is achieved “…by virtue of the protection
and patronage of some elite segment of society” (Freidson, 1970, p. 72).

In other words, the Weberian approach suggests that:

Professionalism depends upon the notion of social closure whereby only those who
meet the criteria for entry are allowed into the occupation in the first instance to undertake training. Furthermore, only those who have attained the professional training and qualification can seek membership (Kyriacou & Johnston, 2006, p. 60).

Accordingly, professionals are then able to enjoy the reward and prestige associated to a particular professional body (Cobb & Sennett, 1972). Thus, the Weberian approach sees professionalism as a technical division of labour, which gives rise to hierarchies. Accountancy, in this regard, is not exceptional and notions of social closure restrict entry to unqualified individuals. Only individuals who meet the criteria for entry will be allowed to take part in the activities (i.e. training and qualification) in the view of seeking professional membership (Kyriacou, 2000).

Therefore, “…commentators influenced by Weber have concentrated upon the mechanisms developed by professionals such as the control of entry, training and qualification to restrict access to social and economic opportunities” (Willmott, 1986, p. 558). Thus, Weber’s idea of ‘social closure’ in particular is used as an analytical tool to investigate the process of professionalization and to illustrate how occupational groups have achieved professional status (Chua & Poulalas, 1998; Irmawan, 2010).

In addition, Larson (1977) offers another perspective regarding the study of the emergence of professional organisations, one which is actually based on neo-Weberian theory - with some modifications. Sociologists like Johnson (1972) did not adhere to mainstream Weberian ideas. For example, he “…sees professionalism as one way of resolving the structure of uncertainty which exists in the relationship between producer and consumer in
an era of growing specialisation” (Saks, 1983, p. 6). Furthermore, “a profession is not, then, an occupation, but a means of controlling an occupation” (Johnson, 1972, p. 45).

One of the main contributions of the neo-Weberian approach over the taxonomic perspective is that it adequately examines the historical dynamic of professionalization. “The neo-Weberian school are able to consider empirically the socio-political conditions under which groups become professions” (Saks, 1983, p. 7).

The ‘closure’ theory is also not short of criticism. It is argued that it is limited by the emphasis it places on the social process. As a result, this approach cannot be helpful in analysing the emergence and the development of the profession in highly structured societies (Freidson, 1970 cited in Irmawan, 2010). In this regard, Saks (1983) asserts that “a satisfactory analysis of the wider sources of power underpinning professionalism is, therefore, still awaited from the neo-Weberian school” (Saks, 1983, p. 10). On one hand, scholars employing a neo-Weberian approach focus mainly on various barriers which professions created to ensure achieving ‘social closure’. On the other hand, many neo-Weberians have been accused of failing to back up their claim with empirical findings. Therefore, their findings offer little enhancement beyond the interactionist studies (Uche, 2002).

In addition, neo-Weberian studies made little effort to show precisely how ‘market closure’ was achieved. It is argued that “…market closure might be achieved through state-guaranteed monopoly practice rights in certain types of work or industries. Neo-Weberian work has paid relatively little theoretical and empirical attention to analysing how professions relate to state agencies in attempts to achieve closure” (Chua & Poullaos, 1993,
p. 692). However, to fill in this gap more empirical articles have been produced and published by scholars, which examine the state-profession relationship (Arnold & Sikka, 2001; Chua & Poullaos, 1993; Dedoulis & Caramanis, 2007; Macdonald, 1984; Sikka & Willmott, 1995; Yee, 2012).

Moreover, the profession attempts to make some restrictions on the profession through knowledge, education, training and credentials angle. Therefore, it dominates the market just by allowing only ‘eligibles’ to be part of the profession; this might lead to social inequality (Bakre, 2000). Another problem associated with using the Weberian concept when studying the accountancy profession is that the theory was developed within the context of advanced Western capitalist society, therefore its usefulness and effectiveness in terms of developing social contexts clearly requires further adequate investigation (Irmawan, 2010). “At present sociologists working within this perspective (neo-Weberian school) appear not to have greatly advanced on the interactionist view that professionalization is primarily a function of the bargaining skills of occupational groups seeking the status of a profession” (Saks, 1983 pp. 10-11). Bakre (2000) argues that Weberian theorists have some difficulty to explain why some occupational groups succeeded in achieving professional status, rewards and monopolies, while others have failed to do so.

Nevertheless, adopting a ‘social closure’ theory when examining the emergence and the development of the Libyan accountancy profession will not be suitable, because social ‘closure’ just focuses on the process of professionalization. The Marxian approach provides an alternative view, which focuses on the contemporary analysis of the
professions. This approach is explained in the next section.

2.2.3.2 The Marxian Perspective

In comparison with the neo-Weberian theory, which focuses on the market condition and disregards the social relations of productions, the Marxian theory posits much emphasis on the outcome of social relations and takes into consideration the aspects involved in power struggles. This critical view on the profession is linked to Karl Marx’s work on social structure and evolution. Therefore, this approach mainly prioritises the relations of production and the position or location of professionals within “…the class structure under conditions of monopoly capitalism” (Saks, 1983, p. 11). The analysis, therefore, involves an investigation on how “…a particular society can produce, accumulate and distribute wealth” (Irmawan, 2010, p. 93).

Poulantzas (1975) (as cited in Kyriacou 2000, p. 28), sees “…the professional occupy positions in the new petty bourgeoisie or middle-class”. Poulantzas (1975) further “…argues that professionals are not considered part of the working-class, but are directly involved in the management and supervision of the working class under conditions of capitalism” (Kyriacou, 2000, p. 28). Hence, there seems, by all accounts, to be a distinction between the exercises that professionals are occupied with and those which concern the working class. In this regard, a professional occupation is seen as being representative of social division, where its members are granted monopoly over a particular skill. “For proponents of this school of thought (Marxist), the accountancy profession is seen as the mechanism of social organisation or division of workers with accounting and auditing skills” (Irmawan, 2010, p. 37).
Moreover, the main concept of Marxist theory is to class the relations in capital societies; scholars, therefore, are interested in highlighting the relationship between the state and the profession. This can be seen in Johnson’s work (1980, 1982). Johnson draws the attention to the relationship between the UK accountancy profession and the state, concluding that the UK accountancy profession is a product of the state. Accordingly, the Marxist theory can be used in order to understand the emergence of profession (as cited in Al-Motairy, 1999, p. 20). Although the theory explains why the state is interested in establishing the profession, it fails to answer how the profession is established. To answer this, Marx illustrates why the state is interested in creating a profession (the motive) without explaining the procedure to do so (Marsden 1998, p. 108 cited in Al-Motairy, 1999, p. 20). Furthermore, Marxian theory links the distribution of power in society to the professions; it is worth mentioning at this juncture that Marxian theory was applied in capitalist economies (in the UK) and it focuses on the state apparatus (Saks, 1983).

According to Johnson (1972) “…professionalism (a form of occupational control) can only arise where core work activities coincide with the global functions of capital with respect to control and surveillance, including the specific function of the reproduction of labour power” (Kyriacou, 2000, p. 29). Furthermore, Johnson’s analysis did not describe what these core activities entail and in addition does not articulate clearly what is meant by notions of control and surveillance (Saks, 1983).

The Marxist approach has also been subject to criticism, as demonstrated by (Saks, 1983):

Certainly, Marxist authors can scarcely be accused of failing to consider the relationship between professions and the wider social structure; they do indeed link
professions to the broader distribution of power in society and their explanations of
the dynamic of professionalization assuredly transcend the potential limitations of
accounts based simply on occupational strategies or the logic of mere technique. But,
these points notwithstanding, Marxist studies of the professions to date, like those of
the neo-Weberian school, have largely proved deficient again mainly because of the
scant regard displayed for empirical evidence (p.13).

Even though a Marxist approach positions professions within the structure of capitalist
society and thus illustrated its relation to other structural forces of society, it failed to
provide a historical explanation about why and how the professional groups have achieved
and occupied a certain position in society (Chua & Sinclair, 1994; Irmawan, 2010). Saks
(1983) claims that Marxist writers tend “… to show just a little more understanding of the
historical evidence, …much the same comments too might be made regarding Marxist why
some occupations rather than others manage to gain and/or retain professional standing”
(Saks, 1983, p. 14). On the other hand, Al-Motairy (1999) argues that the primary concern
of Marxist studies is to study the state-profession relationship, which can to some extent
explain why the state and the profession are involved in controlling and regulating the
accountancy profession. Advocates of this critical approach claim that the rise of
professions and ability to achieve an important position in a society can both be linked to
the unequal distribution of power within said society. Thus, an overlap between theories is
likely to occur in empirical studies (Irmawan, 2010).

Accordingly, Marxist theory will not benefit the study of the emergence of professional
accountancy in Libya, since the theory doesn’t explain how professionals managed to
achieve their privilege or discuss the procedure of the creation of the profession or provide a historical explanation as to why and how the professionals managed to occupy their current position within a society. So the theory is not much help in terms of providing a wider understanding of the emergence and the development of the accountancy profession in Libya. In contrast, the Foucauldian perspective successfully provides much deeper interpretations on the profession phenomenon, which focuses on the power/knowledge relationship and links the profession to a wider social structure. Therefore, the next section is devoted to demonstrating the contributions of Foucault’s work to understanding the history of profession.

2.2.3.3 The Foucauldian Perspective

Scholars examining the emergence of the accountancy profession have been inspired by Michel Foucault (1926-1984), a French philosopher well-known for his approach which focused on the power/knowledge relationship (Macdonald, 1984). In a recent book written by Macdonald (1995) called ‘The Sociology of the Professions’, he notes that Foucauldian theory in recent decades has received much attention from sociologist scholars, due to Foucault’s attempts to understand modern society without concentrating too much on the social structure. Macdonald claims that some academics, such as Larson and Johnson, have shifted away from using a Marxist approach and embraced the Foucauldian approach in their recent publications (Macdonald, 1995). Foucault describes his own work as “writing the history of the present”. Traditionally historians had an ambivalent attitude towards Foucault’s work (Stewart, 1992).

Foucault’s failure to adhere to “the usual criteria of historical scholarship” is not the consequence, as some might want to suggest, of an openness on his part to
interdisciplinary perspectives. To be sure, scholars deeply influenced by the perspectives and methods of other disciplines often find their work misunderstood or ignored by their disciplinary colleagues. Such scholars may fail to conform to the argumentative conventions of any particular field because of their openness to the conventions of a less restricted sort, arising from their willingness to learn from a variety of fields. This is not Foucault’s situation. He is not an interdisciplinary scholar, standing between and happily drawing from existing disciplines. Rather, he is antidisciplinary, standing outside all disciplines and drawing from them only in the hope of undermining them (Megill, 1987, pp. 133-134).

Moreover, Foucauldian theory relies on archived documents and focuses on historical details, which can be founded in archaeological and genealogical studies, which are considered as the first generation of Foucault’s work. Thus, genealogical studies focus on the conditions which led to the appearance of a collection of modern human science (Stewart, 1992). Therefore, “the object of archaeological analysis is then a description of the archive, literally what may be spoken of in discourse; what statements survive, disappear, get re-used, repressed or censured; which terms are recognized as valid, questionable, invalid” (Smart, 1985, p. 40). Foucault moves towards a genealogical approach to explore the constitutive role which power plays in knowledge. In doing so Foucault explains the development of different “power rituals” by revealing specific models of exercising power (Stewart, 1992, p. 62). Thus genealogical analysis “…(is) a form of critical analysis sets out in a fragmented way, to bring local or minor knowledge to life, not in order to finally reveal the deep, hidden meaning of things, or the totality of social relations, or to answer the question ‘what is to be done?’” (Smart, 1985, p. 55).
Foucault was interested in how disciplinary knowledge functioned in a society and how power was exercised. Furthermore, he was not only concerned with how knowledge enables the exercise of power, but also on how power tends to generate systems which produce knowledge (Al-Motairy, 1999).

A second generation of Foucauldian research focuses on ‘the notion of governmentality’ rather than the disciplinary regimes. Foucault sought to reveal how knowledge and power are closely linked. His work, being unlike Marxist social theory, is recognized as post-structuralist in nature; Foucault did not see the state as a purposeful actor in society; for him the state is an ensemble of institutions, procedures, tactics, knowledge, technologies and disciplines, “…which together comprise the particular direction that government has taken; the residue or outcome of governing. One strand in the plethora of such outcome has been the institutionalization of expertise in the form of professions” (Johnson, 1993, p. 140). Therefore, ‘governmentality’ offers a new capacity for governing which gradually emerged in Europe during the sixteenth century onwards. The condition for an extension of the governing capacity is associated with the parallel invention, operationalization and institutionalisation of specific knowledge, disciplines, tactics and technologies in societies (Foucault, 1979).

Foucault studied the structure and development of human knowledge and its function within public administration and policy. Furthermore, “the truth for Foucault is not an epistemological category rather than it is a category of power” (Shumway, 1989 cited in Stewart, 1992, p. 61). For Foucault “…accounting has not been created by capitalism or industrialisation or ownership or organisational structure. Rather, the emergence and the
functioning of accounting in its various contexts is complex phenomenon, due to the interplay of many different influences” (Stewart, 1992, p. 61). Foucault upholds that the emergence of modern society is accompanied with “… an epistemic shift from a ‘classic’ to a ‘modern’ form of knowledge which organised into ‘disciplines’” (Bakre, 2000, p. 31). Foucault argues that the emergence of the profession in modern society has been integral to ‘the notion of governmentality’ which he introduced in his lectures at the Collège de France during 1978 and 1979. In those lectures he concentrated on the “genealogy of modern state” (Johnson, 1993; Lemke, 2002). “Foucault coins the concept of ‘governmentality’ as a ‘guideline’ for the analysis he offers by way of historical reconstructions embracing a period starting from ancient Greece through to modern neoliberalism” (Lemke, 2002, p. 50).

Foucault’s theory has some limitations. For instance, the theory neglected structured and quantitative methods. The role of the observer is very important when the researcher employs Foucault’s theory, since understanding the emergence and the function of profession requires the involvement of the observer to analyse the profession process, which is considered as an essential part of the research (Laughlin, 1995). Furthermore, the Foucauldian theory neglected the link between the developments of capitalism and the natural changes witnessed in the social relationships between capital and labour. As a result, exploitation continued in the industrialised sector. Moreover, Foucault’s theories failed to classify or structure social conflicts (Bakre, 2000).

To sum up, the functionalist, interactionist and critical perspectives discussed above provide different interpretations of the accounting phenomenon. Each approach provides
different interpretations of the accountancy profession and the professionalization process. Interestingly, all of the approaches listed above offered better understanding of the history of both accounting and the accountancy profession. In this regard, Willmott (1986) argues that:

The functionalist perspective usefully highlights the significance of the traits of professionalism in relation to the reproduction of complex social systems. The interactionist perspective helpfully recalls the socially constructed nature of these traits, setting them in the context of a negotiated interaction over the symbolic meaning and value of “professional” expertise. Finally, the critical approach deepens the insights of the interactionist approach by placing them in the wider economic and political context (p. 559).

Profession literature underwent a shift from the functionalist to the interactionist and then to the critical perspectives more recently (see e.g Sikka & Willmott, 1995; Uche, 2002; Willmott, 1986). The critical perspective offers a more realistic approach for examining the history and contemporary changes in the accountancy profession as it positions accounting within its wider social, political and economic context. “I believe that critical historical studies have the potential to make significant advances in understanding our discipline and I hope that we will see more collaborative work that focuses different lenses on the same phenomenon” (Merino, 1998, p. 613). The following section therefore provides a discussion of relevant studies, which have utilised one or a combination of the above theoretical approaches to study the emergence and the development of accountancy profession in developed and developing countries, comprising studies conducted on Libya.
2.3 Former Studies Carried out on the Emergence and Development of the Accountancy Profession in Developed and Developing Countries

In recent decades, many scholars paid great attention to the study of the formation and the development of the accountancy profession. However, the majority of these studies were conducted on developed economies\(^3\). Some of these studies adopted critical theories to understand the emergence and the development of accountancy profession (e.g. Chua & Poullaos, 1993; Chua & Poullaos, 1998; Lee, 1995; Sikka & Willmott, 1995; Chua & Sinclair, 1994; Walker & Shackleton, 1995; Willmott, 1986). Even though early literature on the development of the profession concentrates on countries where the archival documents were more readily accessible, for instance, the United Kingdom, America, Australia and Canada, the literature embraced different narratives regarding the professionalization process in continental Europe (e.g. Ballas, 1998; Caramanis, 2005; De Beelde, 2002; Dedoulis & Caramanis, 2007; Ramirez, 2001; Seal, Sucher & Zelenka, 1996). Conversely, the study of history of the accountancy profession in most developing countries has been largely neglected by the early studies. However, it has now become a fruitful research area for accountants. Furthermore, there have been some attempts made by academics regarding the emergence and the development of the accountancy profession across developing nations (Ali, Haniffa, & Hudaib, 2006; Al-Motairy, 1999; Annisette, 1996; Annisette, 2000; Bakre, 2000; Poullaos & Sian, 2010; Sian, 2006; Susela, 1999; Uche, 2002). The following subsections offer brief descriptions of these studies, beginning

\(^3\) The World Bank classified the economies for all countries according to Gross National Income (GNI) per capita for each country into four groups low income, lower middle income, higher middle income and high income, the low income countries and the lower middle income countries are called ‘developing’ countries. On the other hand, the higher middle income countries and the high income countries are classified as ‘developed’ countries.
with the studies conducted on developed countries, developing counties and finally studies focused on Libya.

2.3.1 Studies Conducted on the Emergence and the Development of the Accountancy Profession in Developed Countries

Numerous studies have emerged which focus upon accountancy and the notion of professionalism. These studies mainly focus upon the issue of professionalism, whether accountancy is deemed to be a profession and how the professionalization process started in different countries. In order to achieve this, these studies utilised various theoretical and sociological perspectives. Therefore, the aim of this section is to highlight key studies conducted on the history of the accountancy profession in the context of developed countries.

It is appropriate here to start reviewing the birth of the ‘Accountancy Profession’. Firstly, this section describes the nature and the history of the profession; the term ‘profession’ refers to occupations which have institutional form. In other words, ‘profession’ denotes practitioners who are committed to serving public interest by offering services based on their knowledge and skills (e.g. Carr-Saunders & Wilson, 1933; Larson, 1977; Lee, 1995). Professions adopt the form of institutional occupations in response to economic and social changes. These changes can be seen through shifts in population, the industrialization of trade and the decline of the role of the church in solving society’s problems such as poverty, health and education. Thus, for middle class people, having a profession is seen as an essential step towards establishing social status and exercising cultural control over society. Accordingly, professionals are considered as independent and knowledgeable parties in society, who have an obvious objective to act in the public interest (Bledstein,
Carr-Saunders & Wilson (1933) suggest that professional works can be seen as privileged occupations with altruistic objectives. On the other hand, an economic view sees the role of professionals as organising occupational service and gaining market control by means of excluding individuals, who are considered unable or less qualified to provide those professional services (Larson, 1977). In order to achieve this, professionals create mechanisms which can ensure that only eligible candidates will be recognised as professionals: those who have entry prerequisites, special academic education, training and related professional experience (e.g. Lee, 1995; Uche, 2002; Willmott, 1986). Accordingly, if an individual satisfies these criteria then professional membership is given and he/she can enjoy having special rights within a society. Moreover, the state can grant exclusive rights to certified professionals to provide services - which is called the professional monopoly - and controlling such an occupation provides concrete evidence of the formation and development of the accountancy profession (Lee, 1995).

Many scholars uphold that the birth of the accountancy profession can be traced back to the eighteenth century, when a group of accountants established the first accountancy profession society in Scotland in 1853. The above statement raises an interesting question: why did this group of accountants in Scotland feel compelled to establish and organise a professional society? As a typical reaction to the industrial revaluation and the increased demand to have more sufficient information regarding accounting matters, these accountants were encouraged to do so (Lee, 1995). Therefore, it is widely accepted that the first ever organisation of accountants was the Society of Accountants established in
Edinburgh, Scotland.

Moreover, many attempts had been made, though unsuccessfullly, by accountants in Edinburgh to organise the accountancy profession society before 1853. In 1853, the Society of Accountants in Edinburgh (SAE) was established and a year later the society obtained a royal charter. The Glasgow Institute of Accountants and Actuaries was established later on, in 1855, and in 1880 the Institute of Chartered Accountants in England and Wales was established (Walker, 1995). Motivation for the formation of the SAE was as the result of a movement made by a London-based merchant group, who proposed to apply modifications on the Scottish insolvency practice. The change in bankruptcy law threatens an accountant’s existence, as Scottish law allows accountants to dominate the accounting practices in association with lawyers (Kedslie, 1990; Lee, 1995). Lee (1995) argues that:

There was a London proposal to base Scottish insolvency practice on English legal provisions which required lawyers, rather than accountants, to act as administrators.

The practical reason for the proposal was an English concern about the effectiveness of Scottish bankruptcy law, and its economically damaging effects on English businesses trading in Scotland (p.51).

Scottish accountants in public practice initiated a debate, obtained public support and managed to convince senior members of the Scottish legal profession and Scottish Members of Parliament to resist the English proposal. During 1854 and 1856, Scottish accountants were successful in achieving market control for the accountancy service (Kedslie, 1990).
Kedslie’s study of the origins of the three Scottish professional bodies (chronologically, in Edinburgh, Glasgow and Aberdeen) in the mid-1850s, creates a data base useful for further research (Kedslie, 1990). Kedslie found significant differences in pre-professional activities in the three geographical locations and she used directors and court records to gather data. For instance, Edinburgh was a legal and financial centre, whereas Glasgow focused mainly on industrial and stockbroking. Having different social backgrounds inevitably led accountants to specialised in different accounting activities. In Edinburgh, for instance, accountants’ entry to the new profession was mainly via family connections with in the legal and financial sector, unlike the Glasgow accountants (Walker & Lee, 1999). In addition, the eighteenth century witnessed a close relationship between accountants and lawyers. On one hand, the accountants were dealing with the accounting issues by providing adequate information about accountancy matters. On the other hand, lawyers were predominantly interested in showing evidence regarding voluntary insolvencies. All these functions were essential parts of public accounting (Lee, 1995).

Furthermore, Kedslie (1990) provides evidence for the strengthening of the Scottish professionalization process through entry requirements, educational background, examinations and related training. The implementation of these provisions explicitly led to professional accountancy being considered as a learned occupation with special requirements. Having these provisions in place also meant the number of institutionalized members was controlled (Lee, 1995; Walker & Lee, 1999). Scholars like Walker (1988) examine the nature of these requirements; he found “…that early accountancy professionalization in Scotland was almost exclusively middle class, and associated through family, friendship and client relations with lawyers and landed gentry” (as cited in

Several attempts were made by sociologists (see Macdonald, 1995; Millerson, 1964; Roth, 1974; Saks, 1983 for examples) to define ‘profession’ during 1950s and 1960s; “…the result definitions have since largely fallen by the wayside-plagued as they were by special pleading of status-seeking occupation, the diversity of activities and occupations to which the term had already been socially attached and the political struggles involved in professionalization” (Poullaos, 2009, p. 249).

Furthermore, scholars sought to define the professionalization process: “…professionalization refers to the path taken by occupational associations to attain professionalism” (Birkett, 2005, p.102). Larson (1977) considers professionalization to be the process by which professionals with special skills and knowledge aim to constitute and control markets from the point of their expertise (Birkett, 2005). Larson (1977) further argues that:

Professionalization is thus an attempt to translate one order of scarce resources – special knowledge and skills – into another – social and economic rewards. To maintain scarcity implies a tendency to monopoly: monopoly of expertise in the market, monopoly of status in a system of stratification. The focus on the constitution of professional markets leads to comparing different professions in terms of the “marketability” of their specific cognitive resources. It determines the exclusion of professions like the military and the clergy, which do not transact their services on the market (Larson, 1977, p. 17).

The above analysis illustrates that the birth of and need to organise professional bodies are
methods of dominating and controlling the market with accountancy services. Other studies were carried out on the accountancy profession in developed countries regarding the formation and the development of accountancy profession. These are discussed hereafter.

Walker (1995) examines the emergence of the professional organisation in Scotland by using a critical analysis. Essentially, he criticised conventional theories (i.e. a decontextualized approach) regarding the unrealistic explanation for the formation of the institutes of accounting during 1853 in Glasgow and Edinburgh. The main weakness of conventional theory is that scholars link the formation of the institutes of accounting to the bankruptcy and insolvency law. In this regard Willmott states that “…the organisation of the profession cannot be adequately understood independently of an appreciation of the political, economic and legal circumstances that have supported and constrained its development” (Willmott, 1986, p. 556).

Walker claims that those institutes were formed as a response to the activities of a group of London Committee Merchants during 1851 and 1852 who were demanding law reforms. They proposed to keep Scottish accountants away from controlling the accounting practices. Thus, a separate Scottish legal system subsequently led to the emergence of accounting organisations in Scotland, as well as the development of industrial activities which induced Scottish accountants to seek professional monopoly. In this regard, West (1996) argues, there is no one theory that can exclusively illustrate how all professions arise. Walker’s (1995) paper suggests that the study of the genesis of professional accountancy in Scotland suggests that the emergence and development of a profession in
any country can only be better understood by taking into account the economic, political and legal context of its formation.

Willmott’s (1986) paper is very important; many other scholars have been inspired by his work. Willmott was amongst the first scholars to critically address the accountancy profession. He used the literature from the sociology of professions. Willmott comes from a power perspective, examining the emergence and the development of accountancy professional bodies in the UK within the market, the state and the community axis. The study illustrates that, in order to have a better understanding of the organisation of the profession, scholars should consider political and economic contexts. He further argues that power relations played a significant role in the formation of such professions. Willmott also claims that the development of the market and modern state, as well as technological applications have encouraged the shaping of such developments. Therefore, it is believed that the state and the market have played significant roles, which have eventually contributed to the emergence of the accountancy profession bodies. Willmott sees “…professional associations as political bodies developed to defend the interests and preserve the scarcity of their members’ labour” (Willmott, 1986, p. 555). Finally, the study addressed the state-profession relationship and suggests that the UK auditing profession is seen as a product of the state (political processes) (Willmott, 1986).

Another study conducted by Sikka & Willmott (1995a) reveals that the UK state has become heavily dependent on the accountancy profession to regulate business practices. Therefore, understanding the state and the profession relationship tends to be vitally important when studying the profession phenomenon. Chua & Poullaos (1993) conducted a
historical analysis on specific professional projects in which they adopt the state-profession axis. The study focuses on the attempt made by Victorian accountants to attain a Royal Charter during 1904 and 1906. The paper concluded that “…the ‘professions’ are the dynamic outcome of the mutual interaction of the ‘state’ and ‘profession’” (Chua & Poullaos, 1993, p. 691). Allen (1991) documents the Australian professionalization process in the period between 1953 and 1985. The paper employs strategies of professionalization as a theoretical framework to find out whether the Australian accountancy profession achieved professional dominance or not. The findings suggest that the social sphere and the intellectual sphere were partly successful in achieving professional dominance, whilst the economic sphere was successful, and the political sphere was minimally successful in achieving professional dominance.

Chua & Poullaos (1998) apply a Weberian approach, carrying out the study using of the concept of ‘social closure’ by the Victorian Accounting Association, during 1889-1903 and how the latter positions itself as a key producer of accountants in Australia. The paper states that “…the impact of colonization on the professionalization of accountants has not been widely studied” (Chua & Poullaos, 1998, p. 156). The study suggests that Weber’s class-status-party model enables them to understand in-depth the professionalization projects of accountants. The findings show how the Victorian Accounting Association adopted a ‘social closure’ method, and how its activities were mainly influenced by multiple and changing divisions within the association and other competing colonial and imperial associations (ibid.). The Victorian Accounting Association adopts a basis of openness at the beginning and later shifts to closure in order to control the market. However, all these attempts to negotiate market power and achieve closure did not
succeed. This failure is attributed to the actions of autonomous state agencies, the business community and the financial press. This confirms the conclusions reached by Chua & Poullaos (1993), who state that achieving monopoly and excluding competitors are a perpetual, seemingly unhelpful, drive by professional organisations.

Traditionally, studies on the accountancy profession sought to illustrate how accountants used the state in order to attain professional status and privilege. However, in his research, Ballas (1998) offers a different perspective. He examines the emergence of auditing profession in Greece in the late 1940s and early 1950s and illustrates how the state used the profession to impose strategies and policies in later years. The evidence shows that the auditing profession was once a legitimising institution for the Greek government and was also considered as a device for a political and economic control.

Initially, auditing came to Greece as a result of the implementation of the Economic Coop creation Agreement between Greece and the U.S.A. and the Marshall Plan. British auditors were used by the Greek government, at the request of American agencies, for the audit of loan recipients in the private and the public sector (Ballas, 1998, p. 733).

The arrival of the British auditors during the 1950s helped the Greek government to make the audit services an effective element of social management in Greek society. The British auditors played a vital role in helping other countries. For instance, the Greek government

---

4 The Marshall Plan (officially the European Recovery Program, ERP) was an American initiative to provide aid to European nations, by which the United States gives $17 billion (approximately $160 billion in current dollars) as economic supports to rebuild European economies after World War II.
employed a significant number of British auditors to certify financial statements of the various state agencies. It has commonly been assumed the government claims that the auditing profession was not created to serve the needs of the capital. Nonetheless, it exists because of the Greek government, as the latter sees the auditing profession as an effective occupation for social management (Ballas, 1998).

Caramanis (2005) argues that Max Weber’s theoretical work on history and social development can be applied to complex processes of contemporary change in the accountancy profession in Greece during 1993 and 2001. The study looks at the intra-professional conflict between Greek auditors and international accounting firms during the 1990s, as the Greek auditors aimed to regain monopoly over the accounting practice, which they had lost as a result of the ‘liberalisation’ of the Greek auditing market. The study reveals that rationalisation and charisma play a vital role in instigating historical change by means of their influence on class–status–party, which exposes the structure of the modern society. Finally, the dynamics of the Greek accountancy profession during the 1990s can be seen as a process from which it can be difficult to forecast into the future. However, certain trends arise in the historical context of the accountancy profession, as examined within the Greek case. In their recent study, Dedoulis & Caramanis (2007) examined the formation of the Greek institution of auditing in the aftermath of World War II and used the ‘imperialism of influence’ theory and some elements of the state–profession literature in order to better understand the development of the auditing profession in an emerging country like Greece. The paper concludes that:

The local state may retain a relative autonomy to prioritise public over market
needs and objectives which may be best accomplished by corporatist accounting institutes. Hence, the organisation of auditing in emerging economies at particular historical moments may not come as the predetermined outcome of a standardised process of emulating the dominant ‘Western’ paradigm (Dedoulis & Caramanis, 2007, p. 409).

Bakre (2000) asserts that the state-profession relationship is not problem-free; the state might protect accountants from being accountable for their responsibilities. In other words, the state relies on accountants to generate funds; those funds can be used by politicians to finish the state social programmes and thereby retain their offices. Thus, institutions of accountancy will continue to serve private interests, rather than public interests as they claim to.

An alternative style is adopted by Robson and Cooper (1990). They considered a social context when exploring the development of the profession in the context of the UK profession. The paper reports the different positions of the six UK professional bodies. They conclude that the expansion of the accountancy profession bodies can be attributed to politics. They further argue that the relationship between accounting theory and the actual practice is still contradictory (Robson and Cooper, 1990).

In their seminal papers, Willmott (1986) and Pufty, and Willmott, Cooper, & Lowe (1987) call for a study of accounting to be conducted within its social context and argue that an understanding of the profession requires an appreciation of the political, economic and legal circumstances which have supported and constrained its development. In other words, understanding the role of accountants and the concept of a profession requires scrutiny of
how it has been mediated, formed and transformed in tandem with changes in the political and socio-economic structures existing in the country.

Puxty et al. (1987) examine how accounting practices are regulated in advanced capitalist societies. They critically use Streeck & Schmitter’s models of exploration of the social order; therefore, the theory of regulation can be seen as a combination of the organising principles of market, state and community. “The institutions and processes of accounting regulation in different nation-states cannot be understood independently of the historical and politico-economic contexts of their emergence and development” (Puxty et al., 1987, p.275). Thus, this analytical framework has been used to compare modes of accounting regulation in four different capitalist countries, namely the Federal Republic of Germany, the United Kingdom, Sweden and the United States of America. Puxty et al. (1987) explain the regulation of accountancy, stating that:

It should now be clear that our understanding of the relationship between “Market”, “State” and “Community” principles of societal regulation is that they are both essential and problematical for the “ordering” of advanced capitalism. In examining accountancy regulation, we theorise its institutions and practices as an outcome of interactions between parties (e.g. diverse state managers, agents of fractions of capital and representatives of organised interest groups) who are positioned within a structure of politico-economic relations that is simultaneously united and divided by internal contradictions, tensions and struggles. Accordingly, the actions and accounts of these parties will be theorised as an expression of the fusing of the principles of Market, State and Community. In this light, the
reproduction/reform of the prevailing structure of politico-economic relations is seen as an (often unintended) consequence of these parties’ efforts to mobilise their stock of material and ideological resources (including institutions) to negotiate policies and practices of regulation that are perceived, within the terms of their own frames of reference, to safeguard or advance their own individualistic career interests as well as the class interests of those on whose behalf they act (p. 282).

The findings of the paper suggest that there are significant contradictions in advanced capitalist countries regarding organising principles. The regulation of accounting in these capitalist countries has been used to illustrate the articulation of these contradictions. Thus, the authors argued that the market and the state hold a greater regulatory power over accounting institutions and practice than the community. Therefore the market and the state are considered as superior organising principles. Based on these assumptions the paper suggests a matrix of the accounting regulatory regimes, namely liberalism, legalism, associationism and corporatism, in the context of advanced capitalist societies. For instance, in a liberal society the accounting regulations are driven by market principles, whereas in a legalist system the accounting regulation mainly serves the working of state principles. In corporatist and associationist regimes, the accounting regulation takes a more middle ground position (see Figure 2-1) (ibid.).
Finally, Puxty et al. (1987) classify the regulation regimes in four advanced capitalist countries: Germany, which follows a legalist mode, the UK, which conversely considered applying an associationist mode, Sweden, which followed a corporatism system and finally the US, which used a combination of legalist and associationist modes. Furthermore, the above study illustrates how the regulating of accounting is different and how it has been influenced by the politico-economic circumstances in all four capitalist countries.
A different approach was used by McMillan (1999). In his paper, in which he examined the emergence of the Institutes of Accountants (IA) in the US, he adopts the institutional environment; the paper suggests that the emergence of the first professional organisation in the US in 1882 encouraged other professions to establish themselves in this way, such as the engineering profession. Moreover, the findings suggest that the US takes benefitted from the experience of the English profession, as the new American professional organisation imitates the British accountancy societies. It is worth mentioning that IA, during the fourteen years leading up to the passage of the first Certified Public Accountant (CPA) law in 1896, was the most significant and creative professionalizing accounting institution within the US. McMillan (1997) drew upon the historical archives of the contemporary professional journals in New York City and London. “These reveal the professional discourse, in which the rational institutional myths may be perceived through their being used to legitimize the profession” (McMillan, 1997, p. 2).

In Belgium, De Beelde (2002) conducted a study on the emergence and development of the auditing profession during the 1940s and 1950s, where he argues that the professionalization of auditing was a result of the struggle between different professional models of the audit profession. The creation of the Belgian auditing profession is attributed to the involvement and the debate of the state, the employers (civil servants) and the unions. “…Civil servants in public administration often served as a model for professional organisation and behaviour” (De Beelde, 2002, p. 447). The Belgium parliament agreed to have a combination of roles; in this regard politicians draw a line between experts comptables, offering unregulated accounting and auditing services, and revisers (auditors). Ramirez (2001) provides an interesting analysis of the accountancy profession in France
between 1880 and 1939, where he revealed that the French case did not follow the Anglo-Saxon one. He claims that arguably accounting as a discipline and accountancy as an occupational grouping were not recognised in France and explains why the French accounting practitioners failed to reach a professional status before the Second World War. In comparison to other professional occupations such as engineering and law which were firmly entrenched within both state and elite academic institutions. For instance, engineers used to design cost accounting systems and civil servants with economists were responsible for producing financial accounting codes. As a result, the business sector was not reliant upon audited financial statements by accountants to attract funds from the capital market.

The change in the government's conception of French society and the change in the conception of the state in this, could grant the accountants with a new legitimacy. It was because of the state that they could not be recognised before the war. It was now because the state wanted to give birth to an economy and a society in which these accountants could play a role, that they were institutionalise (Ramirez, 2001, pp. 413-414).

Therefore, the Vichy government during the German occupation created some reforms and made changes to the government’s conception and the French society, thereby introducing meaningful order to the accountancy profession in France.

Ramirez (2001) mentions that accounting as a discipline and accountancy as an occupational grouping were not recognised in France before the Second World War. The accountancy profession in France was introduced in the aftermath of World War II. Libya
was under the auspices of the United Nations Organisation between 1943 and 1951. The British military controlled the two former Italian Libyan provinces of Tripolitania and Cyrenaica, located in the North, whereas the French controlled the province of Fezzan, located in the South. Therefore, it is obvious that the British were more influential in terms of financial activities, taking into account the rich history of the British auditors in their mother country and other former colonies. In contrast, it wasn’t until the 1940s that the French accountancy profession came into existence in French society (ibid.). Thus, the French accountancy profession did not have any impact on the development and emergence of the Libyan accountancy profession during the colonisation period. The French accountancy profession was still at its infancy at that time; the French did not have any influence on the Libyan economy after Libya achieved its independence either.

Furthermore, it can be argued from the above discussion, the British auditors were employed in Greece during the 1950s to help the Greek government certify financial statements of the various state agencies, to ensure that the international aid will not stop. The Greek government sees the auditing profession as an effective occupation for social management. In Libya however, the recognition of accountancy as a profession is attributed to the development of the banking sector and the creation of the banking proclamation law No. 211 of 1950 by the British administration in Tripolitania, which came into force from the 15th November 1950. This new legislation encouraged many auditors from all around the world to come and practise auditing and establish accounting firms in Libya, including British auditors (chapter 4 contains more details).

Recently, an interesting study by Clarke & Varnava (2013) addressed the history of
accounting in Cyprus under the British rule, covering the period until their independence (1918–1960). The paper traces the developments of accounting and highlights the significant influences of British rule during that period. Despite the close links between Cyprus, Greece and Turkey, it was obvious that British rule strongly influenced the development of the accounting practice in Cyprus. The paper suggests that after the Treaty of Lausanne in 1923, the Republic of Turkey recognised British sovereignty over Cyprus and two years later it became a Crown Colony. The paper provided a review of Cyprus’s history, to show the significant change in political, economic and social developments, within the wider imperial and colonial contexts, which eventually helped the advance of accounting in Cyprus in the aftermath of World War I up until the independence of Cyprus in 1960.

The paper highlights three stages. The first is identified as taking place after the First World War, as the government encouraged economic activities and introduced various legislative reforms which subsequently led to a need for personnel with bookkeeping knowledge and other commercial skills. The second stage began after the introduction of commercial legislation during the 1920s and income tax in 1941. These changes in the business legislative environment extended the necessary skills required by individuals and business, as new laws emphasised the importance of having accountants for commercial businesses. Finally, “… the era of the professionally qualified accountant was stimulated with the provisions of the 1951 Companies legislation. The culmination of these phases resulted in the formation of a local, professional accountancy body after independence, in 1961” (Clarke & Varnava, 2013, p. 310). She further calls for an investigation into whether the formation of a local professional accountancy body in Cyprus was a natural response to
Cypriot nationalism or for different reasons.

In recent years, the globalization of accounting has become a key topic in research on the development of the accountancy profession of developed countries within their context as settler colonies\(^5\). Undoubtedly, most of the settler colonies have benefited largely from developed countries through imperialist powers; accounting was a widespread occupation across the colonised countries and “…the result was the emergence of an imperial accountancy arena” (Chua & Poullaos, 2002, p. 409).

Chua & Poullaos (2002, p. 437) argue that “…the imperial context is a potentially fruitful one for analysing how profession-state dynamics in distant places can be linked, and thus interact…. we have noted that notions of professionalism originating in Britain spread to the self-governing colonies in Canada, Australia and South Africa, with colonial associations borrowing heavily from British exemplars”. Therefore, globalization is just a vehicle to promote Western accounting systems to become a global profession transferred across different countries (Dezalay, 1997; Dezalay, 1995; Sikka, 2001; Willmott & Sikka, 1997).

An interesting case of the role of powerful Czech political figures in mediating the globalization of the accountancy profession can be seen in the Seal et al. (1996) study, where they consider the dynamics of the accountancy profession in post-1989 Czech Republic. The study suggests that reform in Czech Republic legislations and transitions in

\(^5\) The term settler colony refers to a large number of Europeans migrate permanently to a colonial country and that can be seen in a country like Argentina, the US, Canada, New Zealand and Australia. On the other hand, non-settler colonies, refers to the indigenous or other colonized people brought by the colonizers (as slaves or workers) were still the majority of residents but they were still subject of foreign powers.
Czech socio-politics and economics created fresh tasks in the social construction of trust in the nascent capitalist order. Therefore, the Czech accountants and auditors created the market for their services and secured statutory rights over it. However, it is argued that the ambivalent policy of the Czech government and the libertarian ideology of the Czech politicians made it easier for reputable foreign accounting firms to invade the domain of the auditing and accounting services in the Czech Republic.

After reviewing the previous studies conducted in developed counties and having looked at the frameworks which were utilised to study the emergence of the accountancy profession across different developed nations, the next section provides a review of the previous studies carried out on the emergence and the development of the accountancy profession within the context of developing nations. This section addresses what theoretical frameworks have been utilised in these countries. This will help the author to determine the most appropriate theoretical framework to be used to answer the questions of this study.

2.3.2 Studies Conducted on the Emergence and the Development of the Accountancy Profession in Developing Countries

Other studies have concluded that most developing countries have linked the development of the accountancy profession to the development of accounting education, instead of linking them traditionally to vocations. It is assumed that accounting education has played a key role in the development and emergence of the accountancy profession in developing countries (Ezejulue, 1976). Bakre (2000) argues that the emergence of the accountancy profession in developed countries was a response to serve the needs of capitalist economies. In former British colony Jamaica, for instance, the accountancy profession was created to meet the demands of the expansion of the British capitalism. “Thus colonialism
and developments in the world capitalist economies have impacted and continue to have an impact on socio-political and economic development in Jamaica, even after independence” (Bakre, 2000, p. 58).

A Weberian concept of closure is utilised by Sian (2006). The study explores the concept of closure within professional projects and its application to the development of the accountancy profession in the former British colony Kenya. Oral history techniques and archival research have been used to examine the construction of the institutional arrangements for accountancy between 1970 and 1978, within a political, social and historical context. Interestingly, the findings suggest that within the Kenyan case not all professional projects aimed for monopolistic control, which is driven by collective social mobility. There is evidence to suggest that the newly-formed state in Kenya aimed to include all qualified accountants and not to exclude anyone to ensure “… a viable association was formed amidst existing neo-colonial societal divisions along racial lines” (Sian, 2006, p. 295).

Using mainly archival sources, the study sets out to map the formation and evolution of a colonial professional body, the Association of Accountants in East Africa (AAEA), which predominantly consisted of British accountants. The study shows how those professionals managed to secure closure within the market in the past. Also it is suggested that dramatic changes in the local political environment forced this Association to abandon their strategy of closure altogether in favour of openness (Sian, 2011). Interestingly, the government plays a vital role in reversing exclusionary closure in the accountancy profession. The local government in Kenya initiated education and training programmes for accountants and
facilitated the entry of Africans into the professional world. These positive action programmes were created as recompense for the injustices suffered by Africans under the colonial regime. On the other hand, it was anticipated that foreign experts would leave Kenya after it had achieved independence. Therefore, it was crucial for the government to introduce those affirmative action programmes and train local accountants to fill the anticipated shortages in the labour market (Sian, 2007).

Another closure project can be found in Yapa (2006). The study explores the history of the accountancy profession in Sri Lanka, a former British colony, which achieved its independence in 1948. In 1959 the Institute of Chartered Accountants of Sri Lanka (ICASL) was established. The accountancy profession in Sri Lanka suffered from cross-border competition between British institutions; those institutions aimed to exert influence within a former colony and supply Sir Lanka with accounting labour. On the other hand, the ICASL was concerned with achieving closure over practitioners. Support from the Sri Lankan government to the local professional body (ICASL), coupled with the influence of the British professional bodies namely the Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Management Accountants (CIMA), should have created an environment conducive for the development of the Sri Lankan accountancy profession; however this didn’t happen as expected. The paper suggests that the ICASL put restrictions on members of the public and the ICASL has effectively controlled the supply of public-practising accountants by means of an ‘occupational closure’ process. Thus, the ICASL managed to produce only 2,170 of qualified accountants not enough to satisfy the needs of the Sri Lankan economy.
Poullaos (2009) argues that Trinidad and Tobago (T&T), Jamaica, Kenya and Nigeria did not have any local professional organisation before independence. The influence of the ACCA can also be seen in the work of Anisette (1996). Anisette studied the Institute of Chartered Accountants of Trinidad and Tobago (ICATT) and found that they tried to discourage the localisation of the accounting profession. Moreover, since the establishment of the profession in 1974, there have been many complaints from accountants and the government regarding the unsuitability of the qualifications for the situation in Trinidad and Tobago. She also claimed that ACCA products are dominating the accounting profession. Consequently, the government faced difficulties when localising the profession (Annisette, 1996). After T&T obtained independence, the nationalist government in T&T sees the development of a local accountancy profession as a motive for the social and economic transformations during the post-independence period. The existing literature suggests that the accountancy profession existed to serve the state and vice versa. Impressively, the case of T&T illustrates that the accountancy profession played a vital role in the making of the state in the immediately post-colonial period (ibid.).

Bakre (2000) examines the emergence and the development of the accountancy profession in Jamaica; he adopts cultural imperialism and globalisation frameworks. The accountancy profession in Jamaica has been influenced by the colonial professional body (i.e. Association of Chartered Certified Accountants, ACCA). He also indicates that there were three attempts made by Jamaicans to localise the accountancy profession.

The first attempt occurred after Jamaica gained its independence. Accountants saw this movement as advantageous in terms of moving on from the racial discrimination which
was inevitable during the colonial period. Therefore, they established a local professional body (the Institute of Chartered Accountants of Jamaica ICAJ) (Bakre, 2005). The second attempt was made between 1975 and 1986, when the government forced the ICAJ to resolve the domestic problems in the accounting sector; the lack of professional accountants in Jamaica, for example. The ACCA also threatened the ICAJ in saying that they would stop providing them with examinations. Consequently, during this period of time the ICAJ faced internal pressure from the Jamaican government, accompanied with external pressure from ACCA (Bakre, 2006).

The third attempt occurred between 1988 and 1999, when the ICAJ signed a contract with the Institute of Chartered Accountants of the Caribbean (ICAC). However, the taxation, regulations and financial systems were inappropriate in the Jamaican context. Finally, the research concluded that all the above attempts were unsuccessful at localising the accountancy profession in Jamaica; Bakre (2000) argues that ICAC and ACCA were largely responsible for these failures, which made it impossible for the Jamaican accountancy profession to be localised.

Another study utilised the concept of the state–profession axis. Uche (2002) illustrated the key factors which significantly influenced the development of the accountancy profession in Nigeria. He was concerned with examining the state/profession relationship. The study observes various episodes in the history of the accountancy profession in Nigeria under different styles of governments (i.e. military and civilian). The study explains the conflict between professional bodies, the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN), over the expert domain
within the accountancy profession. Eventually the government took action to resolve this conflict. Furthermore, under volatile political conditions and in the absence of the parliament, the power of the state during military regimes is restricted to a few individuals, thus “… the interest groups lobbying for regulatory benefit is easier under such military Governments mainly because legislative initiative during such periods is concentrated in a coterie of individuals” (Ogowewo, 1996, p. 18). Wallace (1992) argues that in many cases laws have been written in order to bring the accountancy profession under the control of the state. Therefore, the profession ultimately relied on state power to protect their domain of expertise.

In 2007, Uche wrote a book entitled ‘The Accounting Profession in British West Africa’ which was a collection of studies on a country-by-country basis. He explored the role of the accountancy profession in facilitating the economic development of the region. The report traces the development of the accountancy profession across different countries namely Ghana, Nigeria and Sierra Leone, within the context of their various political and social environments. The book suggests that the real disappointment in the region has been the professional bodies’ inability to train and develop sufficient numbers of accountants relevant to the level of economic activities in those countries (Uche, 2007).

Drawing upon functionalist, interactionist and critical theories, Yapa (1999) argues that despite the ongoing British influence over Brunei Darussalam the accountancy profession was still deemed to be weak in comparison to Western countries. This is attributed to the Sultanate government and their influence over the politico-economic environment. Such influence is seen in the controlling of the economy, which makes it difficult to establish a
vigorous accountancy profession which can meet its responsibility towards protecting public interests. Finally, he claims that there is a little evidence that the local professional body will develop in the future, where it can effectively protect the public interest of Bruneians.

Imperialism is considered an important element in the professionalization process, as many former colonised countries tend to be heavily influenced by their previous colonisers. Thus, it was difficult for those ex-colonised countries to develop their own accountancy professions in accordance to their political, economic and social environment (Annisette, 2000). Accordingly, Dyball, Poullaos, & Chua (2007) argue that the accountancy profession in ex-colonized countries did not emerge and advance in a similar way as in the developed countries. As there are circumstances that led to “…the emergence of professionalization projects identifies as precursors: a competitive market for accounting services, self-organising groups of accountants, and a ‘self-directed’ modernist state. These precursors did not apply to the Philippines” (Dyball et al., 2007, p. 415). Thus, “…the Philippine professionalization project is best understood as an expression of the political interests and strategy of a feisty cohort of native political elites engaged in a struggle with their American colonizers” (Dyball et al., 2007, p. 440).

Annisette (2000) examines the professionalization process within the wider context of imperialism and illustrates how imperialism influenced the accountancy profession in Trinidad and Tobago (T&T), an erstwhile British colony. The study seeks to understand the ACCA dominance over the certification of professional accountants in T&T. The study concluded that there was collaboration between local elites and the UK-based professional
bodies. Thus, the common interest of those groups subverted every attempt to nationalise the accountancy training in Trinidad and Tobago and led to the continuation of the imperialist order.

Poullaos and Sian (2010) argue that the British accountants were on many occasions sent to colonised territories to provide aid to local colonial administrations. Conversely, others emigrated to provide accounting services to offshore British organisations and local enterprises. It is obvious that British accountants in different colonies aimed to “... replicate their British status and modus operandi (as ‘professional accountants’) and were a means through which their ‘home’ societies become imperial bodies with imperial interests” (Poullaos and Sian, 2010, p. 2).

Susela (1999) adopts a critical approach to study the accountancy profession overall in Malaysia and used Marxian theories to explain the conflicts within it. The study concentrated on the interests of different groups and illustrated that power could not dominate the process of accounting standards. Moreover, the introduction of International Accounting Standards (IASs) received various criticisms in Malaysia. The International Accounting Standards Committee (IASC) was not approved by the business community. Accordingly, IASs are widely used by Malaysian setters, which can be seen as an attempt from developed countries to slow down the growth and development movement in Malaysia. Finally, the author illustrates that the activity of the accountancy profession, especially the standards setting, can be seen as a direct outcome of the political process of power and conflicts in Malaysia.

Ali et al. (2006) used archival research and documentary evidence to examine the
Malaysian auditing saga over the last 40 years. The analysis covers the period after the independence from the British in 1957 to just before the onset of the Asian Financial Crisis in 1997. The paper provides an overview of the historical development and achievements of the auditing profession by linking the development of the auditing profession to political and socio-economic changes. They divided the history of the auditing profession into three episodes in order to understand whether or not the auditing profession responds to the political and economic changes. The findings suggest that the function of auditing has changed from maintaining the economy policies to serve indigenous people of Malaysia, to serve outsiders (Western investors). In this regard, “… the practice of auditing in Malaysia was merely to fulfil legal requirements and provide an “image” of a modern economy to attract investments from overseas rather than to address the needs of its own social environment” (Ali et al., 2006, p. 695).

Another study focuses on Indonesia, drawing insights from the tradition of the globalization theory and Robert Cox’s historical structure methodology to examine the emergence and the development of the Indonesian accountancy profession over the last five decades. The study uses document analysis to understand the emergence and the development of the accountancy profession in Indonesia during the three different periods. The study suggests that the spread of Western-style accountancy across the world was a response to the global expansion of capitalism, with Indonesia being no exception. Thus, the development of the accountancy profession was mainly affected by the changes in the political and economic environment within Indonesia and those changes were heavily influenced by the close relationship between Indonesia and its former colonisers within the contemporary capitalist world system (Irmawan, 2010).
Other central research adopts a Foucauldian theory. Al-Motairy (1999) uses the Foucauldian perspective to study the emergence of the auditing profession in Saudi Arabia; he adopted this approach in order to understand the impact of social, economic and political factors on the regulation of the auditing profession in Saudi Arabia. Thus, his aim was neither to describe the technical progression of the profession in Saudi Arabia nor to evaluate the organisation of the profession, but to understand the process by which the profession was organised and regulated.

Furthermore, he argued that the Foucauldian theory can only answer how the profession occurred, but might be unable to answer why the profession occurred. Therefore, he suggested using other theoretical approaches in order to explain why professionalization occurred in Saudi Arabia. The findings suggest that Foucault’s approach is limited regarding its scope to study the emergence and the development of the accountancy profession in Saudi Arabia. He also claimed that this approach would not be relevant in countries which display a lack of continuities between the colonial period and the independence period (see e.g. Al-Motairy, 1999; Annisette, 1996).

