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K J Sharp TD

Head of the  
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Clive Whitmore Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
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WM  
N.A. 46

Dear Whitmore

I understand that at a reception last week to launch the Business Opportunities Programme the Prime Minister asked the President of the Institute of Chartered Accountants in England and Wales why there were not more good accountants ... in the civil service. She may find the attached briefing note on the subject useful.

I am sending copies of this to Ian Bancroft, Robert Armstrong and Derek Rayner.

Yours sincerely  
K J Sharp

K J SHARP



## THE USE OF ACCOUNTANTS IN GOVERNMENT SERVICE

There are approximately 1,150 qualified members of the six recognised UK accountancy bodies employed in the Home Civil Service. Of these about 665 are the direct concern of the Head of the Government Accountancy Service (HGAS), the others (detailed in the annex) being employed in the external audit services or in specialist departmental functions. In addition some 530 civil servants are training for full professional qualification (235 in the GAS, and 295 in the external audit services).

2 For a long time, and particularly since the publication of the Fulton Report, there has been pressure on the civil service from Parliament, the profession and the informed press, to achieve better and wider use of accountancy skills. In November 1975, Mr K J Sharp, the immediate past-President of the Institute of Chartered Accountants in England and Wales, was appointed as the first HGAS with the principal task of improving the input of accountancy skills in Government by the creation of a strong Government Accountancy Service. (He is also Accountancy Adviser to the Secretary of State for Industry.)

### THE PROBLEM

3 The two main barriers to an increase in the accountancy input in Government were identified by Mr Sharp as:

- a) lack of commitment among officials to its achievement; and
- b) the separation of accountants between the Professional Accountant (PA) Class and the Administration Group, which frequently prevented the use of good accountants in areas such as finance traditionally reserved for administrators.

These combined to present the civil service as an unattractive career to many good accountants and did not encourage bright young civil servants to train to qualification as a route to career advancement.

### THE PROPOSED SOLUTION

4 The solutions to these problems are interlinked. Much of top management is now committed to developing the use of accountants. They have endorsed a major initiative to overcome the structural problem by bringing members of the PA Class together with accountants in the Admin Group to form a "functional specialism" within the Admin Group. Negotiations are proceeding with the trade unions concerned and a target date of July 1982 has been set for implementation.



5 While the combination of more positive personnel management and wider career opportunities which the structural changes will permit is seen as the most practical means of achieving a lasting increase in recruitment and retention of good accountants for the service, top level commitment will continue to be necessary to achieve the better use of accountancy skills. Large sections of middle management remain sceptical, largely due to insufficient understanding of the contribution which a good accountant can make. (Finance is still regarded by many as a low level function and accountants as bookkeepers.) This problem will only decline as senior managers allow more accountants to demonstrate their value in wider financial areas and as they devote a more substantial effort to training able young civil servants to professional qualification.

#### PROGRESS TO DATE

6 Although the necessary fundamental changes must await completion of the negotiations referred to above, progress within the existing framework has resulted in:

- 1) more accountants in the GAS, more widely dispersed through the Service;
- 2) more senior accountancy posts (typically at Assistant Secretary level);
- 3) more secondments between the GAS and the private sector - inwards providing expertise, outwards to gain experience;
- 4) a greater emphasis on accountancy training for good numerate civil servants (though more still is needed);
- 5) a greater degree of central management of accountants;
- 6) substantial support from the accountancy profession at large for the efforts of HGAS;
- 7) better dialogue between Whitehall and the profession.

#### NEXT STEPS

7 Continued recruitment of accountants from the private sector, though not easy, should be enhanced under the proposals. In a highly competitive market pay and conditions on entry are reasonably in line. The wider and more interesting career opportunities which will become available should, in part, compensate for an inability to compete with the potential rewards and speed of advancement open to the most able in the private sector. In the short term, the recession has produced a surplus of qualified accountants. It

/should ...



should now be possible to fill outstanding vacancies and the need, recently confirmed by the Comptroller and Auditor General's memorandum to provide trained auditors for internal audit functions within departments can be met if the service can quickly identify its requirements.

8 In the longer term it is likely that good accountants will continue to be a scarce resource in the service for some time. Inwards secondment and the use of consultants may be a necessary interim measure until the introduction of an attractive and worthwhile career structure. Over time this will create a position where, as in the private sector, a significant number of top level posts are held by accountants and their influence is pervasive throughout Whitehall. This process has started but will need sustained effort over a long period to carry it to a successful conclusion.

G A S

12 May 1981

## THE USE OF ACCOUNTANTS IN GOVERNMENT SERVICE: DETAILED STATISTICS

Number of Accountants Employed in the Service

Professional Accountant Class	384	Recruited as qualified accountants, and mainly employed in Government's dealings with industry and commerce, eg procurement, assistance to industry.
Administration Group Group	281	Mainly trained within the service and employed in line accounting posts in Trading Funds and other quasi-commercial activities.
Sub Total	665	The Government Accountancy Service
Exchequer and Audit Department	43	Out of an audit staff of about 650. E & AD now trains all its recruits to professional qualification.
District Audit Service	245	Out of an audit staff of about 350. DAS now trains all its recruits to professional qualification.
Dept of Trade Insolvency Service	54	Out of a professional staff of about 350. Accountancy training, but not full qualification, is a substantial part of the training for this group.
Inland Revenue Tax Inspectorate	140	Professional training in accountancy is not essential but is one means of entry to the Tax Inspectorate.
Sub Total	482	
Total	1147	

2 Government Accountancy Service Analysed by Grade

	<u>Total</u>	<u>PAClass</u>	<u>Admin</u>
Open Structure	2	2	-
Principal Director	1	1	-
Assistant Secretary	27	15	12
Senior Principal	51	26	25
Principal	165	105	60
SEO	285	218	67
HEO	111	17	94
EO	23		23
	665	384	281

3 Government Accountancy Service: the Main Employing Departments

	<u>Total</u>	<u>PAClass</u>	<u>Admin</u>
Defence	351	156	195
Industry	95	84	11
Inland Revenue	41	33	8
Environment/PSA	28	13	15
Scottish Office	21	15	6
MAFF/IBAP	18	17	1
CSD	16	6	10
HMSO	16	16	-
DHSS	14	7	7

4 The Accountancy Institutes

The six UK accountancy institutes, whose members are eligible for entry to the PA Class, are:-

- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in Ireland
- The Association of Certified Accountants
- The Institute of Cost and Management Accountants
- The Chartered Institute of Public Finance and Accountancy

These institutes act in association, through the Consultative Committee of Accountancy Bodies, in making representations to Government.

The GAS regards each of these institutes as having a contribution to make to Government Service and does not regard any as having special status.