Recently, an alternative approach called hegemonic analysis has been used to understand the re-emergence of the public accountancy profession in China. Yee (2009) adopts a hegemony theory⁶ to study the circumstances which led to the re-emergence of the public accountancy profession in China during the 1980s. Yee attempts to understand the

---

⁶ This theory was used by the Italian Antonio Gramsci (1891-1937) who was a leading Marxist thinker. He uses the term hegemony to establish the pre-eminence of one group over the others (e.g. bourgeois hegemony). This perception stands not only for the political and economic control but also the power of the preeminent group to put across its own view so that those in the lower cadre will eventually accept it as ‘common sense’ and ‘natural’.
influence of the government on the professionalization process in China. She argues that the accountancy profession in China is fully dominated by the state. Arguably, the state-accountancy profession relationship can be seen as father-son relationship in China. Thus, “…the Chinese public accounting profession means that the future development of the profession will continue under the ‘authoritative’ guiding hand of the state” (Yee, 2009, p. 89). Yee (2012) utilised the hegemony theory to examine the dynamic state-accounting profession relationship in China. The second aim of the paper was to illuminate the ideological influence of the Chinese state on the development of the profession and finally to explore the intra-professional conflicts during the 1990s. The paper illustrates the conflict between the Chinese Institute of Certified Public Accountants (CICPA) and the Chinese Association of Certified Public Auditors (CACPA). For instance, the standards set for entry by the CICPA were much higher than the CACPA requirements; this professional ‘superiority’ did not lead to any competitive advantage for the CICPA. In actuality, the lower requirement for entry into the CACPA made it easier for Chinese practitioners to obtain a CACPA licence and practise as a certified public auditor, rather than as a certified public accountant. Instead of having sustained segmentation of professional bodies in China, the intra-professional conflict between CICPA and CACPA eventually led to the unification of the public accounting profession. The findings confirm that the merge would not have been possible without the direct intervention of the State.

Applying a decontextualized approach in developing countries to study the emergence of professional organisations, will lead scholars to provide a conventional view. Therefore, focusing on the characteristics of the profession in developed countries suggests three existing explanations of the formation of institutes of accountants in Edinburgh and
Glasgow in 1853 (Walker, 1995). Kedslie (1990) explained that the formation of the professional organisation in Scotland was the result of a proposal to change the bankruptcy law. On the other hand, the development of industrial and financial enterprises contributed to such formation according to Stewart (1975). Finally, Macdonald (1984) suggests that achieving social mobility and social closure explains the formation of institutes of accountants.

Different conventional views from developing countries regarding the formation of the accountancy profession suggest that accounting education in developing countries should be considered one of the influential factors which contributes to the development of the accountancy profession (e.g Buzied, 1998; Farag, 2009). For instance, the development of the auditing profession in developing countries can be linked to the increased number of graduates in the accounting field. Scholars such as Wang-Boren (1987, p. 28) claim that:

Due to an increase number of graduates from the SSCA (Superior School of Commerce and Administration) and from the National University of Mexico, the accounting profession was finally organised in 1917 in Mexico city, as the Association of Certified Public Accountants (Association de Contadores Publicos Titulados) (cite it in Al-Motairy, 1999, p. 24).

Finally, Bakre (2000) suggests that the newly formed professional bodies in former colonial countries are open to criticism weather they were created to protect personal interest or public interest. Adopting the Western accounting frameworks may not serve the socio-political, economic and cultural needs for the emerging economies of developing countries. After reviewing the previous studies conducted on developed and developing
countries the next section presents studies focuses on Libya.

2.3.3 Earlier Studies Conducted on the Development of the Libyan Accountancy Profession

The previous section highlighted the increasing interest in the development of the accountancy profession in many developed and developing countries. This section provides a review of previous studies conducted on the emergence and the development of the Libyan accountancy profession.

Studies on the history and the development of the accountancy profession in Libya seem to be very limited. On one hand, there have been attempts made by Libyan students, who studied abroad, who provide a small section in their thesis, a description of the status of the accountancy profession in Libya. However, all of these studies have simply reported the existence of the accountancy profession and the accountancy body, the LAAA. In addition, some of these studies did not refer to the history of the accountancy profession during the pre-colonial period, they just reported the status of the accountancy profession after independence and after the September 1969 coup (e.g. Ahmad & Gao, 2004; Dardor, 2009). These previous studies had different aims and understanding the emergence and the development of the accountancy profession was not part of their research. However, they do provide descriptions of the post-independence history of the accountancy profession in Libya to help them answer their research questions. Furthermore, it is worth mentioning that there are a small number of previous studies which provide a reasonable account of the emergence and the development of the accountancy profession during the colonial periods. However, scholars did not explain exactly how the accountancy profession started in Libya (e.g. Buzied, 1998; Kilani, 1988; Shareia, 2014).
Although previous studies in the context of Libya have helped scholars gain some understanding of the historical development of the accountancy profession, they generally failed to provide a comprehensive and contextualized story of the emergence and development of the Libyan accountancy profession for several reasons (e.g. Bait-El-Mal, Smith, & Taylor, 1973; Buzied, 1998; Kilani, 1988; Shareia, 2014). Firstly, the majority of previous studies on Libya tend to adopt positive approaches, when studying any particular accounting phenomena. Secondly, most of those studies either partially or completely disregarded the wider social, political and economic context surrounding the major events, which eventually have contributed to the emergence and the development of the Libyan accountancy profession.

In addition, all of the previous studies did not explain explicitly what caused the accountancy profession to emerge in Libya and how it developed in its early stages (during colonial periods). The prior studies presented above failed to provide a comprehensive account of the emergence and the development of the profession. This can be mainly attributed to the rarity of available records which show precisely how and when the accountancy profession came into existence under the colonial regimes. In this regard, Shareia (2014) argues in his recent publication, there is a lack of historical documents to explain specifically the history and the development of the accountancy profession. He claims that there are:

No records are available to show precisely how and when the accounting profession was first established in Libya. Since the early 1950s, the development of the Libyan accounting profession has been significantly influenced by several factors, such as the
education system, the teaching of accounting academics, the preferences of international companies, the expertise of international accounting firms and to some extent, the rapid changes in the Libyan social, economic, political and legal environment (Shareia, 2014, p. 3467).

One of the earliest studies published in a Western journal regarding the development of the accountancy profession during post-independence was written in 1973. The paper describes the development of accounting in Libya by explaining the social, economic and political changes that occurred after independence. However, it does not include any reference to the emergence, the history and the origin of the accountancy profession in Libya. It was clear that the study aimed to draw attention to the condition of the accounting education and the legal influence on accounting practices with particular reference to Libyan commercial Code, Income Tax and Petroleum Law. It is worth mentioning that the authors argue that there is a need to establish a professional accountancy body to organise and regulate the accountancy profession and they argue that “…government action is needed to establish a public accounting profession and to improve the standards of the State Accounting Office” (Bait-El-Mal, el al., 1973, p.101).

Following this paper many students in Western countries have produced PhD theses. However, some of these studies overused Western literature; little attention has been paid to the emergence and development of the accountancy profession in Libya. Kilani (1988) conducts research into whether Libyan accounting systems provide the necessary

---

7 The state Accounting Office is an independent office reports directly to the prime minister, the office is responsible of all revenues and expenses of the government organisation, agencies and different departments. This office also controls any organisation where the state contributes more than 25% of its capital.
information to help its economic development and future plans. The study refers to the history of accounting during different colonial periods and also suggests that the accounting education systems and accounting textbooks were British oriented during 1957 and 1976. After 1976 Libya adopted American education systems largely due to the fact many Libyan graduate students return from the US (Kilani, 1988). The study, however, fails to show precisely how the accountancy profession came into existence.

One research study focused on enterprise accounting in Libya and investigated the main factors which are likely to have formatted and shaped the current accounting systems in Libya. The study provides a historical background of accounting development. The study suggests that the development of accounting in Libya was not a response to its environmental needs and its development is found to be a derivative of the UK and US models. The findings also reveal that Libya did not attempt to adapt or develop the adopted accounting systems. Accounting in Libya is mainly oriented toward providing financial services to serve the needs of a non-existent set of users (investors and creditors). In addition, Libyan accounting systems are inherited from its previous colonial powers (Buzied, 1998).

Nevertheless, Mahmud and Russell (2003) conducted a research project on the development of accounting education and practice in Libya. They pointed out that there are four main impediments to accounting education and accounting practices. The first impediment is the lack of modern textbooks, articles and references in the Arabic language. Secondly, all the accounting materials such as curriculums and syllabuses are outmoded. Thirdly, the accountancy profession is undeveloped. Finally, people are not fully aware of
the role of accounting. They conclude the paper by suggesting that Libya is in need of efficient strategies, in order to improve both the accounting education and accountancy profession (Mahmud & Russell, 2003).

Recent research conducted by Ahmad and Gao (2004) sought to examine the changes, problems and challenges of accounting education in Libya. They reported the development of accounting education and accountancy profession in Libya during the last 50 years and analysed the accounting curricula since the 1970s. The paper concludes that accounting practices were mainly influenced by the oil firms and non-oil firms, which operated during the colonial time. However, the influence of those practices continued even after independence. In addition, the education system was also influenced by British education systems and textbooks during the period of 1957 to 1976. Thereafter Libya adopted the American education system since 1976.

Moreover, as a result, the accounting education system, accounting practices and accounting profession tend to follow the UK and the US pattern. Finally, the paper suggests that social and economic aspects should be taken into consideration before importing accounting education systems from the West. Libya is an Islamic country and Western systems might be inappropriate; the accounting education in those countries is based on standards and regulations, all of which were developed in capitalist countries and might not be appropriate for the Libyan economy (Ahmad & Gao, 2004).

Ahmad and Gao (2004) link the development of auditing firms to the discovery of oil. They reported that:

The discovery of oil in the early 1960s provided the country with financial
resources to develop business activities leading to a significant growth of the

economy. Accordingly, there were increasing needs from investors, creditors,
business managers and governmental agencies for financial information and
resultant accounting services. Subsequently, many foreign accounting firms from
Egypt, the USA and the UK opened branches in Libya, predominantly providing
audit services (p. 369).

The above statement clearly implies that the emergence of the auditing services was a
result of the discovery of oil and the opening of oil companies. Apparently, the history of
the accountancy profession during the colonial periods has not been studied intensively
enough to provide a more accurate and comprehensive story regarding the origin of the
accountancy profession. Therefore, there is an inconsistency in current knowledge;
however, the findings of this thesis suggest different significant findings, which will be
explained in more detail in chapter 4.

Furthermore, Ritchie & Khorwatt (2007) studied the attitude of Libyan auditors to inherent
control risk assessment. Their paper discusses the nature and the aims of the LAAA. The
study reports the existence of the accountancy profession in Libya and also provides a
descriptive account of the history of the LAAA, its strengths and weaknesses. However,
the paper did not draw attention to the history of the accountancy profession or its origin.

**Description of gaps in research literature** From the above discussion it is clear that studies
on the history of the accountancy profession in Libya are still very limited, despite the fact
that there have been some attempts by Libyan scholars to describe the actual status of the
profession and the obstacles preventing the enhancement of the profession in Libya.
However, some of the published articles are blind to the importance of various factors, such as political and economic agendas, as criticising government policies is considered a criminal action. The conventional explanation of the emergence of professional accountancy in Libya suffers from a serious problem in that it has been isolated from its social, political and economic context.

Hence, this study aims to narrow the gap in the literature by providing insights into the emergence and the development of the accountancy profession in Libya, by illustrating its origin and the factors which contributed to its successful conception in a ‘volatile developing economy’ like Libya’s. It also investigates the conditions of possibility which lead towards the emergence of the accountancy profession, as it has not been previously discussed in detail in any previous studies. Finally, the research will explore the professionalization trajectories in the context of Libya.

Despite recent advances in the study of the accountancy profession in developing countries, some of the previous studies shared the experience of studying the profession within a single colonial power. However, Libya is an interesting case as the development of the Libyan economy and its population has been under the control of the most recent three colonial powers (Ottoman, Italian and British & French), which have all greatly influenced the development of accounting.

Given the limitations of the prior studies discussed above, this thesis sets out to examine the evolution of the Libyan accountancy profession and trace the significant influence of the colonial periods on the present practice. It will also bring together historical events which have not yet been explored in any previous studies. The research is based on
documentary analysis and offers a historical account of the development of the accountancy profession with reference to the dynamic changes in Libyan political and socio-economic environment. Moreover, exploring the LAAA seems to be essential in order to understand how the profession operates in developing countries with special reference to Libya.

This research will enrich the accounting history literature on developing countries by exploring the history of the accountancy profession in Libya as well as its accountancy body (LAAA). The emergence of the LAAA has never been questioned in the accounting literature. In this regard, Carnegie & Napier (2002) argue that the study of the evolution of accounting practice in other Mediterranean former colonies and an exploration of how professional accountancy firms were established during the 1960s, would be especially interesting.

There is a lack of consensus about the emergence and the development of the Libyan accountancy profession among Libyan scholars, who are trying to link the emergence of the profession to the discovery of oil during 1959 and the developing of accounting education after independence was gained (e.g Ahmad & Gao, 2004). Therefore, there are inconsistencies in current knowledge; ultimately, the impetus for this research is to correct the existing knowledge and provide a clearer picture of the history and the development of professional accountancy in Libya, since there is no other research which has successfully completed this aim. This thesis will be the first study of its kind, which offers a chronological account of the development of professional accountancy in Libya. To achieve the above this study will employ archaeological and genealogical approaches,
which have been introduced by Michel Foucault to answer the research questions. Justifications regarding the adoption of this approach are explained in the next section. The formation of power and knowledge relations can provide richer pictures of accounting history which in turn has played a pivotal role in disciplining society.

2.4 Adopting a Foucauldian Approach to Examine the Emergence and the Development of Professional Accountancy in Libya

Selecting an appropriate research strategy to answer the addressed question is connected to the chosen methodology (Adams, Hoque, & McNicholas, 2006). Accordingly, to achieve the objectives of this study the author will adopt a Foucauldian perspective in order to explore the emergence and development of the accountancy profession in Libya. The justification for using this perspective is that it can be used as an analytical framework to analyse the emergence of the accountancy profession as suggested by the sociological literature. It is worth mentioning that the literature did not offer a complete analytical framework which could be used to answer the research questions. Therefore, the next chapter will suggest a framework to be used in order to understand the emergence and the development of the profession in Libya. The proposed theory uses the discursive formation and the multiple power relations to illuminate the emergence and development of the accountancy profession.

Accordingly, this research seeks to understand the emergence of the profession in Libya, ‘how’ it occurred and to explain what conditions of possibilities contributed towards the emergence of the profession. In addition, Foucault’s theory is limited in its ability to answer ‘why’ the emergence occurred. For example, Al-Motairy (1999) asserts that Foucault’s theory answers ‘how’, which is why he used alternative approaches in his
research to find an answer for the question of ‘why’ the emergence of auditing profession occurred in Saudi Arabia. In this regard, Merino (1998, p. 612) illustrates that accounting researchers cannot reach a comprehensive understanding of any particular phenomenon; he argued that any perspective can only provide “a partial explanation of a giving phenomenon”. Moreover, Foucault’s theory will be helpful in understanding how a particular phenomenon functioned or how it came to be in the first place, as suggested in the literature (see e.g Hoskin & Macve, 1986; Loft, 1986). Therefore, this theory will assist researchers to gain better understanding of the status quo and attempt to challenge it by criticising the phenomena. So the Foucault perspective might bring some future changes to the status quo. In this regard Laughlin (1995) argued that:

While there is clearly a level of critique in the school of thought with its underlying emphasis that each historical period is no better, only different from any previous era that urgency for change is removed through this underlying belief. Put simply what is the point in changing the status quo when, using Foucault logic and language, all that is happening is that one “disciplinary power” network is being exchanged for another? It is this underlying philosophy which makes this school of thought inevitably “low” in its emphasis for change the status quo (p. 76).

Nevertheless, there is a limitation of the Foucauldian theories in respect to using it in developing countries (the Third world). Since the methodologies of these theories were written in the Western world and substantive research was directly related to developed countries (Bakre, 2000). On one hand, some scholars argue that the use of these theories might not be suitable for the countries which have a lack of continuity and that the theories
are irrelevant to the socio-political and economic environments of developing countries. On the other hand, most of the developing countries share features of continuities from the period of colonisation and the period of independence (Annisette, 1996).

This study of the emergence and development of the accountancy profession in Libya cannot be adequately understood independently of its political and social environment. Thus, this study traces the development of professional accountancy in Libya in the context of its political and social environments. Moreover, the accounting literature does not demonstrate a comprehensive understanding of how the accountancy profession functions in developing countries. Miller (1994, p. 20) argued that, “… If we are to understand fully how particular ways of accounting have emerged, and why such significance is accorded them, we have to move beyond the boundaries of the organisation and examine the social institutional practice of accounting”.

Moreover, the emergence of the accountancy profession is linked to the political and economic environment. This study also attempts to examine the emergence of the professional body (the LAAA), which will not be possible without reviewing historical events and connecting them to the social, political, economic environment. This research will also enrich accounting history by documenting the professionalization process in Libya and also examine the usefulness of Foucault’s ideas, to prove whether this approach is a viable means of studying the emergence and the development of the profession phenomenon in developing countries.
2.5 Conclusion
This chapter provided a review of previous studies on the emergence and the development of the accountancy profession in different countries. The purpose of this chapter was to provide the key theories, concepts and ideas based on the sociology of the profession and discuss the key studies which have been conducted about the history of the profession. The previous studies conducted on developed, developing countries, including studies carried out in Libya, have been analytical reviewed and the various gaps in the literature have been identified. The history of the accountancy profession has witnessed the rise of a more critical approach in recent decades. The shift towards these approaches began when scholars noticed that conventional approaches and interactionist approaches could not offer a deeper understanding and better interpretation of the emergence and the development of the accountancy profession, whereas critical approaches could, as they position the profession within its wider economic and socio-political context. Other studies focused on the professionalization process (i.e. how accountants in different societies managed to achieve their professional status) and different theories have been utilised by scholars to explain tactics and strategies used by professional groups in order to gain exclusive rights over the market and create a market for their professional services, allowing just ‘eligibles’ to enter the professional world. Critical approaches also emphasise the importance of understanding the state-profession relationship, as it is argued that it is important to understand the function of the accountancy profession and how the profession had been regulated in a society. Different elements, such as the state, market and community, should take into account by scholars.

Moreover, the emergence and the development of the accountancy profession in
developing countries did not follow the same trajectory. Thus, it is important to study each country individually to learn how the emergence and the development of the accountancy profession blossomed within each nation. Given the rather limited studies in the context of former colonial countries in North Africa and the Mediterranean, the history of the Libyan accountancy profession is unique and interesting, considering Libya’s rich history; it has been under the control of three different colonial powers in its recent modern history. It would be useful to elaborate upon how the emergence and the development of the accountancy profession during the colonization periods, post-independence period and post-September coup period, despite the fact that the British administration ran the country for nine years and provided the Libyan government after independence with financial help and consultation services. Surprisingly, after obtaining independence, almost 21 years passed before Libya established its professional body (i.e. the Libyan Association of Accountants and Auditors LAAA which was established in 1973). Thus, this study attempts to offer a chronology of the development of the accountancy profession in Libya. Therefore, the next chapter elaborates on the methodological framework which will be utilised to study the emergence and the development of the accountancy profession in Libya. The strengths and weaknesses of the selected theoretical framework will be discussed in the following chapter.
Chapter 3

Theoretical and Methodological Framework

3.1 Introduction

The previous chapter presented a review of the accountancy profession literature across different nations including the sociological perspective on professions (i.e. conventional approaches, interactionist approaches and critical approaches). The literature review chapter also provided theoretical explanations for the emergence and the development of the accountancy profession in developed and developing countries. Accordingly, in the previous chapter the author established that there is an increasing preference among scholars to utilise the Foucauldian perspective (power-knowledge relationship), as it provides suitable explanation for the emergence and development of the accountancy profession. Thus, the Foucauldian perspective can be used as an analytical framework to analyse the emergence of the accountancy profession, as suggested by the sociological literature. It is worth mentioning that the literature did not offer a complete analytical framework which could be followed to answer the research questions. Therefore, this chapter presents a framework which will be utilised to examine the emergence and the development of the professional accountancy in Libya and will also offer justifications for the selected methodology for this study.

This chapter is devoted to demonstrating the research methodology utilised to answer the research questions in this thesis. Section 3.2 discusses alternative schools of thought on accounting research, section 3.3 debates the importance of contextualisation in accounting research, section 3.4 presents ‘new’ accounting history, 3.5 introduces Michel Foucault and his ideas, 3.6 explains the archaeological approach, 3.7 describes the genealogical
approach, 3.8 provides examples of the use of the Foucauldian approach in accounting studies, 3.9 presents the framework for understanding the emergence and the development of the professional accountancy in Libya, 3.10 describes the date collection method and 3.11 concludes the chapter. The following section reviews the alternative methodologies in accounting research which have been used to examine the history of the accountancy profession.

3.2 Alternative Schools of Thought on Accounting Research
In recent decades, studies in accounting history have utilised different types of research philosophies (methodologies) to understand accounting phenomena (Chua, 1986; Deetz, 1996; Hopper & Powell, 1985). Not surprisingly, many researchers believe in using positive theory to study accounting phenomena, since it provides useful information to scholars. On the other hand, some scholars think that positive theory cannot help learners to study different topics. Thus, scholars have moved on and applied other interpretive and critical philosophies which have become widely used in the accounting literature in recent years. Over the last few decades, accounting literature has provided different and often conflicting theories, methodologies and research approaches. Each theory has its own assumptions about the nature of truth and knowledge, reality or the empirical world and the relationship between theory and practice (Chua, 1986; Ryan, Scapens & Theobald, 2002).

“From one perspective it can be argued that all accounting research is at its core interdisciplinary in that it draws its theory and methodology from other disciplines. Since its inception as an academic discipline, economics has provided the theoretical base for accounting research” (Roslender & Dillard, 2003, p.326). Therefore, critical accounting projects must recognise that without an ever expanding interdisciplinary horizon, the
critical project will most likely degenerate either into tyranny or quietism (Roslender & Dillard, 2003).

The first set of beliefs pertains to the notion that knowledge can be subdivided into two related sets of epistemological and methodological assumptions. Firstly, the epistemological assumption denotes what is to count as acceptable truth by specifying the criteria and process of assessing claims. According to an epistemological assumption a theory is considered true if it has not been falsified by empirical events. Conversely, a methodological assumption refers to the research methods which are deemed appropriate for the collection of valid evidence. Both sets of these assumptions are closely linked and the correct research method will be mainly depend on how truth is defined (Irmawan, 2010).

The author will explain briefly the differences between the epistemological and methodological approaches which have been used in the accounting literature, as different epistemological and methodological assumptions present different explanations of the nature and position of the accountancy profession across different countries. Therefore, evaluating the assumption, advantages and drawbacks of each methodology will help the author select the most appropriate research philosophy to be used to answer the questions of this thesis. The next section will provide a brief description of these perspectives, beginning with the mainstream accounting perspective.

3.2.1 Mainstream Accounting Research
Positivism can be traced back to the eighteenth century to the work of the Scotsman David Hume during the period of 1711 to 1776. However, positive theory was first introduced by
French philosopher Auguste Comte in 1853, who said “all good intellects have repeated, since Bacon’s time, that there can be no real knowledge but that which is based on observed facts”. From this statement it appears that Comte drew attention to two main issues; the first being that reality is objective and external to some extent - this is called ontological assumption - the second issue being that knowledge requires observing the reality and that is what makes knowledge so important (Easterby-Smith, Thorpe & Jackson, 2012). The positive approach was widely accepted in some developed countries such as the United Kingdom and United States, due to the assumptions of positive theory being understandable and realistic (Delanty & Strydom, 2003).

As mentioned previously, the ontology of positive theory is the world of the objective. Completely independent from human beings, the positive person assumes that the world is external and objective, and that people do not have any influence on social reality (Chua, 1986). Epistemology considers that all observations are separate from theories, meaning that positive researchers tend to test hypotheses, after which they can deduce future events (ibid.). Positive researchers can be inductive or deductive. Induction is a process whereby a researcher starts from observations in order to develop theories. In contrast, deduction is a process whereby a researcher starts by setting hypotheses, and makes further observations to test the hypotheses and ensure that the findings support the theories (Drever, Stanton & McGowan, 2007).

The problem with positive research methodology is that it ignores the motion that accounting is subject to and operates within society and the fact that it must have social implications and consequences (Hopwood, 1987; Loft, 1986). In addition, positive
researchers seem to rely on quantitative methods when analysing the data, such as wide samples, mathematical methods and survey approaches. Furthermore, positive methodology inhibits scholars from interpreting their findings. Therefore, the use of quantitative methods cannot fully capture an understanding of the social dimension of accounting or the impact of the latter on organisations and societies (Zerban, 2002).

Thus, the positive approach seems to be irrelevant, since the research seeks to ultimately induce a change in the way the professional body (the LAAA) acts. So, accepting the status quo, as many positivists do, seems not to be for a suitable means of completing the objectives of this research study (Chua, 1986). Moreover, positivists are more concerned about giving explanations of a phenomenon rather than inciting change, which is not appropriate for the aim of this research. Finally, positive theory does not take into consideration socio-historical elements, whereas studying the emergence and the development of the accountancy profession requires researchers to consider previous historical events as an essential step to achieve the objectives of this thesis. Positivists claim that phenomena can be better understood by reducing them into small elements. However, simplifying any phenomenon might make it more complicated to study (Neimark & Tinker, 1986). This is where alternative research philosophies, such as the interpretive and the critical approach, appear to gain more popularity in the accounting literature.

3.2.2 Interpretive Accounting Research
Johann Fichte began working using interpretive theory between 1762 and 1814. However, due to the dominance of positive theory some researchers neglected using this theory. In the 1920s, Karl Mannheim and Alfred Schutz redeveloped the interpretive approach
(Laughlin, 1995). Although the interpretive approach was introduced in the 1920s, the actual application of this approach in the accounting literature begun during the 1980s, when Colville explained the interpretive sociology for management accounting studies (Roslender, 1995).

The ontology of this theory assumes that social reality is created by people’s interactions. Interpretive theory does not change the status quo; it simply provides interpretations of reality. Interpretive scholars tend to use qualitative methods when they study any phenomenon; they often use a case study when they offer their interpretations. It is obvious that the interpretive approach is not suitable for the research questions; since the researchers are part of the study and therefore would not be independent, which might affect the outcome of the research (Chua, 1986).

In regards to the ontology and the assumption of the interpretive theory, they appear to be very far from using experimental tests and statistical surveys, since these methods assume that the social world is objective and measurable, which does not align with the theoretical aspect of the interpretive approach (Hopper & Powell, 1985). In contrast, using qualitative methods such as ethnographies, case studies and observations seems to be more suitable for interpretive researchers (Reichardt & Cook, 1979).

Whilst there is an absolute difference between the interpretive approach and the positive approach, both still share the same view regarding changing the status quo. The interpretive approach is more concerned with reporting the status quo, rather than challenging or changing it, similarly to the positive approach. Obviously, the interpretive approach suffers from lacking the ability to evaluate different dimensions (Chua, 1986).
Habermas (1978) argues that the interpretive approach has failed in evaluating the forms of life; as a result interpretive theory has inhibited researchers from analysing forms of false consciousness. In addition, interpretive researchers do not discuss any political issues when they adopt a hermeneutic approach. Finally, past and future events are not considered by interpretive researchers (Roslender, 1995). Therefore, applying interpretive philosophy to studying the emergence and the development of the accountancy profession in Libya would be inappropriate, for three reasons. The first being the interpretive approach makes no attempt to change the status quo. The second reason being interpretive researchers do not take into consideration past and future events; it only considers the immediate past or near future. Finally, interpretive researches do not study the impact of politics and economics on accounting phenomena.

Due to these shortcomings, it seems that both the positive and the interpretive approach are unable to answer the questions of this thesis. It would be impossible for positive and interpretive approaches to address the power relations which contributed to the emergence and the development of the accountancy profession in the context of Libya. The following subsection provides further characterization of the critical accounting research.

3.2.3 Critical Accounting Research

Critical theory became a popular research philosophy in 1930 when Max Horkheimer became leader of the social research institution. Critical philosophers have one main aim, which is to unmask domination within society by criticising a particular phenomenon, and they hope the social order will reform the problem. The critical theory assumes that every state has inner potentiality which is unfulfilled and that “… truth is very much in process of being hammered out and grounded in social and historical practice” (Chua, 1986, p.
Moreover, the critical approach offers an alternative way of studying accounting phenomena; it appears that critical theory is completely different from the above theories (positive and interpretive). Critical theory suggests that understanding of such phenomena can only be achieved through studying the historical aspects and political issues surrounding the phenomenon. The epistemology of critical theory suggests that there are some criteria which need to be met in order for a scientific explanation to be judged adequately.

In respect to the methodology, critical theory does not use a statistical model, nor does it use quantitative methods to analyse or collect data. Therefore, critical scholars tend to use historical materials, ethnographic studies and case studies, as these types of studies enable scholars to include historical events and involve political context (Chua, 1986). Therefore, the author will employ this philosophy, as it assesses the phenomena by using historical events. Since studying the accountancy profession requires focusing on the history and also involving the political context, this is the most appropriate philosophy.

To further support the author’s choice of applying critical theory to study the emergence and the development of professional accountancy in Libya, Laughlin (1999, p. 73) describes, the critical accounting as a “… critical understanding of the role of accounting process and practices and the accounting profession in the function society and organisations with an intention to use that understanding to engage (where appropriate) in changing these process, practices and the profession.” Therefore, a critical perspective should evaluate a phenomenon by explaining its social aspects such as the economic, organisational and political environments. Moreover, a number of scholars have used
critical theory and they rely on historical events to explain such phenomena and to assert their findings (Chua, 1986). In this regard critical theory appears to be the most appropriate approach to achieve the objectives of this study. Skinner (1969) suggests that a “truly historical approach” to study any discipline requires setting the discipline in its context (as cited in Stewart, 1992, p. 58). The following section explains the benefits of contextualism in accounting research.

3.3 The Contextualisation of Accounting
The emergence of the accountancy profession should be explored within the context of the complicated relationship between accounting and the environment in which operates. Understanding this complicated relationship cannot be achieved by using positive or interpretive approach. It is worth mentioning that the interpretive approach is concerned with the contextualising of accounting, which uses heavily ethnographic research, case studies and participant observations, and has the ability to understand the emergence of the accountancy profession. However, it cannot explore this emergence from a wider social construction (Al-Motairy, 1999). In contrast, the critical perspective emphasises the importance of linking the emergence and the development of the accountancy profession to its social, economic, organisational and political environment.

For instance, Walker (1995) argues that conventional explanations for professional formation in Scotland suffer from a decontextualized approach to the processes and motivations underlying professionalization. Thus, the profession literature has not significantly featured the nature of the contemporary social structure and political discourse. Also, as Willmott (1986, p. 556) has rightly stated, “the organisation of the profession cannot be adequately understood independently of an appreciation of the
political, economic and legal circumstances that have supported and constrained its development”.

New histories have expanded the context within which the history of accounting has traditionally been situated. Therefore, the social, political and ideological contexts of accounting have become as important as its economic and technical contexts. A good example can be drawn from Hoskin & Macve’s (1986) paper, which provides a different explanation of the emergence of accounting in Littleton (1933). “Hoskin & Macve link the emergence of accounting as disciplinary power into the emergence of educational technique of the examinations” (Stewart, 1992, p. 57). The example of Littleton for the emergence of accounting puts accounting within the context of the rise of industrialisation, financial markets and meeting legal responses to such phenomena. Thus, there is a need to study accounting as a social practice in the context in which it operates and take into consideration its local conditions. This contextualised approach offers a different view on how accounting research is carried out and opens debates among accounting scholars (see for example Carnegie & Napier, 1996; Hopwood, 1987; Napier, 1998). The following section offers more insights into the “new accounting history”.

3.4 The New Accounting History
The field of the ‘new accounting history’ or ‘critical accounting history’ has increased the volume of critical research that has embraced a ‘pluralisation of methodologies’ and a ‘heterogeneous range of theoretical approaches’ (Miller et al., 1991). Subsequently there emerged an array of alternative schools of accounting historiography labelled as, ‘traditionalist’, ‘post-modernist’, ‘Foucauldian’, ‘critical history’ and ‘Marxist’, which have adopted a range of theoretical perspectives to the research agenda. These research
agendas put emphasises on the importance of studying accounting as a social practice existing amongst many others that and can only be understood in the context in which accounting operates, as a phenomenon local in both pace and time. This has paralleled trends in mainstream historical scholarship that has moved into more interpretive modes beyond conventional narrative (Fleischman & Tyson, 1996).

Since the 1980s, the traditional accounting history has received criticism from scholars for many of reasons (Hopwood, 1987; Loft, 1986; Stewart, 1992). Firstly, accounting is abstracted from its historical context and is judged apart from its context. The traditional history is considered to be ‘ahistorical’. “This ahistorical view sees accounting as transcending time and space considerations and developing into a set of supra-historical accounting techniques that will be better able to meet the needs of the organisation” (Stewart, 1992, p. 58). This view is also called “presentism”, as it tends towards interpreting past events in terms of modern values and concepts by, “… estimating them and organising the historical study by a system of direct references to the present” (Harlan, 1989, p. 593).

The second criticism is that the traditional accounting has been analysed as ‘antiquarian’ in nature. Thus, previous accounting history studies have accumulated facts and concentrated on explaining what happened in the past, rather than the analysis of how and why accounting practices have developed and influenced society (Stewart, 1992). These above criticisms have led to the introduction of new directions for accounting history.

The ‘new accounting history’ provides a new research paradigm because it means that “… new ways of posing questions about the past of accounting have become possible … Taken
together, these interrelated shifts are of such an order as to entitle us to speak of “the new accounting history”’” (Miller et al., 1991, p. 396). Miller et al. (1991) further suggest that:

Rather than viewing the history of accounting as a natural evolution of administrative technologies, it is coming increasingly to be viewed as the formation of one complex of rationalities and modes of intervention among many, a complex that has itself been formed out of diverse material and in relation to a heterogeneous range of issues and events. Attention has been directed to a variety of agents and agencies, ranging from the accounting profession through the diverse bodies of experts claiming a legitimate knowledge of this and that area of economic or social life (p. 396).

Thus, the new accounting history enables the separation of accounting from constraints of the present, by placing accounting in its organisational, social and historical contexts. The new accounting history has provided a wave of reinterpretation of the history of the accountancy profession in developed and former colonised counties. With this in mind, Napier (2006) argues that in recent years:

Historical accounting research has come to represent about 20% of the journal’s content. Diverse themes and theories have been adopted, but most papers have been intended by their authors to advance our understanding of the diverse and changing roles of accounting in society, and the changing nature of the accountant as a professional or simply as a worker (p. 447).

As explained above, accounting research draws its theory and methodology from other disciplines such as political science, international political economy and sociology.
“Paradoxically, accounting history studies typically set accounting in its social and economic context, often apply theoretical perspectives drawn from outside accounting (such as economics, sociology and philosophy)” (Gomes, Carnegie, Napier, Parker, & West, 2011, p. 391). Within the critical perspective a theory can be used as a framework to interpret and understand historical events and tell the history of the accountancy profession across different countries. These theories can explain the influence of various social forces which have led to the emergence and the development of the accountancy profession across different nations. The ultimate goal is that these theories can give more thorough and more sensible picture of how accounting has come to be what it is today.

Edwards, Boyns, & Matthews (2002) used archival records of iron and steel companies and related employers collectives in order to add to our knowledge how the adoption of standard costing and budgetary contrail has been introduced in the UK. They consider how notions of evolution and historical discontinuity have contributed to provide a better understanding to development of accounting progressed within the British iron and steel industry. The writers conclude that there are a fair amount of evidence that the iron and steel industry operated to some extend advanced cost and management accounting systems over a long period of time.

In their recent paper Fleischman & Tyson (2000) revisited the contention that the 1910s was a formative period in UK cost accounting history and explored the US developments comparatively to judge whether the US costing profession likewise ‘came into the light’ or was left ‘still cursing the darkness’. They argue that World War I had made dramatic impacts upon the UK and the US.
Considering the above criticisms, the aim of this theoretical chapter is to develop a better understanding of the history of the accountancy profession in Libya by adopting the Foucauldian philosophical concept, to move away from the ‘traditional history’, which is considered “ahistorical” and “antiquarian”. Foucault is one of the great intellectuals who emerged in the aftermath of the Second World War. He relied on two epistemological techniques, archaeology and genealogy, when analysing social phenomena (Dean, 1994). Foucault’s work inspired scholars from other disciplines, such as philosophy, history, sociology, psychology, politics, linguistics, and cultural studies. “The Foucauldian focus is to identify how the current position has been reached by rejecting notions of evolutionary progress and instead identifying the discontinuities of history of the primacy origins and economic forces” (Talbot, 2006, p. 48).

The study of the emergence and development of the accountancy profession in Libya cannot be adequately understood independently of its political and social environment. Thus, this study traces the development of professional accounting practices in Libya in the context of its political and social environments. Moreover, the accounting literature does not demonstrate a comprehensive understanding of how the accountancy profession functions in developing countries (Miller, 1994, p. 20). This research will also enrich accounting history by documenting the professionalization process in Libya and also examine the usefulness of Foucault’s ideas, to prove whether this approach is a viable means of studying the emergence and the development of the profession phenomenon in developing countries.

The use of archival research is emphasised in the Foucauldian perspective. In their a
critical appraisal of archival research, Fleischman & Tyson (1997) challenge both traditional and critical scholars for giving less attention to primary sources and they argue:

“… By what standard is it more acceptable to write an interpretive piece without doing archival research than it is to report the results of archival research without accompanying interpretations? We subscribe to the belief that effective history comes in multiple forms—well-researched archival investigation, well-reasoned interpretation and evaluation, and combinations thereof.” (p. 105).

Archives therefore represent environmental and professional discourses out of which the emergence and the functioning of the profession had occurred. Professional discourses can be in forms of accounting literature, publications issued by institutions, the archives of related institutions and individuals. However, analysing archive documents is not always sufficient to provide clear evidence, written documents are silent. Therefore, a reliance on documentary sources does not fully capture the relevant discourses. Thus, the use of oral history would give strength to the historical investigation and analysis. The following section provides more insights on Michel Foucault and his work.

**3.5 Michel Foucault (a Historian of the Present)**

Michel Foucault (1926-1984), ‘a historian of the present’, was born in Poitiers, France. He worked as professor of the history of systems of thought at the College de France. Foucault was a historian and philosopher and throughout his life he was interested in several subjects, for instance, discipline and punish, madness, clinical medicine and sexuality (Dreyfus, 1983). It is worth mentioning there is no single, coherent piece of Foucault’s writing which can explain all of his ideas (Wickham, 1990). Foucault described his
position in saying that: “I am no doubt not the only one who writes in order to have no face. Do not ask who I am and do not ask me to remain the same: leave it to our bureaucrats and our police to see that our papers in order” (Foucault, 1972, p. 17). Although Dreyfus stated in 1983 that Foucault’s work was still in progress, unfortunately Foucault died on 25th June 1984, in Paris.

Foucault welded philosophy and history and developed a dazzling critique of modern civilisation. He was not looking at history to say what happened, what ‘truth’ is out there to be discovered. Instead he sought knowledge about the past by showing what rules and conventions govern the production and the acceptance of knowledge, and how they came into being (Sukoharsono, 1995). Foucault was a “historian of the present” (Waters, 1994, p. 230). He was interested in studying the relation of the present to the past. Thus, Foucault’s methodological style provides a critique of continuous history, as he was a historian of discontinuity rather than continuity. According to Wickham (1990) Foucault was against dominant methods of making history and challenged the idea of total history. Smart (1983, p. 73) states that “… Foucault’s work does not constitute a form of global theorizing; it avoids the reproduction of totalizing forms of analysis and is generally critical of systematicity”. Foucault criticised the progressive, systematic way of creating history by showing struggle and diversity. In this regard Thacker (1997) states:

Foucault accuses historians of not actually paying sufficient attention to history. Historians are just not meticulous enough, as they hide their gaze from the discontinuous and contradictory clutter of the past because they desire to write history in the form of a reassuring narrative of origins, explanations and
Furthermore, Foucault challenged the view that the present smoothly emerged in an evolutionary manner from the past. Foucault studied the past in detail to articulate the connections between dispersed events and the practices.

Foucault attempts to show how the past was different, strange, threatening. He labors to distance the past from the present, to disturb the easy, cozy intimacy that historians have traditionally enjoyed in relationship of the past to the present. He strives to alter the position of the historian from one who gives support to present by collecting all the meanings of the past and tracing the line of inevitability through which they are resolved in the present, to one who breaks of the past from the present and, by demonstrating the foreignness of the past, relativizes and undercuts of the present (Poster, 1984, p. 74).

Foucault focuses on challenging the dominant methods of writing history. He did not accept the idea of looking at a certain point as a locus of origin and he alternatively viewed emergences by looking to a complexity of fragmented events (Miller & O’leary, 1987). Thus, he refused the method of accumulating documents in order to achieve truth. Foucault was trying to “free historical contents from the grip of the present standpoint … this means to turning to the otherness of history, to that which the dominant interpretation seeks to suppress or marginalize” (Falzon, 1998, p. 71). Foucault was concerned with the singularity of events and attempted to reveal the unities in the dispersion of events. Foucault explains his aim of writing history as:

Not the interpretation of the document, nor the attempt to decide whether it is
telling the truth or what its expressive value, but to work on it from within and to develop it: history now organise the document, divides it up, distributes it, orders it arranges it in levels, established series, distinguishes between what is relevant and what is not, discovers elements, defines unities, describes relations. The document then, is no longer for history an inert material through which it tries to reconstitute what men have done or said, the events of which only the trace remains; history is now trying to define within the documentary material itself unities, totalities, series, relations (Foucault, 1972, pp. 6-7).

Foucault attempted to analyse particular ideas or models of humanity which have developed as a result of historical changes, and the ways in which these ideas have become normative or universal. Foucault’s critiques cover social phenomena such as mental illness, sexuality, insanity, asylums and prisons (Foucault, 1972; Foucault, 1977). The Foucauldian perspective tends to exclude structured and quantitative methods and instead puts emphasis on detailed historical explanations, which can be found in archaeological and genealogical research. His approach relies on archive documents and is also concerned with the system of functioning.

For instance, in the Birth of the Clinic (1973), Foucault studies the rapid transformation in clinical medicine which took place between the end of the 18th century and the middle of the 19th century. The medical understanding of disease was independent from the individual patient. Thus, doctors were more interested in diseases and abstracted individual patients from their analysis. Foucault refuses to see the development of clinical medicine as a progression over time, instead paying attention to the change in the relation between
doctors and patients in which certain visibilities are created (Foucault, 1973). Another work of Foucault’s was *Discipline and Punish: the Birth of the Prison* (1977). In this work he highlights the differences between pre-modern and modern systems of punishment. Instead of viewing prison as a place of exercising physical punishment over the inmates, he viewed the aim of the transformation of the penal system as the disciplining the soul. Foucault aimed to define the exercise of disciplinary power and adopted Bentham’s Panopticon as metaphor by which a single watchman can observe prisoners without the inmates being able to tell whether or not they were being watched. There was a total discontinuity between the old systems and the new systems of punishment. The old system focused on physical punishment and torturing and in many occasions the punishment exceeded the crime itself. In contrast, the new system eliminates torture in favour of controlling the mind of prisoners.

Foucault, (1977) states that:

What was at issue was not whether the prison environment was too harsh or too aseptic, too primitive or too efficient, but its very materiality as an instrument and vector of power it is this whole technology of power over the body that the technology of the ‘soul’ - that of the educationalists, psychologists and psychiatrists - fails either to conceal or to compensate, for the simple reason that it is one of its tools. I would like to write the history of this prison, with all the political investments of the body that it gathers together in its closed architecture. What? Simply because I am interested in the past? No, if one means by that writing a history of the past in terms of the present. Yes, if one means writing the history of
The aim of the above mentioned work of Foucault and his *Madness of Civilisation* was to show how objects and subjects were produced by the discourses. He argued that these objects and subjects were constructed in particular social contexts. Thus, his method “analyses a multiplicity of political, social, institutional, technical and theoretical conditions of possibility, reconstructing a heterogeneous system of relations” (Foucault, 1980, p. 243).

Foucault relies on archaeological and genealogical methods when conducting his historical research. Archaeology was the first method adopted by Foucault in his early studies and he then complemented it with genealogy as he noted that the archaeological method did not take into account power relations when analysing the discourse. The two methods are explored in the following two sections.

**3.6 Archaeology Approach**

The early work of Foucault during the 1960s and 1970s relies on archaeology. It presupposes discontinuities in the form of the discourse adopted. The issue of power was not addressed in his early work. Thus, the aim of archaeology is to determine the rules of formation that determine thought. The individual subject is considered as a product of the discourse in a given period of time. Thus, the archaeological analysis is different from traditional history in the following ways:

Firstly, archaeology is concerned with the regularity of statements rather than searching for causes. Secondly, it takes the primacy of multiplicity of contradictions rather than continuous development. Thirdly, it pursues comparative
analysis and the diversity of discourses rather than to unify them. Finally, archaeology focuses on the rapid change and transformation that takes place in the subject of research (Al-Motairy, 1999, p. 66).

Archaeological analysis focuses on discourse within the various elements of the archives. The archive is considered a general system, in which there are formations and transformations of statements. The target in archaeology is to understand a certain phenomenon with the aim of relating it to other phenomena within the element of the archive. Foucault emphasised that the importance of archives in historical analysis. The archive presents a number of discursive formations.

The archive is first the law of what can be said, the system that governs the appearance of statements as unique events. But the archive is also that which determines that all these things said do not accumulate endlessly in an amorphous mass, nor are they inscribed in an unbroken linearity, nor do they disappear at the mercy of chance external accidents; but they are grouped together in distinct figures, composed together in accordance with multiple relations, maintained or blurred in accordance with specific regularities (Foucault, 1972, p. 129).

Four key features of archaeology can be seen in Foucault’s work. The first one is the notion of discontinuity; Foucault refused to view history as evolving, progressing and continuing, instead he showed how the past is discontinuous, different, strange and threatening (Poster, 1984). Foucault (1972, pp. 8–9) stated:

The notion of discontinuity assumes a major rule in the historical disciplines… it has now become one of the basic elements of historical analysis … it is both an
instrument and an object of research… it no longer plays the role of an external condition that must be reduced, but that of a working concept.

The second feature of archaeology is discursive formation. The archaeological history studies do not study events but instead study the discourses which formed those events. Foucault (1972) argued:

But what we are concerned with here is not to neutralize discourse, to make it the sign of something else, and to pierce through its density in order to reach what remains silently anterior to it, but on the contrary to maintain it in its consistency, to make it emerge in its own complexity. What, in short, we wish to do is to dispense with ‘things’. To ‘de-presentify’ them. To conjure up their rich, heavy, immediate plenitude, which we usually regard as the primitive law of a discourse that has become divorced from it through error, oblivion, illusion, ignorance, or the inertia of beliefs and traditions, or even the perhaps unconscious desire not to see and not to speak. To substitute for the enigmatic treasure of ‘things’ anterior to discourse, the regular formation of objects that emerge only in discourse (p. 47).

The archaeological approach focuses on the discourse by abstracting the role of the individual agent from making history. Foucault is considered anti-humanist; he rejected the phenomenology of concentrating on the individual as self-conscious. The notion that “man makes history” is unacceptable from Foucault’s point of view (Smart, 1983, p. 15). In his view the individual is seen as subject within the discourse. Foucault (1982, p.777) argued that his “objective, instead, has been to create a history of the different modes by which, in
our culture, human beings are made subjects. My work has dealt with three modes of objectification which transform human beings into subjects”.

The third feature of archaeology is the description of statements (events). Foucault (1972) defined the statement and argued:

The statement is not therefore a structure (that is, a group of relations between variable elements, thus authorising a possibly infinite number of concrete models); it is a function of existence that properly belongs to signs and on the basis of which one may then decide, through analysis or intuition, whether or not they ‘make sense’, according to what rule they follow one another or are juxtaposed, of what they are the sign, and what sort of act is carried out by their formulation (oral or written). One should not be surprised, then, if one has failed to find structural criteria of unity for the statement; this is because it is not in itself a unit, but a function that cuts across a domain of structures and possible unities, and which reveals them, with concrete contents, in time and space (pp. 86-87).

Foucault considered the statement (event) as the basic unit of discursive formation and concludes that the statement is a tool to describe the discourse.

The analysis of statements, then, is a historical analysis, but one that avoids all interpretation: it does not question things said as to what they are hiding, what they were ‘really’ saying, in spite of themselves, the unspoken element that they contain, the proliferation of thoughts, images, or fantasies that inhabit them; but, on the contrary, it questions them as to their mode of existence, what it means to them to have come into existence, to have left traces, and perhaps to remain there, awaiting
the moment when they might be of use once more; what it means to them to have appeared when and where they did - they and no others (Foucault, 1972, p. 109).

The fourth feature of archaeology is the concept of the archive. The archaeological approach focuses on understanding the condition of possibility for the emergence of a particular form of knowledge by describing a group of statements (discourses) within the element of the archive. The archive “is composed of a totality of discursive formations or ensemble of statements which constitute a given field of knowledge” (McNay, 1994, p. 66). Thus, the archive does not present just a collection of historical documents but the form of organisation of statements of discourses. Foucault realised the silence of archaeology studies on the issue of power. Therefore, he moved to a genealogical approach where the emphasis shifts to power/knowledge relations. The following section explores Foucault’s genealogical approach.

3.7 Genealogical Approach
The archaeological approach focuses on the archive, statements and discursive formations, whilst the genealogical approach focuses on power-knowledge relations and the body and how these interrelate. Foucault’s genealogical historical perspective is based on Nietzsche’s historical perspective (Stewart, 1992). Thus, genealogy focuses on the discourse and rules of formations within a matrix of power relations. The analysis of discourse is carried out by concentrating on specific historical conditions. Therefore, the genealogical perspective provides a “meticulous and patiently documented account of social and historical conditions under which developed both these institutions and the techniques which they use to discipline those who are subject to their influence” (Loft, 1988, p. 5).
Foucault’s genealogical conception of emergence is concerned with conceptualising historical analysis “not as the culmination of events, or as the end of process of development but rather as a particular momentary manipulation of the hazardous play of dominations or a stage in the struggle between force” (Smart, 1985, p. 57). In terms of emergence, genealogical history is conceived as a system of complex elements, each of them heterogeneous in character, multiple and distinct in identity.

One of implications of Foucault’s concept of power-knowledge relations is described in his genealogical work, *Discipline and Punish: the Birth of the Prison* (1977), as the shifting development of society in terms of power-knowledge relations: from sovereign power to disciplinary power. For Foucault, the shift from sovereign to disciplinary power is articulated by the changes in the forms of knowledge. Foucault emphasised that:

> We should admit rather that power produces knowledge (and not simply by encouraging it because it serves power or by applying it because it is useful); that power and knowledge directly imply one another; that there is no power relation without the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations. These “power-knowledge relations” are to be analysed, therefore, not on the basis of a subject of knowledge who is or is not free in relation to the power system, but, on the contrary, the subject how knows, the objects to be known and the modalities of knowledge must be regarded as so many effects of these fundamental implications of power-knowledge and their historical transformations (Foucault, 1977, pp. 27-28).
Foucault’s history of the present focuses on the understanding of a political history of the truth of knowledge. In the history of the present, the main concern is how what is now considered as being ‘truth’ came to be regarded as such. The ‘truth’ is part of the function of power. In this regard, Foucault (1980) argues:

‘Truth’ is to be understood as a system of ordered procedures for the productions, regulation, distribution, circulation and operation of statements. ‘Truth’ is linked in a circular relation with systems of power which produces and sustains it, and to effects of power which it induces and which extend it (p. 133).

Foucault does not accept a single ‘truth’, thus, the word ‘truth’ cannot be generalised. Foucault’s argument is that every society has its own ‘regime of truth’. He argues that discourse creates this ‘truth’ and therefore ‘truth’ is always linked with the system of power and is understood in relation to the society within which it is accepted. Thus, truth at a particular time cannot be transferred to the conditions and systems of a society different in time and power.

Each society has its regime of truth, its ‘general politics’ of truth: that is, the types of discourse which it accepts and makes function as true; the mechanisms and instances which enable one to distinguish true and false statements, the means by which each is sanctioned; the techniques and procedures accorded value in the acquisition of truth; the status of those who are charged with saying what counts as true (Foucault, 1980, p. 131).

Power for Foucault is not owned by a person or a group who exercises it over others. Power is not just a domination of the weaker by the stronger, it has no central locus. Power
should be viewed as presenting a positive effect as it directs human body and changing it to something useful and docile (McNay, 1994). Foucault’s view of power focuses on its locations within different parts in society; therefore he identified different modes of power, namely: sovereign power, disciplinary power, bio-power and a complex form of power governmentality. The latter involves all the other forms of powers.

Sovereign power: Foucault argued that under the monarchical system, power is embodied in the person of the sovereign who has great power over his/her subjects. Within this system, crime is considered as a threat to the absolute power of the sovereign and therefore punishment was done publicly to strike terror into the hearts of those who witnessed it. Physical pain is a constituent element of the penal system (Foucault, 1977). Thus, the aim of the prince is to exercise power to strengthen and reinforce the principality (McNay, 1994).

The sovereign system defines the relationship between the rulers and their subjects. The association between sovereign power and laws is considered as a pre-modern form of government, “as a system of commands and prohibitions” (Smith, 2000, p. 301). Foucault (1978) argues that under any threat from external enemies on the sovereign existence, in this case the ruler can “wage war” and command his subject to defend the state. Foucault (1980) argues that sovereignty was a characteristic of the Middle Ages and which has not disappeared but is still working today. Sovereignty and disciplinary mechanisms represents the general mechanism of power in our societies.

In *Discipline and Punish: the Birth of the Prison* (1977), Foucault explains the emergence of disciplinary power. This form of power is not repressive or negative, but productive and
positive.

Disciplinary power: the mechanisms of sovereign power are laws, regulations and decrees; on the other hand, the mechanism of disciplinary power is normalization. This form of power is exercised through organisational forms such as prisons, hospitals, schools and factory systems. Foucault (1980) explains this new form of power and argues:

[That this] can no longer be formulated in terms of sovereignty, is, I believe, one of the great invention of bourgeois society. It has been a fundamental instrument in constitution of industrial capitalism and of the type of society that is its accompaniment. This non-sovereign power, which lies outside the form of sovereignty, is disciplinary power (p. 105).

Foucault rejected that the prison was an outcome of new law and he argued:

The prison should not be seen as an inert institution, shaken at intervals by reform movements. The ‘theory of the prison’ was its constant set of operational instructions rather than its incidental criticism - one of its conditions of functioning. The prison has always formed part of an active field in which projects, improvements, experiments, theoretical statements, personal evidence and investigations have proliferated (Foucault, 1977, p. 235).

The success of disciplinary power depends on the use of some instruments, such as hierarchical observation, normalizing judgment and examinations. Hierarchical observation is a specific method of watching individuals without them knowing that they are being seen. Normalizing judgment means that discipline operates through norms in order to
determine good behaviour. Finally, “the examination combines the techniques of an observing hierarchy and those of a normalizing judgement. It is a normalizing gaze, a surveillance that makes it possible to qualify, to classify and to punish” (Foucault, 1977, p. 184). Therefore, human sciences such as medicine, psychiatry and psychology are concerned with establishing norms and standards of behaviour to regulate actions of individuals.

Bio-power: from the 1970s until his death in 1984, Foucault focused on the macro strategy of the state (Dean, 1994). This type of power is concerned with recording statistics about birth, morality, height and wealth of the population. The aim of this power is the administration of the life of the population. It is therefore unlike disciplinary power, which produces obedient and docile bodies.

Governmentality: a second generation of Foucauldian research focuses on ‘the notion of governmentality’ rather than disciplinary regimes. Foucault sought to reveal how knowledge and power are closely linked. Governmentality is not a replacement of disciplinary power, rather “in reality one has a triangle, sovereignty-discipline-government, which has as its primary target the population and as its essential mechanism the apparatuses of security” (Foucault, 1991, p. 102). Therefore, ‘governmentality’ created a new capacity for governing which gradually emerged in Europe from the sixteenth century onwards. The condition for an extension of governing capacity is associated with the parallel invention, operationalization and institutionalisation of specific knowledge, disciplines, tactics and technologies in societies (Foucault, 1979).

Foucault uses the term “pastoral power” to refer to the oldest root of the notion of
governmentality. Government can be understood in terms of a metaphor of a shepherd and his flock. The shepherd exercises his power over his flock and ensures the salvation of the flock to the next world and he is prepared to sacrifice himself for the life of the flock. The shepherd cares about each individual during his life, making it different from sovereign power which requires the individuals to save the ruler (Zerban, 2002). Thus, the priority of the shepherd is the welfare of his subjects rather than their liberty (Hindess, 1996). The state can be seen as “a new form of pastoral power” (Foucault, 1982, p. 215). The following section demonstrates the use of the Foucauldian approach in historical accounting studies.

3.8 Foucauldian Approach and Accounting Studies

Although Foucault did not discuss accounting, his approaches have been widely used in historical accounting studies. These studies provide alternative and new insights into the emergence of accounting and the change in accounting practices. As a result, the history and sociology of accounting has been inspired by Michel Foucault’s work (Armstrong, 1994). Foucauldian approaches tend to be very widely used in accounting literature. According to the accounting literature the Foucauldian perspective can be classified into three categories. The first category sought to explain the changes in accounting, this category is called archaeological investigations (Fakhra, 1992; Hopwood, 1987). The second category seeks to understand the conditions of the emergence of the profession by understanding the relation between power and knowledge; this is called genealogical investigations (Hoskin & Macve, 1986; Loft, 1986; Miller & O’leary, 1987). The last category is called genealogical analysis, which uses the notion of ‘governmentality’ This type seeks to understand the role of accounting in achieving governmental policies (Miller,
However, all these categories can extend to cover other issues. For example, Armstrong (1994) provides other classifications of Foucauldian studies; Armstrong classified them into two categories: disciplinary power researches and governmentality researches. It should be clear that the above categorisation of Foucauldian approaches overlap.

The key point which can be understood from Foucault’s archaeological and genealogical accounting studies is that accounting history did not evolve over time to address the need for efficiency, decision-making and control. In fact, the development of accounting is seen in the context of the development of other events and disciplines with an emphasis on the local conditions in which accounting operates (Stewart, 1992).

Foucault aims to help us understand how the world is today by reminding us of how the things we take for granted and our ways of speaking about them, came into being in the first place (this he calls the “genealogical” question). It involves challenging the assumptions, the truth of our time; not to be look for a single origin, but the whole complex dispersed origins. Thus from this view, in order to understand the current power of management accounting, we should seek the diverse origins of the system of thought called “management accounting” and of its practice. The question is of how it relates to other practices and ways of thought must be addressed (Loft, 1995, p.36 as cited in Zerban, 2002, p. 110, emphasis added).

Foucault’s work inspired accounting historians to view accounting as a web of power/knowledge structures. Thus, accounting researchers use Foucault’s perspective
which rejects the neutral view of accounting, for them knowledge is a product of power relations and the shift of the form of power in a society is linked to the changes in forms of knowledge.

Moreover, as previously mentioned there are many studies which use Foucauldian theory. For example, Burchell, Clubb & Hopwood (1985) criticise two studies, the first study was carried out by Gilling (1976) where he explained that the changes in accounting can be seen as response to the environmental changes. The second study was conducted by Wells (1976) where he argues that the accounting changes can affect the environment. However, Burchell et al. (1985) argue that accounting shapes its environment. They used the archaeological analysis of Foucault’s theory (the conditions of emergence) to understand the value accounting added to the UK during the 1970s. The study provided three main conditions for the emergence of the value accounting added, namely: standardisation process, economic policy and industrial relations policy.

Another study was carried out by Fakhra (1992), which focused on understanding the emergence of accounting regulations in Kuwait during the period of 1899-1990. He claims that the Kuwait regulatory system cannot be studied because the accounting literature regarding to the accounting regulation in Kuwait is poor. Accordingly, Fakhra suggests two reasons for the lack of literature. The first reason is that all the literature is from the USA and the UK, and this literature used different systems from the one which is used in Kuwait. The second reason is that the US and the UK’s empirical studies have shown some limitations in terms of their methodology. Those reasons led Fakhra to adopt a Foucauldian theory in order to understand the emergence of the accounting regulation in Kuwait; he
used the archaeological analysis to evaluate the interrelations between the accounting standards and the environmental context. Fakhra devised a framework based on the work of Michael Foucault (archaeology and genealogy). Fakhra (1992) argues that this theory will adapt to successfully answer the research question, since it focuses on using the periodical events and analyses power relations. Fakhra pointed out that there are some conditions which led to the emergence of the first professional accounting body in Kuwait: the Kuwait Association of Accountants and Auditors (KAAA). Those conditions are as follows: economic and social events, political strategy and governmental decisions. It appears that the fast economic growth of Kuwait, the lack of strict accounting regulations, positive political environment, the focus on accounting education and the increased number of accounting firms have led to the emergence of the KAAA.

In 1986, Hoskin and Macve developed the Foucault theory (power and knowledge) in a genealogical research project. The main aim of the research was to explain the expansion of accounting discourses during the nineteenth century. They claim that Foucault’s concept of power and knowledge is able to explain the delay of the development of accounting and also the delay of a discourse of accountancy until the nineteenth century. Moreover, the development of universities and examinations generates new power-knowledge relations, and also the emergence of accounting techniques such as the alphanumeric system, double entry system and bill of exchange. All of those techniques can be linked to accounting as a disciplinary power (Hoskin & Macve, 1986).

Hoskin and Macve (1986) stated that by using the methodology it could be possible to see how accounting emerged as a new disciplinary technique for controlling society. By using
the particular Foucauldian concept of power and knowledge relations, they argued that disciplinary power and knowledge mechanisms should be taken into account in exploring historical accounting research as an historical discourse of the emergence of accounting as a discipline in society.

Studies of power and knowledge did not stop here. For example Loft (1986) carried out a research project on the emergence of management accounting systems in the UK; she concludes that the emergence of those systems can be associated with interrelations between power and knowledge. Miller & O’leary (1987) conducted a study on the emergence of standard costing and budgeting. They were inspired by Foucault’s work. Miller & O’leary (1987) argue:

We do not view the development of standard costing and budgeting as part of the unfolding of asocial useful theoretical-technical complex, whose underlying logic is of the progress. We wish to locate it rather as an important contribution to a complex of practices which consist in a form of socio-political management whose concern is with individual persons and their efficient functioning (p. 241).

The above genealogical research clearly adopted Foucault’s approach, since this approach is concerned with power-knowledge relations and also it takes into consideration the interrelations between accounting and its social, economic and political environment.

Miller (1990) focuses on the relationship between the state and the accountancy profession. He was studying the conditions of possibilities for the emergence of innovations in accounting and the state in France during the seventeenth century. Miller illustrates that the emergence of Discount Cash Flow (DCF) in the UK during the 1960s can be described as
an innovation which had a positive impact on economic growth in the UK. So the
government policy was achieved as a result of the creation of DCF techniques.

Other central research projects adopt a Foucauldian theory. Al-Motairy (1999) uses the
Foucauldian perspective to study the emergence of the auditing profession in Saudi Arabia.
He argued that the Foucauldian theory can answer how the profession occurred, but might
not be able to answer why the profession occurred. The findings suggest that Foucault’s
approach is limited regarding its ability to study the emergence and the development of the
accountancy profession in Saudi Arabia.

Moreover, different examples of Foucauldian views can be seen in the work of Johnson
(1993), who studied the notion of ‘governmentality’. The term ‘governmentality’ means a
kind of movement, which can be observed in modern society. Moreover, Foucault thought
that the idea of considering the state as a purposeful actor could be rejected and besides
that he did not accept the idea of having an executive committee for bourgeoisie. Rather,
the reality shows the state as a combination of rules, policies, institutions, tactics,
calculations, technologies and knowledge. All these factors are considered as the outcomes
of governing.

Within the institution of expertise, for example, a shape of profession can be related to the
plethora of the outcomes. The Foucauldian theory assumes that the emergence of modern
society is accompanied by an important change from classical society to a modern form of
knowledge, and that can be controlled through disciplines. Therefore, Foucault believed
that the state and the profession have an impact on the changing of governmental policies
and occupational strategies (Bakre, 2000).
The adoption of the Foucauldian perspective is not unproblematic. The major criticism comes from those advocating a Marxist perspective. Marxist historians contested Foucault’s perspective on two grounds: firstly, Foucault believed power came from everywhere. Secondly, he did not place importance on the role of the State. “Foucault’s historical work has been critiqued by Marxist historians for dwelling too much on the ‘micro-physics’ of power and not giving due consideration to the role of the State in exercising coercive power” (Stewart, 1992, p. 65).

Foucault (1980) explains the role of the state in the analysis of the discourse:

I don’t want to say that the state isn’t important; what I want to say is that relations of power, and hence the analysis that must be made of them, necessarily extend beyond the limits of the State. In two senses: first of all because the state, for all the omnipotence of its apparatuses, is far from being able to occupy the whole field of actual power relations, and further because the State can only operate on the basis of other, already existing power relations. The State is superstructural in relations to a whole series of power networks that invest the body, sexuality, the family, kinship, knowledge, technology and so forth (p. 122).

In the previous studies which established that the relationship between accounting and the State, the Foucauldian perspective was able to demonstrate ‘how’ the State was involved rather than answering ‘why’ the State was involved (Al-Motairy, 1999; Loft, 1986; Miller, 1990).

The next section offers the analytical framework necessary for understanding the emergence and the development of professional accountancy in Libya.
3.9 The Framework to Understand the Emergence and the Development of the Professional Accountancy in Libya

Over the last 60 years Libya adopted different types of economic orientations which subsequently affected the structure of the business environment, accounting education and accounting practices. Exploring what conditions led to professional accountancy emerging in ‘volatile developing economies’ like Libya would improve our understanding of the accountancy profession phenomenon, by illustrating its origins and documenting the history of professional accountancy in other developing countries like Libya. Libya was also influenced by the regulations and the practices which it inherited from its former colonisers. Therefore, it is important to study how the accountancy profession developed in each developing country individually, as each country followed a different path. Therefore, this research explores the emergence and the development of professional accountancy in Libya, in order to enhance our understanding of the historical events which contributed to such an emergence. There is no single factor to explain the emergence of certain phenomena. Therefore, the study examines the contribution of different former colonies towards the emergence and the development of the accountancy profession in Libya. The focus of the research is to explore the process by which the accountancy profession was organised and regulated in a ‘volatile developing economy’ like Libya, and explain how Libyan accountants managed to establish a local professional body.

Libya is a developing country which has undergone dramatic changes in the last few decades. Historically, Libya was colonized by the Turkish from 1551 to 1911 and experienced three periods of the Turkish rule, by the Italians from 1911 to 1943 and the British and the French administration from 1943 to 1951. All of those colonial powers were controlling accounting affairs at those times. Independence was declared on 24th
December 1951, by King Idris Al-Senusi, Libya’s one and only king, and from then until the end of April 1963 a federal form of government operated, after which the Unitary system was introduced. This remained in power until the overthrow of the sovereign regime.

The development of the accountancy profession in the period after independence was mainly dominated by foreigners and a small number of Libyan accountants managed to obtain a licence from the Ministry of Finance (MF). In addition, there were some attempts made by Libyan accountants to localise the accountancy profession in Libya during the 1960s. Thus, the achievement of political independence in Libya did not help to nurture the local accountancy profession, similarly to other former colonised developing countries, as they managed to develop their own accountancy profession after obtaining their independence (see for e.g Poullaos, 2009; Uche, 2007). For this reason, the sovereign power, represented by the king, did want the accountancy profession to be localised. The mechanisms of sovereignty power are laws, regulations and decrees. The sovereignty of the state will be explored in different areas to show how this sovereign power dominates and acts, and also deprives, all other forces from playing any role in the Libyan society.

A revolutionary movement followed on the first of September 1969. Henceforth, the system in Libya was completely changed and a new system based on what has become known as the Third Universal Theory (TUT) emerged. During the 1970s, the Revolutionary Command Council (RCC) employed different approaches which aimed at nationalising all private sectors and denying international companies and the private sector to invest in Libya. The idea during that time was that the public sector must control most of
activities; to achieve this, the RCC adopted socialism. Thus, chapter 6 will outline how the new regime introduced new laws and regulations which helped to localise the accountancy profession. The interplay between the institutions (the RCC and the FM) and individuals (Libyan accountants) led to the emergence of the professional body. As explained earlier, this new form of power (disciplinary power) is exercised through organisational forms such as prisons, hospitals, schools and factory systems, which are considered disciplinary power. Foucault (1977) argued that the success of disciplinary power depends on the use of instruments such as hierarchical observation, normalizing judgment and examinations.

In addition, the accountancy profession in Libya has a short history of about 65 years. Auditing and accounting practices started during the 1950s, after the government started issuing regulations and laws, which required businesses (mainly banks) to be audited by independent auditors, and at that time auditors were required to be approved by the Banking Control Board (BCB) before being engaging in any auditing tasks. However, since the 1960s, the MF started providing accountants and auditors with a temporary licence in order to establish accounting and auditing firms, and the licence at that time was available to everyone regardless the nationality of the applicant. Consequently, many foreigners came to Libya from developed countries to establish accounting firms after the discovery of oil in 1959 (Kilani, 1988). The shift from sovereign power to disciplinary power began during the late period of the British administration and continued after independence.

Subsequently, it took Libya almost two decades to regulate public accountants. As of 1973, Law No. 116 was issued, which was the first time that the professional accountancy body
in Libya had been regulated. This law enacted the establishment of the Libyan Association of Auditors and Accountants (LAAA). The main purpose of this Law was to localise the accountancy profession in Libya (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973). Despite the establishment of the LAAA in 1973, it failed to meet its objectives to regulate and organise the profession. Chapter 6 will also highlight the main problems associated with the LAAA.

The exercise of power/knowledge has provided an analytical framework by which the emergence and the functioning of the accountancy profession can be examined. The concept power/knowledge is the result of archaeological and genealogical approaches. The aim of an archaeological approach is to create a framework which focuses on understanding the conditions of possibilities by describing discourses in the element of the archive. On the other hand, genealogy focuses on the discourse and rules of formations within a matrix of power relations. The formation of power and knowledge relations can provide richer pictures of accounting history which in turn has played a pivotal role in disciplining society. Finally, the role of different social, economic, political and other events which contributed towards the emergence and the development of the accountancy profession will be highlighted in the empirical chapters. The following section describes the date collection methods.

3.10 Data Collection Methods
The purpose of theoretical and methodological frameworks is to provide the “skeleton” by which any social events can be interpreted and better understood (Laughlin, 1995). The author of this thesis will utilise two types of data collection to gather data, both secondary data (documents and archive) and primary data (semi-structured interviews and oral
history). It has been argued that critical researchers rely heavily on detailed historical explanations and that the Foucauldian approach is concerned with exploring discoursers in the element of the archive (Chua, 1986). The integration of secondary data and primary data will strengthen the investigation. Interviews and the use of archival documents are common historical research methods (Fleischman, Radcliffe, & Shoemaker, 2003). Secondary data and primary data methods are explained in the following subsections.

3.10.1 Secondary Data (Documents and Archive)
Some researchers underestimate the benefits of using secondary data. It is valuable for researchers to check the secondary data as a first step and then look for relevant studies related to their research topic before collecting any other data. There are some important sources from which to collect secondary data, as follows:

- Government studies, reports and archives

- Any written materials such as textbooks, journals and government publications (Saunders, Saunders, Lewis, & Thornhill, 2011)

The author will use the secondary data, so the author will be able to better understand the subject in order to conceptualise a clear idea of the current study. On the one hand, there are several advantages to using secondary data, for example secondary data can save time and money and it helps the researcher to formulate and understand the important points of the research question. A further advantage of evaluating secondary data is that it can help the researcher to choose a suitable method for the research question by comparing and contrasting the methods from previous studies (ibid.).
However, secondary data has some drawbacks. The data was collected for other research purposes with different circumstances and different aims. Furthermore, using secondary data for comparison purposes might affect the results, as each research project has used different samples. Using secondary data might affect the outcome of this research; therefore the researcher should be aware of all disadvantages. A further disadvantage is that accessing secondary data can be expensive and difficult in some cases. Obviously, the advantages of using secondary data outweigh the disadvantages, because it overall saves time and money (Ghauri & Grønhaug, 2005).

Most of the documents were collected from the following archives: National Archives (NA), Barclays Group Archives (BGA) and Libyan Jihad Centre for Historical Studies (LJCHS). The latter put restrictions on certain documents. The author has tried to obtain documents from the Libyan Ministry of Finance. However, most of their archive has been damaged by water leaks and the undamaged documents were moved to an undisclosed location. The author struggled to locate the archive. The BGA was one of the valuable archives for this research study and it was been accessed in July 2013. Most of the discourses of the British administration and the local government in Tripolitania were kept by the Barclays bank main branch in Tripoli and these documents were sent to the Barclays head office in London.

The documents collected were analysed to provide an explanation of the emergence and the development of the accountancy profession in Libya. The analysis involved a description of the discourses in the element of the archive and a focus on the discourse and rules of formations within a matrix of power relations in the context of Libya. Moreover,
written documents are silent and thus unable to answer questions. So, the author also conducted the semi-structured interviews and oral history. As the use of more than one source of data will corroborate each other and enhance the finding of this study.

3.10.2 Semi-Structured Interviews
The semi-structured interviews are considered one of the main sources of primary data. The latter is used when the secondary data is not available or unable to answer the research question. So a list of questions will be asked to the interviewees, and the questions might be changed or modified from one interview to another; this depends on the response of the interviewees. Semi-structured interviews seem to be appropriate in exploratory studies, more so than structured interviews (Saunders et al., 2011). So the researcher has selected this method since the research topic seeks to explore the LAAA by reporting its work and achievements. Fleischman, Radcliffe, & Shoemaker (2003) argue that interviews, archival or document analysis is a common historical research method.

In addition, the interviews will be conducted amongst practitioners of accounting and auditing practices in Libyan society who are licensed by the LAAA. Also some university lecturers in accounting departments will be interviewed, in order to have a clear image about accounting and auditing education in Libya. Moreover, the previous chairman of the LAAA will be interviewed and, during the interviews, the questions will be made in a direct manner to help interviewees respond frankly and to avoid any misunderstanding. Current government employees will be also interviewed.

A semi-structured interview is a method of research used in the social sciences. While a structured interview has a rigorous set of questions which does not permit diversions, a
semi-structured interview is open, allowing new ideas to be brought up during the interview in response to what the interviewee says, which serves the aims of this thesis (Saunders et al., 2011). Table 3-1 offers a list of participants. The following section highlights the importance of oral history in accounting history research.
Table 3-1: Participants’ information

<table>
<thead>
<tr>
<th>Participants</th>
<th>Age</th>
<th>Occupation</th>
<th>Experience</th>
<th>Gender</th>
<th>Qualifications</th>
<th>LAAA Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>67</td>
<td>Retired Practitioner</td>
<td>40 years</td>
<td>Male</td>
<td>MSc in Accounting</td>
<td>Since 1975</td>
</tr>
<tr>
<td>2</td>
<td>75</td>
<td>Retired (Ministry of Finance)</td>
<td>39 years</td>
<td>Male</td>
<td>Diploma in Commerce</td>
<td>Not a member</td>
</tr>
<tr>
<td>3</td>
<td>35</td>
<td>Academic and Practitioner</td>
<td>11 years</td>
<td>Male</td>
<td>PhD in Accounting</td>
<td>Since 2005</td>
</tr>
<tr>
<td>4</td>
<td>48</td>
<td>Legal advisor at the Tax Authority</td>
<td>23 years</td>
<td>Male</td>
<td>Master of Laws</td>
<td>Not a member</td>
</tr>
<tr>
<td>5</td>
<td>37</td>
<td>Ernst &amp; Young Tripoli, office</td>
<td>14 years</td>
<td>Male</td>
<td>Bachelor of Accountancy</td>
<td>Since 2006</td>
</tr>
<tr>
<td>6</td>
<td>44</td>
<td>Academic</td>
<td>19 years</td>
<td>Male</td>
<td>PhD in Accounting</td>
<td>Since 1999</td>
</tr>
<tr>
<td>7</td>
<td>36</td>
<td>Academic and Practitioner</td>
<td>12 years</td>
<td>Male</td>
<td>Bachelor of Accountancy</td>
<td>Since 2008</td>
</tr>
</tbody>
</table>

3.10.3 Oral History

Generally speaking, oral history is considered a versatile qualitative approach which can be adopted in conjunction with a variety of other theoretical approaches to study any particular phenomena. Oral history is an appropriate method to compensate for the lack of written documents regarding past events or the history of institutions. ‘Oral histories’ focus on the individual and has the capacity to illuminate the dissension, resistance and accommodation that shapes the development of accounting (Hammond & Sikka, 1996, p. 79). Oral history allows experiences to be retold and re-experienced by individuals and provides an indication of how the individual makes sense of their experience.

Broadly speaking oral history is defined as:

“A way of taking down reminiscences by means of a tape recorder; not random
reminiscences but planned interviews on a subject of historical interest about which
the narrator can speak with authority. [the interviewee] can be someone who was
in an influential position at the time of the event ... or an observation post ... or
articulate representative of a class of person ... or old timer who can describe a past
way of life” (Martin, 1995, p. 4).

Oral history is then referring to the entire process of interviewing, recording, transcribing,
editing, analysing, interpreting, writing up the results and making the results available to
the public (Yow, 1994).

Martin (1995, p. 8) suggests the potential of adopting oral history in aiding the
marginalised to find a voice, and argue that:

“Oral history can be used as a supplement to other types of historical data,
including erratic records and information from under represented or maligned
groups”

In a similar vein Collins & Bloom (1991) in their exploratory study of the role of oral
history in accounting assert that:

“Oral history, which represents an historical methodology, can be used as a
research tool to supplement and clarify the written record or provide a record where
no written record exists” (p. 23).

Carnegie & Napier (1996) provide a justification for the use of oral history as method in
this thesis:
“Oral history, by endeavouring to record the views of those otherwise left out of the ‘archive’, can provide a more rounded, and often more critical perspective on the roles and uses of accounting. We hope that greater use of oral history approaches is adopted, before crucial testimony is silenced for ever” (Carnegie & Napier, 1996, p. 29).

Hammond & Sikka (1996) and Collins & Bloom (1991) illustrate the potentialities of using oral history in accountancy research, and suggest that oral history has the potential to document and investigate the lived experience of those marginalized and neglected by conventional (accounting) history. However, only few studies have emerged which have utilized oral history in recent years (Kyriacou, 2000).

Oral history, on the other hand, does not ignore the importance of archives; oral history, therefore, aims to answer questions the archives could not. In this regards, Carter (2006) argues that:

Archivists have the ability to highlight the contestation of social memory, disclose the absences, make it known who is excluded and do our best to offer them a place, if they would have it. By examining the gaps, those “blank void regions” that are never looked at, archivists can begin to address past injustices and fill the archives with a polyphony of voices (p. 233).

A disadvantage of oral history is that memory may be selective or distorted over time. People may remember events differently, or sometimes they add their own interpretations to certain events. Due to the political conflict in Libya the author managed to conduct just two oral history interviews and a small number of the semi-structured interviews were
conducted via social media applications.

3.11 Conclusion

The main aim of this chapter was to provide a methodological framework by which the author can examine the emergence and the development of the professional accountancy in the context of Libya. The chapter presented different schools of thought and concludes that the critical approach is the most appropriate research philosophy to utilise. The importance of studying accounting in its specific context was highlighted as well as the emergence of ‘new accounting history’. Foucault’s ideas were presented, as well as his approaches: the archaeological approach and genealogical approach. Details of previous accounting research projects which employed Foucault’s approaches were provided. The chapter provides the framework necessary in order to understand the emergence of professional accountancy and the data collection methods.

The following three chapters present the empirical part of the thesis. They present the narratives of the development of professional accountancy in Libya over three periods. The approach used to present the story of the accountancy profession is as follows. Each chapter explains the socio-political and economic context of the given periods. The author, in chapter 7, will discuss the findings of the three chapters.
Chapter 4
The Evolution of the Libyan Accountancy Profession and its Colonial Heritage (1551-1951)

4.1 Introduction
Undoubtedly, several factors can influence the way in which an accounting system operates in a country. Perera, (1975, p. 86) argues that “accounting is a product of its environment, and a particular environment is unique to its time and locality”. This indicates the existence of a relationship between accounting and its environment. Accounting exists to serve the society and the latter has a significant influence on the shape of accounting practices (Farag, 2009). Furthermore, accounting scholars have identified a number of environmental variables which influence accounting practices, such as political, economic, social, cultural and others (Radebaugh, Gray, & Black, 2006). However, tracing the relationship between accounting and its environment can present some difficulties. For instance, some environmental variables will be more influential on the development of accounting in a country at a specific period of time, or this influential factor might have less impact or will be not relevant because of the change in a society (Farag, 2009). In this regard, King (2006) demonstrates that studying the relationship between accounting and its environment can be a difficult task. Therefore, “…the focus of the accounting profession in any country is shaped by the various social, political and economic pressures that impact on the accounting needs of the jurisdiction” (Uche, 2010, p. 77). Accountancy as a profession has spread over all continents; it has been suggested that colonialism was one of the main factors to have led to such emergence and development of the accountancy profession in colonised countries.
Libya inherited different accounting systems, accounting techniques and accounting practices from its previous colonists. Therefore, external factors, such as the impact of the colonisation period, international agencies and multinational companies, play a vital role in determining the accounting systems and the accounting practices in a country. Additionally, there are other significant internal factors, such as religion, regulations, tax policies, accounting education and the accountancy profession, all of which influence the shape of accounting practices and accounting development (Buzied, 1998).

The political, economic and cultural environments are also classified as internal factors. Thus, all those factors have a great impact on the shape and subsequent development of accounting in a country. Whilst some of those factors might have a great impact on the development of accounting in Libya at a certain time, their influence might become either less or irrelevant as the society changes. For example, the impact of the colonisation period on the accounting development in Libya was decreased after Libya gained its independence.

Libya as a developing country has gone through different patterns similar to other developing countries such as Egypt, Tunisia and other African countries. Accounting development in Libya has been influenced by different factors. Therefore, reviewing the past history would provide a clear picture of how the emergence and the development of accountancy profession in Libya occurred and also provide a prediction of the future trend of the accountancy profession.

In recent decades, the development of the Libyan economy and its population has been suppressed by colonial powers. Nonetheless, Libya was further behind than others of
similar cultural and religious heritage. Despite such developments, Libyans suffered from the continued oppression of colonisers. As a result Libyans were left disregarded, deprived and poor by the colonists, until the discovery of oil during the 1950s, which changed the country completely.

Libya has a long recorded history of foreign colonisation and military invasion: the Phoenicians, Greeks, Carthaginians, Ptolemies, Romans, Vandals, Byzantines, Sicilians, Spaniards and the Knights of Malta (Ahmad, 2004). In AD 643, Islam was brought to Libya and henceforth the Islamic religion and practice played a vital part in the everyday life of Libyans. Islamic religion and the Arabic language characterise the Libyan culture and Libyan people, all of whom are Sunni Muslims. As a result, Islam had a direct effect on the attitudes, behaviour, beliefs and values of the Libyans (Steel, 1976).

Libya occupies a strategic position, situated in the middle of North Africa, covering approximately 1,775,500sq km. Egypt and the Sudan lie to the east, Niger and Chad to the South and whereas Algeria and Tunisia to the west. This strategic location puts Libya in a good position, linking Southern, Eastern and Western Africa with Southern Europe. Libya is half the size of Europe and it has a shoreline on the Mediterranean Sea which is almost 2,000km long. However, 90% of Libya’s land is desert or semi-desert and the fertile land represents just 1.5% of its size. The fertile land is located on the coastal strip which enjoys a Mediterranean climate, whereas the rest of Libya experiences a Saharan climate (Attir and Al-Azzabi, 2002).

Accordingly, the current accounting systems in Libya inherited some characteristics from the recent three different colonisers (i.e. the Turkish, the Italian and the British), each of
whom contributed to the format and shape of the accounting systems and practices in Libya (Buzied, 1998; Kilani, 1988).

Historically, the Ottoman Empire adopted the doctrine of Islam and controlled Libya from 1551, until the invasion of the Italian army in October 1911. Libya was colonised by the Italians until the Second World War. However, in late 1942, the British and French managed to trounce the Italian army and force them to leave the country. British and French administrations ended after the declaration of independence on the 24th of December 1951. Libya then became a monarchy, controlled by King Al-Sansui, with a federal constitution which was promulgated in October 1951. Before independency, Libya was divided into the three provinces, namely Tripolitania, Cyrenaica and Fezzan, all of which were unified and controlled by King Al-Sansui (Kilani, 1988). Figure 4-1 illustrates the map of Libya.

It is worth mentioning that the French controlled just Fezzan, which is located in the Southern Libya and has a border with Algeria. The French considered Fezzan an extension of its colony in North Africa (French Algeria), however, the British were more influential regarding economic and political affairs during that period of time on the coastal strip of the country. Hence, the author will refer to the British and French period as the British Administration period.
This chapter relies heavily on archival documents collected mainly from BGA and LJCHS, and the following sections provide some historical background in terms of the influence of the colonization periods on the political and socio-economic development and the accounting practices in Libya under different colonial regimes. The aim of the following parts is to explain how accounting has been used in Libya over time, starting with the status of accounting during the Ottoman period.

4.2 The Status of Accounting during the Ottoman Empire

There is very little known about accounting during the Ottoman Empire. Therefore, giving some historical backdrop of the political and socio-economic environments may provide an idea of the nature of the accounting systems, as well as accounting practices, during the Ottoman era.
As described above, Libya was colonised by the Ottoman Empire for almost four centuries (360 years), from 1551 until the invasion of the Italians in 1911. During this period, Libya had experienced three phases of Ottoman rule. The first phase began in 1551, after the Ottoman forces defeated the Knights of Malta, and continued until 1711. During this period Libya was linked directly to Istanbul (Anderson, 1984). However, the Ottoman rule was not organised and failed to control the entire country; they just governed two territories, namely Tripolitania and Cyrenaica. Therefore, the Ottoman rule of the whole of Libya was far from complete (Anderson, 1984; Khafifi, 2000). This can be attributed to the weakness of the Ottoman Empire itself, particularly during the 17th and 18th centuries. Moreover, the main aims for the first Ottoman rule in Libya were to protect the country, maintain security inside the country, collect taxes, distribute taxes and solve problems amongst people and tribes (Khafifi, 2000).

Turkish authorities did not penetrate other parts of Libya. As a result the most remote villages remained entirely free from Ottoman rule. Thus, tribes were able to manage their own affairs by applying Islamic laws and their traditional customs (Joffe and Maclachlan, 1982). Nevertheless, due to poor treatment and the imposition of extra taxes on indigenous people, demonstrations against Turkish rule started in some cities such as Msallata, Tarhuna, Tajura, Gharyan and Bani Walid. Eventually, the Turkish succeeded in preventing protestors from organising any other demonstrations by adopting the divide and conquer policy to rule the country (Khafifi, 2000).

The second Ottoman rule ran from 1711 until 1835. This period specifically is called the Karamanli epoch as the country was ran by the Karamanli dynasty. The Karamanli family ruled Tripolitania with two governors appointed to the provinces of Fezzan and Cyrenaica.
(Buzied, 1998). During this period the Turkish used military garrisons and instated a Qaim-Maqam (military local governor) in every town in order to ensure and protect the tax collection process. But on the lower levels, there were Mudirs (civilian local governor) and tribal Shaikhs (heads of tribes) for the towns and surrounding areas (ibid.).

According to El-Horeir (1981), the Karamanlis followed the same practice as the previous Ottoman rule by letting the tribes manage their internal affairs through applying Islamic laws and traditional customs. During this period, the Karamanli family attempted to ignore the Ottoman Empire’s policies and regulations. Therefore, the Karamanli dynasty ran Libya as an independent kingdom from the Ottoman Empire. As a result, the European representatives in Tripolitania neglected the influence of the Ottoman Empire when dealing with the Karamanli family (Khafifi, 2000).

Similar incidents also occurred in some Ottoman provinces in other parts of the world. Consequently, the Ottoman Empire realised the hazard of such an action on the entire Empire and attempted to act quickly to put those distant provinces again directly under Istanbul control and prevent the province from failing to foreign powers, in order to prevent any further erosion of its position in the Mediterranean (Anderson, 1984; Khafifi, 2000).

In May 1835, Ottoman rulers sent troops to Tripoli by the on an Ottoman naval vessel, ostensibly to quell the rebellion. The third period started when the troops entered Tripoli on May 28 and managed to reclaim power from Karamanli’s dynasty. The troop’s commander, Mustafa Najib Pasha, was appointed as the new governor. He put an end to the Karamanli dynasty reign (Anderson, 1984). The new governor was directly accountable
to Istanbul and successfully succeeded to establish a peaceful relationship with the tribes. However, he could not extend his control to cover Cyrenaica (El-Horeir, 1981). In the last 60 years of Turkish rule a remarkable event happened: the emergence of the Sansui Order, which consists of complete religious, political and social aspects. The Sansui Order managed cover all of Libya, beyond the coastal suzerainty of the Turks. Consequently, the tribes continued applying their traditional ways of living (El-Horeir, 1981; Farley, 1971).

Khafifi (2000) argued that the economic situation during the Ottoman epoch can be described in three different activities. The main one is agriculture, which is considered as the most important source of income in the three provinces. However, agricultural activities suffered from serious problems such as scarcity of fertile land, lack of water, absence of modern agricultural tools, shortages in rainfalls and high temperatures during the summer - all of which make agriculture a risky business. In addition, farmers had to pay a 10% tax rate (tithe) on their harvest. Table 4-1 shows the tithe collected during 1894 and 1902 in sterling pounds in Tripolitania. All those problems, including burdensome tax policies, led some farmers to progressively abandon agricultural activities and move on to alternative activities such as breeding animals and fishing (Anderson, 1984).
**Table 4-1: The tithe collected in sterling pound in Tripolitania (1894-1902)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total of the Tithe Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1894</td>
<td>60,199</td>
</tr>
<tr>
<td>1895</td>
<td>30,021</td>
</tr>
<tr>
<td>1896</td>
<td>27,001</td>
</tr>
<tr>
<td>1897</td>
<td>48,301</td>
</tr>
<tr>
<td>1898</td>
<td>26,908</td>
</tr>
<tr>
<td>1899</td>
<td>21,464</td>
</tr>
<tr>
<td>1900</td>
<td>20,489</td>
</tr>
<tr>
<td>1901</td>
<td>4,834</td>
</tr>
<tr>
<td>1902</td>
<td>40,420</td>
</tr>
</tbody>
</table>

*(British Parliamentary Paper, 1902, No. 578 p. 10)*

The second most important source of income was industry; the industry sector during this period was very modest as it sought just to satisfy the domestic demands of people by providing wool blankets, jewellery, leather products and weapons. However, the industry sector encountered some problems, such as European competition; the products which were imported from Europe were much cheaper and of better quality than the local goods. The heavy taxes imposed on some industrial activities were also responsible for the failure...
to develop industrial activities in Libya. As a result, the industrial sector was left undeveloped for a long period of time (ibid.; British Parliamentary Paper, 1900).

Generally speaking, during the Ottoman period, small businesses such as textile manufacture and pottery existed in big cities. On the other hand, in the remote villages, markets were limited and barter was used amongst the people for transactions. Thus, monetary transactions were very limited for a long time during the Ottoman epoch (Ghanem, 1982).

The third source of income was trading. Libya witnessed two sorts of trading: domestic trading and foreign trading. The Ottoman’s authority at that time encouraged commercial markets for two reasons; the first being to extend control over people from the countryside who patronize markets, the second being that African traders used commercial convoys to cross Libya to Europe (British parliamentary paper, 1900).

The Turks’ administrations were heavily dependent on the income generated from taxes to cover their expenditures. On one hand, some of these taxes where directly imposed on people, which can be called as direct taxes (i.e. 10% the tithe), which is attributed to agricultural products. The second one is a Werko tax which was compulsory on people, wells, animals, fruit trees, taxes on trading activities, properties, military services and partnership and participation tax which was founded in 1897 to raise money for wars (the main aim of this tax was to spread out the war cost among the people in Ottoman provinces). Table 4-2 illustrates the Werko tax collected in Turkish piasters in Tripolitania (1894-1902). The other forms of indirect taxes witnessed by historians were custom duties on all imported and exported goods, charges on the monopoly of the tobacco and salt.
industry and other different taxes imposed specifically on people who announced a revolution against the Ottoman Empire (Alsoury, 1984).

Table 4-2: The Werko tax collected in piasters in Tripolitania (1894-1902)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total of the Tithe Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1894</td>
<td>79,346</td>
</tr>
<tr>
<td>1895</td>
<td>68,137</td>
</tr>
<tr>
<td>1896</td>
<td>73,563</td>
</tr>
<tr>
<td>1897</td>
<td>74,150</td>
</tr>
<tr>
<td>1898</td>
<td>68,710</td>
</tr>
<tr>
<td>1899</td>
<td>75,990</td>
</tr>
<tr>
<td>1900</td>
<td>76,881</td>
</tr>
<tr>
<td>1901</td>
<td>81,214</td>
</tr>
<tr>
<td>1902</td>
<td>683,925</td>
</tr>
</tbody>
</table>

*(British Parliamentary Paper, 1902, No. 578 p. 10)*.

In 1860, the Turkish government started imposing income tax on all incomes from business activities at 3% tax rate at the beginning, which raised to 5% in 1878.
Subsequently, the income from salaries and wages were also obliged to pay income tax (British parliamentary paper, 1900).

Furthermore, four forms of taxation system (ways of collecting taxes) were applied by the Turks. The first tax system allowed local rulers to send tax collectors, accompanied by Qaim-Maqam or Mudir, to collect taxes from taxpayers based on the self-evaluation of their goods (El-Horeir, 1981). The second tax system was based on a public tender, where the Ottoman Pasha (governor) announced a minimum tax requirement from each area. Bidders would make competitive bids to ensure they managed to take the assignment from the Governors. In the third system, the amount of taxes was based on the deficit and the desires of the ruler’s, not on the worth of the goods. The leader of the tribes would collect fixed taxes that was decided by Qaim-Maqam (ibid.; Buzied, 1998). The fourth tax system was produced as an urgent movement by the Pasha in order to pay for foreign debts. The Pasha used special envoys in association with local governors of the tribes to raise money to pay for the government’s debts (Buzied, 1998).

It is worth mentioning that exemptions from paying taxes were granted to a limited number of employees (i.e. Judges, teachers, leaders of commercial convoys, special workers and others). The consequences of imposing heavy taxes on the Libyan people led to the diversification of classes within society, widespread poverty and corruption among inhabitants. In addition, the Ottoman Empire in Libya transferred some of its revenue directly to Ottoman’s treasury in Istanbul to help the Ottoman Empire pay for its war debts (Khafifi, 2000). In 1911, the Turkish census set the population of Tripolitania and Fezzan at 576,000 and Cyrenaica was estimated to be 250,000, which makes 826,000 in total across the three provinces (Wright, 1981).
Overall, the Ottoman occupation of Libya can be seen as an extension of a religious administration more than a colonial country. The main role of the Turks in Libya was to maximise their wealth by imposing different forms of taxes on inhabitants and to expand the Ottoman Empire (Khafifi, 2000; Wright, 1981). Subsequently, Libyan people were disregarded, deprived and uneducated. Therefore, the majority of them remained isolated in rural areas, living traditional lives and continuing with traditional activities such as agriculture, traditional caravan trading and small traditional industrial products which had been inherited from past periods (Buzied, 1998; Ghanem, 1982).

In this regard Farley (1971) illustrates that the Turkish ruled just the coastal strip of Libya whereas the Sansui Order ruled the rest of the country. The Ottoman Empire neglected the infrastructural development of Libya. During the Ottoman rule, Libya had no infrastructures such as roads, ports and railways (Buzied, 1998; Ghanem, 1982). Therefore, the Ottoman Empire did nothing to improve Libya’s potential to keep pace with global development.

In this regard, the Turkish spending on the education sector and public services was very low compared to the total expenditure. Table 4-3 (the supplementary report sent by the British Counsellor in Tripolitania in 1898, No. 2125) shows in Sterling pounds the expenditure on education in Tripolitania in contrast with the total public payments during 1894 and 1898.
Table 4-3: The spending on education in comparison to the total expenditure in sterling pound during 1894 and 1898

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Public expenditure</th>
<th>Expenditure on education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1894</td>
<td>142,818</td>
<td>357</td>
</tr>
<tr>
<td>1895</td>
<td>132,200</td>
<td>767</td>
</tr>
<tr>
<td>1896</td>
<td>155,318</td>
<td>224</td>
</tr>
<tr>
<td>1897</td>
<td>139,932</td>
<td>324</td>
</tr>
<tr>
<td>1898</td>
<td>135,639</td>
<td>330</td>
</tr>
</tbody>
</table>

*(British parliamentary paper, 1898).

However, as mentioned above, the Ottoman Empire considered Libya as a religious state and the observers would experience the modest attention and effort which had been paid by Turks in building religious schools and mosques in some coastal locations in Libya.

In 1850, the Turkish Empire translated the French commercial code (the commercial code was based on the early Napoleonic commercial code and many European countries adopted it during the nineteenth century) which actually was produced in 1807. The *Code de Commerce* dealt with commerce in general, covering maritime law, bankruptcy and mercantile jurisdiction (Toprak, 2007). However, the adoption of this code seems irrelevant to Libya, as there was little indication of the existence of any enterprising practices and commercial activities. As aforementioned, Libya was used as commercial route between Europe and the rest of the African colonies during the Ottoman period.
Hence, it can be said that the implementation of the French commercial code by the Turkish authority in Turkey did not have any impact on the emergence and the formation of the accountancy profession in Libya.

Therefore, the above analysis of the socio-economic and political environment in Libya during the Turkish occupation indicates that there are no strong indications of the emergency of an accountancy profession or accounting practices in Libya during that period. On the other hand, single entry bookkeeping was used to calculate the tax revenue, Zakat\(^8\) and custom duties, as well as to register the empire’s expenditures such as wages and general expenses. Perhaps it is not surprising that the accountancy profession did not exist in Libya at that time, as the birth of accountancy profession can be traced back to the eighteenth century when the first accountancy profession society was established in Scotland in 1853 (Walker, 1995).

By the 1900s, it was recognised that Turkish Tripoli would be absorbed into the kingdom of Italy. As Libya and other African territories were not yet under the European colonies at that time, which can be mainly attributed to the lack of natural resources, and also the Turkish presence in Libya at that time is considered as an obstacle from the expansionists view. The following discussion offers more evidence regarding the influence of the Italian period on the shape and the development of the accounting practices in Libya, by describing political and socio-economic circumstances.

---

\(^8\) Zakat is one of the five pillars of Islam, and it’s a charitable giving by Muslims based on their accumulated wealth, and there is a personal responsibility for Muslims to ease economic hardship for other Muslims by sharing some of their wealth.
4.3 The Status of Accounting during the Italian Occupation

The Bank of Rome (Banco di Roma) was created in 1880 as a logical response to the industrial development in Italy during the late nineteenth century, almost half a century after the industrial revolution in England (Miege, 1976). The Italians sought to expand their mother country and find ‘a fourth shore’ along the coast of the Mediterranean Sea; they attempted to copy the French (French Algeria) and British (British Egypt). Therefore, from 1881 the Italian diplomacy invested over 30 years in order to gain international recognition to colonise Libya and other parts in Africa, after signing several treaties with Germany, France, the United Kingdom and Russia. Apparently, the main purpose of those treaties was to avoid any unnecessary conflicts, in Libya or elsewhere (Wright, 1981).

Italy used an approach, which is similar to the one adopted by the French when they invaded Marrakech in Morocco, which was described by Miege, (1976), as ‘peaceful penetration’. The establishment of the Bank of Rome in Libya on 17 May 1907 was the starting point towards the creation of Italian Libya. The bank later opened branches in Bengahzi, Zlitin, Khmus and Misratah. The bank was responsible for investing in different sectors such as agriculture, the light industry, mineral prospecting, trading, fishing and communications (Anderson, 1984).

Nevertheless, the proposal of the establishment of bank of Rome was not approved by the Turkish but the latter had no authority to prevent them from operating in Libya. One year later the Ottoman authorities recognised the bank of Rome. There was an attempt by the Ottoman authorities to establish a competitive commercial bank (Ottoman Imperial Bank), even prior to the existence of the Italian bank (Anderson, 1984; Miege, 1976). However, the bank of Rome received disapproval from indigenes and Ottoman authorities due to
suspicious activities, such as distributing gifts among Sanusi zawiyah shykhs and bribing Arab chiefs - which was conducted by the managers of the bank. Due to widespread criticism and local hostility, the bank of Rome failed to make an impact on the economic and social life of Libya (Anderson, 1984).

On one hand, the Italians claimed that they had to invade Libya in order to protect the Italian investments across the country. On the other hand, the Italian aimed to invade Libya without shooting a bullet. Subsequently, the Kingdom of Italy declared war against Ottoman Empire on 29 September 1911, when they realised that the bank of Rome could not succeed with such widespread criticism from inhabitants (Al-sharkasi, 1981; Miege, 1976; Wright, 1981). It is worth mentioning that the Italian socialist opposition and their allies were strongly opposed to going to war in African territories and they claim that would be a waste of Italian money. The anti-war parties organised some strikes and different forms of protests to show their rejection of this war (Wright, 1981).

The Turkish and Libyan fought alongside one another under Islamic doctrine. However, the Ottoman Empire negotiated with Italy. The latter was successful in signing an O'Shea treaty (or the first treaty of Lausanne) in Lausanne on 18 October 1912. According to the treaty, the Ottoman Empire withdrew from Libya and let the Libyans face their destiny with the new colonialism (Al-sharkasi, 1981). According to the treaty the Turkish still had residual rights to supervise religious affairs in Libya (Wright, 1981).

From the above discussion it can be said that the Italians desperately attempted to invade Libya on the basis of economic interests and consider Libya as ‘the fourth shore’ of Italy, similar to French Algeria. Thus, Libya was seen by the Italian as an extension of their
mother country, not as a colonised country (Al-sharkasi, 1981). In achieving that goal Italy
took different forms to seduce Italian immigrants and settlers. For instance, the Italian
press grossly exaggerated the potential resources in Libya, describing Libya as ‘a land of
Cockaigne’ (Wright, 1981). “Italy began a programme of systematic settler colonisation
with the result that, by 1939, there were nearly 20,000 Italians settled on the land in Libya,
out of a total of almost 110,000 Italian immigrants” (Joffé, 2001, p. 76). As a result, a huge
number of Italian settlers came to Libya, but the settlement process was slow at the
beginning due the resistance of the indigenous people. Settlers came from different parts of
Italy; the majority of them were landless and poor. However, they were full of enthusiasm
as the Italian government provided aid and heavily subsidised the farming sector to
encourage the new settlers. Settlers were motivated as they could become owners of farms
within 20 years. Nevertheless, the process of the demographic colonisation was hugely
expensive. As Wright (1981) illustrates, the Italian settlers were unable to contribute their
quota as taxpayers in the near future and the state of Italy needed to continue to pour
money into Libya.

Administratively, during the period of 1919–1929, the Italian government maintained two
traditional provinces, with separate colonial administrations. A system was set up by the
Italians whereby they introduced controlled local assemblies, which had a limited local
authority, but this system was revoked on 9 March 1927. In 1929, Tripolitania and
Cyrenaica were combined under one colonial province. Then, in 1934, as Italy struggled to

9 Cockaigne means an imaginary place of extreme luxury and ease where physical comforts and pleasures are
always immediately at hand.
retain colonial power, the classical name ‘Libya’ was revived as the official name of the
Italian colony in North Africa, which represents four provinces, namely Tripoli, Misrata,
Benghazi, and Derna (Otman & Karlberg, 2007). The Italian government considered Libya
as an extension of their mother country, as a result they invested nearly 2 billion Lire
between 1913 and 1942 to improve the country’s condition and motivate the new settlers
(Ghanem, 1982). Table 4-4 illustrates the Italian expenditure on different sectors between
1913 and 1942.
Table 4-4: Summary of the Italian Government on public expenditures in Libya from 1913 to 1942 in thousand liras

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Tripolitania</th>
<th>Cyrenaica</th>
<th>Libya</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Period</strong></td>
<td><strong>1913-36</strong></td>
<td><strong>1913-36</strong></td>
<td><strong>1936-42</strong></td>
<td><strong>1913-42</strong></td>
</tr>
<tr>
<td>Road construction</td>
<td>130,858</td>
<td>78,390</td>
<td>87,785</td>
<td>297,033</td>
</tr>
<tr>
<td>Port construction</td>
<td>53,000</td>
<td>123,383</td>
<td>66,320</td>
<td>242,703</td>
</tr>
<tr>
<td>Agriculture &amp; Land reclamation</td>
<td>53,118</td>
<td>20,893</td>
<td>654,556</td>
<td>728,567</td>
</tr>
<tr>
<td>Public building</td>
<td>103,785</td>
<td>98,643</td>
<td>48,000</td>
<td>250,428</td>
</tr>
<tr>
<td>Construction of telephone, Telegraph lines &amp; radio station</td>
<td>6,680</td>
<td>1,550</td>
<td>14,640</td>
<td>22,870</td>
</tr>
<tr>
<td>Hydraulic works</td>
<td>4,230</td>
<td>5,740</td>
<td>17,00</td>
<td>9,970</td>
</tr>
<tr>
<td>Sanitary works</td>
<td>6,200</td>
<td>635</td>
<td>0</td>
<td>6,835</td>
</tr>
<tr>
<td>Railway construction</td>
<td>52,100</td>
<td>62,121</td>
<td>8,250</td>
<td>122,471</td>
</tr>
<tr>
<td>Interest for amortization of loans</td>
<td>34,024</td>
<td>34,929</td>
<td>63,633</td>
<td>132,586</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>444,095</strong></td>
<td><strong>426,284</strong></td>
<td><strong>960,184</strong></td>
<td><strong>1,830,563</strong></td>
</tr>
</tbody>
</table>

Adapted from (Ghanem, 1982 as cited in Alwaddan, 2005, p. 15).
Most of the spending went into infrastructural development which was either neglected or simply did not exist in Libya. Until 1936 most of public spending went into roads, ports, railways and other public facilities, but during the last six years of the Italian administration (1936-1942) most projects were related to land reclamation and agricultural activities, which represents 68% of the total public spending (Ghanem, 1982).

Subsequently, the number of settlers doubled and 225,000 hectares were developed by Italian families in Tripolitania and Cyrenaica. The total population of the Italian settlers was 110,000, bringing the Libyan population to 751,000 in 1940 (Wright, 1981).

As mentioned previously, agriculture was the most important source of income in the Libyan economy and the Italians invested deliberately in farming as this sector could absorb the huge number of Italian settlers. The successful development of agricultural sector in Libya led to a rise in some other activities, which were based on the outcome of agricultural products (Ghanem, 1982). According to Barker (1982), Italy was the first to introduce modern industry in Libya during the occupation period. The industrial sector consisted of a tobacco factory, which was established in 1923, wine making, food processing plants and textile factories; all those enterprises were owned and controlled by Italian families (Ghanem, 1982).

The evolution of the accountancy profession in Libya can be attributed to two main factors. The first is the Italian accountancy profession, as the Italians implemented the same laws and regulations in Libya which were used in Italy, and accounting practices cannot be exempted (Buzied, 1998). The Italian companies brought accountants from Italy; there is no evidence that the Libyan people practised any form of accounting during the Italian
period, since the Italians kept dealings with accounting affairs limited to the Italian accountants. However, after Libya gained its independence some Italian accountants stayed in Libya until the 1970s and continued implementing the same accounting practices which were used in their mother country (Kilani, 1988).

According to Khalidi (1956), during 1949, when the United Nations started working in Libya, the number of Libyan qualified accountants who had a university degree in accounting was relatively small; there were just sixteen accountants in the whole country. It can be suggested the Italians did not provide any opportunities for Libyans to practise accounting during the occupation period and they kept dealing with accounting affairs for Italian accountants only (Buzied, 1998). Almost 80% of Libyans were left to live traditional lives consisting of primitive agriculture and animal husbandry (Higgins, 1959).

It was reported that the Italians did little or nothing to prepare the Libyan people for self-government (Kilani, 1988). There is evidence that many British and other foreigners worked as advisers during the British administration. Even after the independence the kingdom of Libya continued employing foreign advisors. Apparently, the Italians avoided allowing Libyan people to gain key positions in the local governmental hierarchy. Accordingly, Libyans were unable to keep pace with international development, even after independency, as they continued asking for international help to develop and enhance the Libyan economy (BGA: 11/612).

However, despite the fact that Italy claims to be the land which gave birth to accounting, Italy itself was very late to establish a ‘proper’ accountancy profession. Italy itself started developing their accountancy profession just after the World War II, when the industrial
revolution took place. Therefore, the late emergence and development of the Libyan accountancy profession is justifiable. There are several ways in which the emergence and development of accountancy profession in Italy was affected, as described by Zappala (1973) as follows:

Firstly, there is a rarity in public ownership in Italy as the Italian economy is based on family businesses; therefore statutory audit was not required by the Italian families at that time. Although Italian law includes a description of the statutory auditing, the law does not provide a clear definition or the function of an audit. It describes just counting of cash and making social visits to the directors.

Secondly, most of the accounting firms in Italy were foreign. The majority of their jobs were as auditors to American companies and foreign subsidiaries. All those companies were mainly providing management consulting services which linked to the growth in auditing engagement.

Thirdly, the Italian banks maintained a collateral policy when providing loans to individuals. Thus, the Italian banks did not require the certification of statements or earning position from their clients. Additionally, listed companies for the stock exchange were required by law to have an independent audit in some other countries, during the 1920s, to have more security. In contrast, becoming a listed company in the Italian exchange required meeting the minimum capital, with no lack of arrears in dividends, profitable operations in the two past years and the stockholder's approval of the statements.

Overall, the above analysis describes the obstacles against the development of the Italian accountancy profession. Some of those reasons apply to the Libyan environment and also
illustrate why there was no proper accountancy profession in Libya during the Italian period. As mentioned earlier, Libya was an extension of Italy, where Italian regulation and laws were adopted by the Italian administration in Libya.

The second most important factor which influenced the development of the accountancy profession in Libya is the Italian income tax law, which was introduced in 1923. This remarkable event was the first time that Libya, in its lengthy history, was under a financial obligation (Kilani, 1988). The new law suggested that each registered company was required by law to submit a financial statement or other accounts (i.e. profit and loss account and inventory books) to the tax authority, according to the 1923 tax code at the end of each fiscal year. After independence the UN provided the Libyan government with some advice on how to reform its economy; the continued implementation of the 1923 Italian tax law was one of the UN's recommendations (Bait-El-Mal, 1981).

The Italian tax law was designed to be applied in Italy; implementing it in Libya was far from suitable. The law covered many areas of economic activities, which did not exist in Libya at that time, such as stock exchange and investment interests on some financial activities. The tax law covered only Tripolitania and Cyrenaica during the Italian colonisation period (Kilani, 1988). Table 4-5 summarises the 1923 Italian tax law.
### Table 4-5: The 1923 Italian tax law

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Income from loans and bank deposit, or capital investments excluding investment in commercial and industrial projects.</td>
<td>15%</td>
</tr>
<tr>
<td>B (1)</td>
<td>Income from interests, profits, etc. on shares, bonds of commercial and industrial companies, and insurance policies.</td>
<td>10%</td>
</tr>
<tr>
<td>B (2)</td>
<td>Income from commercial and industrial business.</td>
<td>10%</td>
</tr>
<tr>
<td>B (3)</td>
<td>Income from agricultural which is not subject of agricultural tax.</td>
<td>10%</td>
</tr>
<tr>
<td>C</td>
<td>Income from wages and salaries:</td>
<td></td>
</tr>
<tr>
<td>C (1)</td>
<td>Income from professions.</td>
<td>10%</td>
</tr>
<tr>
<td>C (2a)</td>
<td>Income from salaries in public and private companies.</td>
<td>8%</td>
</tr>
<tr>
<td>C (2b)</td>
<td>Income from wages in public sector agencies.</td>
<td>4%</td>
</tr>
<tr>
<td>D (1)</td>
<td>Income from salaries in governmental agencies.</td>
<td>8%</td>
</tr>
<tr>
<td>D (2)</td>
<td>Income from wages in non-governmental agencies.</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Source: It was compiled by Kilani, (1988) from the Italian tax law of 1923, pp.7-49, which he founded in the tax department in city of Sabha, Libya.*
Nevertheless, during the 1940s, the Fascist government had no future plans for Libya. The Italians had acknowledged the growing nationalist movements in the Arab world and the increasing Arabic hostility towards the Italians, including the tenacity of the Libyan resistance in different cities such as Cyrenaica. This prompted the Italians to stop pouring money into the Libyan economy (Wright, 1981).

Therefore, the above analysis of the socio-economic and political environment in Libya during the Italian occupation indicates that the Italians contributed significantly to the evolution of the accountancy profession in Libya as they developed the banking sector and introduced light industries. It was reported that Italian accountants stayed in Libya until the 1970s, and continued implementing the same laws, regulations and accounting practices which were used in Italy (Kilani, 1988). As mentioned earlier, the accountancy profession in Italy was undeveloped until the Second World War.

However, double-entry and bookkeeping were used during that period, as well as financial statements, mainly profit and loss accounts prepared according to the 1923 tax law. The Italian tax law of 1923 was one of the most significant elements contributing to the developing of the accountancy profession in Libya. It is worth mentioning that “…the British administration suspended the Italian tax law of 1923 in Cyrenaica because of the destruction caused by the war in 1943, but the law continued to be applied in Tripolitania” (Kilani, 1988, p. 110). The 1923 tax law was implemented even after Libya enjoyed independency, which was recommended by the UN (Bait-El-Mal, 1981; Kilani, 1988).

The Italians did not educate Libyans and even after independency, the kingdom of Libya continued asking for help from foreign advisors. Obviously, the Italians continued
neglecting Libyans, wishing to keep them from positions within the local government.

Libya became a battlefield between the Axis (Germany and Italy) and Allies. Between October and December 1942, the second battle of al Alamein took place in Western Egypt. The battles in Cyrenaica and western Egypt resulted and all the Italian colonists evacuated from Cyrenaica for their safety. The British military authorities in Egypt invited Idris Senussi to raise a Senussi force from Libyans in exile; Idris Senussi later became the king of Libya (Wright, 1981).

On 11 November 1942, the commander of the British Eighth Army\(^{10}\) (BEA), General Bernard Montgomery, announced a massage to the people of Cyrenaica: the province will be administered by the British military government until the end of the Second World War. He asserted that the military government would not interfere in matters relating to political affairs in terms of the Libyan future. However, they would endeavour to rule the country with firmness, justice and consideration in the best interest of Libyan people (ibid.). The General’s announcement implies that the British had no explicit intention to colonise Libya or elsewhere in North Africa.

The infrastructure in Cyrenaica was largely destroyed in air raids; however, Tripolitania was relatively undamaged and was captured by the Eighth Army on 23 January 1943. By February the allies had full control of Libya. Many Cyrenaican Bedouins had returned home to claim their lands and flocks. In 1939 there is an estimated figure of 14,000 Libyans exiled in Egypt alone (ibid.). The defeat of Germany and Italy in North African

\(^{10}\) The BEA was one of the formations of the British army during the Second World War, fighting in the North African territories.
The development of tax system developed a way of systematic ways of using accounting and as a result different documents have been produced. This contributed to the emergence of professional accounting practices. The next section provides further discussion on the influence of the British and the French administration period and on the evolution of the accounting practices in Libya, by describing the political and the socio-economic environments. As mentioned earlier the British were more influential in terms of economic and political affairs on the coastal part of the country. Hence, the author will refer to the British and French period as the British administration period.

4.4 The Status of the Accounting Profession during the British Administration Period

The British and French ran Libyan affairs from 1943 to 1952, under the supervision of the United Nations Trusteeship Council\(^\text{11}\). Fundamentally, the new administration closed all the Italian banks and opened Barclays bank (Dominion, Colonial and overseas) instead. The British also did not make any serious changes to the previous administration (Kilani, 1988). The Barclays bank maintained employees from the Italian banks, in order to collect old debt due. The accounts were kept with Barclays; the confusion of accounts led the bank to ask for experts, as a multitude of different languages were spoken. A number of the staff of the Italian banks remained in Tripoli and worked in various jobs. However, most of

\(^{11}\) The Trusteeship Council was found in 1945 to oversee the decolonization process of those colonised territories and ensure that trust territories were administered in the best interests of their inhabitants.
them had been recalled to Italy by their previous employer in order to serve in Italy. As a result the Barclays bank lost some of their staff (BGA: 11/682; BGA: 17/842).

The British and French administrations ran the country on a strictly ‘care and maintenance’ basis, though the period was too short, only nine years, before the United Kingdom of Libya came into existence upon independence on 24 December 1951 (Crossley, J and Blandford, 1975). In comparison to other colonisers, the British spread their accounting tradition across the countries under their rule. The British tended to train local people in colonised territories so they could be employed later to help the local government (Perera, 1975). For instance, the Barclays manager in Tripolitania suggested the need to recruit an Arab employee as a clerk in order to keep contact with indigenous races (BGA: 11/682). There was some notion of technology transfer between Barclays and the wider Libyan accounting profession. As the Barclays bank introduced book-keeping skills and daily checking routine. Over time those skills have been transferred to different organisations either by Libyans or British advisors. During 1960s, the Barclays bank transferred current accounts to Post-tronic Machine. The inspector suggested that savings will be put on the Demerara System. By 1969, current account ledgers and statements were mechanised. All other records were manual (BGA: 11/330; BGA: 11/333 & BGA: 11/335). The author cannot provide any other knowledge on technology transfer between Barclays and the wider Libyan accounting profession due to the lack of archival documents12.

12 An archivist from Barclays Group Archives confirms that Barclays Group Archives doesn’t have the locally created records of their former business in Libya, as these documents have passed to the local authorities when the bank was nationalised in 1969. Documents concerning the British administration and the Ministry of Finance documents, which cover the post-independence period, were destroyed by the flood in Tripoli and the undamaged documents were moved to an undisclosed location.
4.4.1 The Adventure of the Barclays Bank (Dominion, Colonial and Overseas) in Libya

British banks pioneered multinational banking since the nineteenth century and remained the predominant institutions in that industry until 1960s. The British influence on the banking systems started before 1830s. The first overseas British banks founded in the 1830s were created quite differently. There were multinational banks which were promoted and owned in the United Kingdom. Those banks establish branches overseas and use to be managed from the headquarter in London (Jones, 1995). In the UK and other host country regulatory controls over banks were very limited during the nineteenth century compared to after the Second World War (Collins, 2012).

In the absence of banking regulations and central banks before the 1914 made it possible for most British multinational banks free to pursue their chosen business strategies. Those multinational banks took the central banks responsibilities and play a role of a government bank and dealt with issues such as government funds and currency matters. The two most important of these ‘state banks’ were the National Bank of Egypt and the National Bank of Turkey. The British multinational banks built a reputation in acting as a government bank, Barclays bank (dominion, colonial and overseas) follow this trend in Libya and played a role of a government bank starting in 1943 until the establishment of the Libyan National Bank in 1955.

The incursion of the Barclays bank (dominion, colonial and overseas) in Libya was purely accidental, arising as a result of the war and at the request of the military authorities. The Barclays bank followed the Eight Army into African territories, as the branch was opened for military business only at beginning with just five local staff (BGA: 80/3792; BGA:
The first bank under the British military occupation was opened in Tripolitania by E. Jequier on 5th April 1943. Another branch was opened in Cyrenaica by G. G. Money on 15th July of the same year (see appendix: 1). The number of representation offices increased to 12 in 1966 when B. Ashworth was appointed Libya manager. Mr Ashworth was appointed a local director in 1969. In November 1969, 19 offices existed in Eastern and Western regions. Eventually, the business was taken over by Masraf Al Gumhouria. The latter did not compensate the Barclays bank (Crossley and Blandford, 1975).

During 1942, the Libyan economy suffered from recessions. When the Barclays bank opened during the military administration, the bank acted as a central bank. In addition, each territory was using a different currency. Many complicated currency problems had arisen in all territories and the authority found it would be necessary to allow the Italian Lire to continue to circulate, at least in the early stages of occupation (BGA: 17/842).

Subsequently, different currencies were used; for instance, Tripolitania used the Military Authority Lire (see appendix: 2) – the circulation figure at the end of 1945 was equivalent to £2,470,00 - the Egyptian Pound was used in Cyrenaica and the Franc in Fazzen (Alwaddan, 2005; BGA: 11/682).

In October 1943, the British Military Administration (BMA) organised a pilgrimage to Mecca from Tripolitania territory and each pilgrim was allowed to purchase a certain amount of Egyptian notes and the money was placed at their disposal at Suez branch. The bank did not have any commercial business and all the imports and exports were dealt with by the United Kingdom Commercial Corporation (UKCC) (BGA: 17/842). Table 4-6
illustrates the size of exports and imports between 1945-1950 in Libyan pounds (Ghanem, 1982). In Cyrenaica revenue arises almost entirely from custom duties and from profits on sale of barley purchased from native growers and exported to Cyprus by the administration. There was also no direct taxation. The Shell company and the British American tobacco company were operating in Libya, the latter took over the Tobacco monopoly (BGA: 17/842).
Table 4-6: Libyan imports and exports during 1945 and 1950 (in Libyan pound in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Trade Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>3,007</td>
<td>1,191</td>
<td>1,186</td>
</tr>
<tr>
<td>1946</td>
<td>2,826</td>
<td>1,806</td>
<td>1,061</td>
</tr>
<tr>
<td>1947</td>
<td>4,466</td>
<td>1,797</td>
<td>2,669</td>
</tr>
<tr>
<td>1948</td>
<td>5,459</td>
<td>2,262</td>
<td>3,197</td>
</tr>
<tr>
<td>1949</td>
<td>6,125</td>
<td>2,143</td>
<td>3,982</td>
</tr>
<tr>
<td>1950</td>
<td>7,038</td>
<td>3,444</td>
<td>3,594</td>
</tr>
</tbody>
</table>

Adapted from (Ghanem, 1982 as cited in Alwaddan, 2005, p. 16).

On the 30th April 1946 the number of current accounts in the Tripolitania branch was 926 accounts, these included 663 civilian and 263 military accounts. The civilian totals included 200 Italian, 232 Jews, 6 Arabs and 44 consortia and companies (BGA: 11/682).

The Barclays bank was the only bank in the country, until Libya achieved its independence in 1951. During the eight years period, the bank had provided much needed help to traders and farmers as well as to the local government. In general, Libya was relying heavily on American and British financial, economic and military aid. In return the Libyan government allowed them to have air force bases (BGA: 17/842).
The discovery of oil near the Algerian border was limited and a greater abundance was found in the south of the Gulf of Sirte. As a result Libya’s situation entirely changed, from being one of the poorest nations to become the fifth largest oil producer in the world. The discovery of oil changed Libya’s situation and the demand on banking services increased as never before (BGA: 11/682).

In the press the British administration claimed they would hand over to local government in Tripolitania. Some British staff of the British administration had been loaned by the Foreign Office Administration of Africa to the Tripolitania government until the end of 1951. However, it was anticipated that the local government would retain the services of many British officials (BGA: 11/612).

4.4.2 The Establishment of the Administrative Council in Tripolitania

The delegation of powers began. The regulation number 600 was issued, relating to the establishment of administrative councils in accordance with the spirit of the United Nations resolutions the new administrative council would consist of 14 members, all of whom were Libyans and would start from the 15th May 1950. The new members replaced the Chief Secretary, legal advisors and the controller of finance and accounts and the previous administration staff will be considered as ex-office Members. The new law dictated that those ex-members might be called upon to provide advice if necessary to the new administrative council (The establishment of the administrative council in Tripolitaniab No. 600, 1950). The new law appointed just 10 members to the administrative council at the beginning, in accordance with general notice No. 601. This action is considered as the first step towards preparing the country to be self-governed and is how the British Administration in Tripolitania handed over the power to Libyans to enable them to run the
country after obtaining independence. At the beginning of the 1950s, the pressure on the Foreign office was mounting, to allow Italian trading companies and banks to be re-established in Libya. However, the British realised the need for regulations and laws to be effective regarding banks even before British handed over the territory to the succeeding authority in 1952 (BGA: 11/612).

The Barclays bank was informed by the Foreign Office Administration of African Territories that the British administration would shortly issue a proclamation dealing with the control of banks. The new proclamation wasn’t aimed against the Barclays Bank, according to the administration in Tripolitania. However, there was a strong need for a fairly simple banking control legislation over the banks in the territory, before allowing the Italian banks to be re-inaugurated or local Arab banks to be established (BGA: 11/612).

4.4.3 The Banking Proclamation No. 211 of 1950
The new law consisted of 28 articles which sought to organise the banking sector in Libya (see appendix: 3 for more details). The new banking proclamation was produced by the British administration in Tripolitania, under T. R. Blackley Chief Administrator, and came into force from 15th November 1950. One of the most important articles in the new banking proclamation is article 12, which illustrates the appointment and the duties of auditors. The article consists of four parts. The first part states that all banks shall appoint two auditors, who have been approved by the Banking Control Board (BCB)\textsuperscript{13}. Each bank was required to provide a copy of the auditors’ report to Controller of the Finance and

\textsuperscript{13} The Bank Control Board consisted of five members, two of whom were Libyans, the other members were foreigners.
Accounts (CFA) which would also be published in the official Gazette not later than thirty days after it has been submitted to the shareholders. If the bank failed to appoint two auditors, or only appoint one auditor, then the CFA would have the power to appoint one or two auditors and the appointed auditors by CFA will then be paid by the bank (The Banking Proclamation No. 211, 1950 (hereafter BP)). The use of the journal (e.g. the Tripolitania Gazette during the 1950s) was one means of publicly signalling the need for individuals with accounting knowledge and commercial skills.

On the 31\textsuperscript{th} October 1950, the Barclays manager in London sent a draft to the Foreign Office Administration of the African Territories of the BP No. 211, which the Tripolitania administration proposed to issue by the end of 1950. The Barclays manager in London was happy with the draft, apart from article 18 which required foreign banks to maintain cash cover not less than 20\% of the gross total liabilities. Article 18 thus leaves the bank entirely at the mercy of the BCB. Therefore, the managers at Barclays wanted special assurance from the BCB (BGA: 11/612).

The administration in Tripolitania made it clear that they were not aiming their control in any way against Barclays bank, upholding that the administration cannot make a separate rule for each bank. However, the administration gave Barclays bank the privilege of suggesting any changes which may help the bank avoid any difficulties in the future. Subsequently, the BCB confirmed that Barclays bank was most likely to comply with the new BP No. 211. However, the BCB asked Barclays bank to provide the names and the addresses of the bank’s auditors for consideration and approval as article 12 required (BGA: 11/682).
The Barclays bank branch in Tripolitania wrote to BCB on the 15th Feb 1951 as follows, in connection with article 12:

This bank employs its own inspection staff, who operate under the control of, and are directly responsible to, our Central Board of Directors in London. Inspections of all branches, including a full audit of their books, are carried out periodically by these officials as directed by the London Board. In addition our balance sheets and returns of advances etc, as at 31st March and 30th September each year are audited in London by the Banks Auditors who are well known firms of Charted Accountants. In these circumstances that our present arrangements are deemed to meet the requirements of this Article (12).

The Barclays bank in Tripolitania submitted the names and address of auditors (see appendix: 3 for more details) to be approved by the BCB as follows:


The BCB issued an amended version of the BP No.211 and informed the Barclays bank in Tripolitania that the proclamation No. 216 would not affect the Barclays position in any way. The amendment was promulgated in order to cover applications for licences received from foreign banks, which were not already registered in Tripolitania. However, the arrangements for the inspection and audit of Barclays bank were satisfied by BCB (BGA: 11/612).
This new BP No. 211, which was introduced in 1950, is considered a significant event; it was the first time that Libya was under an auditing obligation. However, the law deliberately neglected the nationality and the qualifications which should be held by auditors. Thus, the Libyan accountancy profession was open to accountants from all around the world. It therefore took Libya almost 21 years before the profession was localised.

International accounting firms later opened branches in Libya, as many foreign banks did, and accordingly the demand for auditing and other assurance services increased as never before. For instance, in 1968 an audit report of Barclays bank illustrated that the bank was audited by two auditors, namely Price, Waterhouse & Co. and Whinney, Murray & Co, and the report included the local addresses of the two auditors in Tripolitania (BGA: 80/3841).

In consultation with the King of Libya there were six ministers in the new Tripolitanian Government appointed by the British resident. One of those ministers was the Minister of finance Mansur bey Gadara, who was educated in Egypt. Mr Gadara relinquished an appointment with Ottoman Bank in favour of working in the new local government. The Barclays bank managers were concerned that the new minister of finance would invite the Ottoman Bank to operate in Libya (BGA: 11/612).

Every bank was asked by the Banking Control Board to have a valid licence to operate in Libya. Two Arab members of the BCB expressed their satisfaction at the manner in which Barclays bank served all the communities and pointed out the trust and the confidence which the Arab community have in the bank. The Barclays managers noticed that the
Tripoli government was very anxious to keep the Italian banks away from agricultural activities. The Banking Control Board formally asked the Barclays Bank some questions, outlined below:

(a) The principle of their future policy in Libya.

(b) Information as to future activities in a purely commercial field of banking.

(c) Information relating to the financing and development of agricultural business.

(d) A comprehensive schedule of banking charges, etc.

In response to those questions, Barclays bank illustrated that they would stay as long as they felt there was a need and a demand for their services. However, Barclays bank was aware that the Government Central Bank (GCB) would be established soon to deal with the issue of currency and also that some other Italian banks would re-open. The local government promised Barclays that any of the state or para-state property available for the local government would be allotted to Barclays bank. The bank of Rome would return to its previous building; they used to receive rent from Barclays bank for using the bank building in past years (BGA: 11/612).

Barclays bank was advised by the minister of finance (Mansur bey Ghadara) that the agricultural loans should be on seasonal or on crop basis, and that the bank should avoid long-term or land mortgage types of business. He stated that guarantee would be given by the Tripolitania government. The finance minister emphasises that the loans given should be paid within the seasons. He mentioned that Italian banks are not allowed to provide agricultural loans (this interview took place 24th March 1951). Mr Mansur mentioned that
the Italian banks would re-open, but their chances of any full participation in business were not good. He suggested that as Barclays bank is in a strong position as leading bank, they should either have built or converted other promises to satisfy the bank activities (BGA: 11/612).

It seemed that the activities of the Italian banks would be restricted. However, if the Barclays bank did not fill the gap to offer agricultural loans, other banks, such as the Ottoman bank, might be an option to fill the gap (a letter dated 22-03-1951). (BGA: 11/612).

Barclays local head officer in Alexandria illustrated, in a letter dated 31st March 1951, that there was a strong belief that international banks, including the Italian banks, were granted permission to reopen branches. These banks were the Bank di Rome, Bank di Sicilia, Bank di Napoli and the Arab Bank Limited (BGA: 11/612).

The BP No. 211 came into existence in order to control banks. It sounds unduly burdensome for the other banks, particularly in terms of the re-establishment of the Italian banks. As a result of the BP No.211, no bank could be established without obtaining a licence from the BCB (BGA: 11/682).

4.4.4 The Re-opening of the Italian Banks in Libya

Some letters were sent from Barclays in Tripoli to the local director in Alexandria (local head office) seeking advice regarding the re-opening of Italian banks, dated the 6th April 1951. The latter was providing advice and suggestions in order to retain customers after the re-opening of the Italian banks. Some precautionary actions were made by Barclays in Libya to avoid losing clients, one of which was to review the ledger fees as the bank in
Tripoli suggested that the fees were to some extent unreasonable. On the other hand, Barclays bank in Tripolitania was given full discretion by the directors at the local head office (Barclays Bank in Alexandria) to make concessions or even waive ledger charges, as long as it would not be uneconomic from the bank’s perspective (BGA: 11/612).

The local head office also suggested to the Tripolitania branch they should consider a saving bank department, which would improve their services and make them more competitive. If considered reasonable they were encouraged to write back to the local head office with their opinion. The local head office requested that the Tripoli branch report any changes and if they thought that they were losing business which could potentially be retained by an amendment of the terms. In this case the local head office would fully advise them and help them occupy a better position (BGA: 11/612).

The re-opening of the opposition banking took place on the 13th August 1951. Two weeks later a letter sent by the manager of Barclays Bank in Tripoli reported the re-opening of the Italian banks to the head office in Alexandria, stating that re-opening did not result in any substantial losses to the bank, largely due to the well-established relationship with the public in Tripolitania. It was well understood that the Italians wished to place business with banks of their own nationality. Therefore, Barclays attempted to provide first class services to its clients and also offer competitive terms and services (BGA: 11/612).

It was inevitable that Barclays would experience a loss of funds, which can be attributed to the fact that some Italians would prefer to have their account with an Italian bank. Thereafter, many Italians closed down their account with Barclays. Companies tended to spread their fund into different banks. When the ‘Tirrenia’ Shipping Co opened two
accounts in Banco di Rome and Banco di Napoli is an instance of this. However, they kept their account with Barclays open. The other banks were not paying any interest on current accounts. However, they offered a 1% interest on saving accounts (BGA: 11/612).

Barclays was aware that the competition would be strong and further losses were likely to occur; from their point of view, reviewing the terms and conditions would be a necessity in order to preserve business in Libya. On the 22nd June 1951 an interview was conducted with Mr Roger Allen (an English diplomat who worked for the Foreign Office), regarding the prospects of political stability in ‘United Libya’. Mr Allen illustrated that the British government was in favour of developing close ties with the new state as close as possible (BGA: 11/612).

Britain’s explicit intention was that free Libya would still require advice and financial assistance, in order to carry out necessary programmes of development and reconstruction. If Italy regains control, bloodshed and continual strife would ensue, therefore it would be preferable to help Libya achieve its independence. This would prevent Italy from controlling Libya again or from becoming a British protectorate (BGA: 11/682).

Therefore, the Libyans were unable to run the country after obtaining independence in 1951 (24th December 1951), and that was due to the fact that there was a lack in numbers of personnel to hold key positions in the administrative sector in Libya. As a result the new government at that time had to remove all these obstacles. In order to achieve their goal, they asked for international help from the UK and the US, thus many projects were conducted in Libya by the Americans and British (e.g., the Libyan Public Development
and stabilisation Agency, the Libyan American Reconstruction Commission and the Libyan American joint Service) (Kilani, 1988).

The above analysis of the socio-economic and political environment in Libya during the British administration indicates that the British contributed to the evolution of the accounting practices in Libya, as they developed the banking sector and produced the BP No. 211 of 1950. Initially, regulating the banking sector brought attention to the need for and the role of auditing and assurance services in the banking sector. It can be said that the accounting practices in Libya was developed through banks. Obviously, the main aim of producing the BP was to have control over new banks seeking licences from the BCB. Having the BP was seen, by the British administration at the time, as a legitimising instrument to extend economic and political control over the banking sector and foreign banks. It is notable that during their nine years administration, the British aimed to help Libya gain its independence and prepare Libyans for self-rule. Barclays managed to achieve high levels of customer satisfaction amongst inhabitants.

4.5 Conclusion
Based on archival documents collected mainly from BGA and LJCHS, the above discussion provides a detailed historical account on how accounting has been used in Libya over time and explains the status of the accounting practices during the colonisation periods from 1551 until 1951, taking into account political and socio-economic environments. Overall, the historical development of the accounting practices, including accounting knowledge, in Libya can be attributed to the intervention of the colonialist countries and their companies into Libyan internal affairs for almost 3,000 years of colonisation. The Phoenicians, Vandals, Byzantines, Spanish, Turkish, Italian, the British
and French: all took whole responsibility for running the financial affairs in Libya.

However, the most recent colonialists had a greater influence on the development accounting in Libya. The introducing of taxation was first implemented by the Turkish. During Turkish colonisation, a single-entry and bookkeeping activates were used. Soon after the Italian invasion, Libya was subjected to dramatic change as the Italians invested a reasonable amount of capital in Libya. They considered Libya an extension territory, ‘the fourth shore’, and as a result many settlers came from Italy. Italians brought accountants and implemented the 1923 tax law. Despite the fact that some of the business activities covered by the Italian law did not exist in Libya at that time, the 1923 tax law was largely used across the three provinces. Therefore, the Italians contributed to the evolution of the accountancy profession in Libya as they developed the banking sector and introduced light industries. However, the Italians did not help Libyans to become part of the extension country and left Libyans to live their traditional life.

The British officials in Libya at that time employed the ‘art of government’ and produced legislations to prepare Libya to be an independent state. It is interesting to see how the British administration transferred the experience of governing which they learnt in their own country and implemented it in a different context. Therefore, the emergence of auditing as a profession during the British administration indicates that the British contributed to the evolution of the accountancy profession in Libya, by introducing the BP No. 211 in 1950. Prior to that time, there was no requirement for business enterprises to have their financial statements scrutinised and certified by an independent auditor. The accounting practices in Libya was then developed through banks and not by oil companies, as the discovery of oil occurred in late 1959 and the exports of oil started during the 1960s.
The development of tax system developed a systematic ways of using accounting and as a result different documents have been produced under different regimes. This contributed to the emergence of professional accounting practices. The exercise of power/knowledge has provided an analytical framework by which the emergence and the functioning of the profession can be examined and understood. The argument in the above sections is on the line with Foucault’s idea on how power was exercised in the Libyan society including the emergence of different forms of power (see section 7.3). The emergence of disciplined society, this form of power is exercised through organisational forms such as prisons, hospitals, schools and factory systems. The concept power/knowledge is the result of archaeological and genealogical approaches. Accounting therefore became a profession and practiced in Libya and it was necessary to organise those professional practices and create a professional body. Based on Foucault’s idea the professional body is viewed in this thesis as a body of knowledge which emerged as a result of power relations.

Thus, the British administration at the time perceived auditing as a legitimising instrument to extend economic and political control over the banking sector as many foreign banks started to re-open branches, including Italian banks. Moreover, Libya achieved its independence on the 24th December 1951 and became the United Kingdom of Libya under King Idris Senussi; without the help of the British and the UN that couldn’t have been possible. The next chapter offers further discussion regarding the independence process, with particular reference to the political and socio-economic environments between 1952 and 1969. The next chapter will also discuss how the accountancy profession developed under the monarchy regime.
Chapter 5
The Development of the Libyan Accountancy Profession under the Monarchy Regime (1951-1969)

5.1 Introduction
This chapter uses historical documents collected mainly from the BGA and NA and primary data which was collected through oral history interviews. Thus, the purpose of this chapter is to demonstrate the accountancy profession environment during the monarchy regime and illustrate the reasons behind why the Libyan accountants did not establish professional body during this period. Poullaos (2009) argues that Trinidad and Tobago, Jamaica, Kenya and Nigeria did not establish professional organisations before gaining their independence and they only started formatting local professional accounting bodies after gaining independence as accountants in those countries took advantage of the independence movements and managed to convince local authorities. However, Libya did not establish a professional body to organise the accountancy profession after the independence like other developing countries. Therefore, the following discussion provides an overview of the political, economic and social environment in Libya after obtaining independence. The discussion also covers how laws and regulations are developed and demonstrates the postcolonial professionalization process. The chapter describes the first attempt made by the Libyan accountants to localise the accountancy profession during the monarchy regime, refers to why Libyan accountants failed to achieve monopoly over the accountancy profession and why the international auditing firms continued to monopolise the market of audit services until 1975. The next section provides an overview of the political system during the monarchy regime.
5.2 The Political System during the Monarchy Regime

Politically, Libya existed as a nation when the British Foreign Secretary, Sir Anthony Eden, gave a speech in the British parliament on 8 January 1942. He made some assertions that the Sanusi Tribes provided assistance to the allies and in particular to the British army during the Second World War. Therefore, Libya should not be colonised by Italians any longer and should be an independent state. This action was the first step towards the independence of Libya (Rivlin, 1949). From 1945, several negotiations between the United Nations, Britain, the United States, Italy, France, the Soviet Union and Egypt eventually led to Libya’s independence on 24th December 1951 (Otman & Karlberg, 2007). The main recommendations of the General Assembly on 21st November 1949 regarding Libya were as follows: (1) Libya, comprising of Tripolitania, Cyrenaica and Fezzan, constitutes an independent state. (2) The independence of Libya should take effect in any case not later than 1st January 1952. (3) The constitution and the government of Libya will be determined by inhabitants of the three territories. (4) The United Nations commissioner will be appointed by the General Assembly and the Council to provide aid and any necessary advice towards enabling the local government to formulate their constitution and be ready for self-government (United Nations General Assembly, 1949).

“To preserve independence is more difficult than to get it”; this statement was made by King Idris after Libya achieved its independence. Consequently, the United Kingdom of Libya was formed under the auspices of the United Nations Organisation and ruled by King Mohamed Idris El Mahdi El Senussi. Thereafter, Libya became a federal state run by a hereditary constitutional monarchy, with representative government at federal and provincial level. The country continued to be divided into three provinces, the North
Western province (Tripolitania), Eastern province (Cyrenaica) and Southern province (Fezzan). However, all of the revenue in the three provinces was collected by the central government and distributed back as needed to each province. The country then was divided into ten administrative units named *muhafadah* governances. Each *muhafadah* had considerable autonomous powers of administration under a governor (*muhafaz*) appointed directly by the King of Libya (Barclays Bank DCO, 1960). The transfer of powers from the British and the French admirations to the Libyan governments proceeded in four stages. The first stage began in October 1951 and the last was on the 24th December 1951, which led to the establishment of the United Kingdom of Libya. On the 19th February 1952 Libya underwent its first general election and the provisional government was returned to power.

According to the provincial political system, each county has an executive council appointed by the King and a legislative council, most of who came to power by election. The state expanded the civil service administration to implement government policies and provide services. Bureaucracy\(^\text{14}\) started in Libya under the Ottoman Empire during the 1860s and grew steadily under the new monarchy regime. Thus, the federal government and the three provinces had their own bureaucracies (Sury, 1982).

The Libyan army was created in 1953; it was then staffed by some veterans of Sanusi’s Army and young officers. Prior to that each state had its own police force and the federal government had its own symbolic force. These forces were considered as the source of the regime’s security and continuity of power. They served as semi-provincial armies,

---

\(^{14}\) Bureaucracy is a system of government where the majority of the key decisions are made by state officials and not by elected representatives.
particularly after revealing suspicious activities by the federal government against the monarchy regime. Thus, the federal government used those forces to suppress violent demonstrations and help the regime control elections, as well as provide a safeguard against any possible takeover (ibid.).

Between 1952 and 1969, King Idris successfully established the basis of state policies and consolidated his position in the country, preserved equilibrium among the provinces and kept the relationship between the various political factions balanced. International relations for the King were very important as “… he cautiously followed an undeclared pro-Western policy, took a moderate Arab stand, and kept normal relation with the rest of the world. In all he followed a policy of the least direct involvement” (Sury, 1982, p. 125). For instance, there were concerns amongst the Libyans regarding the foreign military bases in Tripolitania and Cyrenaica; this concern was one of the most controversial of Libyan policy during the period of 1952-1969 and led to continued attacks against the regime and questioned its legitimacy, which consequently led to its downfall. “King Idris insisted on keeping the bases and stood strong against any attempt to revise the treaties governing them. He continued to the last to view the West, particularly the British, as a source of security for his person and his domain” (Sury, 1982, p. 128). In 1957, to maintain King Idris’ influence and strengthen internal security, the Secretary of State for Foreign Affairs commented in a memorandum:

Our support of the Senussi of whom the King is the leader is remembered and still valued by the Libyans. The King is the strongest pro-Western and specifically pro-British force in the country. It is to our interest that his authority should be upheld
and strengthened. Recent experience shows the impossibility of using our land forces in Libya in hostilities against another Arab State (NA, CAB/129/84, p. 3).

The British administration in Tripolitania issued press law No. 212 in 1950 to organise the press activities within Tripolitania. This new law imposed several conditions before providing licences to individuals (see appendix: 4 for more details). The press law of 1950 was issued before the declaration of the independence (The Press Law No. 212, 1950). However, after independence was achieved the free press was also banned by the federal government and only government newspapers were allowed. Later however, and on an individual basis, some newspapers were permitted, but without any rights to criticise the government’s policies and actions. Therefore, in the light of “… the absence of political parties and recognised and organised opposition, policies were implemented through the interplay of personalities, frequent change of faces, and immediate action and reactions” (Sury, 1982, p. 126).

In 1963, Libya underwent dramatic changes, when the King started introducing new legislation and policies in order to transform Libya into a unitary country (Shareia, 2006). Furthermore, the cabinet between 1952 and 1969 was formed by the prime minister and other members, all of whom were named by the palace in order to balance power among provinces. Portfolios were frequently rotated amongst various political figures through continuous reshuffles - a total of 32 reshuffles which involved 101 ministries (Sury, 1982). The following section provides a brief description of the economic and social environment and business activities between 1952 and 1969.
5.3 The Libyan Economic, Business and Social environment
The recognition of the Kingdom of Libya as an independent and sovereign state in 1951 is considered by many acute observers and international experts as a bold venture and a risky experiment undertaken by the United Nations Organisation in the former ex-colonial territory. Libya therefore was a newly-born state which was overwhelmingly under-developed; not merely ‘under-developed’ in the economic, political society or administrative aspects. The UNESCO mission to Tripoli during 1952 reported facts regarding the condition of Libyan situation. They reported:

Some observers have contended that Libya is an under-developed in the sense that it is poor, and in the sense that its techniques are primitive and its capital equipment scanty. It is not ‘under-developed’ in the sense that North America or Australia were under-developed a century ago. The country is not under-populated, relative to its resources. There are no rich mines, virgin forests, and fertile soils merely awaiting exploitation (Report of the Mission to Libya, 1952, p. 11).

Furthermore, Libya has a long coast line on the southern shore of the Mediterranean and is bordered on the east by Egypt and on the west by Tunisia. However, much of the interior of the country is made up of desert stretching into Sahara. The country occupies an area of 680,000 square miles. Unfortunately, only a few stretches of the Tripolitania costal belt and the north west of Cyrenaica have enough rain during the year to grow crops; even these parts have insufficient rainfall during some seasons. According to the census of 1954, the total population in the three provinces are as follows: Tripolitania 746,064, Cyrenaica 291,328 and Fezzan 54,438. The vast majority of the population is Muslim of Arab or Berber origin. The important minority is Italian (45,000) and a few hundred residents from
Malta and Greece (Barclays Bank DCO, 1960). On the 31st July 1964 a countrywide census was held and the total population was 1,559,399, compared to 1,091,830 in 1954 (Barclays Bank DCO, 1968).

Additionally, for many decades, the development of the Libyan economy and its population were under the control of colonial powers. Libya prior to the discovery of oil in the 1950s was backwards in comparison to other developing countries of similar cultural and religious heritage. Consequently, in comparative terms, it is only fairly recently that Libya witnessed social and economic development; this came about almost entirely as a result of the discovery of oil in 1959. However, it is undoubtedly the case that since this fortunate turning point in Libya’s economic history, growth occurred at a rapid rate since the revenue from oil exportation allowed for further development of a whole range of social services and other activities such as importing and exporting, agriculture, investment and light industry. This national progress, unsurprisingly, led to the need for more accurate financial information and financial services than those that existed before the 1950s, and, in response, an accounting discipline has gradually evolved in Libya.

Additionally, Libya was largely dependent on agricultural activities as the main source of the economy during the fifties and early sixties. For instance, during the 1950s more than 80% of Libyans were engaged in agricultural and animal husbandry activities. Many economists described the Libyan economy as one which cannot offer any development prospects, claiming it is deficient economy. One of these economists was Benjamin Higgins, who used to work as an economic adviser in Libya (Bait-El-Mal et al., 1973). He argued that Libya is considered a poor country, since there are no mineral and power
sources and also the income per capita is less than US$50 per year. Even the agricultural
lands in Tripolitania and Cyrenaica cannot be expanded due to climatic changes and the
fact that the rainfall in these provinces is inadequate and unreliable, whilst Fezzan has
virtually no rainfall. Higgins also added that Libya had no skilled workers or indigenous
companies (Higgins, 1959).

Public finance between 1942 and 1952 was characterised by deficits, which was mainly met
by international grants from the United Nations, however all financial assistance before
independence had been provided by the United Kingdom and France (Bait-El-Mal et al.,
1973). Moreover, after independence much technical assistance came from the United
Nations, but most of the financial assistance had come from the United Kingdom and the
United States. For instance, the United States contributed an annual grant of £3,250,000
and provided training and equipment for a small army and the nucleus of a navy. The sum
of $10 million was donated for direct financial aid during the fiscal year 1959/60 (Barclays
Bank DCO, 1960).

As part of a broad assistance package, the UN Technical Assistance Board agreed to
sponsor a technical aid program which focused on the development of agriculture and
education. The University of Libya was founded in 1955 by royal decree in Benghazi.
Foreign powers, namely the United Kingdom and the United States, continued to provide
development aid to Libya. Steady economic improvement occurred, but the pace was slow
and Libya continued to be a poor and underdeveloped country, heavily dependent on

Moreover, according to Ghanem (1982), the Economic and Social Council (ESC) of the
United Nations issued a statement during the 1950s, asking specialists to take urgent action in order to assist Libya and encourage the development of its economy. Consequently, the International Bank Reconstruction Development (IBRD) visited Libya in 1960 and they wrote in their report that Libya was heavily dependent on foreigners for all businesses and that the contribution of Libyan labour was relatively small in comparison with foreign labour. Therefore, to replace foreigners with Libyan workers seemed unachievable, as Libyan workers did not have the necessary skills (International Bank Reconstruction Development, 1960). For that reason, the Libyan economy was characterised by: (1) shortages in domestic production and consumption; (2) deficient trade; (3) the vast majority Libyan people being illiterate; (4) lack in health services (El Fathaly, 1977). As a result, many specialised agencies came to Libya to improve the economy; these agencies were mainly from the UK and the US. It was obvious that Libyan workers were once more ignored by the new administrations (Abbas, 1987).

It is worth mentioning that the government produced a petroleum law in 1955 when they discovered oil. This law was issued in order to encourage different types of oil companions to conduct projects to explore more oil fields in Libya. This law was made by advisers from the UK and the US (Barclays Bank DCO, 1960). In 1955 a Petroleum Commission was given power by the government to grant concessions for the exploration and exploitation of oil resources.

After independence, the Libyan government aimed to build a close relationship with the United States and the United Kingdom, both of whom had maintained military base rights in Libya. The U.S. supported the United Nations resolution providing for Libyan
independence in 1951 and raised the status of its office at Tripoli from a consulate general to a legation. Libya opened a legation at Washington, D.C. in 1954. Both countries subsequently raised their missions to embassy level and exchanged ambassadors.

In 1953, Libya signed a twenty-year treaty of friendship and alliance with the United Kingdom under which the latter would be allowed to continue having military bases and in exchange Libya would receive financial and military assistance. “Under a Financial Agreement of the same date as the Treaty Her Majesty’s Government undertook to provide annual financial assistance to assist Libya to enjoy conditions of financial stability and orderly economic development” (NA/CAB/129/84, p. 2). In 1954, Libya and the United States signed an agreement under which the United States also obtained military base rights which was subject to renewal in 1970, in exchange for economic aid to Libya. The most important base for the United States in Libya was Wheelus Air Base\textsuperscript{15}, which is near Tripoli and was considered a valuable air base during the 1950s and early 1960s. The Egyptian government were intensifying their pressure on the British and the Americans to comply with their request and evacuate their bases from the Mediterranean countries. Thus, during 1964, the British and the Americans wanted to keep their bases in Libya, as reported by, the British Foreign Secretary:

The Libyan Government had now invited us to open negotiations on 20th April about the future of the Anglo-Libyan Treaty, on the basis that the Treaty itself would be terminated and that we would evacuate our military bases in Libya. It

\textsuperscript{15} The name has changed to Mitig Airpot and now is used as an international airport.
would be to our advantage to protract these discussions as far as possible; to keep in close touch with the United States Government, who were faced with a similar request in relation to their military facilities in Libya; and to seek to preserve at least the staging and overflying rights which our aircraft at present enjoyed in relation to Libyan territory (NA, CAB/128/38, p. 3).

On the other hand, Libya forged close ties with other countries such as France, Italy, Greece and Turkey and established full diplomatic relations with the Soviet Union in 1955. However the Libyan government refused any economic aid offered by the Soviet Union (Sury, 1982).

In late 1959, international companies discovered significant oil reserves on Libya’s border with Algeria; this event brought many advantages to the Libyan economy. After this discovery, the country became one of the richest countries in the world. Therefore, financial assistance was no longer needed from the United Nations and developed countries. However, this event did not work in favour of the Libyans, when foreign oil companies recruited, the majority of workers were from other countries (Abbas, 1987). As a result Libyans continued to be neglected by the administrations of foreign companies. Therefore, the companies were controlled by foreigner managers and Libyans were not granted the chance to obtain any professional experience. Accounting firms were amongst those foreign companies when they came and established businesses in Libya.

By 1968 there were 29 oilfields in production for ten different companies, producing at a rate of approximately 2.75 million barrels per day (Barclays Bank DCO, 1968). In 1968, there were 30 companies holding 118 concessions, covering roughly 33 % of the country.
The Government-Owned Libyan Petroleum Company was established in 1968 (Barclays Bank DCO, 1968). Table 5-1 shows the total export of oil since they began in September 1961:

**Table 5-1: Oil exports during 1961 and 1968**

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity/Barrels</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>5,244,000</td>
<td>£L 4,138,224</td>
</tr>
<tr>
<td>1962</td>
<td>59,505,047</td>
<td>£L 4,138,224</td>
</tr>
<tr>
<td>1963</td>
<td>167,015,338</td>
<td>£L 46,966,876</td>
</tr>
<tr>
<td>1964</td>
<td>314,308,737</td>
<td>£L 131,822,819</td>
</tr>
<tr>
<td>1965</td>
<td>443,129,555</td>
<td>£L 280,326,010</td>
</tr>
<tr>
<td>1966</td>
<td>547,351,223</td>
<td>£L 351,007,335</td>
</tr>
<tr>
<td>1967</td>
<td>627,137,698</td>
<td>£L 416,426,436</td>
</tr>
<tr>
<td>1968 (Jan/ June)</td>
<td>434,661,577</td>
<td>£L 305,992,253</td>
</tr>
</tbody>
</table>

Adapted from (Barclays Bank DCO, 1968, p. 14).

Libya’s external trading had a most favourable balance of payments between 1963 and 1968, which would continue into the foreseeable future. The following table illustrates the values of external exports and the effect of the oil discovery in 1959 on the Libyan economy.
Table 5-2: The external trade and its impact on the trade balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Imports £L’000</th>
<th>Value of Domestic Exports £L’000</th>
<th>Value of Re-exports £L’000</th>
<th>Trade Balance + or - £L’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>28,076</td>
<td>4,753</td>
<td>663</td>
<td>-22,660</td>
</tr>
<tr>
<td>1958</td>
<td>34,501</td>
<td>4,313</td>
<td>763</td>
<td>-29,425</td>
</tr>
<tr>
<td>1959</td>
<td>40,585</td>
<td>3,659</td>
<td>641</td>
<td>-36,285</td>
</tr>
<tr>
<td>1960</td>
<td>60,388</td>
<td>3,111</td>
<td>920</td>
<td>-56,357</td>
</tr>
<tr>
<td>1961</td>
<td>53,274</td>
<td>6,519</td>
<td>1,345</td>
<td>-45,410</td>
</tr>
<tr>
<td>1962</td>
<td>73,444</td>
<td>49,016</td>
<td>1,448</td>
<td>-22,980</td>
</tr>
<tr>
<td>1963</td>
<td>85,277</td>
<td>133,535</td>
<td>1,317</td>
<td>+49,575</td>
</tr>
<tr>
<td>1964</td>
<td>104,379</td>
<td>250,166</td>
<td>2,948</td>
<td>+148,735</td>
</tr>
<tr>
<td>1965</td>
<td>114,416</td>
<td>282,008</td>
<td>2,463</td>
<td>+170,055</td>
</tr>
<tr>
<td>1966</td>
<td>144,662</td>
<td>352,338</td>
<td>3,047</td>
<td>+210,723</td>
</tr>
<tr>
<td>1967</td>
<td>170,145</td>
<td>417,329</td>
<td>3,406</td>
<td>+250,590</td>
</tr>
<tr>
<td>1968 Jan/June</td>
<td>111,195</td>
<td>306,537</td>
<td>823</td>
<td>+£L196,165</td>
</tr>
</tbody>
</table>

Adapted from (Barclays Bank DCO, 1968, p. 16).

The author established in the previous chapter that the accounting firms penetrated the economic life in Libya as a result of the Banking Proclamation Law No. 211 of 1950 which required that each bank must appoint two auditors and produce an annual audit report. Moreover, the demand of accounting services increased as never before as a result of economic developments. The number of accounting firms grew accordingly. Figure 5-1
shows the number of establishments newly registered in the commercial register between 1963 and 1969. For instance, the Italians stayed in Libya until 1970 and it was observed that the Italian accountants continued implementing accounting practices similar to those used in their mother country (Kilani, 1988).

**Figure 5-1: Number of establishments newly registered in the commercial Register between 1963 and 1969.**

Libya is similar to other Arabic countries, where families are constructed hierarchically. Leadership is owned by a grandfather or a father. Moreover, Libya is characterised by extended families, tribes, clans, villages and Islam, all of which are major influences in the everyday life of individuals and communities alike. Without any doubt the behaviour of family members is controlled by the greater family and individuals are expected by family traditions to obey and respect the rules of their family, clan, tribe and village. Moreover,
this close relationship within one’s family represents a regulatory framework whereby the actions and behaviours of individuals can both enhance respect for a family and tribe, or damage its reputation in a society. Furthermore, personal connections and family relations help to gain promotions and conduct businesses. Practical experiences or qualifications, conversely, are often neglected (Agnaia, 1997). It is important to mention that 97% of the Libyan population is Sunni Muslim. As a result, Islamic religion plays a crucial role in quotidian life; loyalty to families, clans and tribes outweighs loyalty to laws and professions (ibid.).

As a result of the Arabian influence, the Islamic religion and Arabic language are two dominant elements which characterised Libyan culture. These characteristics laid the foundation for the social homogeneity of the Libyan people over the past years (Farley, 1971). Therefore, it can be seen that family, religion and language significantly affect the attitude and behaviour of people in Libya. In addition, it was documented that:

It can be confidently asserted that the years of Arabic, Turkish, and Italian rule and the final short period of British-French rule all left their mark on the religion, social and political life of the people. But of all these conquests and occupations, none had a more profound and lasting effect than Arab conquest for throughout all these centuries the country (Libya) has remained Arab in culture and Islamic in religion (Zarrugh, 1959, p. 11 as cite in Buzied, 1998, p. 221).

The following section will describe the historical background of the emergence of the Libyan National Bank, as well as the Currency Law, and discuss what motivated the government install those institutions after obtaining independence.
5.4 The Establishment of the Libyan National Bank and the Libyan Currency Law

When the allies instigated the termination of the Italian occupation in Libya, the Libyan economy was left in total chaos. The closure of the Italian banks in 1943 led to a lack of credit and other banking facilities. Even Barclays bank was used as a military bank in the early stages, as explained in chapter four. Moreover, the United Nations Subcommittee provided a prioritised list of the most urgent services Libya needed; to develop the banking system and currency policy were on the top of that list (Pelt, 1970). In 1950, the Libyan Minister of finance announced a new currency, the Libyan pound, in Geneva and appointed Barclays bank as the agent of the currency authority (ibid.). The new currency, in the form of a Libyan pound, tied to sterling and with decimal subdivisions was contemplated for use in Cyrenaica and Tripolitania, and that made Libya admitted to the sterling area (Barclays Bank DCO, 1960).

Therefore, the need for a central bank was an essential task for the British administration to complete in order to overcome currency issues and to follow the recommendations of the United Nations subcommittee. Prior to the Libyan Currency Act of 1951, within Libyan provinces three different currencies had been used. The Sterling pound was used in Tripolitania as the British military authority replaced the Italian Lire, in Cyrenaica the Egyptian pound was used and the Algerian Franc was used in Fezzan by the French (Shareia, 2006).

Consequently, the Libyan currency law No. 4 came into existence and was published in the Tripolitania Gazette on 24th October 1951, amended on 11th March 1952 by an order from the King Idris and re-published on 3rd April 1952 (see appendix: 5 for more details). The
Libyan currency law No. 4 was signed by the Libyan minister of finance Mansour Gaddara. Interestingly, article 26 in the new law required the currency commission to be audited once a year by an auditor appointed by the government in consultation with the commission (The Libyan currency law No. 4, 1951). Clearly the new government in Libya recognised that auditors had become an important role in the Libyan economy; every law was insistent that all books and accountants should be audited at least once a year, even after the British administration handed over the power to the Libyan government. The latter continued to employ British advisors and the new law came into force on 24th March 1952.

Until the establishment of the National Libyan Bank (NLB) under Law No. 30 of 1955, Barclays was considered as the central bank of the United Kingdom of Libya. The new law was published for first time in the official gazette of the United Kingdom of Libya No. 5, Vol. 5, on 10th July, 1955 (see appendix: 6 for more details). According to article 27 the National Bank was given the sole right to issue bank notes and coins throughout Libya. In article 45 the bank is guided that the financial year ends on 31st March of every year, which is the same date used in the United Kingdom. As explained above, the auditing of books and accounts was essential in order for the government to ensure that the National Bank complied with the government regulations. Thus, article 46 illustrates that the bank shall be audited by auditors and must be approved by the finance minister. This law came into existence when King Idris ordered the government to establish the National Bank of Libya. The law was signed by the prime minister Mustafa Ben Halim and the finance minister Aly Nur-Eddin Aneizi (The National Libyan Bank Law No. 30, 1955).
Furthermore, the suggestion was made for Barclays bank to share premises with the new National bank. However, the general manager of Barclays bank was not attracted to this idea as he said in these circumstances the bank might have to play ‘second fiddle’ (BGA: 29/279). Thereafter, the Italian banks, such as Bank of Rome, Bank of Napoli and the Bank of Sicily, restarted their activities in Libya in 1951 after imposing pressure on the United Nations. In 1952, other banks opened such as the Arab Bank, the British Bank for the Middle East, followed by Bank of Egypt and in 1955 the Algerian Real Estate Bank was opened (Alwaddan, 2005). During 1958, however, the Libyan government issued the first unified banking system, regarding the organisation of credit and money supply and the supervision of liquidity held by commercial banks. The NLB established a close relation with the Bank of England. So, the National Bank was divided into two departments, an issue department and a banking department, following the same structure as the Bank of England (Bank of Libya, 1967 cited in Alwaddan, 2005).

Due to the increased number of foreign bank branches, the Libyan National Bank could not extend its control over those banks and make them comply with its established policies and regulations; most of those policies were in the best interest of Libyan people. Thus the NLB issued a new banking law No. 4 of the year 1963, changing the name of the National Bank to become the Bank of Libya instead. This made the Bank of Libya an extensive authority and provided it with new functions by which it could ensure that all banks operating within Libya were clearly under its supervision and to enhance the role of commercial banks to continue to work in the best interest of Libyans.

Obviously, the other motive of the banking law No. 4 of 1963 was to ‘Libyanize’ all
commercial banks. The rationale behind the issuing of this law by the Libyan government at that time is that the foreign banks operating in Libya were working in the best interests of their parent banks, instead of serving the interests of Libyans.

Accordingly, the Libyan government issued a policy of ‘Libyanization’ to ensure the dominance and control of the commercial banks in Libya by granting the Bank of Libya 51% ownership of the capital of every foreign bank operating within the country. The Libyan government aimed at impose a policy of ‘Libyanization’, by putting obstacles in the way of foreign banks. Strong pressure was extended on foreign banks to become local banks and some banks succumbed. Some of the foreign banks accepted the new ‘Libyanization’ policy and became partners with the Bank of Libya. In 1964, the Bank of Sicily became the Sahara Bank. There were other banks, which were owned by more than two owners. Big banks such as the Bank of Rome, Barclays, the Bank of Napoli and the Arab Bank, refused the ‘Libyanization’ policy. After discussing the development of banking regulations in Libya, the following section offers a review of the development of other Libyan regulations and laws such as the commercial law, the tax law and the petroleum law.

5.5 The Development of the Libyan Regulations and Laws under the Monarchy System

Under the monarchy regime, Libya was exposed to new regulations and laws which either did not exist or had been developed under the new regime. For instance, the Libyan government issued the first commercial law and the petroleum law. The Libyan government also developed the Libyan tax law of 1923, which was inherited from the Italians. Prior to 1973, the income tax law and the commercial law were the only legal
pronouncements which required financial statements to be prepared by businesses. Therefore, the next section explains briefly the Libyan Commercial Code.

5.5.1 The Libyan Commercial Code
The Libyan Commercial Code (LCC) was issued on the 28th November 1953; it includes 706 articles and has been amended a number of times. The law illustrated different aspects of business, such as merchants and commercial activities, commercial contracts, commercial register, commercial representation banking transactions, negotiable instruments, business books, liquidation and bankruptcy.

Under article 58, there are two set of books a business must keep. Firstly, the journal, which includes all daily transactions related to the business activities and provides a monthly total of all of the transactions, in addition to any personal expenses. The second book is the Inventory and Balance Sheet Book, the owner of a business must prepare an annual inventory list, a profit and loss account and a balance sheet at least once a year (The Libyan commercial Code, 1953). However, most small enterprises do not comply with these requirements (Bait-El-Mal et al., 1973). According to article 60, all business books must be numbered and stamped by the Court of First Instance. These commercial records and files also must be kept for five years. The LCC covers rules on corporation books and records keeping and financial reporting (The Libyan commercial Code, 1953). However, “…neither the LCC nor the tax laws define the methods of recording in these registers or books” (Kilani, 1988, p. 100).

Furthermore, under article 570, corporations (joint stock companies) are required to keep the following records:
1) a register of members

2) a register of bondholders

3) a minute book of members’ meetings

4) a minute book of director’s meeting

5) a minute book of statutory auditor’s meetings

6) a minute book of executive committee’s meetings

7) a minute book of bondholders’ meetings

Further, the provisions of the LCC state that every corporation’s board of directors is responsible for preparing a balance sheet and a profit and loss account once a year. The article No. 573 of the LCC refers to the items of assets and liabilities which must be included in any corporation’s balance sheet. The article 572 requires that the financial statements are reported to the general assembly of shareholders for final approval, along with a report which describes the conduct of the corporation’s business. In addition, according to article 583, a copy of an approved balance sheet and profit and loss account must be submitted to the Commercial Register (CR) within thirty days of its approval date, along with the director’s report and auditing board report. Furthermore, articles 570-594 include some guidelines for the valuation of assets and liabilities, the creation of legal reserves, the changing of invested capital and the distribution of profits (The Libyan commercial Code, 1953).

Buzied (1998, p. 147) argues that “… the law (LCC) itself was not formulated entirely by
local people but was heavily influenced by foreign agencies and advisers, mainly from the UK and the US. This led the law and its consequent effect on enterprise accounting to have an Anglo-Saxon orientation”. This, however, suggests that the LCC contributed to the development of the accountancy profession as it emphasised the need of keeping accounting records for each business. However, “…there are no further requirements concerning the form and content of the financial statements beyond a requirement that companies should maintain proper accounting records in accordance with generally accepted accounting principles, which are not themselves defined by law” (Dardor, 2009, p. 46). In addition, the LCC did not discuss whether or not financial statements needed to be audited by a qualified auditor. However, the 1968 tax law insists that only audited profit will be applicable for the cooperation tax. The next section provides more details regarding the development of the Libyan tax law.

5.5.2 The Development of the Libyan Tax Law
The first tax law used in the country was the Italian tax law of 1923. In 1968, the government still used the Italian tax law, which was used before independence with modification to suit the Libyan environment. This law became the first unified tax law to be implemented in Libya (Bait-El-Mal, 1981). During the 1960s, income tax was payable on salaries, emoluments, wages, pensions, allowances, gratuities and any other remuneration even if given as form of commodities. According to this law there is no personal allowance and the tax payable by employees in category B is deducted at source by their employer. Table 5-3 below provides more details.
Table 5-3: The income tax rates during 1960

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Professional practitioners, of fees</td>
<td>10 %</td>
</tr>
<tr>
<td>(b)</td>
<td>Officials and employees of government and municipal administrations; public and private firms</td>
<td>8 %</td>
</tr>
<tr>
<td>(c)</td>
<td>Manual workers generally</td>
<td>4 %</td>
</tr>
</tbody>
</table>

Adapted from (Barclays Bank DCO, 1960, p. 12)

Companies tax on income derived from industrial activity, trade or business taxed at a flat rate of 10 %. In addition, there was a municipal surtax of 3 % and a collection fees at 4.85 % on the total tax payable. This surtax is not payable in Cyrenaica. Finally, tax on unearned income, such as dividends and interests from banks, is taxed at 15 % and deducted at the source (Barclays Bank DCO, 1960). The following section explains the tax law No. 21 of 1968.

5.5.2.1 The Tax Law No. 21 of 1968

Between 1952 and 1968 Libya experienced different tax laws in Tripolitania, Cyrenaica and Fezzan. As a result, tax payers were subject to different tax treatment, depending on which part of the country they inhabited. Therefore, different tax rates for the same source of income and different tax treatments for the same type of revenue or expenses were common in the three provinces, even after the change in constitution in 1963 when Libya became a unified state. Thus, bringing an end to different tax treatment was important in order to achieve social and economic justice among inhabitants (Kilani, 1988).

The first unified Libyan tax law was enacted on the 14th April 1968 and came into force from 1st January 1969. This new law was divided into six main parts: (a) General
provisions; (b) Specific taxes; (c) General tax on income; (d) Tax on corporations (e) Penalties; (f) Final provisions. For instance, article 3 of the law insisted that tax payers submit their tax declarations, taxes should be assessed according to those declarations, except where tax payers failed to submit those declarations or where the tax authorities were not satisfied with the information provided by the tax payers. It the latter was the case the tax authorities were given the right to assess and levy taxes in a way that they believed to be fair. In addition, articles 112 and 114 gave tax officers the right to examine all records and documents which they believed to be essential in order to successfully do their job (The Tax Law No. 21, 1968).

Furthermore, from 1968 the tax authority introduced a basic tax-free personal allowance of £L480 for single men and £L720 for married men. According to the tax law there were no other allowances available for individuals and any income in excess of these figures is taxable at 8%. Employers were responsible for collecting these income taxes and paying them to the tax office. On the other hand, there was another form of surtax called ‘General Tax’, these taxes were levied as illustrated in Table 5-4 (Barclays Bank DCO, 1968).
Table 5-4: The general tax rates during 1968

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First £L4,000 of income</td>
<td>Exempt</td>
</tr>
<tr>
<td>Following £L2,000</td>
<td>5 %</td>
</tr>
<tr>
<td>Following £L2,000</td>
<td>7.5 %</td>
</tr>
<tr>
<td>Following £L2,000</td>
<td>10 %</td>
</tr>
<tr>
<td>Following £L2,000</td>
<td>12.5 %</td>
</tr>
<tr>
<td>Income in excess above</td>
<td>15 %</td>
</tr>
</tbody>
</table>

Adapted from (Barclays Bank DCO, 1968, p. 23).

In addition, there is a flat rate on trading profits, which is taxed at 13 % and is payable on trading profits of all partnerships. Finally, cooperation tax is levied at the following rates; these types of taxes are only applicable for audited profits. Table 5-5 presents these tax rates.

Table 5-5: The corporation tax rate for audited profit only

<table>
<thead>
<tr>
<th>Taxable Profit</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First £L10,000 of profit</td>
<td>15 %</td>
</tr>
<tr>
<td>Following £L40,000</td>
<td>18 %</td>
</tr>
<tr>
<td>Following £L50,000</td>
<td>20 %</td>
</tr>
<tr>
<td>Income in excess above</td>
<td>25 %</td>
</tr>
</tbody>
</table>

Adapted from (Barclays Bank DCO, 1968, p. 23).
Finally, custom duties were also imposed on most imports into Libya; they were light except where local industry had to be protected. Most of the goods can be imported under a general licence; however most goods attract a heavy duty charge such as beers and wines. On the other hand, there was no duty on normal household goods and personal effects of expatriates arriving to work in the country (Barclays Bank DCO, 1968).

5.5.3 The Emergence of the Libyan Petroleum Law No. 25 of 1955
The Libyan Petroleum Law No. 25 was enacted in 1955 and has been amended several times. The accounting rules for oil and gas up-stream activities are prescribed generally under the Petroleum Law and Petroleum Regulations. Under article 14, for instance, profit was defined as the income resulting from a company’s operations and deducted few items such as operating expenses (fees, rents, royalties and taxes may be deducted if the company have preferential treatment), with depreciation at the rate of 10 %, and amortization at the rate of 5%. Oil companies are required to maintain accurate financial records, exemptions from certain import and export duties, are given to a permit or concession holder or any contractor employed by him (The Libyan petroleum law No. 25, 1955).

On the other hand, in 1958 a new law was created to encourage the investment of foreign capital in Libya. It allows for the preferential treatment of enterprises which are accepted as contributing to the economic development of the country; concessions were offered in terms of income tax, custom duties, the engagement of foreign staff, the transfer of profits and repatriation of capital. The government limited the number of agencies and any new agency may only be allocated to Libyans or firms which have a 51 % Libyan participation (Barclays Bank DCO, 1967). However, under the Commercial Agencies Act, 1967,
Libyan participation must be 100% in all new commercial agencies (Barclays Bank DCO, 1968). The following section discusses the evolution of the accounting education in Libya.

5.6 The Development of Accounting Education during the Monarchy Regime

There is very little documented evidence and information regarding accounting education in Libya prior to 1911. Traditional religious schools existed in Libya between 642 and 1843. After the Sanusi movements, different schools emerged, in the period of time between 1843 and 1911 period. This was known as Zawiyah. After the Italian occupation, the Italian education system was adopted between 1911 and 1943. Access into the Italian schools was restricted: the vast majority of students were children of Italian settlers and only a limited number of Libyan students joined (Zarrugh, 1973). Finally, the British introduced several small kindergarten schools in Tripoli and Benghazi and other schools which admitted children between five to 11 years. Thereafter, most children went to Tripoli College, which was staffed with British teachers and utilised the British curriculum (Barclays Bank DCO, 1968).

While the existence of accounting education in Libya has a very short history, as it only started in 1953, a little is known about it in the Western countries. In 1954 the School of Public Administration was created in order to train government employees in the field of accounting (SPLAJ. Secretariat of Work and Civil Service, 1977, cited Kilani, 1988, p. 163). In 1957, in co-ordination with the United Nations, a new department called ‘administrative training’ opened and the school’s name was changed to the Institute of Public Administration. In 1968, the institute expanded to have a separate department for accounting and another eight departments and the name of the institution was again changed to the National Institute of Public Administration (NIPA). According to the
Secretariat of Work and Civil Service Statistics, there were 271 students who graduated from the accounting department between 1953 and 1968 (Kilani, 1988). All the accounting text books were translated from English to Arabic. In addition, having a university degree in economics or equivalent was a requisite in order to take up a post as lecturer at the NIPA (ibid.). Moreover, the teaching of accounting at a university level started in 1957, when the Faculty of Economics Commerce was established. The faculty consisted of an accounting department and two other departments. Figure 5-1 shows the number of graduate students between 1957-58 and 1970-71. After the 1969 Coup, more attention was paid to the necessity of improving higher education and consequently several accounting faculties were established in different cities in Libya during the 1980s and 1990s.

**Figure 5-2 Number of students in faculty of economics and commerce in the University of Libya during 1957-58 and 1970-71**

![Number of Students vs. Year](image)

Adapted from University of Libya, Statistical Abstracts (1972, p. 8) cited in (Bait-El-Mal et al., 1973, p. 100).
According to Kilani (1988), the accounting curriculum between 1957-76 was of an English orientation; this opinion is justified as many accounting text books were either English or translated to Arabic by Arabians who graduated from British universities. This assertion was also confirmed by Mahmud (1997), who illustrates that the accounting education system in Libyan universities between 1957-76 followed a British orientation in all of its elements.

Mahmud (1997) concluded that the UK was greatly influential on the old Libyan accounting education system. The accounting programme for the Bachelor’s degree according to the British system requires four years, whereas the new American system is based on sixteen-week semesters instead of a full nine month academic year. Until the early 1970s, most of the accounting lecturers were mainly Egyptian nationals who had graduated from British universities, while a few numbers of lecturers were British, American and Canadian (The Libyan University, 1973). The shift in the accounting education system from British-orientated textbooks to American-orientated materials started during 1977. This shift can be attributed the fact that most Libyan university lecturers studied in American universities. Kilani (1988, p.175) argues that “since 1977 with the return of Libyan nationals from the US, the American accounting system was adopted in Libyan universities instead of the British education system in the Libyan universities". Therefore the acceptance of the Generally Accepted Accounting Principles (GAAP) in Libya may be explained by two main factors: firstly, the increase in number of American oil companies operating in Libya; secondly, the adoption of the American accounting education system by Libyan universities after 1977 (Bait-El-Mal et al., 1973). The next section is devoted to explaining the postcolonial accountancy profession environment.
5.7 The Birth of a Postcolonial Accountancy Profession

The history of the accountancy profession indicates that professional accountancy in developed countries emerged and developed during the industrial revolution. These developments were attributed to (1) the separation in ownership and management which creates the need for a second opinion given by auditors in order that the owners can validate the fairness of financial statements; (2) the development of the relationship between the tax authorities and taxpayers; (3) the government aims towards producing laws and regulations to protect public interests (Taylor & Turley, 1986). As explained in the literature chapter, the origins of the emergence of the accountancy profession in Libya were not certain as a consequence of the lack of historical documents to illustrate the history of accountancy profession in Libya under the colonial powers. Kilani (1988), however, argues that there was some evidence that the 1950s witnessed some influential factors which shaped the accountancy profession in Libya. For instance, the accounting education, the discovery of oil, the international agencies, the international oil companies, the foreign accounting firms and the rapid changes in social, economic and legal environment in Libya. All those factors have played a key role in the emergence and the development of the accountancy profession in Libya. From the early days the international oil companies adopted standards and methods which were either the same or similar to the ones which had been used in the UK and US.

Due to the lack of financial information available, the tax on small enterprises in a form of limited partnership was mainly based on government estimates. The vast majority of those enterprises did not use double-entry book-keeping, however, they usually have a cash book and a ledger containing a personal account. Medium-sized organisations existed in Libya in
different forms, such as general partnerships, limited liability companies and corporations. Those types of institutions employed accountants and produced and reported financial data; some elements of management accounting also existed in the form of internal reports and cash budgets. Finally, in large companies, accounting was developed by foreigners and the latter contributed to the development of accounting practices in Libya (Bait-El-Mal et al., 1973). Thus, the existence of the foreign firms in Libya led the companies accounting to be developed in two ways. Firstly, as in recent years, many Libyans graduated from accounting schools and have been offered jobs in those companies, where they were exposed to modern accounting. “(Secondly), there is ‘trickling-down effect’ in that dealing between these companies and local enterprises lead to substantial improvements in the generally less-developed accounting system of the latter” (Bait-El-Mal et al., 1973, p. 90).

Furthermore, Bait-El-Mal et al. (1973) argued that almost all companies hired foreign firms, mainly from Italy and the UK. However, the discovery of oil in the Libyan desert during the 1950s permanently changed the shape of the businesses sector. Moreover, the increased demand on accountancy services has led many companies to establish accounting firms in Libya from Egypt, the US and the UK (Kilani, 1988).

Libya experienced a shortage of qualified Libyan accountants and the absence of related laws or regulation concerning accounting standards and methods. This resulted in foreign companies being left entirely free to implement their home country accounting standards and practices in their branches operated in Libya. “In large companies accounting has developed largely as a result of foreign influence. Foreign companies or branches, American and British in particular, follow the generally accepted accounting principles of
their home countries, subject to specific regulations of the Libyan government” (Bait-El-Mal et al., 1973, p. 90).

Providing a temporary license to practice accounting began during the 1960s. Libya became an oil-exporting country and as a result the Libyan economy rapidly changed and many development plans started within private and public sectors to improve the condition of life in the country. In theory those sectors required reliable financial information in order to make vital decisions regarding the economic development of Libya. Consequently, the accountancy profession became a priority of the ministry of finance. The latter made it necessary for accountants to apply for a provisional licence to practise accounting and auditing. Candidates were required to have a university degree in commerce and two years of relevant experience in accounting to work as an accountant. It is worth mentioning that foreign accounting firms performed almost all the early auditing work during the sixties and early seventies.

The author conducted an oral history interview with a retired practitioner who was a committee member of the LAAA for many years (interviewee 1). The interviewee explained the status of the accountancy profession during the 1960s, how he gained his licence from the King’s government and the nature of accounting firms at that time. He said:

During the 1960s Ministry of Finance (MF) started giving accountants and auditors a provisional licence in order to establish accounting and auditing firms, regardless of their nationalities. Most of those accountants were foreigners and included only a relatively small number of Libyans. It is worth mentioning here that some of the
early Libyan accountants graduated from Egyptian universities, since the Libyan university only started teaching accounting in 1957. However, there was a challenge for Libyan accountants at that time, as customers were interested in taking their work to foreigners because Libyan accountants were fresh graduates and did not have adequate practical experience at that time. Subsequently, many Libyan accountants had to change their career and apply for other jobs in the government sector because of the competition from the foreign accounting firms and also those accounting firms used their relations with foreign companies to secure getting accounting jobs. In my case I worked in the oil sector in a company owned by the Libyan government.

The author conducted another oral history interview with (interviewee 2), who was a former employee in the Ministry of Finance in Tripoli, where he began working in 1962. The question sought to discover which procedures were followed by the Ministry of Finance when providing a provisional licence to accountants during the monarchy regime. He said:

Anyone who wanted to be a public accountant had to apply for a provisional licence. The law was strict in that each applicant must have sufficient knowledge in accounting and practical experience in the field of accounting; evidence of knowledge and experience must be attached with the application. The purpose of making this licence provisional was to enable the minister of finance to deny a renewal for any accountants who did not comply with the financial regulations. For instance, any accountants should be registered with the tax authority and notarise
the provisional license by the tax authority. Mr H. C. Stirling, an English accountant, was the General Manager for the Finance office and he was responsible for providing a licence to practice accounting in the Tripolitania province. His office was based in the opposite building of Barclays bank. There are some applications which were refused because of lack of experience or knowledge, or both.

Furthermore, interviewee 2 describes the nature of his job and how he managed to obtain such a decent job during that time:

I applied for the job and it was open for any nationalities. I had to pass written and verbal tests. I worked with colleagues from England, Italy, Malta and Egypt. There was no training provided but I was guided by expert colleagues. I worked in the payroll department and helped prepare the government accounts and financial statements of the government for each year. I participated in preparing the government budgets for the following years. My job in the payroll department was involved in ensuring that income taxed is paid by all government employees as we deducted the tax from their salaries. We had a card for each employee. At the beginning the paperwork was only in English; later we had Arabic and English paperwork.

5.7.1 The First Attempt to Localise the Accountancy Profession in Libya under the Monarchy System

Accordingly, during this period accounting and auditing practices were mainly dominated by foreigners. A small number of Libyan accountants managed to obtain a licence from the MF. However, they could not compete in the market due to a lack of experience and most
foreign firms preferred to deal with accountants from their own country (see appendix: 7 for more details). There were some attempts to localise the accountancy profession in Libya during the monarchy regime. However, these closure attempts of the profession did not succeed; the failures can be attributed to the domination of the accountancy profession by foreigners and their influences over the monarchy government. The first attempt to create a professional body which aimed to localise the accountancy profession in Libya started during the 1960s. On this topic a committee member of the LAAA (interviewee 1) said:

In 1964, we felt that the government was trying to ‘Libyanise’ the banking sector. Accordingly, some accountants from Benghazi came to meet myself and other accountants in Tripoli to discuss some issues regarding the need for a professional body in Libya and I wrote an article called “It is a time to have laws for the accountancy profession”. However, this attempt was disregarded, as the foreign accounting firms had a great influence on the monarchy government at that time. Therefore, the accounting and auditing practices continued to be dominated by foreign accountants even after the September revolution.

5.8 Conclusion
The findings in this chapter are based on an analysis of historical documents and oral history interviews. The discussion explains the accountancy profession environment during the monarchy regime and demonstrates the political, economic and social context in the period 1951-1969. Economically, Libya was dependent on agricultural activities as their main source of income for the economy during the fifties and early sixties; many economists described the Libyan economy as one which could not offer any development
prospects and also that it is deficient economy. The discovery of oil changed the country and marked the end of financial aid provided by the United Nations. The discovery of oil helped the country to fund its development plans. However, the lack in number of skilled Libyan workers led the monarchy government to continue relying on foreigners and thus they appointed them in key positions for a long time. The chapter also discussed the development of laws and regulations, including the development of the tax law. The history of accounting education was also discussed, though accounting education did not exist before independence and most Libyans studied abroad. Even after independence was achieved, few institutions began to teach accounting courses.

Finally, the development of the accountancy profession during the period after independence was mainly dominated by foreigners, with only a small number of Libyan accountants managing to obtain a licence from the MF. Despite their licence, they could not compete in the market due to the fact that foreign accounting firms have more accounting and auditing experience and business connections. In addition, there were some attempts to localise the accountancy profession in Libya during the 1960s. However, these attempts did not succeed and the failures can be attributed to the foreign domination of the accountancy profession and their great influence over the monarchy regime at that time. This chapter explains why the achievement of political independence in Libya did not assist the Libyan accountants in establishing a local accountancy profession by creating a professional body in order to protect the profession and its members. This is unlike other similar former colonised developing countries, who managed to develop their own accountancy profession after obtaining independence. There was a delay in regulating the public accountants and the formation of the professional accountancy body in Libya.
The following chapter explains how the new social and political context after the September coup provided conditions conducive to the development of the accountancy profession as well as accounting education. The next chapter explains the conditions which resulted in the establishment of the professional accountancy body LAAA, who emerged within four years of the military coup.
Chapter 6

6.1 Introduction
As explained previously, this thesis presents a chronological development of the professional accountancy in Libya with reference to the dynamic changes in its political and socio-economic environment during the colonisation periods, monarchy rule and under Gaddafi’s regime. In this chapter the author collected data from written materials and conducted semi-structured interviews and using an oral history technique. Thus, the aim of this chapter is to discuss the accountancy profession environment after the military coup, which took place on the 1st September 1969. In the previous chapter the author explained why Libyan accountants could not establish a professional body after Libya gained its independence like other ex-colonised developing countries. Therefore, the following discussion provides an overview of the political, economic, social and legal environment which Libya experienced after the military coup, which resulted in the overthrowing of the monarchy regime and led Gaddafi’s regime to make major changes regarding politics and economics in Libya. The discussion also covers how the Libyan accountants managed to take advantage of the nationalisation process during the 1970s and convince the military regime to localise the accountancy profession, which led to the establishment of the professional body the LAAA.

Uche (2002, p. 493) argues that “…the type of government in place (military or democratic), societal expectations, interest groups and government actions have impacted on the development of the accountancy profession”. Thus, under volatile political conditions and in the absence of the parliament, the power of the state during military
regimes is restricted into few individuals. It is therefore an ideal opportunity for interest
groups to regulate the market in their favour, as the legislative initiative is concentrated in
coterie of individuals (Ogowewo, 1996). Thus, this chapter will discuss the development of
the Libyan Commercial Code and the tax law during Gaddafi’s regime. Furthermore, the
chapter offers a contextual narrative, which focuses on the emergence and the development
of the accountancy professional body (the LAAA)\textsuperscript{16}. Finally, the chapter refers to the
Lockerbie crisis and illustrates its impact on the Libyan economy, accounting practices and
accounting education. Thus, this chapter covers the period from 1969 until 2003, as the UN
sanctions were lifted on September 12, 2003. The next section provides an overview of the
political system after the September coup.

6.2 The Political System Post-September Coup (1969-2003)

On the 1st of September 1969, a group of young army officers and enlisted men led by
Captain Muammar al-Gaddafi\textsuperscript{17} exacted a successful coup against the monarchy regime
and they changed the name of the country from the United Kingdom of Libya to the
Libyan Arab Republic. The coup was firstly launched in the Eastern part (in Benghazi) and
within a few hours the takeover was completed. The armed forces in all cities quickly
rallied to support the coup. A few days later military control was established in Tripoli and

\textsuperscript{16} The aim of this thesis is not to explore government accounting in Libya. Therefore the main focus will be on the regulation of public accounting. However, a brief introduction is offered in this chapter to give an overview of the Libyan government body, the State Accounting Bureau (SAB).

\textsuperscript{17} He was born in the central of Libyan Desert on 7\textsuperscript{th} June 1943, Qaddafi was the only surviving son in a traditional Bedouin family and his family includes three daughters. His parents were illiterate; Qaddafi in his early years went to a traditional religious school. He was enrolled in different schools and he was expelled from high school in Sabha because of his political activities against the monarchy regime. He later completed high school in the city of Misurata. He decided to enrol in the Royal Military Academy and persuaded like-minded young revolutionaries to join the Free Unionist Officer Movement. Later many of his academy classmates joint him and play important roles in the revolutionary government (Kousa, 1978, pp.113-116 cited in St John, 2008, pp. 91-92).
in other parts of Libya. Young Libyans, particular in urban areas, were enthusiastic about the overthrow of the monarchy regime. There were concerns of resistance in Cyrenaica and Fezzan. However, no violent incidents or deaths related to the coup were reported in any parts of Libya. The lack of internal resistance can be attributed to the fact that all of the senior civil and military officials of the royal government were taken into custody at the time of the coup (Abdullatif, 1994; Ahmida, 2005).

The officers who carried out the coup were later named ‘the Free Officers’, twelve members of the Free Unionist Officer Movement established the Revolutionary Command Council (RCC). This body constituted the Libyan government after the coup. In its initial proclamation on the 1st of September 1969, the RCC declared the country to be a free and sovereign state called the Libyan Arab Republic. The main principles of the revolution were Freedom, Socialism and Unity (Ahmad, 2004). Thus the new regime which came to power by a coup d’état advised diplomatic representatives based in Libya that existing treaties and agreements would remain in effect without any changes and that foreign lives and property would be protected by the RCC. Recognition of the new regime in Libya came quickly from countries throughout the world (Abdullatif, 1994; Joffé, 2001).

A few days after the coup, Hasan Ar Rida, son of the King, who was under house arrest by the RCC, publicly renounced all rights to the throne, declared his support for the new regime and urged the people to do the same and he advised the public not to take any violent actions against the coup. Meanwhile, King Idris spent his exile in Egypt until his death in 1983. On September 7, 1969, the RCC announced that it had appointed a cabinet to conduct the government of the new republic. Mr Mahmud Sulayman al Maghrabi, who
had been imprisoned since 1967 for his political views and activities, was appointed as a prime minister. The new Council of Ministers included eight members, six of whom were civilians and the other two were military officers. Neither of the cabinet military members were a member of the RCC. The Council of Ministers was guided to implement the state’s general policy as drawn up by the RCC. The RCC promoted Captain Muammar al Gadhafi to colonel and he became the commander in chief of the Libyan Armed Forces (St John, 2008). Henceforth, the system in Libya was completely changed and a new system based on what has become known as the ‘Third Universal Theory’ (TUT) emerged. This theory is based on the Green Book (GB); Colonel Muammar al Gadhafi was the originator of this book. Gadhafi claims that the GB provides solutions for the world’s problems, such as wage systems and production problems (Gaddafi, 1980).

Without any doubt, the ‘the Free Officers’ in Libya were inspired by the military coup which occurred in neighbouring Egypt, which was led by Gamal Abdel Nasser in 1952, and it became clear that the Egyptian experience and the charismatic figure of Nasser had formed the model for the Free Unionist Officer Movement. The RCC confirmed that the country’s identity is part of the ‘Arab nation’ and the religion of the state is Islam. It eliminated parliamentary institutions, all legislative functions being assumed by the RCC and continued the prohibition against political parties. Since then, Libyan society derives its values/ideals from the teachings of Islam18. The new regime officially adopted an Arab interpretation of socialism, which combined Islamic principles with social, economic and

18 The essence of Islam derives from two main sources which constitute the major sources of guidance for Muslims. The first one is Qur’an and the second one is Hadith (a collection of traditions containing sayings of the prophet Muhammad). In the absence of an explicit answer for a certain issue, another source can be used which called Ijma, a consensus by Muslim scholars on a certain question (Zaid, 2000).
political reform. Libya had shifted, virtually overnight, from the camp of conservative Arab traditionalist states to that of the radical nationalist states (St John, 2008). The RCC continued to abolish all political parties and eliminate all other oppositional aspects to their rule, thus following the same path as the monarchy government. Furthermore,

Arab nationalism was the central element of Qaddafi’s early ideology and probably his primordial value. Like Nasser, he based his concept of Arab nationalism on a glorification of Arab culture and history that viewed the Arabic-speaking world as the Arab nation. For Qaddafi, Libya was the heart, the vanguard, and the hope of the Arab nation; hence, the custodian of Arab nationalism (St John, 2008, p. 92).

During the 1950s, the economic development in some Arabic countries changed. However, in the mid-1960s many Arabic countries had shifted aggressively towards socialism. As a result, the public sector grew rapidly in some countries such as Egypt, Iraq and Syria. Moreover, the RCC took power from the foreigners and gave it to Libyan people, as well as nationalising all international companies. During the 1970s, a nationalisation process started in Libya, with the increase of the public ownership being the target of the revolutionary government. Moreover, the increased prices of oil assisted the Libyan government in establishing many industrial projects (Shareia, 2006). For instance, British Petroleum was nationalised on the 7th December 1971. Prior to this, all Libyan insurance companies were nationalised (Vandewalle, 2006).

Before the September coup the Libyan economy was operating freely and depended on the effort made by the private sector in running the country, with only a limited role of the state. The state’s role was limited to infrastructure investment and the provision of social
services. On the other hand, the private sector dominated most of the major investment activities. Libya did not have a Stock Exchange during the monarchy regime. After the coup the RCC dominated Libyan society by passing many reform laws, including nationalisation laws. The new regime aimed in redistributing wealth amongst people and brought an end to the economic and political powers of the big landowners.

Although the RCC comprised of many members, Colonel Gaddafi was the effective ruler in Libya. On April 15, 1975, Gaddafi delivered a historical speech in the city of Zuwarah and he introduced new laws which altered the administrative and legislative systems. He asserted five points: firstly, all previous laws should be invalidated, he encouraged people to continue revolutionary actions and also he mentioned that anyone who opposes the march of the revolution will be purged. Gaddafi said that a cultural revolution should take place in order to stop using imported books which misled people’s thoughts; he said that all these books should be immediately burnt (Ahmad, 2004).

Furthermore, on March 2, 1977, Gaddafi took the power from the RCC and gave it to the people. He provided a declaration of People’s Authority in the city of Sabha and from that day Libya became “a Country of Masses”: Jamahiriya.19 The declaration is considered as a cornerstone for the political future of Libya and is when he introduced the ‘Third Universal Theory’ which is based on the Green Book. The speech includes four points: (1) the official name of Libya changes to Socialist Libyan Arab Jamahiriya; (2) Qur’an is the law of Libyan society; (3) the authority belongs to people, the people practise the power

19 A political system of governance which is based around “people’s committees”, the system is free of partisan politics.
through Basic Popular Congresses (BPCs), professional unions, trade unions and the General People’s Congress (GPC); (4) the defence of Libyan land is the responsibility of all citizens, men and women, and all people will be provided with military training to enable them to do so (Ahmad, 2004). Figure 6-1 illustrates the authority of the people.
Figure 6-1: The authority of the people

Adapted from (Gaddafi, 1980, p. 25).
Accordingly, the revolution had three dimensions. The first dimension is power; the revolution aims to put the power in hands of the people by following the Jamahiriya system. The second dimension is economic, which can be reached by giving wealth to the people. The third dimension is defensive; this dimension can be achieved by giving weapons to the people. All those dimensions were clear in the GB, where Gaddafi explains that power, wealth and weapons must be in the hands of the people (Gaddafi, 1980).

Between 1978 and 1987, the Chadian–Libyan conflict started, as initially Gaddafi’s regime intended to annex the Aouzou Strip, which lies along the border between southern Libya and Chad, and also the northernmost part of Chad, which they claimed to be part of Libya on the grounds of an unratified treaty of the colonial period. Many Libyan lives were lost as a result of this war and many Libyans were drawn into the conflict, including students and civilians.

Furthermore, during the 1990s, Gadhafi’s regime faced its most significant popular rebellion in the form of a militant Islamist opposition movement. However, the regime launched a brutal and repressive campaign to liquidate this opposition. Most of the 

*jihadists* were formerly fighting in Afghanistan, where they gained valuable training and experience; as a result Gadhafi’s regime struggled to bring an end to their threats (Pargeter, 2006).

Another unfortunate event occurred on the 21st December 1988, when a Pan American Flight PA 103 was destroyed by a terrorist bomb, causing the death of 243 passengers, 16 crew members and 11 people on the ground. The plane crashed over Lockerbie in Scotland (Simons, 2003). The United States suspected two Libyan citizens were responsible for the
Lockerbie crisis; the Libyan government refused to hand in these citizens. Thus, on the 22nd Jan 1992 the Security Council imposed economic sanctions on Libya (Shareia, 2006). Fortunately, the sanctions did not include the oil exports. However, the country was previously suffering from US sanctions, which were imposed during the 1980s, when the US stopped importing Libyan oil in 1985 and when they froze Libyan assets in the US in January 1986. A few months later the US, under president Ronald Reagan, conducted airstrikes against Gadhafi’s regime (Otman & Karlberg, 2007).

From that time onwards, Libya’s developmental efforts came up against difficulty when the United Nations imposed several sanctions on Libya. The Libyan economy suffered serious damages and the regime struggled to provide basic goods for Libyans. The embargo gradually affected the economy, since the sanction covered the importing of oil equipment as well as parts for aircrafts. On the other hand, falling international oil prices made it difficult for the Libyan government to deliver many essential services to the public.

In 1992, Libya underwent some changes in political structure. The government introduced councils (Mahallat); these councils were responsible for governing and controlling local affairs. However, the structure was developed in 1998, when the government decided to have 26 governorates (Shabiyat), all of whom were giving municipal power (Ahmad, 2004; Shareia, 2006). The next section provides an overview of the development of the Libyan economy.

**6.3 The Development of Libyan Economy during Gaddafi’s Regime**

Economically, after the coup, the Libyan economy changed once again. The new government realised that foreign companies were not acting in the best interests of the
Libyans in terms of providing employment opportunities; they were in favour of recruiting foreigners rather than Libyans. Thus, the revolutionary government took an urgent step and nationalised all foreign businesses in Libya. During the 1970s, the government established public-owned companies. The private sector disappeared in Libya as the government adopted a socialist approach (Kilani, 1988).

During the early years of Gadhafi’s regime, the high income of oil encouraged the government to take some ambitious actions. Firstly, the government provided three plans. The first plan, called a short-term plan, covered just one year. The main aim of this plan was to build (roads, water projects, hospitals, etc.). The second plan was coded as a medium plan and covered a period of five years, dedicated to the improvement of the industrial and agricultural sectors; this plan took place between 1980 and 1985. The final plan was named as a long-term plan (1980-2000) and the aim of this plan was make Libya a developed country by diversifying the economic resources (Kilani, 1988).

Consequently, the Gross Domestic Product developed during those periods. Table 6-1 shows these developments in more detail. However, the country faced a serious problem after the Lockerbie crisis. In many aspects, Libya is different from developing countries, since it has a unique political and economic system. Socialism has been imposed by the government over the last 40 years. Moreover, from the 1970s onwards, the private sector overtook the public sector. Libya, as other countries, did have agency problems in the public sector. However, the agency problems were in different forms. For example, the public sector dominated all the companies in Libya after the regime closed the private sector; all of these companies were run by people’s committees and those committees were
responsible for the whole business. Moreover, the law in Libya requires those government-owned companies to be audited by a government body, the General People’s Committee for Auditing and Control, who was requested by the General People’s Congress to hand in an audit report each year to describe the accounting situations for those public companies (Shareia, 2014).
### Table 6-1: Libyan GDP by the industrial sectors 1970–1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>No Data Available</td>
<td>33</td>
<td>33</td>
<td>90</td>
<td>183</td>
<td>320</td>
<td>678</td>
<td>947</td>
<td>1547</td>
</tr>
<tr>
<td>Petroleum and gas</td>
<td>813</td>
<td>923</td>
<td>328</td>
<td>6571</td>
<td>1784</td>
<td>3054</td>
<td>2468</td>
<td>3254</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>17</td>
<td>8</td>
<td>29</td>
<td>49</td>
<td>49</td>
<td>73</td>
<td>149</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23</td>
<td>25</td>
<td>125</td>
<td>192</td>
<td>402</td>
<td>706</td>
<td>800</td>
<td>944</td>
<td></td>
</tr>
<tr>
<td>Electricity and water</td>
<td>6</td>
<td>7</td>
<td>26</td>
<td>50</td>
<td>112</td>
<td>177</td>
<td>217</td>
<td>269</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>88</td>
<td>117</td>
<td>602</td>
<td>936</td>
<td>895</td>
<td>1320</td>
<td>484</td>
<td>738</td>
<td></td>
</tr>
<tr>
<td>Trade, restaurants and hotels</td>
<td>47</td>
<td>47</td>
<td>292</td>
<td>490</td>
<td>486</td>
<td>1042</td>
<td>1254</td>
<td>1966</td>
<td></td>
</tr>
<tr>
<td>Transport and communication</td>
<td>43</td>
<td>87</td>
<td>220</td>
<td>356</td>
<td>396</td>
<td>812</td>
<td>893</td>
<td>1276</td>
<td></td>
</tr>
<tr>
<td>Banking and insurance</td>
<td>13</td>
<td>29</td>
<td>144</td>
<td>246</td>
<td>285</td>
<td>371</td>
<td>286</td>
<td>476</td>
<td></td>
</tr>
<tr>
<td>Ownership of housing</td>
<td>60</td>
<td>69</td>
<td>157</td>
<td>210</td>
<td>252</td>
<td>315</td>
<td>391</td>
<td>507</td>
<td></td>
</tr>
<tr>
<td>General services</td>
<td>98</td>
<td>135</td>
<td>362</td>
<td>611</td>
<td>920</td>
<td>1031</td>
<td>823</td>
<td>1239</td>
<td></td>
</tr>
<tr>
<td>Education services</td>
<td>40</td>
<td>47</td>
<td>173</td>
<td>221</td>
<td>388</td>
<td>534</td>
<td>736</td>
<td>927</td>
<td></td>
</tr>
<tr>
<td>Health services</td>
<td>16</td>
<td>22</td>
<td>80</td>
<td>115</td>
<td>214</td>
<td>331</td>
<td>294</td>
<td>488</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>8</td>
<td>9</td>
<td>37</td>
<td>47</td>
<td>75</td>
<td>172</td>
<td>308</td>
<td>440</td>
<td></td>
</tr>
<tr>
<td>Total GDP</td>
<td>1288</td>
<td>1587</td>
<td>5613</td>
<td>10277</td>
<td>6577</td>
<td>10615</td>
<td>10049</td>
<td>14286</td>
<td></td>
</tr>
<tr>
<td>Petroleum and gas (%)</td>
<td>63.1</td>
<td>58.2</td>
<td>58.4</td>
<td>63.9</td>
<td>27.1</td>
<td>28.8</td>
<td>24.6</td>
<td>22.8</td>
<td></td>
</tr>
<tr>
<td>Other sectors (%)</td>
<td>36.9</td>
<td>41.8</td>
<td>41.6</td>
<td>36.1</td>
<td>72.9</td>
<td>71.2</td>
<td>75.4</td>
<td>77.2</td>
<td></td>
</tr>
</tbody>
</table>

(Millions LD: 1LD = US$1.64).

Since 1981, the Libyan regime took many drastic actions against the right to maintain private practices. Subsequently, all professional occupations were abolished by the government (Vandewalle, 2006). Surprisingly, the only occupation not covered by that law was the accountancy profession. This raises an interesting question about how an accountant can practice accounting and auditing tasks in a country where the private sector no longer exists and the governmental sector is audited by a government organisation\textsuperscript{20}, which is reporting directly to the General People’s Congress. As a result, for a long time Libya’s economy was operating domestically, based on socialist theory (Kinpe and Venditti, 2005, cited in Eldarragi, 2008).

Accordingly, since the government was in favour of the public sector and denied the private sector, the demand for accounting and auditing services dwindled. Thus, accounting practices in government-owned companies were just recording expenses, as the public sector did not seek to make profit. Later, many chartered accountants had to find an alternative occupation, such as becoming a university lecturer or government employee.

However, almost 10 years later, during the 1990s, the Libyan government followed different approaches, in which the private sector started to play a major role in the Libyan economy.

\textsuperscript{20} The General People’s Committee for Auditing and Control is responsible for auditing the public sector. Its name has been changed: it used to be called the State Accounting Bureau (SAB), which was established in 1955. The LAAA members are responsible for auditing the private sector. However, for several years the government organisation employed private sector auditors to audit public companies’ financial statements, as the government organisation did not have enough staff to enable them to audit all of the government-owned companies. Authority did not introduce penalties for delay in submitting audit reports. Thus, many public companies were not audited for years because of the lack of auditors assigned by the General People’s Committee for Auditing and Control (since 2013, the name has been changed to the Libyan Auditing Bureau), and in some cases members of the LAAA would withdraw, as they did not get any assistance from the directors People’s Committees of those companies while performing their job.
economy and the exclusive practices of socialism started to disappear in favour of private sector. Consequently, some foreign companies started to establish branches in Libya because the government produced new laws to protect foreign investors. However, the Libyan accountants seemed to be under qualified to meet this demand. Since the role of accounting had changed dramatically, the accountancy profession started to play a key role. Henceforth, it became crucial for the Libyan economy to organise the accounting and auditing practices and sort out any related problems.

Although the Libyan economy follows a socialist pattern during the 1970s and 1980s, the government introduced a new Law No. 9 in 1992. This law sought to enhance and regulate the private sector. For nearly the previous 12 years, the private sectors, including professional occupations, had been denied, because the government closed down all of the private businesses. Moreover, Libya suffered an economic embargo during the 1990s as a result of the Lockerbie crisis. Furthermore, the Libyan government refused to comply with United Nations Security Council (UNSC) Resolution 731, which demanded the Libyan government to surrender the two Libyan suspects. As a result, on March 31, 1992, the UN imposed sanctions, which were designed to bring about Libyan compliance. Thus, the Libyan economy was completely paralysed.

However, the government took ambitious steps. Firstly, the regime privatised several state-owned industries. Secondly, the government introduced new Law No. 5 in 1997 to open the Libyan market and attract foreign investment (Dardor, 2009; Mahmud & Russell, 2003). As a result, many foreign investments started establishing businesses in Libya. Therefore, the development of the Libyan economy created a demand within the external
markets for Libyan accounting services. The multinational accounting firms began to operate in Libya during this period. It is worth mentioning that Law No. 116 article 23, regarding the establishment of the LAAA, specifically restricted the practice of accounting and auditing in Libya to LAAA members only (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973).

Thus, accounting played a vital role in the economic development in the country. As with any other information system, its usefulness will then depend on its ability to generate reliable and accurate information. Therefore, having an autonomous professional body to organise and regulate the accountancy profession and furthering the development of accounting education was crucial in Libya’s case. Despite the demand in the post-independence period for a professional body, it was only achieved after the military coup.

Saleh (2001) argues that all those laws were issued in order to encourage the private sector and to reduce public spending. As a result, the agency problems increased, since the government allowed individuals to establish private businesses. Consequently, the need for accounting and auditing services in Libya increased at a fast rate and the accountant’s role became crucial for the Libyan economy. Libya now has an important role in the world economy. Over the last few decades, Libya went through dramatic changes; it used to be one of the poorest nations in the world and it became one of the richest. Libya is now a producer of high quality oil and gas with low sulphur levels. Libya is classified as the world’s eleventh oil producer. Moreover, the country takes advantage of its location

---

21 Over past years, foreign accounting firms worked through a local representative firm. However, many of them are trying to upgrade their presence in Libya to full-service member firms. Such as, KPMG started operating in Libya since 2007 (KPMG, 2013).
between the European market and Mediterranean countries (Attir and Al-Azzabi, 2002).

Finally, according to the 2005 census, the population of Libya is at 6,000,566. There is a high concentration of people in North Western and North Eastern coastal districts in Tripoli and Benghazi, which are Libya’s two largest cities. Currently, the population growth rate is 3.5%, believed to be one of the highest rates worldwide and not surprisingly the vast majority of the population (almost 50%) is young, being less than 20 years old. Again, as expected, given Libya’s climatic conditions, the majority of the population (86%) lives in urban areas. This situation means Libya has one of the highest urbanisation rates in the world (Libya State, 2007). The following section explains the development of the Libyan Commercial Code and the tax law under Gaddafi’s regime.

6.4 The Development of the Libyan Commercial Code and the Tax Law after the September Coup
Libya has witnessed dramatic changes regarding its economic activities after the coup and these changes affected the accounting practices. In Libya the accounting practice was not regulated through direct legislation. Thus, the major impacts over accounting practices were made through the development of the Libyan Commercial Code and tax law. Even the establishment of the LAAA in 1973 did not lead to the introduction of regulations or standards for accounting and auditing practices. Thus, the next subsection illustrates the development of the Libyan Commercial Code.

6.4.1 The Development of the Libyan Commercial Code
As explained in the last chapter the LCC of 1953 was used in Libya for a long time and many changes have been made to it in accordance with the Libyan environment and the political orientation. According to the commercial register, in 1963 there were 152
registered companies and 492 individual merchants. However, in 1980 the number of registered companies had increased to 3,782 and the number of registered individual merchants reached 16,378 (Kilani, 1988). The LCC and the Law No. 65 of 1970 regarding commercial companies restricted the level of activity which foreign companies could conduct in Libya. The law gave a renewable period of five years for the following activities:

(a) Consulting engineering

(b) Technical activities supporting oil and gas producing companies

(c) Other sectors that may be determined by the decisions of the General People’s Committee (which known formerly as the council of Ministers) (Traders And Trading Companies Law, 1970)

The second element which influenced the accounting practices in Libya is the tax law. The following subsection describes the development of the Libyan tax law under Gaddafi’s regime.

6.4.2 The Development of the Libyan Tax Law

The Libyan tax laws can be categorised historically as following: (1) the income tax law of 1923, which was introduced by the Italians; (2) the second tax law which developed during the 1950s until 1968; (3) the income tax law No. 21 of 1968; and (4) the income tax law No. 64 of 1973. The British administration suspended the Italian tax law of 1923 in Cyrenaica after the war in 1943, but the law continued to be applied in Tripolitania (Kilani, 1988). The 1923 tax law was implemented even after Libya enjoyed independency
and it was one of the UN’s recommendations to keep applying the Italian tax law (Bait-El-Mal, 1981; Kilani, 1988). As the first three laws have been explained in the previous chapters, in the following section the author will review the last tax law, the tax law No. 64 of 1973.

6.4.2.1 The Tax Law No. 64 of 1973

The Libyan Income Tax Law No. 64 of 1973 had a major impact on accounting practices in Libya. Many companies have often adopted the tax law provisions for external financial reporting (Bait-El-Mal et al., 1973; Kilani, 1988). The new law is similar to the previous tax law No. 21 of 1968, but there are some changes, outlined below:

1- Personal exemption has been adjusted to become L.D.480 for single men, L.D.720 for married men with no children and L.D.900 for married men with children

2- According to articles 55 and 64, depreciation should be based on the straight-line method (specified rates for different types of assets are provided) and on the historical cost of the asset

3- Establishment costs may be depreciated against revenues over three to five years using the straight-line method. In this respect the law “… has followed the French law which allows the deduction of capital expenses from revenues and even permits the deduction to be made in one amount” (Kilani, 1988, p. 130).

4- Article 55 states that deductible donations for charity organisations must not exceed 2 percent of the taxpayer’s net income

5- Article 59 explains the treatment of the loss, thus if the accounts for a year have
been closed with a loss, the loss balance would be carried forward for a maximum of five years from the year of the loss (The Tax Law No. 64, 1973);

6- According to article 65 “no distinction is made between operating income and extraordinary income. The law provides that the profit resulting from the sale of a business or any of its tangible or intangible assets shall be deemed to be operating income” (Mahmud, 1997, p. 132).

The second paragraph of article 104 of the tax law No. 64 of 1973 states that:

All tax payers should submit annually a tax declaration concerning their income according to specific forms supplied by the tax department. These forms must be completed according to specific rules, as laid down by this law. These declarations shall be handed in to the tax department no later than one month from the approval of the tax payer’s financial statements, and in all cases submission of the tax payer’s declaration should not be later than seven months from the end of the tax payer’s financial year” (The Tax Law No. 64, 1973, article 104).

Documents that should support the declaration document submitted by the tax payers are as follows: (1) Balance sheet; (2) Operation and trade account; (3) Profit and loss account; (4) Schedule of depreciation; and (5) Detailed statement of all expenses included in the profit and loss account. On the other hand, articles 17 and 48 include the accounting records, which the tax payers should keep as follows; (1) Journal record; (2) Inventory book and balance sheet; (3) Inventory cards. For accounting records purposes tax payers
must keep all other records as required by articles No. 570 and 63422 of the LCC (The Tax Law No. 64, 1973). Interestingly, neither the LCC nor tax law No. 64 of 1973 explains the recording procedures for those records. As explained earlier the LCC deals with some aspects of the balance sheet, whilst the tax law deals with some aspects of the profit and loss account (The Libyan Commercial Code, 1953).

Kilani, (1988, pp. 124-125) argues that “…the law did not specifically require that tax declarations or other supporting documents should be certified by a chartered accountant, but it does require that a legal representative perhaps a chartered accountant or a lawyer, should certify them - in practice most of these declarations and documents are certified by a chartered accountant”. In the case of foreign companies, the income authority requires subsidiaries of foreign companies operating in Libya to provide a copy of the financial statement of the parent company along with their tax declaration.

Article 97 of the tax law states that tax shall be assessed on the net income of any given year. However, the law does not define which income theory should be used to calculate the net income, thus, article 97 explains that tax should be assessed annually on the basis of net income achieved during any given tax year from all business activities, after deducting all costs which had to be spent to generate income. On the other hand, article 65 states that profit from sale of a business or any one of its assets shall be considered as income and should be included in the total taxable income (The Tax Law No. 64, 1973). Thus, the profit of an asset is calculated by deducting the cost price from the selling price, after

22 Article 634 requires corporations to keep other records in addition to the one included in article 570, such as a record the minutes of the General Assembly and its decisions and record hearings and decisions of the Board of Directors as well as the monitoring committee.
taking into consideration the depreciation expenses. “These definitions of taxable income are not necessarily the same as those adopted in normal accounting practice. As a result, many Libyan taxpayers prepare two sets of accounts one for tax purposes and the other for business purposes” (Kilani, 1988, p. 126). The following section explains the establishment of the professional Libyan accountancy body the LAAA and illustrates the reason behind its establishment.

6.5 The Establishment of the Libyan Professional Accountancy Body
The Libyan Accountants and Auditors Association (LAAA) is not the only professional accountancy body in Libya. A government body, the State Accounting Bureau (SAB)\(^23\), which was established during the monarchy regime by the Law No. 31 of 1955. The SAB was directly answerable to the Ministry of Finance. Later, to guarantee its dependence, the SAB became directly responsible for the whole Ministries’ Council of Libya under the Audit Bureau Law of 1966 (Ahmad & Gao, 2004).

According to Bait-El-Mal et al. (1973), the SAB controls the revenues and expenses of all governmental agencies, other organisations aided by the government and other corporations where the government contributes more than 25% of its capital. It will be the responsibility of the director of the SAB to provide a balance sheet of the state as of the end of the financial year as well as comprehensive statements of actual revenues and expenses for the particular year. The RCC Government of 1969 changed the government

\(^{23}\) This government body acts as the national audit office in the United Kingdom, which audits the financial statements of all central government departments, agencies and other public bodies and report the results to British Parliament. The only difference is that the Libyan government body in the early years was reporting directly to the Ministries’ Council and that has changed after the military coup, as it became affiliated to different legislative bodies during Gaddafi’s regime.
structure whereby the RCC represented an executive branch and a legislative branch. Since 1975, the SAB became directly responsible for the RCC by law No. 79 of 1975. According to article 1 of the SAB law of 1973, the independence and objectives of the Bureau are as follows: the SAB is an autonomous agency which is responsible to the RCC; its main objective is to apply effective control over the public funds (Ahmad & Gao, 2004).

In 1977, the RCC transferred its power to the GPC; thereafter the SAB become affiliated directly to this new legislative body. Over the past years the SAB has been combined with different institutions and its name has been changed multiple times. From 1996 it has been known as the Institute of Public Control (IPC). It was responsible for auditing all government-owned companies, agencies, departments and organisations. The IPC was also responsible for auditing any other corporations where the state contributes more than 25% of the capital. The IPC’s responsibilities have been extended by the GPC to cover auditing foreign investments and joint projects in Libya; the aim of the IPC is to ensure that those companies are acting in accordance with Libyan laws and regulations. Due to the lack in number of qualified staff at the IPC, the latter failed to complete its tasks on various occasions. Thus, the IPC continued for several years to employ private sector auditors and experts to audit public companies financial statements, as the government organisation did not have the capacity to finish the work (Ahmad & Gao, 2004).

The name has been changed once again to the General People’s Committee for Auditing and Control. Furthermore, according to law No. 19 of 2013, the IPC name has been changed to the Libyan Auditing Bureau (LAB) and it became affiliated with the General
National Congress (GNC). Article 52 specifically illustrates that the LAB can continue employing externally to assist the LAB to finish its tasks (The Libyan Auditing Bureau Law, 2013). This thesis is concerned with the regulation of public accounting in Libya and the emergence and the development of its professional body. Thus, the next subsection offers a discussion regarding the emergence and the development of the LAAA and explains how the Libyan accountants managed to convince the military government to establish the professional Libyan accountancy body.

6.5.1 The Libyan Association of Accountants and Auditors (LAAA)

It is generally accepted that the ‘birth’ of professional accountancy bodies and the market for accounting labour depends on the level of industrialisation of a society and the specific social context. However, not all countries have followed the same development pathway. Since the 1960s, the Libyan government under the monarchy regime attempted to Libyanise the banking sector and to some extent it succeeded in doing so. Consequently, there were some attempts made by Libyan accountants to localise the accountancy profession in Libya during the 1960s. However, these attempts did not succeed and the failures were attributed to the domination of the accountancy profession by foreigners and their great influences on the monarchy regime at that time. The new social and political context after the September coup provided conditions conducive to the development of the accountancy profession. During the 1970s, Libyan accountants managed to convince the RCC and localise the accountancy profession and establish the LAAA. The Libyan accountants benefitted from the nationalisation process, which the RCC adopted after the military coup. Thence, in the absence of the parliament, the power of the state during military regimes was restricted into few individuals and therefore it is an ideal opportunity for interest groups to regulate the
market in their favour (Ogowewo, 1996; Uche, 2002). As the state power is controlled by military rulers, it was easier for the interest groups (i.e. Libyan accountants) to influence the state for regulatory benefits.

Furthermore, the Ministry of Finance also played a key role as it was the one which created the Law. The Treasury Secretary Mohammed Rajab argues that the motive behind the Law No. 116 of 1973 and the establishment of the LAAA was to localise the accountancy profession and he states:

Accounting firms before the issuing of the Law No. 116 was affiliated to foreign accountants. Those accounting firms started operating in Libya after the economic development which Libya experienced in recent years especially after the discovery of oil. Thus the discovery of oil led many adventurers to come to Libya during 1960s. As a result, many of those foreign accounting firms were acting in the best interest of foreign businesses and not in the best interest of Libya (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973, translated from Arabic by the author).

Thus, to bring assurance to the new regime, it became crucial to have only accounting firms run by Libyans which would act in the best interests of the Libyan economy. Therefore, it wasn’t until the 20th December 1973, when the Law No. 116 was issued, that Libya created a professional body to regulate public accounting for the first time. The law enacted the establishment of the LAAA and the localisation of the accountancy profession in Libya. The new law organised the accountancy profession and covered other related areas; it consisted of eight chapters and includes 75 articles which aim to organise the
accountancy profession. The chapters cover the following areas: (1) The establishment of
the Libyan Accountants and Auditors Association; (2) Registration of members; (3)
Exercise of the profession; (4) Fees; (5) Pension and contribution fund; (6) Obligations of
accountants and auditors; (7) Penalties; and (8) General and transitional provisions (Libyan
Government, 1973). The LAAA officially started working from June 1975; article 3
specifically provides the aims of the LAAA to be as follows:

1) to control and organise accounting practices and to produce regulations and
   standards to improve the quality of accountancy profession in Libya

2) to organise conferences, seminars and to participate in said conferences and
   seminars internally and externally and to keep in touch with new events, scientific
   periodicals, lectures and so on

3) to establish a pension scheme fund for its members

4) to increase co-operation between its members and to protect their rights;

5) to take action against its members who violate the traditions and ethics of the
   profession (Buzied, 1998).

Nevertheless, there has been a debate in the profession literature regarding the role of the
LAAA. For instance, Buzied (1998), conducted a survey with Libyan practitioners and
found that the LAAA has: (1) played a limited role in developing accounting and auditing
practices; (2) made very limited contributions to the modification of accounting and
auditing practices to make them more relevant to the Libyan environment; (3) a weak
professional control on accounting and auditing practices as well as accounting education,
where the LAAA did not monitor accounting programmes and accounting subjects in Libyan universities. Therefore, there is a general consensus among practitioners that the LAAA is a weak professional body and also that it did not achieve any of its above mentioned objectives. More recently, Sawan & Alzeban (2015) have argued that:

This suggests that the LAAA has failed to regulate itself and to recognise its obligation towards the public interest. Furthermore, it has not achieved its objectives of furthering activities such as research, conferences, seminars, and generally promoting a programme of continuing training and education, which would include the publication of accounting research, all of which would enhance the status of the profession and accordingly of its members. All these factors suggest that the status of the Libyan accounting profession is below the required standard (p. 164).

In addition, the LAAA ignores its obligations by failing to specify uniform audit report requirements, by not requiring its members to pass professional examinations and by requiring only university accounting education and work experience in accounting related jobs as the criteria for its membership (Kilani, 1988). Accordingly, a university lecturer (interviewee 3) provides his opinion regarding the LAAA’s role in the academia and its achievements in the previous years. He commented:

The LAAA has a limited role in the academic society. Since, they did not hold many conferences on accounting issues even in auditing courses at the university students were not provided with any information about the history and the aims of the LAAA. The entry requirements are not sufficient; the LAAA should ask their
members to attend exams in order to improve the outcome of accounting and auditing practices in Libya. The LAAA should keep a monthly journal to discuss any issues regarding accounting and auditing practices. Finally, he indicates that there is a need to provide a review of the LAAA, including its aims and achievements if any, to students at the university level.

After the UN’s sanctions there were a dwindling number of work opportunities for Libyan accountants as many foreign investments left the country. However, in 1997, the Libyan government introduced an investment law and as a result many foreign companies returned to Libya and the demand for accounting and auditing services increased. As a result, the number of members of the LAAA has increased. Table 6-2 shows the registered accountants in the LAAA in 2002.

Table 6-2 Registered members in the LAAA record in 2002

<table>
<thead>
<tr>
<th>Types of membership</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountants in practice</td>
<td>945</td>
</tr>
<tr>
<td>Assistant accountants in practice</td>
<td>307</td>
</tr>
<tr>
<td>Assistants who are not in practice</td>
<td>117</td>
</tr>
<tr>
<td>Total</td>
<td>1369</td>
</tr>
</tbody>
</table>


In addition, a committee member of the LAAA (interviewee 1) provides further details regarding the first attempt to produce the Libyan accounting standards. He revealed:

In 2005 a private university offered voluntarily to establish accounting standards.
Therefore, the chairman of the LAAA accepted the offer and assigned four members of the LAAA to collaborate with the private university. Consequently, the LAAA issued 29 accounting standards. However, they did not put them into practice. The LAAA should have involved more people to produce those accounting standards, such as accounting lecturers and practitioners. In general, the new standards are similar to the Egyptian accounting standards. After the lifting of UN’s sanctions, Libya has seen many events such as an increase in the number of international companies, as well as foreign accounting firms and the LAAA continued to play a limited role in enhancing and improving accounting and auditing practices. Although they established accounting standards, no one has approved them yet. Many practitioners have stopped working, especially young practitioners, in accounting and auditing firms, since senior practitioners and the big four are dominating the accounting and auditing market. Thus, the LAAA failed to localise the accountancy profession as the profession continued to be penetrated by foreign accounting firms.

In June 2006, the LAAA took some important steps; they organised a conference in association with the Central Bank of Libya to study the problems which were hindering the development of the accountancy profession in Libya. The author attended this conference and can conclude that until now no one has tried to resolve any of the problems addressed in that conference. However, despite these early efforts in Libyan accounting education, the regulatory body in Libya is relatively young, having existed for only 42 years, when it established by Law No. 116 in 1973. The main responsibilities of the LAAA are to organise and supervise the accountancy profession and at the same time ensure that its
members continue their professional development through attending national and international conferences and seminars (Saleh, 2001). On the other hand, without any doubt the establishment of the LAAA has introduced more formality to the accountancy profession. Nevertheless, the LAAA did not achieve any of its objectives as a professional body, in terms of building a theoretical base for accounting as a profession and a much-needed Code of Ethics which would improve professional practices, are sadly still missing (Mahmud & Russell, 2003).

One of the regulators who was interviewed commented on the LAAA’s failure to achieve its objectives, saying: It is my view that the LAAA since establishment more than three decades ago is just the issue of new licences and taking fees from the members for their membership. Furthermore, it has not achieved its objectives of furthering activities such as seminars and conferences, research, and continuing education (Sawan & Alzeban, 2015, p. 164).

Consequently, it can be said that the LAAA has not succeeded in fulfilling its obligations as a regulatory body and is not working in the best interests of the public. In addition, there have been few efforts made by the LAAA to promote continuing education and training for accountants as a means of improving the status of the profession. The Libyan accountancy profession continued to have a poor status (Shareia, 2014). It can be said then that the LAAA in the last four decades failed to create a coherent and autonomous profession in Libya.

The Libyan accountancy profession was regulated by the government directly via legislation, under the Law No. 116 of 1973. However, article 74 suggests that the executive
memorandum shall be issued by the Treasury Secretary after consultation with the LAAA committee. Thus, the various aspects of public interest are kept in balance. In article 20, the law also suggests the fund sources for the LAAA to be as follows:

(1) membership fees

(2) government grants

(3) income from the LAAA’s investment

(4) any donations which could come through the LAAA’s committee

(5) any other sources which do not conflict with the LAAA’s objectives

A committee member of the LAAA (interviewee 1) explained why funding for the LAAA from the government stopped and discussed the need to update law No. 116 of 1973 in light of recent economic developments. He commented that:

From 1975 until 1990 law No. 116 was sufficient for the Libyan environment at that time. However, the law should have been updated to include more areas. For instance, the membership fees should have increased. In addition, one of the requirements for the LAAA to join the International Federation of Accountants (IFAC) was to become financially independent from the government. To meet this condition the LAAA did not accept any money from the Libyan government. Later, the LAAA faced financial distress and struggled to pay even the rent for an office. We had to use an office of one of the LAAA member’s for a period of time.

In Libya the accounting practice was not regulated through a direct legislation. Thus, the
major impacts on accounting practices were made through the development of the Libyan Commercial Code and tax law. A legal advisor (interviewee 4) with the tax authority addressed whether the tax law or the LCC required corporations to submit a tax declaration through an auditor or not and explained the current procedure in the tax department. He said that:

The LCC of 1952 required companies to prepare financial statements and report them to the general assembly of shareholders for final approval before submitting a tax declaration. In the case of big corporations an auditor would submit a tax declaration along with a balance sheet, a profit and loss statement and a list of expenses. In case of small Libyan companies we always face difficulty to decide how much tax they should pay as they do not keep financial records. Thus, the tax officer would use a presumptive assessment to calculate the amount of tax for any particular year. In many cases taxpayers were not satisfied with the amount of tax and as a legal advisor my job involves looking into those complaints made by taxpayers. The new tax law No. 7 of 2010 insists that is important to submit a tax declaration and an audit report signed by an auditor, who’s a member of LAAA. However, in the corporation tax department we still use self-judgment to decide the amount of tax for many small and medium size companies, as taxpayers fail to provide the required statements.

The laws in force necessitated that banks and national companies and branches of foreign companies accounts must be audited by a member of the LAAA. Even the new tax law No. 7 of 2010 insisted the same in articles 49 and 71. Also the new business law No. 18 of
2010, in article 18, insisted that all auditing tasks must be made by LAAA members. However, in recent years the Big Four penetrated the accounting and auditing market through local representatives. As mentioned above the law in Libya restricted providing auditing and accounting services to LAAA members only. To illuminate this point, the penetration of the Big Four into the Libyan economy through local representatives was discussed with a former employee with one of the Big Four (interviewee 5). He commented that:

The office in Tripoli started operations in November 2007. In total we have 40 members of staff providing different services such as assurance and tax services. We have staff from different nationalities including a number of Libyans. It is true the law does not allow foreign accounting firms to practice accounting in Libya. Thus, we prepare two sets of audit report, one of which is for the Libyan authority and the other one for a parent company. The one submitted to the tax authority would be signed by an accountant who is a member of the LAAA.

Finally, it can be argued that the LAAA is not fit for purpose as it has not succeeded in fulfilling its obligations as a regulatory body and failed to protect the profession. With the current actions and practices of the LAAA it would be impossible to stop foreign penetration of the accountancy profession and create a coherent and autonomous profession in Libya. The next section provides more details regarding the LAAA membership requirements.
6.5.1.1 Registration as a Chartered Accountant in Libya

Article 23 explains that accountants who want to qualify as members of the LAAA must meet the following requirements: (1) Hold a Libyan nationality; (2) Educational experience: applicants should have an accounting degree from the Faculty of Economics and Commerce of a Libyan university, or any other recognised university or higher institute (the time spent for a degree should not be less than four years); (3) Have five years’ experience in accountancy-related jobs in an accounting office after education; (4) Be active over political and civil rights; (5) Be of good conduct, reputation and respectability, commensurate with the profession (Ahmad & Gao, 2004). Article 71 of law No. 116, allows foreign accountants to continue the practice of accounting and auditing for another year (The Law No. 116 to Organise the Accountancy Profession in Libya, 1973). Thus, from 1975 onwards no foreign accountants were allowed to practice accounting and auditing in Libya.

The LAAA assigns accountants into three categories. The first category includes accountants in practice; these accountants are authorised by law to certify accounts and balance sheets for all companies. The second category represents the accountants who have a bachelor degree in accounting and do not have enough experience; they tend to practice accounting and auditing under the supervision of other accountants in practice. This group is registered as assistant accountants in practice. The final category includes accountants who have a Bachelor’s degree in accounting and they do not tend to practice accounting and auditing. Thus, the LAAA classifies them as assistants who are not in practice. The number of accountants in practice in 1973 was 72. However, since 1975, the number of accountants in practice has increased to 351. 191 accountants were registered as assistant
accountants in practice (LAAA, 1975).

In addition, in order for applicants to be registered on the accountants’ register they must have at least five years’ experience of accounting work in an accounting office after graduation. The General and Transitional Provisions chapter states that those who have a degree higher than a Bachelor’s degree are exempt from the experience requirement, provided that the higher degree required four or more years training. Those who are already practising the profession who do not have a University or Higher Institute degree would be registered as working auditors on condition that they may only be considered as accountants’ or auditors’ assistants (see article 68 and 69 for more details). Furthermore, article 24 in the Executive Memorandum of the Law No.116 of 1973, explains the educational and experience options for professional membership with the LAAA (Sawan, 2010). Figure 6-2 summarises these educational and experience requirements for LAAA membership, which one needs in order to be recognised as an accountant in practice (i.e. a chartered accountant).
Accounting degree with minimum four years full-time study

Plus five years’ experience in accounting

Three years’ experience in specific accounting jobs or teaching accounting subjects

- Membership of the CIMA
- Membership of the ACCA
- Membership of the CIOT

Doctoral degree in accounting, auditing, taxation or costing
- Membership of the ICAEW
- Membership of CPA.
- Or any certificate equivalent to those mentioned above

Membership of the LAAA
6.6 The Lockerbie Crisis and its Implications on the Libyan Economy

Unfortunately, Libya’s developmental efforts were hindered in 1993, when the UN imposed several sanctions on the country as leverage to persuade the Libyan government to hand over two Libyan suspects connected with the Pan American Flight over the Scottish town of Lockerbie in 1988. These sanctions caused massive harm to the Libyan economy as they involved restrictions on the purchase of military equipment, air communications and some equipment required for the advancement of the oil and gas sector.

To minimise the impact of the UN sanctions, the GPC responded quickly and introduced a series of liberalisation measures aimed at reducing and controlling public spending. In 1997, the GPC issued Act No. 5. The new law encouraged foreign investments, which would lead to a transfer of modern technology and a diversification of income resources; these liberalisation measures were considered to be a crucial decision for the development of the Libyan economy during the sanction period (Vandewalle, 2006). The impact of UN sanctions on the Libyan economy and what can be done to improve the condition of the accountancy profession to cope with the recent developments. These two points were discussed with a chartered accountant (interviewee 3), who said:

The UN sanctions were suspended in 1999 but not lifted completely, after the Libyan government handed over the two Libyan suspects. The suspension of the UN sanctions helped the Libyan economy to recover and experience some developments. It is observed that the economic sanctions imposed on Libya in the 1990s caused a period of stagnation in economic growth, and after the expansion of the Libyan economy after the removal of the UN sanctions. There is now a need for policy changes which can ensure the credibility of Libya’s accountancy profession.
6.6.1 The Lifting of the UN Sanctions

During the mid-1980s, there was a significant global movement towards private ownership, as a result privatisation has spread swiftly and Libya is no exceptional. In recent years Libya has witnessed privatisation movements which started during 1987 and trade liberalisation in 1992 after the UN’s sanctions were imposed. Nevertheless, the Libyan economy continued to remain tightly controlled by the state and showed no real signs of reform (Vandewalle, 1996). In addition, in recent years the Libyan government allowed the private sector a greater role in economic activity, as the government has privatised many government-owned companies (Research and Statistics Department, 2007).

In 2003, the UN sanctions imposed on Libya were finally lifted after the Libyan government reached a settlement with the families of the Lockerbie victims. In addition, on the 19th December 2003, Libya, the United Kingdom and the United States reached an agreement whereby the Libyan government would abandon its Weapons of Mass Destruction Program (WMDP) in return for improved relations. As a result, the United States rescinded its ban on travel to Libya and authorised US oil companies, which used to operate in Libya before the sanctions, to negotiate their return to the country once economic sanctions are completely removed (Otman & Karlberg, 2007; Vandewalle, 2006).

It is observed that the relationship between Libya and the US had gradually improved and in April 2004, when the US economic sanctions against Libya were lifted, except for specified goods, a written statement from the White House Press Secretary was issued to the effect that US companies were to be allowed to buy or invest in Libyan oil and products and that US commercial banks and other financial service providers could participate in and support these transactions (Otman & Karlberg, 2007).
Thereafter, Libya developed more cordial relationships with European countries and the US and has become a new investment destination for many countries. As a result a number of international companies have invested heavily in the country. The following section discusses the development of accounting education during Gaddafi’s era.

6.7 Libyan Accounting Education and Academic Research

As explained in the previous chapter, the UK’s influence on the old Libyan accounting education system was significant. The accounting programme for the Bachelor’s degree in the old (British) system required students to study four years (with a full nine month academic year), whereas the American system is based on sixteen week semesters. In addition, during the 1970s, most of the accounting staff were Egyptian nationals who had graduated from British universities and a small number were British, American and Canadian (Mahmud, 1997). Kilani (1988) concludes that the shift from British-oriented textbooks to American-oriented materials occurred as most university lecturers graduated from American universities.

It can be argued that accounting education is considered as the starting point for the development of the accountancy profession. Thus, education provides the profession with fresh blood which sustains it. In contrast, the profession provides practical experience which is then used within the content of the accounting syllabus. Furthermore, there is a link between the profession and research, as the profession usually provides data and research funds, “… and then (reaps) the benefits in terms of being made aware of best practice” (Sawan, 2010, p. 42).

Despite the fact that accounting education has existed in Libya in the last six decades, very
few studies have been conducted regarding its emergence, development, status and challenges. As a result, knowledge about it can be scarce among scholars and academics. Historically, a number of studies have been conducted via projects forming part of the requirements for either MSc or PhD courses. Furthermore, after the 1969 coup, the new regime paid more attention to higher education and offered many scholarships to Libyan graduates who wished to pursue their education abroad in the US and UK (Kilani, 1988).

The relationship between Libya and the US began to worsen in 1979 when the American Embassy in Tripoli was mobbed and three years later, in 1982, the American government stopped oil imports from Libya and offered no further exports from the US to Libya. Furthermore, Libya’s relationship with the UK experienced some obstacles after the killing of a British policewoman, Yvonne Fletcher, during a Libyan opposition demonstration outside the Libyan Embassy in London in April 1984. These two incidents led to an end of any diplomatic relations between Libya and the US and the UK for a long time; consequently, scholarships to these two countries were interrupted.

In addition, Libya was accused of terrorist activities by the Reagan administration; as a result the Reagan administration froze all Libyan assets in the US in 1986. Later, American warplanes conducted air strikes against Tripoli and Benghazi, accusing the Libyan regime of the bombing of a Berlin nightclub. As explained earlier, in the case of the UK, the Lockerbie crisis caused massive harm to the Libyan economy when the American and British representatives to the UN Security Council managed to convince the council to impose sanctions on Libya. One of the consequences of these political disagreements was a decrease in the number of scholarships to the US and the UK, especially during the 1980s and 1990s.
This led to a shortage in academic staff in Libyan universities and an extreme skills gap and this subsequently resulted in a negative impact on the quantity and quality of accounting and auditing research (Sawan, 2010).

The Lockerbie crisis and its impact on accounting education in Libya and the availability of academic staff at the university level during that time was explained by a university lecturer (interviewee 6):

Of course, the Lockerbie crisis affected the number of scholarships given to graduates. As the government was struggling to provide basic goods, offering scholarships was its last priority. In my case I had to study my MSc in Tripoli and I did my PhD in Egypt as there were no scholarships to the UK and US at that time. This might affect the quality of teaching of accounting in Libyan universities as the UK and US have more developed teaching methods in accounting and most pioneering publications in accounting are written in English.

The same question was asked to another university lecturer (interviewee 3). He commented:

Of course, Libya could not offer scholarships for university lecturers to pursue Master or PhD studies. As part of the return to normal political relations with the US, the UK and the Libyan government, I started doing my PhD in 2006 in the UK. After the UN sanctions many universities in Libya faced a shortage of academic staff. Thus, the government recruited many staff from some Arabic countries, mainly Egypt and Sudan and later from Iraq. Since 2006 higher education offered a significant number of scholarships to Libyan students in different fields between 2006 and 2008.
A Libyan chartered accountant (interviewee 7) also highlighted the changing nature of accounting practices among accounting firms in Tripoli. He commented:

Previously, I worked in three different accounting firms before establishing my own firm and I can confirm that there are many differences in accounting practices among practitioners. I assume it can be linked directly to the changes in the accounting syllabus which eventually lead to differences in practice, as every lecturer usually prepares their classes differently from each other. I think we should encourage universities to have one set of accounting syllabus which can be improved each year and supervised by the head of the accounting department.

Moreover, since the 1990s, many universities have established accounting departments. However, Libyan universities had a shortage of university lecturers; as a result many Arab university lecturers were recruiting in order to provide enough staff at Libyan universities. In 1988 the department of accounting at the University of Benghazi (formerly known as the Garyounis University) started teaching a Master programme; almost all the teaching members were Libyans who graduated abroad (UK and US). However, until now there had been no university in Libya that offered a PhD programme in accounting, thus the university lecturers who have PhD degrees were either foreigners or Libyan citizens who studied abroad. The lack of PhD programmes was one of the impediments to the improvement in accounting education as well as the accountancy profession (Ahmad & Gao, 2004; Kilani, 1988).

Ahmad & Gao (2004) conducted a study on changes, problems and challenges facing accounting education in Libya and they argue that accounting education in Libya needs to import accounting education systems from the West. However, social and economic aspects
should be considered when the country adopts the new systems. The scholars have also mentioned that the actual accounting practice and accounting education remains underdeveloped, which can be linked to some problematic areas such as the accounting syllabuses being considered inappropriate to the needs of the Libyan economy. In addition, the lack of qualified academic staff and scholars is seen as an obstacle facing the improvement of accounting education. There is also an unfit relationship between the academic teaching and professional training in the accounting curriculums. Moreover, the accounting research appears to be insufficient. Finally, the paper suggests that accounting education will play a vital role in the development of the Libyan economy as the demand for qualified accountants will keep increasing for the development process after the lifting of UN sanctions.

Mahmud & Russell (2003) pointed out four main impediments to accounting education and accounting practices. The first impediment is the lack of modern textbooks, articles and references in the Arabic language. Secondly, all the accounting materials such as curriculums and syllabuses are outmoded. Thirdly, the accountancy profession is undeveloped. Finally, they suggested that Libya is in dire need of efficient strategies in order to improve both the accounting education and accounting practices and also Libyans should be fully aware of the role of accounting.

6.8 Conclusion
The findings in this chapter are based upon a review of written materials such as textbooks, journals and government publications, and the conducting of semi-structured interviews and oral history interviews. Therefore, this chapter presents the development of professional accountancy in Libya with reference to the dynamic changes in its political and socio-
economic environment under Gaddafi’s regime. The chapter discussed the accountancy profession environment after the military coup, which took place on the 1st September 1969. Under volatile political conditions and in the absence of parliament, the power of the state during military regimes is restricted to few individuals and therefore it was an ideal opportunity for interest groups to regulate the market in their favour, as the legislative initiative is in the hands of a coterie of individuals. During the 1970s the RCC started nationalising foreign corporations, including oil companies and insurance companies. The Libyan accountants managed to take advantage of the nationalisation process during the 1970s and convince the military regime to localise the accountancy profession and establish the professional body the LAAA.

The chapter also discussed the development of the Libyan commercial code and the tax law during Gaddafi’s regime. Furthermore, the chapter provided a contextual narrative, which focused on the emergence and the development of the accountancy professional body (the LAAA), including its background, objectives, achievements and membership requirements. The chapter explained how the new social and political context after the September coup provided conditions conducive to the development of the accountancy profession as well as accounting education.

Despite the economic growth and, to some extent, political stability brought about by Gaddafi’s regime, the accountancy profession in Libya did not develop as might be expected. The chapter also described the failure of the LAAA to create a coherent and autonomous profession in Libya. As a result, the accountancy profession continued to be penetrated by foreign accounting firms and continues to be today. From the previous discussion, it can be seen that the conditions which led to the emergence and the development of the accountancy
profession in Libya can be summarised as follows: economic events, political strategies, governmental decisions and social events. During the 1970s, the RCC started nationalising foreign investment; Libyan accountants communicated with the RCC, regulated the market in their favour and established the LAAA. However, from the 1980s, the Libyan government denied the private sector and expanded state-owned enterprises. As a result, many public accountants had to find a different job in the government sector. The state-owned enterprises were audited by a government body. For several years, the latter continued employing public accountants and experts to audit the financial statements of public companies, as the government body did not have the capacity to finish the work. In terms of further research, it would be interesting to study how the accountancy profession can survive in a volatile economy like Libya’s; especially as the Libyan government has adopted various different economic orientations since the 1950s. Finally, this chapter discussed the Lockerbie crisis and illustrated its impact on the Libyan economy, accounting practices and accounting education. The next chapter offers a summary and discussion of the research findings.
Chapter 7
Summary and Discussion of the Research Findings

7.1 Introduction
The main aim of this chapter is to provide a summary and discussion of this research study. Section 7.2 provides a discussion of the findings of chapter four and explains the emergence of accounting practices during the colonisation periods, and what caused the auditing profession to emerge in Libya during the British administration. Section 7.3 describes the shift to disciplinary power under the monarchy regime and why the Libyan accountants failed to establish a professional body to localise the accountancy profession under the monarchy regime. Section 7.4 describes the interplay between the sovereign power and disciplinary power after the military coup, and explains the birth of the professional body LAAA. Finally, Section 7.5 offers a conclusion of the chapter.

7.2 The Emergence of Accounting Practices during the Colonisation Periods
The emergence and the development of the accountancy profession in different developing countries did not follow the same trajectory. Thus, it is important to study each country individually to learn how the accountancy profession blossomed within each nation. The history of the Libyan accountancy profession is unique and interesting, considering Libya’s rich history. It has been under the control of three different colonial powers in its recent modern history.

Based on archival documents collected mainly from BGA and LJCHS, chapter 4 offers a detailed historical account of the status of accounting during the colonisation periods from 1551 until 1951, taking into account political and socio-economic environments. Overall, the historical development of the accountancy profession in Libya, including accounting
knowledge, can be attributed to the intervention of the colonialist countries, the most recent of which were Turkish, Italian and the British and French: all of these colonies took responsibility for and ran financial affairs in Libya. Foucault (1972) argued that the history of the present should be directed to understand how and what now counts as and is thought of as being ‘true’ came to be regarded as so. Thus, in his historical inquiry Foucault can be clearly distinguished from traditional historical approaches. Foucault studied the past in detail to articulate the connections between dispersed events and practices. Foucault’s style of writing history focuses on challenging the dominant methods of writing history. He did not accept the notion of looking at a certain point as a locus of origin and he alternatively viewed emergences by looking to a complexity of fragmented events. Thus, this study is consistent with Foucault’s thesis that the ‘how’ and ‘what’ are the major questions when investigating the genealogical process of the accountancy profession in Libya.

The most recent colonialists had a great influence on the development of accounting in Libya. Firstly, Libya experienced three periods of the Ottoman rule. Taxation was first implemented by the Turkish and four methods of tax collections were used. During Turkish colonisation, single-entry and bookkeeping activities were used in Libya. During the three periods of the Ottoman rule, the sovereign system was adopted to define the relationship between the rulers and the subjects. The sovereign power can be seen in terms of laws produced by the Ottoman Empire, such as tax regulations and exemptions from paying taxes, which were granted to special workers. All of the collected taxes, Zakat and customs were registered by the Ottoman Empire (see chapter 4 for more details). Monetary transactions were very limited for a long time during the Ottoman epoch. Overall, the Ottoman occupation of Libya can be seen as an extension of a religious administration more than a colonial country. The emergence of
religious schools and the introduction of writing during Ottoman rule were very important. Foucault argues that the knowledge of individuals results not just from observation, but from “the whole apparatus of writing that accompanied it” (Foucault, 1977, p. 190).

After the Italian invasion in 1911, Libya was subjected to dramatic changes as the Italians invested a reasonable amount of capital in the country. The Italians brought knowledge and capital to Libya and implemented different business activities. The role of the Bank of Rome (Banco di Roma) in Libya was remarkable; the bank attempted to peacefully penetrate Libya in order to create the Italian Libya. The Italians claimed that they had to invade Libya in order to protect the Italian investments in the country. Subsequently, the Kingdom of Italy declared war against the Ottoman Empire on the 29th September 1911, when they realised that the Bank of Rome could not succeed with such widespread criticism from inhabitants. Italians considered Libya an extension territory, ‘the fourth shore’, and as a result many settlers came from Italy. Italians brought accountants and implemented the 1923 tax law. Despite the fact that some of the business activities covered by the Italian law did not exist in Libya at that time, the 1923 tax law was largely used across the three Libyan provinces.

The Italians contributed to the evolution of the accountancy profession in Libya as they developed the banking sector and introduced light industries. However, the Italians did not help Libyans become part of the extension country and left Libyans to live traditional lives. The evolution of the accountancy profession in Libya can be attributed to two main factors. The first is the Italian accountancy profession, as the Italians implemented the same laws and regulations in Libya which were used in Italy, and accounting practices cannot be exempted. The second most important factor which influenced the development of the accountancy profession in Libya is the Italian income tax law, which was introduced in 1923. Chapter 4
highlighted the late emergence and development of the Libyan accountancy profession during the Italian occupation. During the Italian occupation the state held all the power in Libyan society, in the form of a sovereign power. However, from the 1940s onwards, the Italians acknowledged the growing nationalist movement in the Arab world and the increased Arab hostility towards the Italians and they stopped funding future plans in Libya.

The most important period for Libya was that run by the British administrations, from 1943 to 1952. The British officials used their knowledge and attempted to prepare Libya to be an independent country. They wanted to discipline Libyan society, so the British administration introduced the press law, which led to the emergence of professional discourse. The Tripolitania Gazette, for instance, was the only possible means by which the administration (rulers) transferred the information to the public (subjects).

The data collected from the Barclays Group Archives (BGA) was very valuable in terms of answering the questions of this research study, as it is original and has not been previously analysed by any other scholars. The data consists of official letters, memos, law projects and finalised laws. The British officials in Libya at that time employed the ‘art of government’ and produced legislations to prepare Libya to be an independent state. It is interesting to see how the British administration transferred the experience which they had learnt in their own country and created a disciplined society in a different context. Interestingly, the British continued to use the Italian tax law of 1923 during their rule and did not introduce a new tax system. A mix of sovereign power and disciplinary power were experienced in Libya during the British administration. The British introduced modern schools, which they allowed Libyans to join. Barclays bank acted as the central bank of Libya during the British administration; its involvement in developing of the banking sector in Libya and the general
history of Barclays bank were presented in chapter 4.

Furthermore, the emergence of auditing as a profession during the British administration indicates that the British contributed towards the evolution of the accountancy profession in Libya, by introducing the BP No. 211 in 1950. Article 12 illustrates the appointment and the duties of auditors. Prior to that time, there was no requirement for business enterprises to have their financial statements scrutinised and certified by an independent auditor. Most of the international businesses in Libya during that period were audited by foreign accounting firms which were not based in Libya, including Barclays bank. However, the re-opening of the Italian banks and other banks in Libya had led the British administration to introduce the BP. Thus, the British administration at the time perceived auditing as a legitimising instrument (a disciplinary power), useful for extending economic and political control over the banking sector. Many foreign banks re-opened branches, including Italian banks. For example, Ballas (1998) examines the emergence of the auditing profession in Greece in the late 1940s and early 1950s, and shows that the auditing profession was once a legitimising institution for the Greek government and was also considered as a device for a political and economic control in Greece.

Ramirez (2001) argues that accounting as a discipline and accountancy as an occupational grouping were not recognised in France before the Second World War. Libya was under the auspices of the United Nations Organisation between 1943 and 1951. The British military controlled the two former Italian Libyan provinces of Tripolitania and Cyrenaica, located in the North, whereas the French controlled the province of Fezzan, located in the South. Arguably, the British were more influential in terms of financial activities, taking into
account the rich history of the British auditors in their mother country and other former colonies. It wasn’t until the 1940s that the French accountancy profession came into existence in French society (ibid.). However, Nobes, & Parker (2006, p. 6) argue that “Former French colonies tend to have detailed governmental instructions, on everything from double entry to published financial statements, that are set out in national accounting plans and commercial codes”. It can be argued that the French accountancy profession did not have any impact on the development and emergence of the Libyan accountancy profession during the colonisation period as the British were more influential during that period.

On the other hand, the delegation of responsibilities between the British administrations to the Libyans began during 1950 with the establishment of the Administrative Council in Tripolitania; this is considered a remarkable event. The British administration aimed to make this new council responsible for the running the Tripolitania affairs. Foucault (1980) argues that disciplinary power is exercised through organisational forms, and these forms are considered the mechanisms to exercise power. This transition of responsibilities took place before independence was achieved.

The aim of this thesis is to understand what caused the accountancy profession to emerge in Libya and how it developed during the colonisation periods. Thus, chapter 4 explains the emergence and the development of the accountancy profession under the most recent colonial powers. The British administration noted that there was a need for a relatively simple banking control legislation over the banks in the territory (Tripolitania), before allowing the Italian banks to be re-inaugurated or local Arab banks to be established in Libya. This new BP No. 211 is considered a significant event; it was the first time that Libya was put under an
auditing obligation. However, the law deliberately neglected the nationality and the qualifications which should be held by auditors. Thus, the Libyan accountancy profession was open to accountants from all around the world. It therefore took Libya almost 21 years before the profession was finally localised by the establishment of the LAAA. The emergence of auditing as a profession during the British administration suggests that the British gave the recognition to the accountancy profession in Libya, by introducing the BP No. 211 in 1950. Prior to that time, business enterprises, including banks, were not required to have their financial statements scrutinised and certified by an independent auditor. Instead, it was only necessary for such documents to be agreed by the legal representative of the taxpayer (the business) and this person could simply be a chartered accountant.

Finally, the findings of chapter 4 also confirm that the accountancy profession in Libya was developed through banks and not through oil companies as the accounting literature suggested, as the discovery of oil occurred in late 1959 and the exports of oil in Libya started during the 1960s (see for e.g Ahmad & Gao, 2004; Bait-El-Mal et al., 1973). Finally, the British administration played a key role in the independence process of Libya during the 1950s. The next subsection explores the shift from sovereign power to disciplinary power under the monarchy regime.

7.3 The Shift from Sovereign Power to Disciplinary Power under the Monarchy Regime

Power for Foucault is not owned by a person or a group who exercises it over others. Power is not just a domination of the weaker by the stronger, it has no central locus. Power should be viewed as presenting a positive effect as it directs the human body and changes it to something useful and docile. Foucault argued that under the monarchical system, power is
embodied in the person of the sovereign who has great power on his/her subjects. Under this regime crime is considered a threat to the absolute power of the sovereign and therefore punishment was done publicly to strike terror into the hearts of those who witnessed it (Foucault, 1977).

Libya achieved its independence on the 24th December 1951 and became the United Kingdom of Libya under King Idris Senussi; without the help of the British and the UN this wouldn’t have been possible. King Idris represents sovereign power in Libya from 1951 until 1969. Chapter 5 discussed the independence process, with particular reference to the political and socio-economic environment between 1951 and 1969. The chapter also discussed how the accountancy profession developed under the monarchy regime.

In chapter 5 the author used historical documents collected mainly from the BGA and NA, and primary data collected through oral history interviews. During the monarchy regime Libya was dependent on agricultural activities as the main source for the economy during the fifties and early sixties and many economists described the Libyan economy as deficient and one which could not offer any development. The Economic and Social Council of the United Nations issued a statement in the early 1950s arguing that Libya was in urgent need of aid to improve its economy after independence and encouraged many specialised agencies to take part in this change. Those agencies took all the necessary and speedy measures to ensure that the Libyan economy achieved stable growth in the future (Ghanem, 1982). However, the discovery of oil has changed the country and marked the end of the financial aid provided by the United Nations. The discovery of oil in Libya was in 1959 and the oil exports started during 1960s.
Nevertheless, the lack in number of skilled Libyan workers led the monarchy government to continue relying on foreigners and they were appointed in key positions for a long time. The chapter also discussed the development of laws and regulations, the development of the tax law, the emergence of the Libyan commercial code and the emergence of Libyan petroleum law. The history of accounting education was also discussed; accounting education did not exist before the independence, during which time most Libyans studied abroad. After independence a few institutions began teaching accounting courses.

Foucault’s concept of power-knowledge relations is described in his genealogical work, *Discipline and Punish: the Birth of the Prison* (1977), as the shifting development of society in terms of power-knowledge relations: from sovereign power to disciplinary power. For Foucault, the shift from sovereign to disciplinary power is articulated by changes in the forms of knowledge. Thus, the monarchy regime in Libya attempted to create a disciplined society within Libya by introducing organisations which could exercise disciplinary power through organisational forms such as hospitals, schools, universities and factory systems. The shift from sovereign power to disciplinary power does not eliminate sovereign power, which will be always be present. For instance, after independence was achieved in Libya, the free press was banned by the federal government and only government newspapers were permitted. Later, however, and on an individual basis, some newspapers were permitted, but without any rights to criticise the government’s policies. The king exercised a sovereign power by ordering the government to issues laws to control the free press.

Libya became an oil-exporting country, which rapidly altered the Libyan economy and prompted many development plans within private and public sectors to improve the quality of
life in the country. In theory those sectors required reliable financial information in order to make vital decisions regarding the economic development of Libya. Due to the lack of financial information available, the tax on small enterprises, in the form of limited partnership, was mainly based on government estimates. The vast majority of those enterprises did not use double-entry bookkeeping; however, they usually had a cash book and a ledger containing a personal account. Medium-sized organisations existed in Libya in different forms, such as general partnerships, limited liability companies and corporations. These types of institution employed accountants and produced and reported financial data; some elements of management accounting also existed in the form of internal reports and cash budgets. Finally, in large companies, accounting was developed by foreigners, who largely contributed to the development of accounting practices in Libya. In the early days after independence, Libya experienced a shortage of qualified Libyan accountants and an absence of related laws or regulations concerning accounting standards and methods. This resulted in foreign companies being left entirely free to implement their home country accounting standards and practices in their branches operating in Libya. This practice created problems which still exist today, as accounting practices continue to be different from one accounting firm to another.

No professional body existed after independence. However, the organisation of the accountancy profession became a priority for the Ministry of Finance. The latter made it necessary for accountants to apply for a provisional licence to practise accounting and auditing within Libya. Before then there had been no regulations whatsoever in terms of practising accounting, so accountants did not have to ask for permission or have a licence. The MF started providing a licence to practise accounting during the 1960s. Interviewee 1
argued that the licence was available to everyone regardless of their nationalities. Most of the accountants were foreign, with only a relatively small number of Libyans working as accountants. In addition, candidates were required to have a university degree in commerce and two years of relevant experience in accounting in order to work as an accountant. It is worth mentioning that foreign accounting firms performed almost all the early auditing work during the sixties and early seventies. The development of the accountancy profession during the period after independence was mainly dominated by foreigners, and only a small number of Libyan accountants managed to obtain a licence from MF. However, they could not compete in the market due to the fact that foreign accounting firms had more accounting and auditing experience as well as business connections.

There were some attempts made to localise the accountancy profession in Libya during the monarchy regime. However, these attempts to localise the profession did not succeed; these failures can be attributed to the domination of the accountancy profession by foreigners and their influence over the monarchy government. The first attempt to create a professional body which aimed to localise the accountancy profession in Libya began during the 1960s. In 1964, the government tried to ‘Libyanise’ the banking sector. This action encouraged a small number of Libyan accountants to gather in Tripoli to discuss this issue, after which they approached the monarchy government. However, their request was rejected. In addition, Mr Mahmud Tantoush wrote an article entitled: “It is a time to have laws for the accountancy profession”, which aimed to draw attention to the problem within wider society, but he was not successful. The failure to localise the accountancy profession during that time was due to the influence of foreign accounting firms over the monarchy government.
Chapter 5 explains why the achievement of political independence in Libya did not assist the Libyan accountants in establishing a professional body which could protect the accountancy profession and its members, which is what had eventuated in other former colonised developing countries. Other former colonies had managed to develop their own accountancy profession after obtaining independence; however Libya was not and as a result there was a delay in regulating the public accountants and the formation of the professional accountancy body. Therefore, the accounting and auditing practices continued to be dominated by foreign accountants even after the September coup.

7.4 The Birth of the Professional Body and the Interplay between the Sovereign Power and Disciplinary Power after the Military Coup

This study attempts to offer a chronology of the development of the accountancy profession in Libya and explain the emergence and the development of the LAAA. Surprisingly, after obtaining independence, almost 21 years passed before Libya established its professional body (i.e. the Libyan Association of Accountants and Auditors LAAA, established in 1973). The findings in chapter 6 are based on written materials such as textbooks, journals and government publications, as well as semi-structured interviews and oral history interviews which the author conducted. In chapter 6 the author discussed the accountancy profession environment after the military coup, which took place on the 1st September 1969. Under volatile political conditions and in the absence of parliament, the power of the State during military regimes is restricted to few individuals. This was, therefore, an ideal opportunity for interest groups to regulate the market in their favour, as the legislative initiative was in the hands of coterie of individuals.

During the 1970s the RCC began nationalising foreign corporations, including oil and
insurance companies. Therefore, the Libyan accountants managed to take advantage of the nationalisation process during the 1970s and convince the military regime to localise the accountancy profession and establish the professional body the LAAA.

Furthermore, the emergence of the LAAA can be seen as an outcome of different players: individuals and institutions. Figure 7-1 illustrates the formation of the Libyan accountancy professional body. In this regard, Foucault argued that individuals and institutions are key actors and players. Foucault (1982, p. 98) stated “individuals are the vehicles of power, not its point of application”. Individuals constitute institutions and institutions are composed of individuals. During the 1970s, the RCC began the process of nationalising foreign investment; Libyan accountants communicated with the RCC and regulated the market in their favour, and established the LAAA. Thus, it can be argued that the emergence of the LAAA is the outcome of the interplay between individuals (Libyan accountants) and institutions (the RCC and the FM). The MF also played a key role in the emergence of the LAAA. The latter emerged within four years of the military coup. The Treasury Secretary Mohammed Rajab argues that the motive behind the Law No. 116 of 1973 and the establishment of the LAAA was to localise the accountancy profession. Thus, it can be argued that the formation of a local professional accountancy body in Libya was a natural response to Libyan nationalism.
Figure 7-1 The emergence of the Libyan accountancy professional body
The development of the accountancy professional body (the LAAA), including its background, objectives, achievements, weaknesses and membership requirements, were highlighted in chapter 6. Furthermore, the social and political context after the September coup provided conditions conducive to the development of the accountancy profession as well as accounting education. Despite the economic growth and, to some extent, the political stability brought about by Gaddafi’s regime, the accountancy profession in Libya did not develop as might be expected given the rate of economic growth and significant income from oil. This unexpected turn can be connected to the interplay between sovereign power and disciplinary power. This interplay and conflict in interest resulted in the LAAA failing to create a coherent and autonomous profession in Libya. As a result, the accountancy profession continued undeveloped and penetrated by foreign accounting firms up till the present day.

The Gaddafi regime tried to create its own sovereign power via state ideology. Therefore, the LAAA was not a separate organisational form where the state had to approve its actions. The Libyan accountancy profession was regulated by the government directly via legislation, under the Law No. 116 of 1973. However, article 74 suggests that the executive memorandum would be issued by the Treasury Secretary after consultation with the LAAA committee. Thus, the various aspects of public interest are kept in balance. In addition, Libyan accounting practice was not regulated through direct legislation. Thus, the major impact on accounting practices was made through the development of the Libyan Commercial Code and tax law.
Socialism has been imposed by the government over the last 40 years. From the 1970s onwards, the private sector overtook the public sector. Libya, similar to other countries, did have agency problems in the public sector; however, the agency problems manifested in various ways. In addition, since the 1980s, the Libyan government has denied the private sector and expanded state-owned enterprises. As a result, many public accountants have had to find a different job within the government sector. The state-owned enterprises were audited by a government body. The latter continued for several years employing public accountants and experts to audit public companies’ financial statements, as the government body did not have the capacity to finish the work (see chapter 6 for more details). The Lockerbie crisis also had a significant impact on the Libyan economy, accounting practices and accounting education.

Finally, the thesis aimed to explore the conditions of possibility which contributed to the emergence of the accountancy profession in a country like Libya. Therefore, from the previous discussion, it can be argued that the conditions which led to the emergence and the development of the accountancy profession in Libya are as follows: economic events, political strategies, governmental decisions and social events.

7.5 Conclusion
The main aim of this chapter was to provide a summary and discussion of this research study. Section 7.2 provided discussion of the findings of chapter four and explained the emergence of accounting practices during colonisation periods, and illustrated that the introduction of the BP by the British administration was the first time in Libya’s history where banks were required to have their accounts audited. Also, the delegation of responsibilities from the British administration to the Libyans began during 1950 with the establishment of the
Administrative Council in Tripolitania, which is considered as an important event. It was interesting to see how the UN encouraged international agencies to help Libya after independence and fill the gap which was caused by the departure of the British administration. Section 7.3 described the shift to disciplinary power under the monarchy regime and illustrated that the Libyan accountants failed to establish a professional body and localise the accountancy profession under the monarchy regime, largely due to the great influence foreigner accountants had over the monarchy government at that time. This action had led many qualified Libyan accountants to search for other jobs within the government sector instead. Section 7.4 described the interplay between sovereign power and disciplinary power after the military coup, and explains the birth of the professional body LAAA. Thus, the emergence of the LAAA can be seen as the result of various factors, implemented by both individuals (Libyan accountants) and institutions (the RCC and the FM). From the 1970s, the RCC started nationalising foreign investment. The Libyan accountants took advantage of the regime’s actions, communicated with the RCC and regulated the market in their favour, leading to the establishment of the LAAA. State control makes it difficult to establish a vigorous accountancy profession in Libya. The LAAA was not a separate organisational form, as the state had to approve its actions. The next chapter offers a summary, contributions and limitations of the thesis and will suggest areas for further research.
Chapter 8
Conclusion and Reflection

8.1 Introduction
The main aim of this chapter is to provide a summary and to conclude and reflect on this research study. Section 8.2 provides the summary of the thesis. Section 8.3 presents the contributions to knowledge of this thesis. Section 8.4 discusses some reflective points from the study in which the limitations of the study and further research areas are presented. Finally, Section 8.5 presents the conclusion of the chapter.

8.2 Summary
Accounting practices refers to the measurement, disclosure or provision of assurance about financial information, whereas the accountancy refers to the work or practice of an accountant. Crucial developments within accountancy started during the first half of the nineteenth century onwards, after strenuous efforts made by accountants in the Anglo-American world led to accountancy being formed into an organised profession. As a response to the rapid development of international economies and the issues associated with globalisation, many developing countries increasingly sought to enhance their accountancy profession, therefore justifying how vital a study of the development and the emergence of an accountancy profession in the context of Libya is, in order to suggest how Libya can improve the condition of its accountancy profession. This study contributes to the growing literature and attempts to understand the function of the accountancy profession in other developing countries like Libya.

This thesis provided an introduction to the problems and the issues which occurred when the profession was first introduced, as the Libyan professional accountancy continued to be
undeveloped. The accountancy profession in Libya was influenced by the regulations and the practices which it inherited from its former colonisers. This study examined the contributions made by different former colonies towards the emergence and the development of the Libyan accountancy profession. The study also highlighted the historical events which contributed to the emergence of the accountancy profession. This research then focused on the process by which the accountancy profession was organised and regulated in a ‘volatile developing economy’ like Libya, and explained how Libyan accountants managed to establish the local professional body, the LAAA. This body was established in 1973, yet it failed to meet its objectives of regulating and organising the profession. This research study has illustrated the obstacles which have affected not having a well-established profession until now in Libya. Thus, this thesis attempted to present a chronological development of professional accountancy in Libya with reference to the dynamic changes in its political and socio-economic environments during three different periods: the colonisation periods, monarchical rule and under Gaddafi’s regime. Previous studies of the accountancy profession were similar in that they studied the accountancy profession within a single colonial power. However, this thesis offers a unique case as it covers three colonial phases.

The history of the profession should be acknowledged, and this particular research study contributes to accounting knowledge by providing a historical account of the accountancy profession in Libya and provides evidence on how the accountancy profession emerged in Libya, a topic that has not been addressed before. This research presented the conditions which led to the emergence and development of the accountancy profession in Libya. This research utilised a Foucauldian perspective, which focuses on power/knowledge relations; this perspective provided an analytical framework by which it was possible for the author to
examine professional accountancy in the context of Libya. At the beginning, the aim of this research was to conduct a genealogical analysis for the emergence and the development of professional accountancy in Libya. However, this aim changed to conduct a genealogical investigation instead, since this study sought to illustrate the conditions which led towards the emergence of the accountancy profession taking into consideration the relations between power and knowledge in the context of Libya. To follow this summary of the research study, the next section outlines the contributions to knowledge made by this thesis.

8.3 Contribution to Knowledge

The data collected from the Barclays Group Archives (BGA) was very valuable in terms of answering the research questions, as it is original and has not been previously used or analysed by any other scholars. The data helped the author to provide an alternative view of the emergence and the development of the accountancy profession in Libya. Therefore, this research study contributes to our understanding of the emergence and the development of the accountancy profession in Libya in the following ways. Firstly, this study attempted to provide a contextualised story of the emergence and the development of the accountancy profession in Libya during three different periods. This research is different from prior studies which focused solely on the history of the accountancy profession under a single colonial power. A limited number of countries experienced different colonial phases. Thus, this research study presents a unique case among previous research studies.

Secondly, in chapter 4 the author explained the development of accounting practices under the rule of three different colonial powers. The historical development of the accountancy profession, including accounting knowledge, in Libya can be attributed to the intervention made by the colonialist countries and their companies into Libyan internal affairs. However,
the most recent colonialists had the greatest influence on the development of accounting in Libya. Taxation was first implemented by the Turkish. During Turkish colonisation, single-entry and bookkeeping activities were conducted. Libya was subjected to dramatic changes under the Italian occupation. Italian accountants came to Libya and the local government introduced the 1923 tax law, which was widely used across the three provinces. The Italians contributed to the evolution of the accountancy profession in Libya as they developed the banking sector and introduced light industries. It is worth mentioning that during the Ottoman Empire and the Italian occupation the need for accounting amounted to simply recording revenues and expenses. Thus, accounting did not take the form of a practice during that time.

It wasn’t until the emergence of auditing as a profession during the British administration that significant changes began to appear, which indicates that the British contributed to the evolution of the accountancy profession in Libya, with the introduction of the BP No. 211 in 1950. Prior to that time, there was no requirement for business enterprises to have their financial statements scrutinised and certified by an independent auditor. The penetration of the accountancy profession in Libya by foreign accounting firms started during the British administration and continues up to the present day.

Thirdly, prior studies did not explain precisely how and when the accountancy profession was first established in Libya. Scholars, therefore, could not document the history of the profession in Libya. However, this research contributes to the profession literature by providing an alternative view of the emergence and the development of the accountancy profession in Libya. The findings of this research suggest that the emergence and the development of the accountancy profession occurred through banks and not by oil
companies, as oil was only discovered in late 1959 and exports of oil only began during the 1960s. The British administration at the time perceived auditing as a legitimising instrument (a disciplinary power), able to extend economic and political control over the banking sector: necessary as many foreign banks started to re-open branches, including the Italians, during the 1950s. Thus, the accountancy profession became recognised as essential for the regulation of the banking sector and in terms of preparing Libya to be an independent country. The existence of new industries and businesses in Libya created a demand for accounting knowledge and practices to be developed. Unfortunately, during the 1950s there was a lack of accounting knowledge in formal education. In order to fulfil the demand for accountants, foreign accountants - particularly British accountants - came to Libya. The need for loans prompted the need for accounting during the British period. The need for long-term loans by businesses in Libya was one of the most important steps in the development of accounting knowledge. In contrast, during the Italian occupation the Italian banks had maintained a collateral policy when providing loans to individuals. Thus, the Italian banks did not require financial information or earning position information from their clients.

Fourthly, this thesis explained the conditions which led to the emergence and the development of the accountancy profession in Libya, which includes some specific economic and social events, political strategies (the independence process) and governmental decisions. The findings of this research suggest that the influence of foreign accountants on the monarchy government made it impossible to establish a professional body and localise the accountancy profession after independence. Poullaos (2009) argues that some former colonised countries, such as Trinidad and Tobago, Jamaica, Kenya and Nigeria, did not establish professional organisations before independence and only started formatting local
professional accounting bodies after achieving their independence. However, Libya did not establish a professional body to organise the accountancy profession after independence like these other developing countries; in fact it took Libyan accountants 21 years to establish a professional accountancy body and localise the accountancy profession. After independence, government plans required accounting knowledge. Therefore, in 1954 the School of Public Administration was created in order to train government employees in the field of accounting and the teaching of accounting at university level started in 1957, when the Faculty of Economics and Commerce was established. This created new forms of accounting knowledge; this accounting knowledge was developed and power-knowledge relations began to emerge as a result. It is very interesting to see that the appointment of indigenous Libyans into vacancies within the Libyan government helped them to improve their accounting knowledge.

Finally, the literature does not explain the emergence of the professional body in Libya. Previous studies failed to provide a detailed history of the emergence of the LAAA; instead they discussed its development. This study explained how the social and political contexts after the September coup made it possible for the Libyan accountants to convince Gaddafi’s regime during the nationalisation period and localise the accountancy profession. The accountancy profession was regulated by Law No. 116 of 1973, which enacted the establishment of the professional accountancy body, the LAAA. Before that time the organisation of the accountancy profession had been the responsibility of the Ministry of Finance. The latter started giving accountants and auditors a provisional licence in order to establish accounting and auditing firms, regardless of their nationality. This resulted in the continuing penetration of the accountancy profession by foreign accounting firms in Libya.
Thus, the emergence of the LAAA (a body of knowledge) was an outcome of power relations between individuals (Libyan accountants) and institutions (the RCC and the FM).

This thesis has made some theoretical contributions. The delegation of responsibilities by the British administration to the Libyans began during 1950 with the establishment of the Administrative Council in Tripolitania; this is considered a remarkable event. It marked the beginning of the shift from sovereign power to disciplinary power in Libya. The British administration aimed to make this new council responsible for the running of Tripolitania affairs. The emergence of this new form of power (disciplinary power) was started by the creation of organisational form, which is considered the mechanism to exercise power in Libyan society before independence.

It is interesting to see how the British used their knowledge and implemented it in other contexts. The British aimed to create a disciplined society in Libya before independence. A mix of sovereign power and disciplinary power were experienced in Libya during the monarchy regime. The king exercised a sovereign power by ordering his government to issue laws to control activities within Libya. The Libyan economy adopted a capitalist approach after independence. The need for independent auditors for entities and agencies operating in Libya became apparent for the monarchy government. Therefore, the monarchy government recognised the important role the accountancy profession could have in its future plans and instead of helping Libyan accountants to establish the profession body, the government made the Ministry of Finance responsible for organising the accountancy profession. They were able to do this by providing provisional licenses to practitioners to practise accounting and auditing in Libya.
The Gaddafi regime aimed to create its own sovereign power via a state ideology. During the nationalisation process the LAAA was created via legislation, under Law No. 116 of 1973. Despite economic growth and, to some extent, political stability brought about by the new regime, the accountancy profession in Libya did not develop as might have been expected. The LAAA was not a separate organisation; the State had to approve its actions. This unexpected turn can be connected to the interplay between sovereign power and disciplinary power. This interplay and conflict in interest resulted in the LAAA failing to create a coherent and autonomous accountancy profession in Libya. As a result, the accountancy profession continues to be undeveloped and penetrated by international accounting firms up to the present day. What we can learn from this study is that the LAAA failed to build a well-established accountancy profession in Libya.

Libyan accounting practices were not regulated through direct legislation and the major impact on accounting practices was made through the development of the Libyan Commercial Code and tax law. The past failures of the LAAA affect even current accounting practices in Libya. The LAAA was regulated by the government via direct legislation by the Law No. 116 of 1973, which gave the LAAA exclusive rights to organise the accountancy profession. The LAAA has not been able to produce accounting and auditing standards in the last four decades. As a result, accounting practices tend to be different from one company to another. On the other hand, the LAAA did protect the profession as it continued to be penetrated by the big four.

With the growing internationalisation of economic trade and the globalisation of businesses and financial markets, financial information prepared in Libya under current practices would
not be suitable to enhance the Libyan economy. This thesis calls for a reform of the accountancy profession in Libya. Government actions should be taken in order to protect Libyan accountants and to mark the end of unequal completion between the Libyan accounting firms and the big four. The World Trade Organisation (WOT) has made the accountancy profession more globally relevant than before. So, the LAAA might allow the big four to operate within Libya under strict rules. The government should assist the LAAA in its adoption of international auditing and accounting standards to improve the accountancy profession. Also, the LAAA should impose strict requirements in regards to membership. The Libyan government should enhance accounting education. As explained in the empirical chapters, the accounting education system in Libya is fragile, because of the lack of resources such as funds, lecturers, textbooks, and inadequate in terms of its co-ordination.

8.4 Reflections
The aim of this research study is to present the history of professional accountancy in Libya with particular reference to its social, political and historical context. The accountancy profession is viewed in a web of power/knowledge structures. The professional body is viewed as a body of knowledge which emerged as a result of power relations. Knowledge is a product of power relations and shifts in the form of power in a society are linked to the changes in forms of knowledge. Therefore, the history of professional accountancy in Libya was explained in the context of how power and knowledge were exercised during different periods of time. In the following section, some reflections are given on the limitations of this approach, as well as possible areas for further research.
8.4.1 Limitations of the Study
The literature on accounting history offers plenty of perspectives which establish what constitutes fact and truth. However, there is no benchmark to tell which interpretation of accounting history is the truth and/or which method is the most appropriate method to be used when studying accounting history. Thus, each method and interpretation is always open to criticism and limitations; this research study is no exception.

It is important to recognise the limitations within this research study. In this study the limitations stem from two sources. Firstly, the lack of literature pertaining to the accountancy profession in the context of Libya. Secondly, access to some archival documents was denied. For instance, the Libyan Jihad Centre for Historical Studies (LJCHS) put some restrictions on the materials made available to the public. Additionally, the archive concerning the British administration and the Ministry of Finance documents, which cover the post-independence period, were destroyed by the flood in Tripoli. They were previously located in the basement and the undamaged archival documents were moved to an undisclosed location. Finally, there are also other problems. For example, management in Libya is secretive and highly suspicious of outside inquiries, despite the researcher’s assurances that the data will be used for academic purposes only, and that the identity of participants in the research would not be disclosed. Further difficulty was encountered by the author when conducting interviews. Travelling within Libya after the Arab Spring - a revolutionary wave of demonstrations in the Arab world which began in Tunisia and spread widely throughout other Arabic countries - was a risky task, since Libya was experiencing ongoing civil war in different cities. Therefore, most of interviews were made over the phone.
8.4.2 Further Research
This study has attempted to shed light on the emergence and the development of professional accountancy in Libya. This research provides an analytical explanation of the major events which led to the emergence and the development of professional accountancy in Libya, and depicted the obstacles which are responsible for the lack of a well-established profession until now. The research explored the conditions which led towards the emergence and development of the accountancy profession in Libya which in turn contributes to a better understanding of how Libya has established and developed the accountancy profession within its particular political and socio-economic contexts.

Libya’s economy was operating domestically based on a socialist theory for a long time. During 1981, the Libyan regime took more action against the right to maintain private practices. Subsequently, all professional occupations were abolished by the government. The only occupation that was not covered by this law was accountancy. Thus, this raises an interesting question regarding how an accountant could practice accounting and auditing tasks in a country where the private sector no longer existed, and where all government owned companies were audited by the government accountancy body which had been established during the monarchy regime by the Law No. 31 of 1955, the State Accounting Bureau (SAB) (known today as the Libyan Auditing Bureau). Therefore, it will be interesting to investigate how auditing as a profession survived in the context of Libya.

Furthermore, after the Security Council lifted the sanctions on Libya in 2003, the LAAA attempted to play a leadership role in terms of organising accounting and auditing practices. However, during this period the accountancy profession was penetrated by a number of international accounting firms (the big four). It is worth mentioning that the LAAA is still
playing only a limited role to enhance and improve accounting practices. Although the LAAA introduced accounting standards, no one has used them yet. On the other hand, this obvious threat by the big four, who opened local offices in Libya and used local representatives, has led many Libyan practitioners to stop working in the accounting and auditing sector. Libyan laws restricted providing accounting and auditing services to LAAA members only. However, the big four continued to dominate the accounting market and employ non-Libyan citizens, which is considered an illegal action according to the Libyan regulations (see for example *The Law No. 116 to Organise the Accountancy Profession in Libya, 1973, The Libyan commercial Code, 1953*). Therefore, further research can properly examine the impact of the big four on accounting and auditing practices in Libya, and assess the LAAA’s efforts towards resolving this penetration to ensure that its members can continue practising accounting and auditing, and thus bring an end to unequal competition between Libyan accountants and the international accounting firms.

The regulation of professions (either self-regulation or external regulation, or a combination) is needed to provide the public interest with protection and assurance in situations where the issues are too complex for the public to be reasonably expected to look after their own interests. For instance, methods of regulation of a given profession can be instigated by governments directly via legislation, separate agencies established by government (delegated legislation), the profession/industry itself (self-regulation) and/or a combination of methods. The findings of this research suggest that the regulation of the accountancy profession in Libya falls into the first category as, since the early years, it has been regulated via direct legislation by the government. Therefore, future research could more closely evaluate and analyse the relationship between the State and the profession in the context of Libya.
During the 42 years of Gaddafi’s regime, Libya followed different economic orientations and experienced instability within institutions. All of these problems affect the performance of the accountancy profession mechanism. Therefore, in the light of a change in regime, improving the condition of professional accountancy in Libya should be considered as a priority for the Libyan government, in order to improve the Libyan economy after the Arab Spring. This can only be achieved through having a better understanding of the relationship between the State and the profession relationship in the context of Libya. Also Libya was plunged into fresh economic turmoil today; it would be interesting to examine the implications of the Arab Spring on the professional accountancy in developing countries with special case of Libya.

The aim of this research study was to present the history of Libyan professional accountancy with particular reference to its social, political and historical contexts. The history of professional accountancy in Libya was explained in the context of how power and knowledge were exercised during different periods of time. Finally, further work might develop the Foucauldian perspective and use the notion of governmentality to explore professional accountancy; this would be appropriate as it would present another layer of interpretation. Foucault argues that the emergence of the profession in modern society has been integral to ‘the notion of governmentality’.

8.5 Conclusion
The aim of this chapter is to provide a summary and conclusion of the research findings, and also discusses the contributions of this thesis to the accounting history and methodology. The limitations of this research study and further research areas were explored. This thesis attempts to examine the emergence and development of the professional accountancy in developing countries, with particular reference to the case of Libya. In this research study the
author highlighted the importance of conducting this particular study as it reveals the factors which influenced the emergence and the development of professional accountancy in Libya during different periods of time, and concludes that the accountancy profession is continued to be undeveloped. This research enriches accounting history by documenting the professionalization process in Libya. Finally, Foucauldian concept of the power and knowledge relation provides a richer picture in analysing the emergence and the development of the professional accountancy in Libya.
Appendices

Appendix 1: The first picture shows the Bank of Rome building surrounded by British military vehicles and the second picture shows the opening of the Barclays Bank.
Appendix 2: The British military currency
Appendix 3: The Banking Proclamation No. 211 of 1950.
PART I.

BANKING

PROCLAMATION No. 211

The Chief Administrator hereby Proclaims:

Article 1.

Short title.

Short title.

This Proclamation may be cited as the Banking Proclamation No. 211 of 1950.

Article 2.

Interpretation.

Interpretation. In this Proclamation unless the context otherwise requires—

« Bank » means any company, whether incorporated in Tripolitania or elsewhere, which carries on banking business in Tripolitania, but does not include a registered co-operative society.

« Banking business » means the business of receiving money on current or deposit account and the business of paying and collecting cheques drawn by or paid in by customers and the business of making advances to customers.

« Bank note » means any bill, draft or note issued by any bank for the payment of money to the bearer on demand or entitling or being intended to entitle the holder without endorsement or without any further endorsement than may exist thereon at the time of issue to the payment of any such sum of money on demand, whether the same be so expressed or not;

« Registered company » means a joint stock company (società per azioni and società a responsabilità limitata) registered under the provisions of Chapters V or VII Title V, Book Five of the civil code approved by Royal Decree No. 262 dated 16th March 1942;

« Foreign bank » means a bank having its head office in a country other than Tripolitania;

« Controller » means the Controller of Banking appointed under this Proclamation;

« Board » means the Banking Control Board appointed under this Proclamation.
Banking business to be carried on by a company.

(a) Subject as hereinafter provided no banking business shall be transacted in Tripolitania except by a registered company.

(b) Subject to the provisions of Article 24, no registered company shall carry on banking business in Tripolitania unless it is in possession of a valid licence from the Chief Administrator to do so.

The Chief Administrator may issue or cancel such licences in his absolute discretion; Provided that he shall not cancel such a licence without giving the company prior notice of his intention to do so and an opportunity of submitting a written statement in reply.

(c) Without prejudice to any provisions of the law in force relating to the registration of companies—

(i) no registered company which has as its object or one of its objects the carrying on of banking business shall be licensed unless its authorised capital (capitale sociale) is not less than MAL 14,400,000 of which not less than MAL 7,200,000 has been paid up;

(ii) no registered company having its head office outside Tripolitania which has as its object or one of its objects the carrying on of banking business shall be licensed unless it is proved to the satisfaction of the Chief Administrator that it has a paid up capital of a sum which is equivalent to not less than MAL 72,000,000.

ARTICLE 4.

Controller of Banking. (a) The Chief Administrator may appoint an officer to be the Controller of Banking, who shall exercise general supervision and control over the carrying on of banking business in Tripolitania and shall have power to call for any oral information and any books, accounts or documents of any bank and to specify a time limit within which the documents or information must be supplied.

(b) If any information, book, account or document is not supplied in accordance with any requisition under paragraph (a) of this Article, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL 25,000 in respect to every day during which the default continues. If any information, book, account or document is supplied which is false in any material particular, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL 250,000.
ARTICLE 5.

Banking Control Board.

(a) There shall be a Banking Control Board whose duties shall be to advise the Chief Administrator on any matter relating to banking business of any particular bank. The members of the Board shall be appointed by the Chief Administrator and their appointments shall be on such terms as he may think fit. The Chief Administrator may at any time determine any such appointment.

(b) The Controller shall preside over the Board.

(c) The Chief Administrator may make rules providing for the procedure to be followed at meetings held by the Board.

ARTICLE 6.

Returns to be made to the Controller of Finance and Accounts.

(a) Every bank shall furnish to the Controller of Finance and Accounts—

(i) not later than twenty-one days after the last day of each month a statement in the form set out in the first schedule to this Proclamation showing the assets and liabilities of the bank at the close of the last day of the preceding month;

(ii) not later than twenty-eight days after the last day of March and September of every year a statement in the form set out in the second schedule to this Proclamation, giving an analysis of advances current and bills discounted as at the 31st March and the 30th September, respectively;

Provided that in the case of a foreign bank the statements to which reference is made in sub-paragraphs (i) and (ii), shall comprise information only with respect to offices and branches of such foreign bank which are situated in Tripolitania;

Provided that the Chief Administrator may by regulations from time to time vary the form of the first and second schedules, and the dates at which the information required in the second schedule shall be compiled and forwarded to the Controller of Finance and Accounts.

(b) Every bank transacting any business in foreign exchange shall furnish to the Controller of Finance and Accounts not later than twenty-one days after the last day of each month a separate statement of all transactions in foreign exchange made by the bank during the preceding month. Such statement shall be made and furnished in such form as may be
prescribed from time to time by regulations made by the Controller of Finance and Accounts; Provided that the information required in such statement from a foreign bank shall be in respect of the business within Tripolitania only;

And provided further that nothing in this Proclamation shall be construed as exempting any bank from any of the provisions of the law relating to the control of foreign exchange from time to time in force.

(c) Any bank failing to comply with the provisions of paragraph (a) or paragraph (b) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL. 25,000 in respect of every day during which the default continues. If any statement is supplied which is false in any material particular, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL. 250,000.

ARTICLE 7.

Publication of balance sheets.

(a) Every bank shall—

(i) exhibit throughout the year in a conspicuous position in every office and branch of the bank in Tripolitania a copy of its last audited balance sheet.

(ii) not later than one month after the presentation of such balance sheet to the shareholders in general meeting, cause a copy thereof to be published in a daily newspaper in Tripolitania.

(b) Any bank which fails to comply with paragraph (a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL. 25,000 in respect of every day during which the offence continues.

ARTICLE 8.

Inspection on application of shareholders or depositors.

On the application

(i) of shareholders holding not less than one fourth of the total number of shares in a bank for the time being issued, or

(ii) of depositors holding deposits of the value not less than one half of the gross value of the total
deposit within Tripolitania shown in the last
half-yearly statement of a bank,
the Controller of Finance and Accounts may appoint one or
more competent inspectors to examine the affairs of such bank.

ARTICLE 9.

The application shall be supported by such evidence as
the Controller of Finance and Accounts may require for the
purpose of showing that the applicants have good reason for
requiring such investigation. The Controller of Finance and
Accounts may also require the applicants to give security for
the payment of costs of any enquiry before appointing any
inspector or inspectors.

ARTICLE 10.

Duties of banks
and powers of
inspectors.

(a) Every bank in respect of which an enquiry has been
ordered under Article 8 shall produce for the examination of
any inspector appointed to examine the affairs of the bank at
such times and places as the inspector specifies, all books,
accounts and documents in its possession or custody, or of
which it is entitled to possession or custody, relating to its
business, and shall supply all oral information concerning
its business required by the inspector within such time as
the inspector specifies.

(b) If any book, account, document or information is not
supplied in accordance with paragraph (a), the bank shall be
guilty of an offence and shall be liable on conviction to a fine
not exceeding MAL 25,000 in respect of every day during
which the default continues. If any information, book, ac-
count or document is supplied which is false in any material
particular, the bank shall be guilty of an offence and shall
be liable on conviction to a fine not exceeding MAL 250,000.

ARTICLE 11.

As soon as may be after the conclusion of the exami-
nation the inspectors shall submit a full report thereon to
the Controller of Finance and Accounts who shall forward
a copy of the report to the head office of the bank, and
shall, at the request of the persons upon whose application
the inspection was made, deliver to them or to any one of
them a copy of the report. The Controller of Finance and
Accounts shall have the power to order that all expenses of and incidental to the inspection shall be defrayed by the persons upon whose application the inspection was ordered, or that they shall be paid by the bank.

**Article 12.**

**Appointment and duties of auditors.**

(a) Every bank shall appoint annually two persons who after being approved by the Controller shall act as auditors and whose duties shall be to make a report twice a year to the shareholders of such bank upon the balance sheet and accounts and in every such report they shall state whether in their opinion the balance sheet is full and fair and properly drawn up, whether it exhibits a true and correct statement of the bank’s affairs, and, if the auditors have called for explanation or information from the officers or agents of the bank, whether they have been satisfactory.

(b) The report of the auditors shall be read together with the report of the board of management of the bank at the annual meeting of shareholders and a copy of it shall be sent to the Controller of Finance and Accounts and also shall be published in the Tripolitania Gazette not later than thirty days after it has been submitted to the meeting of the shareholders. If any default is made in complying with the requirements of this paragraph, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL 250,000.

(c) If a bank fails to appoint auditors or appoints only one auditor, the Controller of Finance and Accounts shall have the power to appoint one or two auditors as the case may be.

(d) The remuneration of the auditors, whether appointed by the bank or by the Controller of Finance and Accounts, shall be paid by the bank, and in the case of an auditor or auditors appointed by the Controller of Finance and Accounts shall be fixed by him.

**Article 13.**

*Vacancies in office of auditors.*

In case any vacancy or vacancies occur in the office of auditor, such vacancy or vacancies shall forthwith be filled by the bank with the approval of the Controller of Finance and Accounts or, if the bank shall fail to do so, by the Controller of Finance and Accounts, and paragraph (d) of Article 12 shall apply to any such appointments.
ARTICLE 14.

Persons not eligible. No person having any interest in any bank otherwise than as shareholder and no officer or agent of any bank shall be eligible for appointment as an auditor for such bank and any person appointed as auditor to any bank who shall after such appointment acquire such interest or become an officer or agent of such bank shall ipso facto cease to be such auditor.

ARTICLE 15.

Rights and powers of auditors.

(a) Every auditor shall have delivered to him within forty eight hours of his appointment by the bank or appointment by the Controller of Finance and Accounts, as the case may be, a list of all books kept by the bank. If any such list is not supplied in accordance with this paragraph, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL. 25,000 in respect of every day during which the default continues. If any list is supplied which is false in any material particular, the bank shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL. 250,000.

(b) The duties, powers and liabilities imposed and conferred by Article 10 in relation to inspectors appointed under Article 8 are hereby imposed and conferred also in relation to auditors.

ARTICLE 16.

Inspectors appointed in case of suspension of payments.

(a) In the event of any bank suspending payment or failing to comply with the provisions of Article 6 the Controller of Finance and Accounts may appoint one or more inspectors to examine the affairs of such bank.

(b) The duties, powers and liabilities imposed and conferred by Article 10 in relation to inspectors appointed under Article 8 are hereby imposed and conferred also in relation to inspectors appointed under this Article.

(c) All expenses of and incidental to such inspection shall be paid by the bank.

ARTICLE 17.

Foreign bank to appoint agent in Tripolitania.

(a) Every foreign bank shall, before commencing business in Tripolitania, lodge with the Controller a power of attorney valid under the law of Tripolitania appointing an agent in
Tripolitania. Such power of attorney shall authorise the agent to accept service of process of all suits and proceedings against the bank in Tripolitania and to accept all legal notice which may be required by law to be served on the bank.

(b) Whenever a foreign bank shall change its agent it shall lodge with the Controller a fresh power of attorney instrumented in the manner and containing all particulars prescribed under paragraph (a).

ARTICLE 18.

Foreign bank to maintain cash cover. 

(a) Every foreign bank shall maintain at all times a reserve of cash or money on short call not exceeding ten days (which cash or money shall be available under arrangements approved by the Controller) equal to not less than twenty per centum of the gross total liabilities of the bank in Tripolitania.

Any bank which at any time fails to comply with the requirements of paragraph (a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL 25,000 in respect of every day during which the default continues.

ARTICLE 19.

Restriction in use of title « bank ». 

(a) Subject to the provisions of Article 24 no person or body of persons, whether incorporated or un-incorporated, other than a bank licensed under this Proclamation shall, without the consent of the Chief Administrator, use or continue to use the word « bank » or any of its derivatives or any other word indicating to the carrying on of banking business in the name under which such person or body of persons is carrying on business.

(b) Any person or body of persons whether incorporated or unincorporated, who acts in contravention of the provision of paragraph (a) shall be guilty of an offence and liable on conviction to a fine not exceeding MAL 25,000 in respect of every day during which such an offence continues.

ARTICLE 20.

Issue and circulation of bank notes.

(a) The issue in Tripolitania of any bank notes by any bank carrying on business in Tripolitania is prohibited.

(b) No bank carrying on business in Tripolitania shall cir-
culate or cause to be circulated in Tripolitania any bank notes issued by it in any country other than bank notes which are the legal tender in Tripolitania.

(c) Any bank which shall issue or cause to be issued or circulate or cause to be circulated in Tripolitania any bank note shall be guilty of an offence and liable on conviction to a fine of MAL 10,000 for every such note.

ARTICLE 21.

Persons not eligible to take part in management of bank.

(a) No person who has been a director of, or directly or indirectly concerned in the management of a bank which has been wound up by a court, shall without the express authorisation of the Chief Administrator act or continue to act as a director of, or be directly or indirectly concerned in the management of any bank.

(b) Any person who contravenes the provision of paragraph (a) shall be guilty of an offence and liable on conviction to imprisonment for a term not exceeding two years or to a fine not exceeding MAL 250,000 or both such imprisonment and fine.

ARTICLE 22.

Unlawful exercise of banking business.

Any person or body of persons, whether incorporated or unincorporated who carries on a banking business in contravention of the provisions of Article 3 shall be guilty of an offence and liable on conviction to a fine not exceeding MAL 500,000.

ARTICLE 23.

Penalties.

(a) If any provision of this Proclamation is not complied with or is contravened in respect of any bank or if any require of any bank, then, in the case of non-compliance, the manager or person in charge of the bank in Tripolitania, if there is only one branch in Tripolitania or the manager or person in charge of the branch in Tripolitania concerned, shall be guilty of an offence and, in the case of a contravention, any officer or agent of the bank who did the act which amounted to a contravention shall be guilty of an offence.

(b) If any book, account, document or information supplied on behalf of any bank under this Proclamation or by virtue
of any requisition thereunder is false or incorrect in a material particular, any agent or servant of the bank who supplied the same shall be guilty of an offence unless he proves that he took all reasonable steps to ensure the truth and correctness of such book, account, document or information.

(c) Any person who is guilty of an offence under this Article shall be liable on conviction to imprisonment not exceeding two years or a fine not exceeding MAL 150,000 or to both such imprisonment and fine.

**Article 24.**

Banks existing in Tripolitania:

(a) Notwithstanding the provisions of Article 3, any registered company carrying on banking business in Tripolitania on the coming into force of this Proclamation may continue to carry on banking business until the happening of one of the following events:

(i) the expiration of two months from the coming into force of this Proclamation without any application having meanwhile been made by the Bank for a licence under Article 3;

(ii) the refusal to the bank of a licence under Article 3;

(iii) the cancellation of any licence granted to the bank under Article 3;

(iv) the expiration of three months from the coming into force of this Proclamation.

(b) The provisions of Article 19 shall not apply to a registered company during a period in which it is carrying on banking business by virtue of this Article.

**Article 25.**

**Saving.**

The provisions of this Proclamation shall be in addition to and not in derogation of the provisions of the civil code approved by Royal Decree No. 262, dated 16th March 1942 or any other enactment relating to or affecting any company to which this Proclamation applies.
ARTICLE 26.

Exemption. The provision of Article 136 of the penal code approved by Royal Decree No. 1398 dated 19th October 1930, shall not apply to any fine imposed on a bank under the provisions of this Proclamation.

ARTICLE 27.

Repeal. Royal Decree Law No. 1400 dated the 17th July 1937, is hereby repealed.

ARTICLE 28.

Date of coming into force. This Proclamation shall come into force on the 15th day of November 1950.
Appendix 3: A letter from the Barclays bank in Alexandria (local head office) to Tripoli branch and a list of bank's auditors.

TRIPOLI BRANCH — BANKING PROCLAMATION.

ALEXANDRIA L.H.O.'s LETTERS OF 26TH DECEMBER AND 5TH JANUARY.

Please draft a reply to Alexandria L.H.O. on the following lines :-

Application for Licence — Article 24.

It is noted that a simple letter and a certified true copy of the most recent Balance Sheet of the whole Bank will constitute application of a licence to carry on business in Tripolitania. In L.H.O's. letter to the Branch dated 29th November last, they instructed them to initiate application without delay, and it is assumed that this formality has by now been completed.

Article 7.

No comment.

Article 12.

We are pleased to learn that our present arrangements for inspection and audit satisfy the Controller and, if you have not already done so, we set out below the names and addresses of the Bank's auditors for submission to him. It is observed that he requires to be notified of subsequent changes in inspection and audit arrangements, and it would be as well to let the Inspection Department and Accountant's Department have a note of this for future reference.

Article 18.

We are glad to learn that the Controller approves of the arrangement we have whereby the Branch's favourable balance with London Office can be considered as cash.

Notes 1. You will see that this arrangement requires the approval of the United Kingdom Exchange Control and the Chief Accountants Department will, no doubt, be able to let you know whether we have this so that we can confirm the position to L.H.O.

2. Please also discuss with the Chief Accountants' Department the question of Board authority for the earmarking of investments in the name of the Foreign Office in support of this arrangement.

3. Ask L.H.O. to ascertain the Controller's wishes in regard to renewal of United Kingdom Exchange Control authority from time to time. Would it suffice if this approval was renewed at twelve-monthly intervals.
Mr. J.E. Davis

Name and addresses of the Bank’s Auditors.

Cooper Brothers & Co., 14, George Street, Mansion House, E.C.4.

A note has been made to advise Tripoli of any changes in our auditing arrangements.  C.F.S. Pringle
Appendix 4: Proclamation No. 212, the Press Law.
PART I.

THE PRESS LAW.

PROCLAMATION No. 212

The Chief Administrator hereby proclaims:—

ARTICLE 1.

Short title.

This Proclamation may be cited as the Press Law 1950.

ARTICLE 2.

Interpretation.

In this Proclamation, unless the context otherwise requires—

"Newspaper" means any paper containing public news or reports of occurrences, or any remarks or observations thereon printed for sale and published at regular or irregular intervals which do not ordinarily exceed three months;

"Printing press" includes all engines, machinery, types, lithographic stones, implements, utensils and other plant or materials used for the purpose of printing.

ARTICLE 3.

Licensing of newspapers.

(a) The Chief Secretary may if he thinks it expedient having regard to the interests of public order—

(i) issue to any person who has furnished the security hereinafter required a licence to publish a newspaper subject to such conditions as may be specified in the licence, including a condition as to the title under which the newspaper is to be published;

(ii) vary from time to time the conditions of any such licence in agreement with the licencee;

(iii) vary from time to time the conditions of any such licence by notice to the licencee,

(iv) suspend from time to time or cancel any such licence by notice to the licencee if any condition of the licence is contravened or not carried out or if the Chief Secretary is of opinion that such suspension or cancellation is expedient.

(b) A licence to publish a newspaper shall lapse if the paper to which it relates ceases to be published as a newspaper.
ARTICLE 4.

Security.

(a) The applicant for a licence to publish a newspaper shall deposit with the Controller of Finance and Accounts, the sum of MAL 50,000, or such lesser sum as the Chief Secretary may in any case authorise, by way of security for compliance by the licensee, with the requirements of this Proclamation.

(b) Where at any time the security authorised is less than MAL 50,000, the Chief Secretary may by notice to the licensee require the security to be increased to such sum not exceeding MAL 50,000, as the Chief Secretary may direct. The licence shall thereupon be deemed to be suspended until the additional security is deposited. If the licensee does not deposit the additional security within two weeks after the notice, the licence shall lapse.

(c) If any offence against this Proclamation is committed by the licensee of a newspaper, the Chief Secretary may direct—

(i) that the whole or any part of the security deposited shall be forfeited to the British Administration, Tripolitania;

(ii) if the licensee is convicted and sentenced to pay a fine, with or without imprisonment, that the fine shall be paid in whole or in part out of the security.

(d) Whenever any security has been forfeited, or appropriated to the payment of a fine, under this Article in whole or in part, the Chief Secretary shall give notice of the forfeiture to the licensee and the licensee shall thereupon made a further deposit as security equal to the amount forfeited. The licence to publish the newspaper shall be deemed to be suspended until such further deposit is made. If the further deposit is not made within two weeks after notice of forfeiture the licence shall lapse.

(e) Subject to the provision of paragraph (e) of this Article, the Chief Secretary shall cause any security to be repaid on being satisfied that the newspaper is no longer to be published by the depositor of the security.

ARTICLE 5.

Giving of notice by the Chief Secretary.

Any notice which the Chief Secretary is required or authorised by this Proclamation to give to any person may be given in such manner as the Chief Secretary considers to be best calculated to bring the matter to the notice of that person.
ARTICLE 6.

Owners, editors and printers to notify the Controller of their position.

(a) Every person who is the owner, editor or printer of a newspaper when this Proclamation comes into force shall notify the Controller of Finance and Accounts of the fact within one month thereafter.

(b) Every person who becomes the owner, editor or printer of a newspaper after the coming into force of this Proclamation shall notify the Controller of Finance and Accounts of that fact within three days after he becomes the owner, editor or printer.

(c) Any person who fails to comply with the requirements of this Article shall be guilty of an offence and shall be liable on conviction—

(i) to a fine not exceeding MAL. 10,000 for the first such offence; and

(ii) to a fine not exceeding MAL. 25,000 for a subsequent such offence.

ARTICLE 7.

Improper publication.

(a) If any newspaper is published without there being in force a licence to publish it or otherwise than in accordance with the conditions of the licence or by a person other than the licencee publisher, then—

(i) any copies of the newspaper so published shall be forfeited to the British Administration, Tripolitania;

(ii) the publisher of the newspaper shall be guilty of an offence against this Article;

(iii) the owner, editor and printer of the newspaper, and any person who provided funds for the publication, shall be guilty of an offence against this Article, unless he proves that he did not know the newspaper was to be so published and did not connive at that fact;

(iv) any person who distributes by sale or otherwise copies of the newspaper so published shall be guilty of an offence against this Article, unless he proves that he did not know the newspaper had been so published and did not connive at that fact.

(b) Any person guilty of an offence against this Article shall be liable on conviction—

(i) to a fine not exceeding MAL. 50,000 for the first such offence; and

(ii) to a fine not exceeding MAL. 100,000, or to imprisonment not exceeding one year, or to both such fine and imprisonment, for a subsequent such offence.
(c) On conviction of the printer of a newspaper for an offence against this Article, the court may order the forfeiture of the printing press at which the newspaper was published to the British Administration, Tripolitania. When a court orders the forfeiture of a printing press under this paragraph, it shall ascertain and record the value of the printing press.

ARTICLE 8.

(a) Without prejudice to anything contained in Articles 113 and 114 of the «Ordinamento di polizia per la Tripolitania e la Cirenaica» approved by Royal Decree No. 1104 dated the 6th July, 1933, the Chief Secretary may prohibit the introduction into Tripolitania, distribution, exhibition or sale of any book, newspaper or printed matter published outside Tripolitania.

(b) Any person who introduces into Tripolitania, distributes, exhibits or sells any book, newspaper or printed matter so prohibited shall be guilty of an offence against this Article and shall be liable on conviction—

(i) to a fine not exceeding MAL. 50,000 for the first such offence; and

(ii) to a fine not exceeding MAL. 100,000 or to imprisonment not exceeding one year, or to both such fine and imprisonment, for a subsequent such offence.

(c) Any book, newspaper or printed matter introduced, distributed, exhibited or sold contrary to the prohibition under paragraph (a) of this Article shall be forfeited to the British Administration, Tripolitania.

ARTICLE 9.

(a) When any copies of any book, newspaper or printed matter are declared forfeit by this Proclamation any member of the Tripolitania Police Force may seize the same wherever found.

(b) When any copies of any book, newspaper or printed matter are declared forfeit by this Proclamation any penal court may issue a warrant to enter upon, and search for such property in any premises—

(i) where any such property may be or may be reasonably suspected to be; or

(ii) where any copy of such book, newspaper or printed matter is kept for publication, distribution, public exhibition or sale or reasonably suspected to be so kept.
(c) Every warrant issued under this Article shall, so far as it relates to a search, be executed in manner provided for the execution of search warrants.

ARTICLE 10.

The Controller of Customs and Excise or any customs officer authorised by the Controller of Customs and Excise or any other official authorised by the Chief Secretary may open and examine any book, newspaper or printed matter introduced into Tripolitania, the introduction of which is prohibited under Article 3 or any package introduced into Tripolitania which he suspects to contain any such book, newspaper or printed matter.

ARTICLE 11.

Postal official may open and examine certain articles.

Any postmaster or official duly authorised by the Director of Posts and Tele-communications may open and examine any article which he suspects to contain any book, newspaper or printed matter which is declared to be forfeit by this Proclamation.

ARTICLE 12.

Saving.

Nothing herein contained shall prevent any person from being prosecuted under any law for any act or omission which constitutes an offence under this Proclamation or from being sued in any civil court by an aggrieved person.

ARTICLE 13.

Name of publisher etc. to be printed.

(a) Every copy of a newspaper shall bear the name of the publisher, printer and editor and the date and place of publication.

(b) Any person who publishes or edits or assists in any manner in the publication or edition of any copy of a newspaper which does not comply with the requirements of this Article shall be guilty of an offence against this Article and shall be liable on conviction —

(i) to a fine not exceeding MAL. 10,000 for the first such offence; and

(ii) to a fine not exceeding MAL. 25,000 for a subsequent such offence.
ARTICLE 14.

Delivery of copies to Chief Secretary. Any publisher of a newspaper shall at the time of distribution deliver two copies of each issue to the Chief Secretary or a person deputed by him for this purpose. Any person who commits a breach of this Article shall be guilty of an offence and shall be liable on conviction to a fine not exceeding MAL 1,000.

ARTICLE 15.

Official communications. (a) Any editor shall publish textually free of charge in the issue or issues specified by the Chief Secretary or a person deputed by him any official communication sent to him for publication by or on behalf of the Chief Administrator.

(b) Any editor who fails to comply with the requirements of this Article shall be guilty of an offence against this Article and shall be liable on conviction—

(i) to a fine not exceeding MAL 50,000 for the first such offence; and

(ii) to a fine not exceeding MAL 100,000, or to imprisonment not exceeding one year, or to both such fine and imprisonment, for a subsequent such offence.

ARTICLE 16.

Official denial, etc. (a) Any editor shall publish free of charge any official denial, correction or explanation of any statement in the newspaper, and such denial, correction or explanation shall be published in the first issue of the newspaper after receipt thereof, in a position as prominent as that in which the statement denied, corrected or explained was printed.

(b) Any editor who fails to comply with the requirements of this Article shall be guilty of an offence against this Article and shall be liable on conviction—

(i) to a fine not exceeding MAL 50,000 for the first such offence; and

(ii) to a fine not exceeding MAL 100,000, or to imprisonment not exceeding one year, or to both such fine and imprisonment, for a subsequent such offence.

ARTICLE 17.

Application of law to printed matters already in existence. Any person who is required by this Proclamation to take out a licence or deposit security shall in respect of a newspaper already in existence, apply for the licence and deposit the security within one month after the coming into force of this Proclamation.
ARTICLE 18.

Power of the Chief Secretary to make Regulations.

The Chief Secretary shall have power to make from time to time Regulations for the carrying out of the provisions of this Proclamation, and, if he shall see fit, for imposing fees to be paid in respect of issue or alterations of licences under this Proclamation.

ARTICLE 19.

Repeal.

The following decrees of the Governor of Tripolitania are hereby repealed:

(i) No. 125A dated 28th January, 1922;
(ii) No. 276A dated 29th March, 1926;
(iii) Decree dated 3rd February, 1928.

ARTICLE 20.

Date of coming into force.

This Proclamation shall come into force on the 25th day of November 1950.

Dated at Tripoli this 25th day of November 1950.

T. R. BLACKLEY,
Chief Administrator.

GERMAN PRISONERS OF WAR (REPEAL)

PROCLAMATION No. 213

The Chief Administrator hereby proclaims:

ARTICLE 1.

Repeal.

German Prisoners of War Proclamation No. 168 dated the 8th October 1947, is hereby repealed.

ARTICLE 2.

Date of coming into force.

This Proclamation shall come into force on the 25th day of November 1950.

Dated at Tripoli this 25th day of November 1950.

T. R. BLACKLEY,
Chief Administrator.
Appendix 5: The Libyan Currency Law No. 4 of 1951 and its amendment.
LAW NO. 4.

LIBYAN CURRENCY LAW.

It is hereby enacted by the Provisional Government of the United Kingdom of Libya—

1. This Law may be cited as the Currency Law.

2. A Libyan Currency Commission (hereinafter called "the Commission") is hereby created. It shall be a body corporate and may sue and be sued in its own name.

3. (1) The Commission shall consist of a Chairman appointed by the Provisional Government of the United Kingdom of Libya (hereinafter called "the Government") and seven members appointed by the Government and nominated as follows—

(a) two Libyan members nominated by the Government, of whom one so nominated shall act as Chairman in the absence of the Chairman appointed by the Government;
(b) two British nationals nominated by the Bank of England;
(c) one Egyptian national nominated by the National Bank of Egypt;
(d) one French national nominated by the Bank of France;
(e) one Italian national nominated by the Bank of Italy.

(2) During the temporary absence of any member, the Government may appoint a person to act during such absence in his place. Such person shall be nominated in the same way as the member whose place he takes.

(3) The quorum of the Commission shall consist of five members, including the Chairman or Acting Chairman. Of these five members, two shall be the Libyan members.

(4) The Chairman or Acting Chairman and the members shall each have one vote. In the event of the votes being equal the Chairman or Acting Chairman shall have a casting vote.

(5) The Chairman and members shall be appointed for a term of three years and shall be eligible for re-appointment. They shall receive such remuneration as the Government may determine.

4. The Commission shall have its legal seat in Libya but may at its discretion hold meetings outside Libya. It shall have in Libya officials, to be called "Currency Officers" who shall be appointed by it with the approval of the Government. The remuneration of such Currency Officers shall be fixed by the Commission. The Commission may appoint as its Currency Agents a bank or banks operating in Libya and may fix the remuneration of such agents.

5. The Commission may—

(a) appoint such other officers and incur such expenditure as may be necessary for the performance of its duties;
(b) fix rates of remuneration for its officers.

6. It shall be the duty of the Commission—

(a) to discharge any liabilities incurred by the Preparatory Currency Committee;
(b) to make all necessary arrangements for the minting of Libyan coins and the printing of Libyan Currency notes for circulation in Libya;
(c) to make the necessary arrangements for the issue and re-issue of such coins and currency notes, for the cancellation of Libyan currency notes which have become unfit for further use, for the destruction of cancelled currency notes, and for such record of the issue and cancellation of currency notes as it may determine;
(d) to make the necessary arrangements for the safe custody of unissued stocks of currency and for the preparation, safe custody and cancellation of plates for the printing of currency notes;
(e) to establish a Currency Reserve Fund and to maintain the Fund so as to ensure the redemption of the currency;
(f) to credit to the Currency Reserve Fund the sterling or other currencies received against the issue of currency notes and coins, and to debit to the Fund payments made against the redemption of notes and coins;
(g) to establish a Currency Fund Income Account and to credit thereto all revenue of the Commission other than currencies received against the issue of currency notes and coins, and to debit thereto any expenditure which may be incurred other than in the redemption of currency notes and coins. After provision for all contingencies the Commission shall, after the end of each financial year, pay any surplus on the Currency Fund Income Account to the Currency Reserve Fund;
(h) to invest its assets in sterling securities of or guaranteed by the Government of the United Kingdom or Great Britain and Northern Ireland or any part of the Dominions, as the Commission may approve except such portion as the Commission may decide to retain in cash, or invest in the securities of, or guaranteed by, other Governments, having previously secured the consent of the competent authorities of the Governments concerned. At no time may holdings of assets in currencies other than sterling exceed...
twenty-five per cent. of the total reserve. If the amount of the liquid portion of the Fund shall be insufficient to meet payments falling due under this Article, it shall be lawful for the Commission to borrow on the security of any of the investments of the Commission such sums as may be necessary for meeting any of the payments so falling due; (1) generally to do all things that may be lawful and necessary to carry out the purposes of this Law.

Contracts of the Commission.

7. (1) Any contract necessary for performance of the duties of the Commission may be made by the Commission or by any person acting under its authority.

(2) Any written contract made by the Commission shall be signed by any two members of the Commission or by one member together with any person duly authorised by the Commission.

(3) Any written contract made by a person acting under the authority of the Commission shall be signed by such person.

Finance of Commission.

8. Advances may be made to the Commission from the general revenues of the Government to meet preliminary expenses incurred in the preparation, transport, and issue of currency notes and coin. All sums so received shall be repaid to the general revenues of the Government with interest thereon at such rate as may be agreed between the Commission and the Government.

Surplus Funds.

9. When the Commission is satisfied that its assets are more than sufficient to ensure the redemption of the currency as provided for herein at a ratio of 100 per cent., as well as to provide a sufficient reserve against the depreciation of its assets and to provide for exceptional expenditure, the Commission may make such payments as is deemed prudent out of the Currency Reserve Funds to the public revenues of Libya.

Standard currency.

10. The standard of currency in Libya shall be the Libyan pound. The Libyan pound shall be divided into one hundred piastres and each piastre into ten milliemes. The par value of the Libyan pound is defined as 2.48880 grams of fine gold.

Deals to be based on standard currency.

11. Every contract, sale, payment, bill, note, instrument and security for money, and every transaction, dealing, matter and thing whatsoever relating to money or involving the payment of, or the liability to pay, any money shall, in the absence of expressed agreement to the contrary, be deemed to be made, executed, entered into, done and had in Libya according to the standard of currency established by this Law.

Previous transactions.

12. Every transaction relating before the coming into force of this Article and representing a liability to pay, after the coming into force of this Article, money in Cyprian or Egyptian pound currency or money in Tripolitanian or Military Authority Lire currency shall be held to have been entered into in the currency established by this Law at the rate of 430 Military Authority Lire to one Libyan pound where the liability is to pay money in Military Authority Lire currency, and at the rate of exchange, as fixed by the Commission, with the approval of the Government, for the day on which payment is made when the liability is to pay money in Egyptian pound currency or African franc currency.

Interpretation of legislation.

13. (1) In any Tripolitanian legislation in force on the coming into force of this Article, references to Military Authority Lire currency shall be construed as references to the currency established by this Law, calculated at the rate of 430 Military Authority Lire to one Libyan pound.

(2) In any legislation in force on the coming into force of this Article in Cypria and the Fiume, references to Egyptian pound currency and African franc currency shall be construed as references to the currency established by this Law, calculated at the rate of exchange, as fixed by the Commission with the approval of the Government, for the day on which payment contemplated by the legislation is made.

Form, etc. of currency notes and coins.

14. (1) Currency notes issued by the Commission shall be of the following denominations, namely ten Libyan pounds, five Libyan pounds, one Libyan pound, half a Libyan pound, quarter of a Libyan pound, ten Libyan piastres and five Libyan piastres.

(2) Coins issued by the Commission shall be of the following denominations, namely two Libyan piastres, one Libyan piastre, five Libyan milliemes, two Libyan milliemes and one Libyan millieme.

(3) Currency notes and coins issued by the Commission shall be of such form and bear such devices and shall be authenticated in such manner as shall be determined by the Government on the recommendation of the Commission.

(4) The standard weight and composition of coins issued by the Commission and the amount of remedy and variation from standard weight and composition shall be determined by the Government on the recommendation of the Commission.

Legal tender —notes.

15. Each currency note issued by the Commission shall be legal tender for the payment of the amount of its denomination. Such currency notes shall be cumulatively legal tender up to any amount.

Recovery on notes lost, stolen, etc.

16. No person shall be entitled to recover from the Commission the value of any lost, stolen, mutilated or imperfect currency note. The circumstances in which, and the conditions and limitations subject to which, the value of lost, stolen, mutilated or imperfect currency notes may be refunded as of grace shall be within the absolute discretion of the Commission.

Legal tender —coins.

17. (1) Coins issued by the Commission shall be legal tender in Libya up to a value of one pound. Coins shall be accepted by all Treasury Offices in Libya without limitation of amount.

(2) Each coin shall be legal tender for the amount of its nominal value provided that the coins have not been illegally dealt with.
18. For the purpose of this document a coin shall be deemed to have been illegally dealt with if the coin has been impaired, diminished or lightened, otherwise than by fair wear and tear, or has been deduced by stamping, engraving or piercing, whether the coin has or has not been thereby diminished or lightened.

Any coin which has ceased to be legal tender or which has been illegally dealt with, or is below the legal current weight may be called in, cut, broken or destroyed under conditions to be laid down by the Government on the recommendation of the Commission.

19. Any coins and currency notes, other than those issued by the Commission, which are legal tender in Libya shall cease to be so as if a Law is made to that effect by the Government at any time.

20. Without prejudice to any legislation existing at any time pertaining to exchange controls and subject to any provisions in force for the time being under Articles 22 and 24, the Commission shall on demand issue currency notes and coins in Libya against payment in sterling in London at the rate of one Libyan pound for one pound sterling; provided that the Commission may charge a commission the rate of which may be fixed by it; provided also that different charges may be made on telegraphic or mail orders and provided also that the commission shall in no case exceed one penny per cent. The Commission shall publish in the Government Gazette the rate of commission together with the minimum amount to be accepted for such transactions.

21. Without prejudice to any legislation existing at any time pertaining to exchange controls, the Commission shall receive currency notes and coins tendered to the Commission’s agents in Libya and issue, when required in exchange for them, mail or telegraphic transfers payable in sterling in London at the rate of one pound sterling for one Libyan pound provided that the Commission may charge a commission the rate of which may be fixed by it or that different charges may be made on mail or telegraphic transfers and provided also that the commission shall in no case exceed one per cent. The Commission shall publish in the Government Gazette the rate of commission together with the minimum amount to be accepted in such transactions.

22. If, for any reason, transfer between pound sterling and other currencies than sterling in the reserves becomes impossible, and providing that the Libyan exchange control will permit remittance in other currencies, the Commission may sell such other currencies, from its currency cover against tender of Libyan currency and buy these other currencies for its currency cover up to the limit of the percentage specified in Article 6 (b).

23. The amount required for the redemption of notes and coins under Article 21 shall be provided in the first place from the reserve and securities in the hands of the Commission. Should this prove to be insufficient the balance required shall be a charge on the general revenues of the Libyan Government.

24. The Commission shall make such arrangements as may be necessary for the issue of Libyan currency notes and coins sufficient for the redemption of Military Authority Loan currency, Egyptian pound currency, and Algerian franc currency, over a period of not less than three months beginning on each date as it may fix by notice in the Government Gazette for the coming into force of this Article. The rate of exchange for Military Authority Loan shall be 800 Military Authority Loan to one Libyan pound. The rate of exchange for Egyptian pound currency and Algerian franc currency shall be fixed in force, as fixed by order of the Commission with the approval of the Government, on the date this Article comes into force, provided that the Commission may, with like approval, at any time while the Libyan pound, the Egyptian pound, and the Algerian franc remain concurrently legal tender, vary the respective rates of conversion and exchange of these currencies by notice in the Gazette.

25. (1) The financial year of the Commission shall be from the Ist April to 31st March of the following year.

(2) The Commission shall submit to the Government and also cause to be published in the Government Gazette a half-yearly statement showing the amount of currency notes and coins in circulation and the position of the Currency Reserve Fund and the Currency Fund Income Account as at the last day of the half year, including the nominal value of, the price paid for, and the latest market price of the securities forming the investment portion of the Fund. The Commission shall also submit annually to the Government a Report of its transactions for the year.

26. The books and accounts of the Commission shall be audited once in every year by an auditor appointed by the Government in consultation with the Commission.

27. The Minister of Finance may from time to time examine the financial affairs of the Commission for the purposes of ensuring—

(a) that appropriate measures have been taken for the registration of issued notes and coins;

(b) that the safeguarding of unissued notes and coins;

(c) that the numbers of notes and coins held by the Commission agree with the records; and

may give such directions to the Commission as he may deem appropriate for these purposes.

28. (1) Articles 1, 2, 3, 4, and 5, paragraphs (c) and (d) of Article 6 and Article 7 shall come into force immediately.

(2) The remaining provisions of this Law shall come into force on such date, not being earlier than the proclaimed date of Libyan independence, as the Government may by order determine.

Dated at Tripoli this 23rd day of Moharram, 1371 corresponding to the 26th day of October, 1952.

MAHMUD AL MUNITASSER.
ROYAL DECREES

AMENDING THE CURRENCY LAW, NO. 4 OF 1951

HAVING Seen Article 64 of the Constitution
Acting on what the Prime Minister has submitted to us,

NOW, therefore We, Idris the first, King of the United Kingdom of Libya, hereby issue the following
Decree:

ARTICLE 1.

Article 64 of the Currency Law is amended by deleting the words "over a period of not less than three months, beginning on such date as it may fix by notice in the Government Gazette for the coming into force of this Article" and substituting the words "over such periods as it may appoint by notice in the Government Gazette."

ARTICLE 2.

Coins and currency notes, other than those issued by the Currency Commission, shall cease to be legal tender in Libya on such dates as the Commission shall appoint by notice in the Government Gazette.

ARTICLE 3.

When appointing any period or date under this Decree the Commission may appoint different periods or dates in different cases.

ARTICLE 4.

This Decree may be cited as the Currency Decree, 1952, and shall come into force forthwith.

ARTICLE 5.

The Prime Minister shall put into effect this Decree.

Given at Kasr Al Manar 8th Jumada Thania 1371—corresponding to 4th March, 1952.

IDRIS.

By Order of H.M. the King

MAHMUD MUNITASSHER,
Prime Minister.

MANSOUR GADDAFA.
No. 14—CURRENCY.

Under Article 26 of the Currency Law, 1952, the Government has ordered that the provisions of the Currency Law not yet in force shall come into force on the 24th day of March, 1952.

MANSOUR GADDARA,
Minister of Finance.

14th March, 1952.

No. 15—CURRENCY.

1. Under Article 24 of the Currency Law, 1951, as amended by the Currency Decree, 1953, the Currency Commission has appointed the following periods for the redemption of existing currencies:
   (a) Trigalat. Redemption shall begin on the 24th March, 1952 and end on the 24th June, 1952.
   (b) Cyrenaica. Redemption shall begin on the 24th March, 1952 and end on the 25th April, 1952.
   (c) The Fezzan. Redemption shall begin on the 24th March, 1952 and end on the 19th April, 1953.

2. Under Article 2 of the Currency Decree, 1952, the Currency Commission has appointed the following dates on which all existing coins and currency notes other than coins and notes issued by the Commission shall cease to be legal tender in Libya, namely:
   (a) In Tripolitania on the 24th June, 1952.
   (b) In Cyrenaica on the 23rd April, 1953.
   (c) In the Fezzan on the 19th April, 1953.

SALEM SHARMUT,
Member of Currency Commission.

14th March, 1952.

No. 16—CURRENCY.

Under Articles 12, 13 and 24 of the Currency Law, 1951, the Currency Commission with the approval of the Libyan Government has ordered that for the purposes of Articles 12 and 13 of the Currency Law, and for the purposes of the redemption of coins and currency notes under Article 24 of the Law, the rate of exchange of the Egyptian pound and the Algerian franc into Libyan pounds shall be:
   (a) 97½ Egyptian Pounds — one Libyan pound.
   (b) 98½ Algerian Francs — one Libyan pound.

MANSOUR GADDARA,
Minister of Finance.

SALEM SHARMUT,
Member of Currency Commission.

14th March, 1952.

No. 17—CURRENCY.

The Currency Commission has ordered under Articles 20 and 21 of the Currency Law, 1951, that a commission of ¼% shall be payable to the Currency Commission under these Articles for the issue of Libyan pounds against pounds sterling and vice versa; and has fixed the minimum amount to be accepted at pounds sterling ten thousand and pounds Libyan ten thousand.

14th March, 1952.

SALEM SHARMUT,
Member of Currency Commission.
Appendix 6: The Law No. 30 of 1955, establishing the National Bank of Libya.
LAW No. 30 of 1955

ESTABLISHING THE NATIONAL BANK OF LIBYA

The Senate and the House of Representatives have passed the following Law establishing the National Bank of Libya, which

WE, IDRIS THE FIRST, King of The United Kingdom of Libya, have sanctioned and do hereby promulgate:

PART I

GENERAL

ARTICLE 1.

This Law may be cited as the National Bank of Libya Law.

ARTICLE 2.

In this Law, unless inconsistent with the context, « the Bank » means the National Bank of Libya established by this Law; « the Government » means the Federal Government of the United Kingdom of Libya; « the Minister » means the Minister of Finance of the Federal Government of the United Kingdom of Libya; « the Board » means the Board of Directors.

ARTICLE 3.

A bank, to be called « The National Bank of Libya », is hereby established. It shall be a body corporate and may sue and be sued in its own name. It shall adopt a Common Seal.

ARTICLE 4.

The operations of the Bank shall be governed by the provisions of this Law.

ARTICLE 5.

The Bank shall have joint chief offices in Benghazi and Tripoli. It may open branches or agencies and appoint correspondents in accordance with the decision of the Board and with the approval of the Minister.

ARTICLE 6.

The general objects of the Bank shall be to regulate the issue of bank notes and coin, to keep reserves with a view to maintaining monetary stability in Libya and the external value of the Libyan pound, to influence the credit situation to the Kingdom’s advantage and to act as banker to the Government, and to the Provincial Administrations.
PART II
CAPITAL AND RESERVES

ARTICLE 7.

The authorised capital of the Bank shall be £1,000,000 of which £500,000 shall forthwith be subscribed and paid by the Government of Libya. Such part of the remaining £500,000 may be offered for subscription by the public at such time and in such manner as the Board, in agreement with the Government, shall deem appropriate. Such capital shall be in the form of fully paid ordinary shares or stock.

ARTICLE 8.

At the end of the Bank’s financial year, after allowing for the expenses of operation and after provision has been made for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and such other contingencies as are usually provided for by banks, the whole of the net profits of the Bank (excluding any transfers made by the Issue Department to the Government under Article 29 (iv)) shall be credited to a General Reserve Fund until such time as this Fund amounts to 50 per cent of the capital; provided that if there has been a public subscription of part of the capital, an amount of profit may if the Board decides first be allocated for a dividend, not exceeding 30 per cent, on such capital.

ARTICLE 9.

When the General Reserve Fund reaches 50 per cent of the capital or more but does not reach 100 per cent of the capital, and after allowing for any dividend provided for in Article 8, 25 per cent of the remaining net profits shall be credited to the General Reserve Fund. The remaining net profits shall be paid to the Government.

ARTICLE 10.

When the General Reserve Fund reaches 100 per cent of the capital or more but does not reach twice the capital, and after allowing for any dividend referred to in Article 8, the proportion of the remaining net profits allocated to the General Reserve Fund shall be reduced to 10 per cent and the remainder shall revert to the Government.

ARTICLE 11.

When the General Reserve Fund reaches twice the capital or more, and after allowing for any dividend referred to in Article 8, the whole balance of the net profits shall revert to the Government.
PART III

ADMINISTRATION

ARTICLE 12.

The general administration of the affairs and business of the Bank shall be entrusted to a Board of Directors which may exercise all powers and do all acts of the Bank. The Board shall make regulations not inconsistent with the provisions of this Law for the good order and management of the Bank. These regulations shall include the basic provisions relating to conditions of service and discipline of the staff, and shall be submitted to the Minister and shall come into force after his approval and on their publication in the Official Gazette. The Board shall also make rules and detailed dispositions relating to the remuneration and conditions of service; provided that they are not inconsistent with the aforesaid regulations.

ARTICLE 13.

The Board shall consist of a Governor, a Deputy Governor, and five other Directors. An additional Director may be elected under Article 16 (i). The Governor shall preside over the Board.

ARTICLE 14.

The Governor of the Bank, or in his absence, the Deputy Governor, shall on behalf of the Board, be in permanent control of the administration of the affairs and business of the Bank with authority to give decisions and exercise all powers and do all acts which within the limits prescribed by this Law and the regulations may be exercised or done by the Bank. The Governor and the Deputy Governor shall be answerable to the Board for their acts and decisions.

ARTICLE 15.

(i) The Governor and Deputy Governor shall be persons of recognised financial experience and shall be appointed by Royal Decree on the submission of the Minister and with the approval of the Council of Ministers.

(ii) They shall remain in office for a period of five years, and shall be eligible for re-appointment: provided that the initial appointment of the first Deputy Governor shall be for a period of three years.

(iii) They shall devote the whole of their time to the service of the Bank and while holding office shall not occupy any other position, in Libya or abroad, whether salaried or not.

(iv) They shall be entitled to receive such salaries and allowances as the Board, subject to confirmation by the Minister, may from time to time determine; provided that they shall not be remunerated wholly or partly by any form of commission, and that the salaries and allowances payable to them shall not be computed by reference to the net profits of the Bank; and provided further that such salaries and allowances shall not be decreased during the term of their appointment.

(v) In the event of the death or absence of the Governor or Deputy Governor during their term of office, the chief executive officer of the Bank shall discharge the duties of the Deputy Governor; in the event of death until a new appointment of a Governor or Deputy Governor as the case may be, or, in the event of absence for the period of such absence. While
deputising for the Deputy Governor, the chief executive officer shall act as an ex-officio member of the Board.

ARTICLE 16.

(i) The five other Directors of the Bank shall be appointed by the Council of Ministers on the submission of the Minister. They shall be persons of experience who are or have been actively engaged in commerce, finance, agriculture or industry. In the event of there being a public subscription of capital as provided in Article 7, one additional Director shall be appointed in the aforesaid manner, from a panel of names nominated by the shareholders.

(ii) The period of office on the Board shall be for three years; provided that on the appointment of the five Directors for the first time one shall be appointed for one year and two for two years. They shall be eligible for re-appointment.

(iii) The five other Directors, or the six other Directors, as the case may be, shall be entitled to such fixed fees and allowances as the Board, subject to confirmation by the the Minister, may decide; provided that they shall not be remunerated wholly or partly by any form of commission and that such fees or allowances shall not be computed by reference to the net profits of the Bank.

ARTICLE 17.

(i) If the Governor or the Deputy Governor or any other member of the Board dies or resigns or otherwise vacates his office before the expiry of the term for which he was appointed, another person shall be appointed for the unexpired period of the term of office.

(ii) The Governor and his Deputy and all other Directors shall declare to the Board on appointment any stocks or shares which they may hold in companies or other commercial concerns, and shall also declare any alterations in such holdings.

(iii) No person shall be appointed a member of the Board who is a member of Parliament or of any legislative assembly or who holds any public office. If a member of the Board becomes a member of, or a candidate for election to, Parliament or any legislative assembly or becomes a salaried public officer in the Government or any of the Provinces, he shall forthwith cease to be a member of the Board. Neither the Governor nor his Deputy nor any other member of the Board shall be shareholders in the Bank or any other Bank. No member of the Board shall be a relative of the fourth degree of any other member of the Board.

(iv) Without prejudice to the provisions of Section (iii) of this Article, a Governor, Deputy Governor or any other member of the Board shall forthwith cease to be a member of the Board—

(a) if he is incapacitated through illness or otherwise from carrying out the duties of a member for six successive months, unless the Board otherwise decides;

(b) if he becomes bankrupt or suspends payment or compounds with his creditors;

(c) if he be convicted of a felony or a fraud.
ARTICLE 18.

The Governor, or in his absence the Deputy Governor, shall summon meetings of the Board as often as may be required but not less frequently than once a month and shall take the chair at such meetings. A quorum shall consist of four members and, unless otherwise provided, decisions shall be adopted by a simple majority of the votes of the members present. In the case of an equality of votes, the Chairman shall have a casting vote.

PART IV

STAFF OF THE BANK

ARTICLE 19.

The staff of the Bank shall be appointed by and may be dismissed by the Governor in accordance with the Regulations and acting on the advice of the Deputy Governor.

ARTICLE 20.

Appointments shall be made only to positions created by a decision of the Board. The number of persons employed on the Bank's staff, of any rank or category whatsoever, shall be fixed by the Board in accordance with the necessities which may arise.

ARTICLE 21.

The Bank's officials and other employees shall be pledged to secrecy with regard to all transactions and business of the Bank.

ARTICLE 22.

The Bank's officials and other employees shall receive their salaries, pensions, or any other remuneration, on terms laid down by the Board, provided that they shall not be remunerated wholly or partly by any form of commission and that the salaries, pensions or any other remuneration payable to them shall not be computed by reference to the net profits of the Bank.

ARTICLE 23.

The Bank's officials and other employees shall devote their whole time to the service of the Bank and shall not engage in business for their own account; provided, however, that the Board may, at its discretion, employ part-time advisers for particular purposes and for specific periods of time.
PART V

OPERATIONS OF THE BANK

ARTICLE 24.

The Bank may:

(i) Issue notes and coin in accordance with the provisions of this Law.

(ii) Issue demand drafts and other kinds of remittances made payable at its own offices or agencies.

(iii) Purchase and sell gold coin or bullion.

(iv) Accept money on deposit or current account.

(v) Purchase, sell, discount and rediscount inland bills of exchange and promissory notes, arising out of bona fide commercial transactions, bearing two or more good signatures and maturing within ninety days.

(vi) Purchase, sell, discount and rediscount inland bills of exchange and promissory notes bearing two or more good signatures, drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within six months; provided that this category of inland bills and notes shall not exceed 50 per cent of the total amount of the Bank’s portfolio of inland bills and notes.

(vii) Purchase, sell, discount and rediscount Treasury Bills of the Federal Government which have been publicly offered for sale and maturing within three months.

(viii) Purchase and sell securities of the Federal Government which have been publicly offered for sale and maturing within a period of ten years provided that the amount invested in such securities (not, however, including any amount so invested on behalf of staff pension or other internal funds of the Bank) or held as collateral under (viii) (b) of this Article shall not together exceed at any time four times the paid-up capital and reserve funds of the Bank.

(ix) Undertake the issue and management of loans of the Federal Government publicly issued within Libya.

(x) Purchase and sell foreign currencies, and purchase, sell, discount and rediscount bills of exchange (including Treasury Bills) drawn in or on any place in any foreign country and maturing within ninety days.

(xi) Act as correspondent or agent for any bank, including any international bank, or international monetary authority.

(xii) Grant advances for fixed periods not exceeding three months against publicly issued Treasury Bills of the Federal Government maturing within three months.

(xiii) Grant advances for fixed periods not exceeding three months at a minimum rate of interest at least one per cent above the bank’s official rediscount rate for three months’ bills against the following securities—

(a) gold coin or bullion;

(b) publicly issued securities of the Federal Government maturing within ten years: provided that no such advance shall exceed 60 per cent of the market value of the security pledged and that the total of such securities is within the limitations of section (viii) of this Article;
(c) such bills of exchange and promissory notes as are eligible for purchase, discount or rediscount by the Bank up to 60 per cent of their nominal value;

(d) warehouse warrants or their equivalent (securing possession of the goods in question) in respect of staple commodities or other goods duly insured and with a letter of hypothecation from the owner; provided that no advance shall exceed 60 per cent of the current value of the commodities in question.

(xiv) Grant overdrafts secured as in (xiii) of this Article.

(xv) Accept from customers, under satisfactory instructions from such customers, the custody of securities and other articles of value.

(xvi) Undertake, on behalf of the Government and other customers and overseas banking correspondents, the purchase and sale, collection and payment of securities, currencies, and credit instruments, at home or abroad and the purchase or sale of gold or silver.

(xvii) Promote the establishment of a Clearing system and give facilities for the conduct of its business in premises belonging to the Bank.

(xviii) Act as agent of the Government under the Exchange Control Law and perform any functions entrusted to the Bank under the Banking Law or any other law for the time being in force.

(xix) Do, generally, all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Law.

**Article 25.**

The Bank shall, at all times, make public its minimum rate for rediscounts.

**Article 26.**

The Bank may not—

(i) Grant accommodation to the Government either directly except as provided in Article 40, or indirectly, except as provided in Article 24 (vii), (viii), (xii) and (xiii) (b), by way of discounts, rediscounts, advances, overdrafts, purchase of Treasury Bills, bonds or other Government securities, or otherwise.

(ii) Engage in trade or otherwise have a direct interest in any commercial, agricultural, industrial or other undertaking, except such interest as the Bank may in any way acquire in the course of the satisfaction of debts due to it provided that all such interests shall be disposed of at the earliest favourable moment.

(iii) Purchase the shares of any banking company or of any other company, or grant loans upon the security of any shares.

(iv) Except as provided in Article 40, grant unsecured advances or overdrafts, or advances and overdrafts secured otherwise than as laid down in Article 24 (xii), (xiii) and (xiv), except that, in the event of any debts due to the Bank becoming in the opinion of the Board endangered, the Bank may secure itself on any real or other property of the debtor and may acquire such property which shall, however, be resold as soon as practicable thereafter.
(v) Purchase, acquire or lease real property except as provided in section (iv) of this Article and except so far as necessary for its own business premises and, if satisfactory accommodation is not otherwise available, residences for the Governors, officials and employees.

(vi) Draw or accept bills payable otherwise than on demand.

(vii) Allow the renewal or substitution of maturing bills of exchange, purchased, discounted or rediscounted by, or pledged to, the Bank, save in exceptional circumstances when the Board may by resolution authorise one renewal or one substitution only of not more than 50 per cent of the original amount of any such bill for a period not exceeding 90 days.

(viii) Allow interest on current accounts unless agreed upon by the Board subject to the approval of the Minister.

(ix) Accept for discount or as guarantee for an advance made by the Bank, bills or notes signed by the Bank's officials or other employees.

PART VI

CURRENCY ISSUE

Article 27.

The Bank shall have the sole right of issuing bank notes and coin throughout Libya and at no time shall the Federal Government or any Provincial Administration or any Municipality, bank or other institution issue currency notes, bank notes or coin or any documents which in the opinion of the Bank are likely to pass as legal tender.

Article 28.

(i) The issue of bank notes and coin shall be conducted by the Bank in an Issue Department, the accounts and transactions of which shall be kept separate and distinct from the other accounts and transactions of the Bank. All the expenses arising from the provision, issue and redemption of bank notes and coin shall be a first charge on the income of the Issue Department.

(ii) The Issue Department shall—

(a) arrange for the printing of Libyan bank notes and the mintage of Libyan coins for circulation in Libya;

(b) issue, re-issue and redeem such bank notes and coin;

(c) arrange for the safe custody of unissued stocks of currency and for the preparation, safe custody and destruction when no longer needed of plates for the printing of bank notes, and of dies for the mintage of coin.

(iii) The Issue Department shall not issue bank notes or coin to other departments of the Bank or to any other person except in exchange for other Libyan bank notes or coin of equal value or for such assets as are permitted to form part of the assets of the Issue Department.
ARTICLE 29.

(i) The assets of the Issue Department shall consist of—
(a) sterling balances;
(b) sterling Treasury Bills of the Government of the United Kingdom of Great Britain and Northern Ireland;
(c) sterling securities of or guaranteed by the Government of the United Kingdom of Great Britain and Northern Ireland, provided that not more than 70 per cent of the total assets shall be so held and the securities in question shall be of a maturity not exceeding five years. But it shall be permissible, at the discretion of the Board, as part of that proportion of 70 per cent, for securities of a maturity not exceeding 15 years to be held provided that such securities do not exceed 20 per cent of the total assets of the Issue Department.
(d) securities issued or guaranteed by other Governments subject to the prior consent of the competent authorities of the Foreign Governments.
(e) foreign exchange balances other than pound sterling. Provided that the assets mentioned in (d) and (e) shall not exceed 25 per cent of the assets of the Issue Department.

(ii) The assets of the Issue Department shall be available to meet only the liabilities of the Issue Department as defined in Section (iii) of this Article, and any annual distribution under Section (iv) of this Article.

(iii) The liabilities of the Issue Department shall be an amount equal to the total of the amount of bank notes and coin for the time being in circulation.

(iv) At the end of each financial year and after providing for all contingencies, including a sufficient reserve against the depreciation of the assets and provision for exceptional expenditure, any excess of assets over the liabilities of the Issue Department shall be distributed as to 80 per cent to the Government and 20 per cent to the general revenue of the Bank.

ARTICLE 30.

(i) The standard of currency in Libya shall be the Libyan pound, which shall be divided into one hundred piastres and each piastre into ten milliemes.

(ii) Every contract, sale, payment, bill, note, instrument and security for money, and every transaction, dealing, matter and thing whatsoever relating to money or involving the payment of, or the liability to pay, any money shall, in the absence of expressed agreement to the contrary by the authorities concerned, be deemed to be made, executed, entered into, done and had in Libya according to the standard of currency established by this Law.

ARTICLE 31.

(i) Bank notes issued by the Bank shall be of the following denominations, namely, ten Libyan pounds, five Libyan pounds, one Libyan pound, half
a Libyan pound, quarter of a Libyan pound, ten Libyan piastres and five Libyan piastres.

(ii) Coins issued by the Bank shall be of the following denominations, namely, two Libyan piastres, one Libyan piastre, five Libyan milliemes, two Libyan milliemes and one Libyan millieme.

(iii) Bank notes and coin issued by the Bank shall be of such forms and bear such devices and shall be authenticated in such manner as shall be determined by the Government on the recommendation of the Bank.

(iv) The standard weight and composition of coins issued by the Bank and the amount of remould and variation in the composition shall be determined by the Government on the recommendation of the Bank.

ARTICLE 32.

Bank notes issued by the Bank shall be legal tender in Libya. The Bank shall have power on giving not less than three months' notice in the Official Gazette to call in any bank notes on payment of the face value thereof and any such notes with respect to which a notice has been given under this Article shall, on the expiration of the notice, cease to be legal tender.

ARTICLE 33.

No person shall be entitled to recover from the Bank the value of any lost, stolen, mutilated or imperfect bank note. The circumstances in which and the conditions and limitations subject to which, the value of lost, stolen, mutilated or imperfect bank notes may be refunded at its discretion shall be within the absolute discretion of the Bank.

ARTICLE 34.

All bank notes redeemed or accepted for exchange by the Issue Department shall, if not in a condition suitable for re-issue, be cancelled and destroyed in accordance with such procedure as the Board may prescribe.

ARTICLE 35.

(i) Coins issued by the Bank shall be legal tender in Libya up to a value of one pound. Coins shall be accepted by all Treasury Offices in Libya without limitation of amount.

(ii) Each coin shall be legal tender for the amount of its nominal value provided that such coin has not been illegally dealt with as defined in Section (iv) of this Article.

(iii) The Bank shall have power, on giving not less than three months' notice in the Official Gazette, to call in any coin on payment of the face value thereof and any such coin in respect of which a notice has been given under this Section shall, on the expiration of the notice cease to be legal tender.

(iv) A coin shall be deemed to have been illegally dealt with if the coin has been impaired, diminished or lightened, otherwise than by fair wear and tear, or has been defaced by stamping, engraving or piété, whether the coin has or has not been thereby diminished or lightened.

(v) Any note or any worn coin or coin which has ceased to be legal tende
or which has been illegally dealt with may be called in, cut, broken
or destroyed under conditions to be laid down by the Bank.

**ARTICLE 36.**

Without prejudice to any legislation existing at any time pertaining to ex-
change controls, the Bank shall on demand issue bank notes and coins at its
joint chief offices in Benghazi and Tripoli, against prepayment in sterling in
London. Such issue shall be at the rate of one Libyan pound for one pound ster-
ling; provided that the Bank may charge a commission not exceeding one per cent.
The Bank shall publish in the Official Gazette the rate of commission together with
the minimum amount for such transactions.

**ARTICLE 37.**

(i) Without prejudice to any legislation existing at any time pertaining to ex-
change controls, the Bank shall receive at its joint chief offices in
Benghazi and Tripoli bank notes and coins tendered to it and issue,
when required in exchange for them, telegraphic transfers payable
in sterling in London at a rate of one pound sterling for one Libyan
pound; provided that the Bank may charge a commission not ex-
ceeding one per cent. The Bank shall publish in the Official Gazette
the rate of commission together with the minimum amount for such
transactions.

(ii) The amount required for the redemption of notes and coin under Sec-
tion (i) of this Article shall be provided in the first place from the
monies and securities in the hands of the Issue Department. Should
this prove to be insufficient, the balance required shall be a charge
on the general revenues of the Government.

**PART VII.**

**RELATIONS WITH THE BANKS**

**ARTICLE 38.**

(i) It shall be the duty of the Bank to facilitate the clearing of cheques
and other credit instruments for the banks operating in Libya
under the Banking Law. For this purpose and when the Bank has
started operations, the Bank shall at an appropriate time and in con-
junction with the Banks operating in Libya under the Banking Law
organise a Clearing House or Clearing Houses in such place or places
where the number of banks would justify the provision of clearing
facilities. Each Clearing House shall be controlled by a Manager appoint-
ed by the banks forming the clearing. His first duty shall be
to those banks and he shall be responsible for the secrecy of the totals
of individual banks’ claims on one another. The Manager shall be
responsible further for sending to the Bank at monthly intervals as
soon as practicable after the last business day of each month, a return
showing the aggregate amount of cheques and other credit instruments
which have been dealt with in the Clearing House for which he is responsible during the preceding month. Such return or an aggregation of such returns, if there is more than one Clearing House, shall be published in the Official Gazette and shall also be made available to the other banks who are members of the Clearing House or Clearing Houses as soon as practicable after the return has been compiled.

The number of returns to be compiled shall be according to the number of the Clearing Houses, and shall be subject to the same provisions.

(ii) On the initial setting-up of any Clearing House, the member banks shall meet under the chairmanship of the Bank to make rules for the procedure to be followed and the safeguarding of the records of each day’s transactions; and also to provide for the remuneration of the Manager and any other necessary staff. It shall be the duty of the Bank to provide suitable premises at a reasonable rent for the operation of a Clearing House if the Bank has an office at the place concerned. Such rent shall be a charge on all the members of a Clearing House in such proportions as may be agreed between them.

(iii) The returns submitted monthly under the Banking Law by the banks subject to that Law, shall be collated by the Bank, and the Bank shall publish in the Official Gazette as soon as practicable after the last business day of each month a consolidated return as provided in that Law.

(iv) The Bank, in its banking operations, shall at all times have regard to the general welfare of the community and shall also have a duty to ensure that the public enjoy reasonable banking services. To this end it shall, so far as necessary, co-operate with and seek the co-operation of those banks operating in Libya under the Banking Law. The Bank shall conduct its operations prudently and shall at all times set the highest standards for the conduct of banking business.

PART VIII

RELATIONS WITH THE GOVERNMENT

ARTICLE 39.

The Government and the Provincial Administrations shall entrust the Bank with all their remittances, exchange and banking transactions both at home and abroad. The banking accounts and balances of the Government and of the Provincial Administrations and, when practicable, the accounts of Government and Provincial undertakings and Judicial balances, shall be kept at the Bank.

ARTICLE 40.

The Bank may make temporary advances to the Government in respect of a temporary deficiency of budget revenue. The amount of such advances shall not exceed 10 per cent of the total revenue approved by Parliament in the Budget Law of the year. Every advance made under this Article shall be repayable by the end of the Government’s financial year in which it is made, and if any such advance remains unrepaid after that date, the power of the Bank to make further such advances in any subsequent year shall not be exercisable unless and until the amounts due have been repaid.
ARTICLE 41.

The Bank shall open General Cash Accounts for the Government and Provincial Treasuries to which all revenues of whatever kind and all advances made to the Government shall be credited and shall make payments or transfers to subsidiary accounts from this account on an order of the Treasury concerned countersigned by or on behalf of the Auditor-General or the Director of Audit as the case may be.

ARTICLE 42.

The Bank shall receive and disburse Government monies and the monies of the Provincial Administrations and keep accounts thereof without remuneration for such services. No interest shall be paid by the Bank on amounts deposited in Government and Provincial Administration accounts.

ARTICLE 43.

In localities where the Bank has no branch, the Bank may appoint another bank to act as its agent for the collection and payment of Government or Provincial Administration funds, but all monies collected in this manner shall be remitted immediately to the Bank for the credit of the General Cash Account of the Treasury concerned.

ARTICLE 44.

The Bank shall be entrusted with the issue and management of all internal publicly-issued Federal Government loans upon such terms and conditions as may be agreed between the Government and the Bank.

PART IX

ACCOUNTS AND STATEMENTS

ARTICLE 45.

The financial year of the Bank shall end on 31st March.

ARTICLE 46.

The accounts of the Bank shall be audited by auditors approved by the Minister.

ARTICLE 47.

The Bank shall forthwith after the fifteenth day and last day of each month make up and publish a return of its assets and liabilities as at the close of business on such days respectively; or, if either of these days is a holiday, then at the close of business of the last business day preceding those days. A copy of these returns shall be transmitted to the Minister.
ARTICLE 48.

The Bank shall, within two months from the close of its financial year, transmit to the Minister a copy of the annual accounts certified by the auditors, together with a report by the Board on the working of the Bank throughout the year, and the Minister shall cause such accounts and report to be published in the Official Gazette.

PART X

WINDING-UP OF THE BANK

ARTICLE 49.

The Bank shall not at any time be wound up except in accordance with an Act of Parliament.

PART XI - TRANSITORY PROVISIONS

ARTICLE 50.

As from a date to be agreed between the Government and the Libyan Currency Commission and announced by the Government, the Bank shall assume the currency liabilities of the Libyan Currency Commission as at the close of business on the previous day; the liabilities of the Libyan Currency Commission for currency notes and coin in circulation shall be deemed to be liabilities of the Bank and such currency notes and coin shall be regarded for all purposes as if they were bank notes issued by the Bank under the provisions of this Law.

ART. 51.

(i) As on the agreed date specified in Article 50 the Bank shall take over all stocks of unsold currency notes and coin, and all uncancelled plates and dies used for the production of notes and coin.

(ii) The Libyan Currency Commission on that day shall transfer to the Bank sterling assets of an amount equivalent to the currency liabilities assumed. Should the assets of the Libyan Currency Commission, after allowing for outstanding commitments, be insufficient, the Government shall be responsible for making up the deficiency.

(iii) Any surplus of assets held by the Libyan Currency Commission after settling all outstanding commitments shall be transferred to the Government.

(iv) In making the transfer under Section (ii) of this Article, sterling securities shall be transferred at the mean market price in London on the day of the transfer.

(v) The Libyan Currency Commission Law Number 4 of 1951 as amended by the Decree dated 4th March, 1952, is repealed as from the date fixed in accordance with Article 50, excepting the provisions which enable the Libyan Currency Commission to meet all its existing liabilities. The Libyan Currency Commission will be dissolved as soon as it has met its liabilities.
ARTICLE 52.

The Minister shall be responsible for the execution of this Law which shall come into force on publication in the Official Gazette; except that the provisions of Parts V to X shall come into force on a date to be determined by decision of the Council of Ministers. Such decision shall be taken within a period of one year from the date of publication of this Law in the Official Gazette.

IDRIS

Given at Tebruz on 4th Ramadan 1374, H.
Corresponding to 26th April 1954, G.

By order of the King

MUSTAPA BEN HALIM
Prime Minister

ALY NUR-EDDIN ANEIZI
Minister of Finance
Appendix 7: The Libyan branches of Barclays bank DCO audit report produced in 1968 and Signed by two foreign accounting firms and the consolidated balance sheet.
The Local Director,
Barclays Bank D.C.O.,
Tripoli, Libya.

19th November, 1968.

Dear Sir,

In accordance with the requirements of Article 63 of the Libyan Bank Law No. 4 of 1963, we offer the following supplementary report on our examination of the consolidated accounts at 30th September, 1968, of the Libyan Branches of Barclays Bank D.C.O. Nothing in this supplementary report is to be construed as modifying our formal report dated 19th November, 1968, on those accounts.

Scope of examination

In the course of our examination we carried out such tests of the accounting records and such other auditing procedures as, on the basis of our professional judgement and experience, we considered necessary in order to satisfy ourselves as to the existence and fair presentation of the assets and liabilities of the local Head Office and branches of Barclays Bank D.C.O., in Libya. Our work included the following audit procedures:

1. Physical counts of cash, unclaimed effects and bills on hand at all branches visited.
2. Direct confirmation of bills held by third parties.
3. Confirmation of selected balances due to the bank and due by the bank by means of direct correspondence with the debtors and creditors concerned.
4. Comparison on a test basis of customers' savings account passbooks with the accounting records.
5. Physical examination of selected fixed assets and inspection of the local land and property register.
6. Test checks of transactions recorded in the accounting records with contracts and other documentary evidence.
Valuation of assets and assessment of outstanding obligations

Fixed assets are stated at net book amounts. Bank notes and other negotiable instruments are stated at their face value, translated where necessary into Libyan pounds at the exchange rates prevailing at the balance sheet date. All other assets and liabilities are stated at the actual amounts owing to or by the bank.

Compliance with Libyan Bank Law No. 4 of 1963

The bank has applied for a licence under Article 51 of the Law but has not yet received confirmation that its application has been accepted.

We noted some cases in which the bank had granted credit facilities in excess of the limits prescribed by paragraph (3) of Article 62 of the Bank Law. So far as we could ascertain from documents retained on the Bank's files, these cases have all been reported to the Bank of Libya on Form BCD8.

Apart from the matters reported above, nothing came to our attention which would indicate that the bank has not complied with the requirements of the Law.

Yours faithfully,

Price Waterhouse & Co.

Whitney, Murray & Co.
CONSOLIDATED BALANCE SHEET AT

Libyan Pounds

CAPITAL AND RESERVES
Capital remitted from Head Office 500,000
Reserves remitted from Head Office (In terms of Articles 54 and 59 of Law No. 4 of 1963) 300,000
1,000,000

OPERATING RESULTS FOR THE YEAR - before provisions and expenses detailed 567,516
In Note 2

PROVISION FOR DOUBTFUL DEBTS - 58,076

CURRENT, DEPOSIT AND OTHER ACCOUNTS
Current accounts 13,311,265
Deposit accounts 2,660,439
Savings accounts 1,699,850
17,630,554

LIABILITY ON ACCEPTANCES, CREDITS, GUARANTEES AND INDEMNITIES 11,699,801

OTHER LIABILITIES AND CREDIT BALANCES
Bills payable 410,333
Cash margains 1,000,804
Office accounts 116,701
Other 177,228 1,707,066

NOTES:
1. The balance sheet and statement of operating results, which are expressed in Libyan pounds, represent a Barclays Bank D.C.O. in Libya. Individual branches do not maintain separate current accounts with other branches. Items in transit at the financial year-end are reflected in the balance on London Head Office accounts.

2. The following provisions and expenses are accounted for in the books of London Head Office and are not included in the consolidated accounts:
(a) Provision for Libyan and/or United Kingdom income taxes.
(b) Proportion of Head Office expenses attributable to the operations in Libya.
(c) Contributions to the Barclays Bank D.C.O. pension fund.

EL 32,663,013

In our opinion the above consolidated balance sheet and the annexed consolidated statement of operations reflect the state of affairs of the local Head Office and branches of Barclays Bank D.C.O. in Libya at 30th September


Price Waterhouse & Co.
# Balance Sheet at 30th September, 1968

<table>
<thead>
<tr>
<th>Description</th>
<th>Libyan Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH IN HAND AND BALANCES WITH BANKS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>Local currency</td>
<td>407,586</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>19,991</td>
</tr>
<tr>
<td>Unclaimed effects</td>
<td>43,688</td>
</tr>
<tr>
<td>Balances with Bank of Libya</td>
<td>6,000,461</td>
</tr>
<tr>
<td>Bills discounted</td>
<td>1,156,291</td>
</tr>
<tr>
<td>Bills negotiated</td>
<td>3,846</td>
</tr>
<tr>
<td>Bills receivable</td>
<td>59,468</td>
</tr>
<tr>
<td><strong>ADVANCES TO CUSTOMERS</strong></td>
<td></td>
</tr>
<tr>
<td>Customers' Liability on Acceptances, Credits, Guarantees, and Indemnities</td>
<td></td>
</tr>
<tr>
<td><strong>PREPAYMENTS AND SUNDARY DEBIT BALANCES</strong></td>
<td></td>
</tr>
<tr>
<td>London Head Office Account - Note 1</td>
<td></td>
</tr>
<tr>
<td>Items in transit between Libyan branches - net</td>
<td>449,533</td>
</tr>
<tr>
<td>Other items</td>
<td>450,437</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>At cost less depreciation and amounts written off</td>
<td>232,421</td>
</tr>
</tbody>
</table>

The above figures, in pounds, represent a consolidation of the accounts at 30th September, 1968, of the Local Head Office and branches of accounts with other branches but pass all inter-branch transactions over the London Head Office account. Accordingly, London Head Office account.

Local Office are not reflected in the accounts prepared by the Libyan branches.

**Report of the Auditors**

The audited statement of operating results, read in conjunction with the notes on the balance sheet give a true and fair view of Libya at 30th September, 1968, and of their operating results for the year ended on that date.

Local Director

Whinney, Murray & Co.
# Consolidated Statement of Operating Results for

**Expenditure**

<table>
<thead>
<tr>
<th>Description</th>
<th>Libyan Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>139,959</td>
</tr>
<tr>
<td>Salaries, wages and allowances</td>
<td>568,417</td>
</tr>
<tr>
<td>Office and general expenses</td>
<td>219,639</td>
</tr>
<tr>
<td>Depreciation and amounts written off fixed assets</td>
<td>24,119</td>
</tr>
<tr>
<td><strong>Excess of income over expenditure for the year - Note 2</strong></td>
<td>567,516</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,519,650</strong></td>
</tr>
<tr>
<td></td>
<td>Libyan Pounds</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Interest earned</td>
<td>954,273</td>
</tr>
<tr>
<td>Commission</td>
<td>151,871</td>
</tr>
<tr>
<td>Exchange - net</td>
<td>343,077</td>
</tr>
<tr>
<td>Discount</td>
<td>70,429</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£1,519,650</strong></td>
</tr>
</tbody>
</table>
Invitation Letter

**Study Title:** An examination of the emergence and the development of professional accountancy in developing countries: the case of Libya.

**REC Ref No:** .................................

Dear Potential participant

My name is Anis Zras, and I am currently conducting research on the emergence and the development of professional accountancy in Libya. As a possible key contributor to this research I would like to invite you to participate in the research study. More information of the nature of the research is provided in the enclosed information sheet.

I will be undertaking a series of semi-structured interviews. These involve a series of questions being asked of the interviewees, which may be changed or modified from one interview to another depending on the response of the interviewees. All the questions will be related to accounting aspects in Libya (i.e. accounting history, accounting practices and accounting education).

Taking part in the research is voluntary so you may withdraw your consent at any point prior to the data being analysed.

Please contact me if you are interested in taking part in this research via email or phone. Participants are under no obligation to participate, and there will be no negative consequences if they withdraw.

Finally, I would thank you for your time to read this letter.

Please feel free to contact me if you have any further questions.

Yours sincerely,

Anis Zras
Participant Information Sheet

Study Title: An examination of the emergence and the development of professional accountancy in developing countries: the case of Libya.

REC Ref No: .................................................................

I would like to invite you to take part in my research study; but before deciding, I would like you to understand why this research is being done and how you can play a part in it. Please feel free to discuss this with friends or family if you wish and please contact me if there are any points that are not clear.

What is the purpose of this research?

This research seeks to examine the emergence and the development of professional accountancy in Libya, and the importance of this thesis can be justified as follows:

Firstly, this research provides an analytical historical account of the major events in the emergence and the development of professional accountancy in Libya. Therefore, the primary aim of this research is to have a better understanding of the emergence, and the development of professional accountancy in Libya, by illustrating its origin, and examine the factors which contribute to nurture of an accountancy profession in Libya. That will include an investigation of the impact of colonisation periods on the accounting aspects and practices in Libya, and how the profession developed during the early stages after the independence. Thus, this study contributes to the growing literature and attempts to understand the function of the accountancy profession in other developing country. It provides evidence on how the accountancy profession emerged in Libya, a topic that has not been addressed before.
The secondary aim of the research is to investigate the conditions of possibility which lead towards the emergence of an accountancy profession in Libya by bringing together historical events which have not yet been brought together. Actually, a little is known regarding the history of accountancy profession which subsequently led to have an inconsistency in current knowledge regarding the professionalization process in Libya. This research can contribute to enhance our understanding of how other counties have established and developed their own accountancy profession within its political and socio-economic environment.

**Why have I been invited?**

You are identified as possible key contributor in the present research. I will be interviewing Libyan experts in accounting field such as practitioners of accounting, lecturers in accounting departments, a member of the committee of the Libyan Association of Accounting and Auditors (LAAA) and the a legal advisor in Tax Authority.

**Do I have to take part?**

Participation in this research is purely voluntary and you may withdraw at any stage prior to the data being analysed. Participants are under no obligation to participate and there will be no negative consequences if they withdraw. If you agree to take part, I will then ask you to sign a consent form.

If you have medical / professional conditions and feel you will not be a suitable participant then please do not accept this invitation.

**What will happen to me if I take part?**

You will take part in an interview to express entirely your personal experience and views on this subject matter. A list of questions will be asked to the interviewees, and the questions might be changed or modified from one interview to another depending on the response of the interviewees. The interviews will be audio recorded, and the interviews might take up to an hour. Researcher may request extra time to discuss more issues if required.

The consent form emphasises that the information might be shared with people for academic purposes. Collected data (recorded interviews) will be transferred to a Computer and all computer files will be password-protected and the recorded interviews will be immediately erased from the recording device. The consent form will also include that the information collected from the interviews are securely saved for several years as it might be needed for future publications. As soon as the research and the publications are done all data collected will be erased.

None of the published result will identify you or any other participant by name and none of the response you provide will be reported in a form that can be used to identify you.
Nevertheless, in some cases where anonymity cannot be guaranteed, a subsequent approval for the interview transcript will be obtained as a safeguard.

**Expenses and payments**

The interview will be taken at your convenient place and time. I am afraid I can offer no expenses; however, to ensure there are no financial costs for you (I will be happy to offer tea/snacks during the interviews).

**What will I have to do?**

If you decide to accept this invitation and return the consent form, the researcher will meet you at your convenient time and during the meeting, you will be asked questions relating to the subject matter.

The interview will be carried out in a quiet environment for recording purposes. There will not be any physical activities expected besides responding to the questions.

In total, you will be requested approximately an hour of your time.

At all stages where you are participating, you will be provided with all the information. Nevertheless, in some cases where anonymity cannot be guaranteed a subsequent approval for the interview transcript will be obtained as a safeguard.

**What are the possible disadvantages and risks of taking part?**

There are no risks of taking part in this research, and you will not be directly quoted, so your anonymity will be assured in the final report. However, in some few cases where anonymity cannot be guaranteed a subsequent approval for the interview transcript will be obtained as a precautionary measure.

**What are the possible benefits of taking part?**

The possible benefits of this research would provide a full understanding of the emergence, and the development of professional accountancy in Libya, by illustrating its origin, and the factors which contributed to the materialization of an accountancy profession at the first place in Libya., and also illustrate the conditions of possibility which lead towards the emergence of an accountancy profession in Libya by bringing together historical events which have not yet been brought together. The outcomes of this research are promising as it might enhance the status of the professional accountancy in developing countries by pointing out problems and providing suggestions to resolve those issues, and you as a participant might contribute to the research by sharing your knowledge and expertise in the subject matter.
Will my participation be kept confidential?

Your input into the research will be kept confidential. Recorded information will be kept in password-protected folders of the researcher’s computer. Consent form would emphasise that the information might be shared with people for academic purposes. Collected data (recorded interviews) will be transferred to a Computer and all computer files will be password-protected, the recorded interviews will be immediately erased from the recording device. The consent form stipulates that the information collected from the interviews will be securely saved for several years as it might be needed for future publications. Once the research and the publications are completed all data collected will be erased. I will be the custodian of all information and documentation and kept locked all the time.

What will happen if I don’t want to carry on with this study?

When you give your consent, it is understood that your circumstances may change that you may no longer carry on with the study. You may withdraw your consent to participate at any time prior to the time of results being analysed. You will not be compelled to give a reason for leaving. On leaving the study, all the information you have provided will be deleted.

What if there is a problem?

If you have a concern about any aspect of this study, you should speak to the researcher; Anis Zras (+44 7717462545 / anis.zras@port.ac.uk) or my supervisor professor Lisa Jack (+44239284 4136/ lisa.jack@port.ac.uk) who will do their best to answer your questions. If you remain unhappy and wish to complain formally, you can contact Dr. Judy Rich, Faculty Research Degree Coordinator (+44 239284 4048 / judy.rich@port.ac.uk).

What will happen to the results of the research study?

The results of the study will be published in a PhD thesis and available at the University library. It is also hoped that the results will produce a journal article, which again, will be available via the library electronic resources. You will not be identifiable from the results in either document. Nevertheless, in some cases where anonymity cannot be guaranteed a subsequent approval for the interview transcript will be obtained as a safeguard. Once the research and the publications are done all data collected will be deleted.
**Who has reviewed this study?**

Research in the University is looked at by an independent group of people, called Research Ethics Committee, to protect your interests. This study has been reviewed and given a favourable opinion by the Portsmouth Business School Research Ethics Committee under reference number: E219.

**Further information and contact details**

If you would like to know the further details of research in the University, please follow the following link to the University of Portsmouth research website;

http://www.port.ac.uk/research/

If you would like details on the research carried out in the Portsmouth Business School, please follow the following link to the Portsmouth Business School research website;

http://www.port.ac.uk/departments/faculties/portsmouthbusinessschool/research/

If you would like any further information about this project, please contact the researcher;

Anis Zras

**Tel:** +442392848504  **Email:** anis.zras@port.ac.uk

Thank you for taking the time to read this rather lengthy document. Hopefully it has answered all of your questions, but if not please get in touch. Whether you decide to participate in this study or not, I wish you all the best in your professional / personal level.

**Researcher:**

Anis Zras PhD Student, Portsmouth Business School, Richmond Building, Accounting and Financial Management, Portland Street Portsmouth, PO1 3DE, Tel: +442392848504 Email: anis.zras@port.ac.uk.

**Supervisory team addresses:**

**First supervisor:** Professor Lisa Jack Accounting and Financial Management Portsmouth Business School Richmond Building, Portland Street Portsmouth, PO1 3DE, Telephone: +4423 9284 4136 Email: lisa.jack@port.ac.uk.

**Second supervisor:** Professor Barry Smart Professor of Sociology, SSHLS, Milldam, Burnaby Road, Portsmouth, HANTS., PO1 3AS. Email: barry.smart@port.ac.uk.
Consent Form

Study Title: An examination of the emergence and the development of professional accountancy in developing countries: the case of Libya.

REC Ref No: ...........................................

Name of Researcher: Anis Zras

I confirm that I have read and understood the information sheet dated xx/xx/2013 for the above study. I have had opportunity to consider the information, ask questions and have these answered satisfactorily.

I understand my participation is voluntary and that I am free to withdraw at any time without giving any reason, up to the point where the data is being analysed.

I agree that the interview will be audio recorded.

I agree to take part in the above study.
I agree that the information can be shared with authorised people for academic purposes.

I agree that the information collected from the interviews to be securely saved for several years to be used for future publications.

I agree that I do not need a prior approval from my organisation to participate in this research.

Name of Participants: ..................................................................................................

Signature: .......................................... Date: ......................................................

Name of person taking consent: ................................................................................

Signature: .......................................... Date: ......................................................

(When completed, one copy to be retained by participant; 1 copy for researcher’s file)

Note:

Confidentiality will be maintained. However, for identifiable participants a consent approval for the interview transcript will be obtained; as they need to know that it is hard to guarantee anonymity in their case (pseudonyms or other identifiers will be used throughout the research).
Fwd: Ethical Review application

Sent from my iPhone

BEGIN forwarded message:

From: Sharman Rogers <shorman.rogers@port.ac.uk>
Date: 7 May 2013 11:26:58 BST
To: Aris Zras <ariz.zras@port.ac.uk>
Cc: Lisa Jack <lisa.jack@port.ac.uk>
Subject: Fwd: Ethical Review application

ETHICS REVIEW APPLICATION REF E219

Dear Aris

Ethics Committee has now approved your application ref E219. There are, however, comments attached to the invitation form.

Best wishes,

Sharman

On 2 May 2013 11:37, Sharman Rogers <shorman.rogers@port.ac.uk> wrote:

Dear Rogers

I hope this email finds you well. I have made the suggested amendments to the ethical applications and also I attached the consent forms, invitation letter and the participant information sheet.

Best regards,
**FORM UPR16**  
Research Ethics Review Checklist

Please include this completed form as an appendix to your thesis (see the Postgraduate Research Student Handbook for more information)

<table>
<thead>
<tr>
<th>Postgraduate Research Student (PGRS) Information</th>
<th>Student ID:</th>
<th>514698</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidate Name:</td>
<td>Anis Zras</td>
<td></td>
</tr>
<tr>
<td>Department:</td>
<td>ACCFM</td>
<td></td>
</tr>
<tr>
<td>First Supervisor:</td>
<td>Professor Lisa Jack</td>
<td></td>
</tr>
<tr>
<td>Start Date:</td>
<td>Feb 2011</td>
<td></td>
</tr>
<tr>
<td>(or progression date for Prof Doc students)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Study Mode and Route:                           |             |        |
| Part-time                                      | ✔️          |        |
| Full-time                                      |             |        |
| MPhil                                          |             |        |
| MD                                             |             |        |
| PhD                                            |             |        |
| Integrated Doctorate (NewRoute)                |             |        |
| Prof Doc (PD)                                  |             |        |

| Title of Thesis:                                |             |        |
| An Examination of the Emergence and the Development of Professional Accountancy in Developing Countries: the Case of Libya | |

| Thesis Word Count:                              |             |        |
| (excluding ancillary data)                      | 78,118 words|        |

If you are unsure about any of the following, please contact the local representative on your Faculty Ethics Committee for advice. Please note that it is your responsibility to follow the University’s Ethics Policy and any relevant University, academic or professional guidelines in the conduct of your study. Although the Ethics Committee may have given your study a favourable opinion, the final responsibility for the ethical conduct of this work lies with the researcher(s).

**UKRIO Finished Research Checklist:**  
(If you would like to know more about the checklist, please see your Faculty or Departmental Ethics Committee rep or see the online version of the full checklist at: [http://www.ukrio.org/what-we-do/code-of-practice-for-research/](http://www.ukrio.org/what-we-do/code-of-practice-for-research/))

<p>| Have all of your research and findings been reported accurately, honestly and within a reasonable time frame? | YES |
| Have all contributions to knowledge been acknowledged? | YES |</p>
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you complied with all agreements relating to intellectual property, publication and authorship?</td>
<td>YES</td>
</tr>
<tr>
<td>Has your research data been retained in a secure and accessible form and will it remain so for the required duration?</td>
<td>YES</td>
</tr>
<tr>
<td>Does your research comply with all legal, ethical, and contractual requirements?</td>
<td>YES</td>
</tr>
</tbody>
</table>

*Delete as appropriate

**Candidate Statement:**

I have considered the ethical dimensions of the above named research project, and have successfully obtained the necessary ethical approval and I am including a copy of an email from the Ethic Committee approving my application ref E219.

<table>
<thead>
<tr>
<th>Ethical review number(s) from Faculty Ethics Committee (or from NRES/SCREC):</th>
<th>E219</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signed:</td>
<td>Anis</td>
</tr>
<tr>
<td>(Student)</td>
<td></td>
</tr>
<tr>
<td>Date: 30/10/2015</td>
<td></td>
</tr>
</tbody>
</table>

If you have *not* submitted your work for ethical review, and/or you have answered ‘No’ to one or more of questions a) to e), please explain why this is so:

| Signed:                                                                      |      |
| (Student)                                                                    |      |
| Date:                                                                        |      |
Bibliography


362


Attir, M. O. and Al-Azzabi, K. (2002). The Libyan Jamahiriya: Country, People. Social and


British parliamentary paper. (1898). *Supplementary consular report on the state of trade and economic in Tripolitania No. 2125. 1898. Tripolitania.*

British parliamentary paper. (1900). *Consular report on the state of agriculture and farming and other natural resources in Tripolitania No. 327. Tripoli.*


Littleton, A. (1933). Accounting evolution to 1900. Retrieved from https://scholar.google.co.uk/scholar?hl=en&q=accounting+evolution+to+1900&btnG=&as_sdt=1%2C5&as_sdtp=#0


The Banking Proclamation No. 211, 22 Tripolitania Gazette (1950). Tripolitania: The British Administration.

The establishment of the administrative council in Tripolitania No. 600, 10 Tripolitania Gazette 83–85 (1950). Tripoli: The British Administration.


The Tax Law No. 21 (1968). Libya State.

The Tax Law No. 64 (1973). Libya State.


Toprak, Z. (2007). From Plurality to Unity: Codification and Jurisprudence in the Late Ottoman Empire. In Anna Frangoudaki & Çağlar Keyde (Ed.), Ways to Modernity In


380


Archival documents

The Barclays Group Archives: Document Ref: 17/842 Location: 16/06/04 local head office/regional office. File includes: early days in Tripoli by E Jequier photos of Tripoli branch (Barclays Bank dco) newspaper cuttings re Barclays in Tripoli during 1940S.

The Barclays Group Archives: Document Ref: 11/612 Location: 04/09/1 Location2 BOX 291 International departments. File includes: Tripoli business arrangement - possibilities of re-establishment of Italian banks and effect re: premises. Control of banks in Tripolitania. [see over]. g208 changeover of British admin to local Tripolitania govt. uncertainty 19 Jan 1950 to 1951 Sep 05.

The Barclays Group Archives: Document Ref: 80/3792 Location: 30/04/4 International departments. File includes: chairman's and deputy chairman's visits - west Africa, Libya and Malta, papers relating to a visit made by j s Crossley, Feb-Mar 1952 including correspondence exchanged with a c Barnes while on the trip; opening of keno branch; photographs of Crossley and the emir of keno Jul 1951 Mar 1952.


The Barclays Group Archives: Document Ref: 80/3841 Location: 30/04/5 International departments. File includes: statutory requirements - Tripoli papers relating to the registration formalities for the Tripoli branch April 1943 Jan1969

The Barclays Group Archives: Document Ref: 29/279, Location 22/02/5, Location 2 BOX 406. International departments. File includes: Mr Rodway's notes on visit to Libya & Malta with Sir E Machtig March 1955 report on visit; notes with cuttings & correspondence on visit 20 Dec 1954 to 31 Mar 1955.


383